Lancashire County
Pension Fund

Annual Report
2023/2024

www.lancashirecountypensionfund.org.uk

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Introduction

Welcome to the Annual Report of Lancashire County Pension Fund (the 'Fund') for the year ended 31st March 2024.

The Fund is part of the Local Government Pension Scheme (LGPS) and provides retirement benefits to employees working for public sector employers, as well as many other eligible employers, within Lancashire. There are more than 300 employers and 197,442 members in the Fund, which covers the county of Lancashire.

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

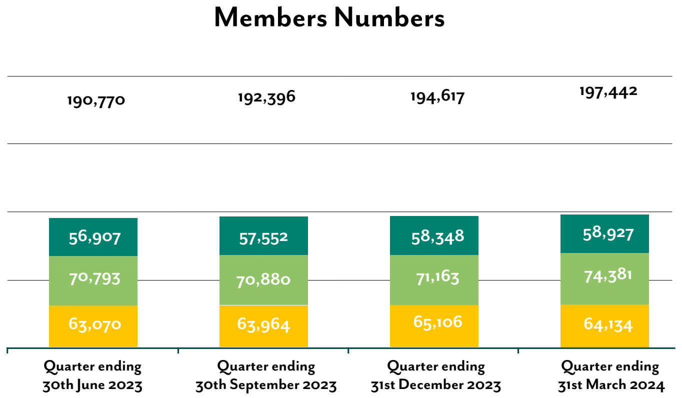
In this Annual Report, we will update you on the operations, governance, financials, and investment performance of the Fund throughout the year, as well as referencing future developments. Within the report you will find a report from me on the activity of the Pension Fund Committee during the year and you will hear from the Chair of the Local Pension Board.

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

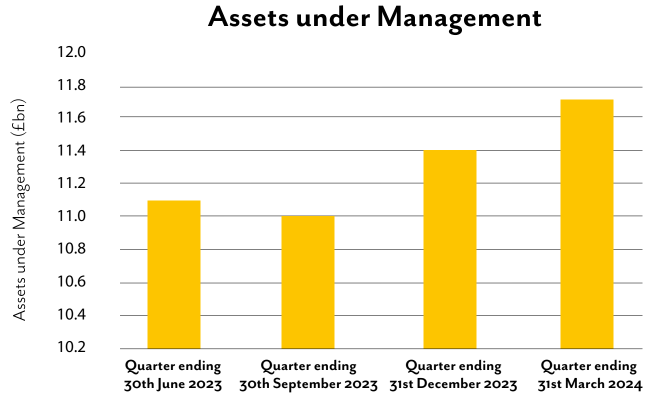
- Membership – the total number of members increased by 4% from 189,608 at the end of March 2023 to 197,442 at the end of March 2024.
- Investment – assets under management increased from £10.8bn at the end of March 2023 to £11.7bn at the end of March 2024.
- Funding level – continued with a healthy funding position.
- Fee savings – We have made estimated fee savings of £21m as a result of pooling arrangements during the year

County Councillor Eddie Pope
Chair of the Pension Fund Committee

Membership changes during the year



Change in Assets under Management during the year



Overall Fund Management

Administering Authority
Lancashire County Council

Fund Administrator
Local Pensions Partnership Administration Limited

Head of Fund
S Greene

Chief Executive
A Ridgwell

Executive Director of Resources and s151 Officer
M Wynn

External Auditor to the Fund
Grant Thornton UK LLP

Investment Pool
Local Pensions Partnership Investments Limited

Non-Pooled Investment Managers
Local Pensions Partnership Investments Limited
Knight Frank LLP
BNP Paribas

Actuary
Mercer Limited

Custodian to the Fund
Northern Trust

Independent Investment Advisors
A Devitt
M George

AVC providers
Prudential
Utmost Life and Pensions

Legal advisors
Capsticks LLP
Eversheds Sutherland LLP
Lancashire County Council

Independent property valuer
Avison Young Partnership

Performance measurement
Northern Trust

Governance and research consultants
Pension and Investment Research Consultants (PIRC)

Bankers
NatWest Bank plc
Santander UK plc
Svenska Handelsbanken

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Governance and Training

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

i. The Governance Compliance Statement. The Fund is legally required to produce this statement which outlines governance arrangements for the Fund.

ii. The Annual Report for the Pension Fund Committee

iii. The Annual Report for the Local Pension Board.

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

v. The training undertaken by members of the Pension Fund Committee and Local Pension Board

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

vii. Membership of professional bodies

i. Governance Compliance Statement

Introduction

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

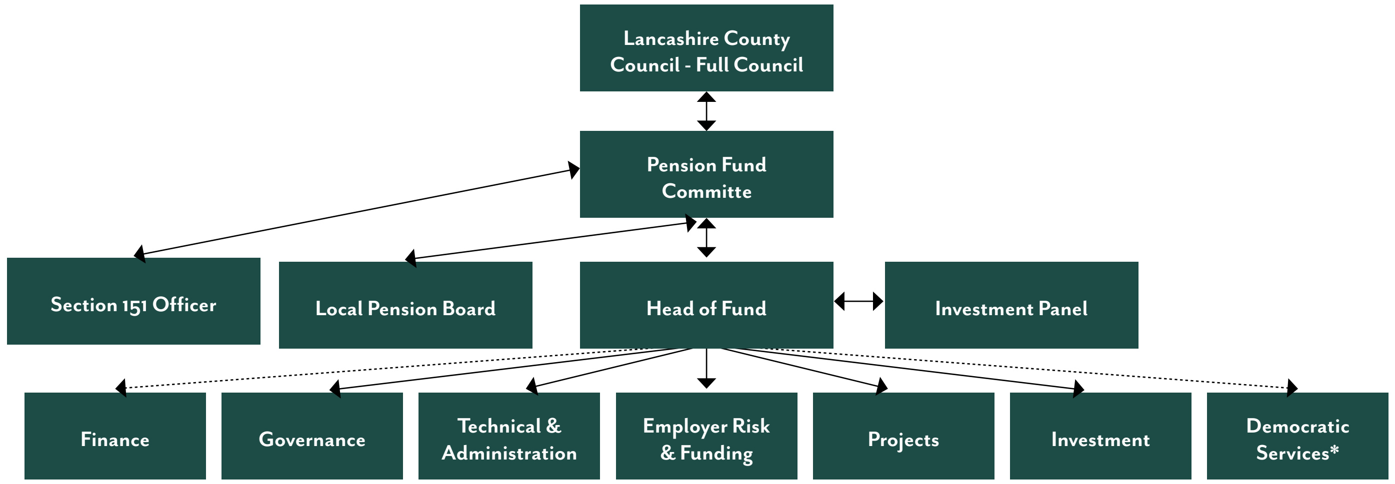
Lancashire County Pension Fund (the Fund) has its own specific governance arrangement and controls which sit within the overall governance framework of LCC.

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

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

Fund Governance

The governance structure of the Fund is as follows:



*This denotes that the Finance and Democratic Services Functions are part of the wider support to the Fund Team and do not directly report to the Head of Fund

The Pension Fund Committee

The Pension Fund Committee fulfils the role of 'Scheme Manager'[1], as set out in regulations, for the Fund which includes the administration of benefits and the strategic management of Fund investments and liabilities.

It is responsible for establishing, and monitoring progress on, the strategic objectives of the Fund through a Strategic Plan.

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

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

The Pension Fund Committee meets on a quarterly basis.

The Terms of Reference for the Pension Fund Committee can be found using the link below (page 34):

full-constitution-230524.pdf (lancashire.gov.uk)

The County Council has established two bodies to assist and support the Pension Fund Committee to oversee the Fund:

- The Investment Panel; and
- The Lancashire Local Pension Board.

The Investment Panel

The Investment Panel consists of the Head of the Fund and a minimum of two Independent Investment Advisers.

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

The Investment Panel meet on a quarterly basis or otherwise as necessary to review the Fund's long term investment strategy and monitor the construction and performance of the Fund.

The full Terms of Reference for the Investment Panel can be accessed by the link below (page 41)

full-constitution-230524.pdf (lancashire.gov.uk)

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

Lancashire Local Pension Board

As required by the Public Service Pensions Act 2013, the County Council as administering authority established the Local Pension Board to assist the Council in its role as Administering Authority in the good governance of the scheme by ensuring the Fund's compliance with legislation and statutory guidance. Part of the remit of the Board is:

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

The Terms of Reference for the Local Pension Board are available via the link below (page 48). full-constitution-230524.pdf (lancashire.gov.uk)

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

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

The Local Pension Board meet on a quarterly basis and review items specified in the Board's Workplan. The workplan is updated each year and approved by the Pension Fund Committee.

Knowledge and Skills

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

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

The Officers responsible for management of the Fund undertake regular training and seek appropriate guidance to ensure that the appropriate skills and knowledge are in place for the management and governance of the fund.

Officers

The Pension Fund Committee delegates specific functions to the Head of Fund/Senior Pensions Officer, the Director of Law and Governance/Monitoring Officer and Executive Director of Resources/Section 151 Officer.

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

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

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

Code of Conduct for Employees – Lancashire County Council

Accountability and Publication of Information

Details of Pension Fund Committee and Local Pension Board meetings, including agenda and minutes are publicly available via the County Council's Website.

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

The Fund's Annual Report and Accounts is published by 1st December each year and can be viewed on the Fund website at Publications – Pension Fund (lancashirecountypensionfund.org.uk/publications/)

Risk Management

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

- the Fund has a 'Risk Management Framework' policy which is reviewed periodically and sets out key risk areas and the risk management arrangements for managing all risks for the Fund;
- Risks are monitored and assessed on a quarterly basis and reported to the Pension Fund Committee and Local Pension Board at each quarterly meeting;
- Additional oversight is provided by the County Council's Audit, Risk & Governance Committee.

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

An update on Risk Management activity in the year is provided later in this section of the report.

Conflicts of Interest and Code of Conduct

The Fund has established a Conflicts of Interest policy that sets out its approach to identifying, monitoring, and managing conflicts of interest for members of the Local Pension Board.

In addition to the policy there is also Lancashire County Council Members and Co-Opted Members' Code of Conduct which all members of the Pension Fund Committee and Local Pension Board are required to adhere to.

Full details of the members and co-opted members code of conduct can be viewed by accessing the following link:
Code of Member Conduct – Lancashire County Council

Members of the Pensions Fund Committee and Local Pension Board are required to complete declarations of interest and a Register of Interests is maintained for County Councillors. The Declaration of Interests is also a standing agenda item at all meetings of both the Pension Fund Committee and the Local Pension Board. In addition, elected members are expected to follow the polices agreed by the Local Authority, including the relevant Councillor Code of Conduct.

LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

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

A. Structure	(a) the Management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council	√
	(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee (see Note 1)	Partial (see Note 1)
	(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	√
	(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Partial (see Note 2)
B. Representation	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (see Note 1) This includes: (i) employing authorities (including non scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) independent professional observers (see Note 2 and 3) (iv) expert advisers (on an ad hoc basis)	Partial (see Note 1 and 3)
C. Selection and Role of Lay Members	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political, or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times).	√
D. Voting	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	√
E. Training/Facility time/Expenses	(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	√
	(b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	√
F. Meetings – Frequency	(a) that an administering authority's main committee or committees meet at least quarterly.	√
	(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sit.	√
	(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented	√
G. Access	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	√
H. Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	√
I. Publicity	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	√

Notes - Reasons for partial compliance

1) Unitary councils, City/Borough Councils and further and higher education employers, are represented. Other admitted bodies only represent 16.6% of contributors to the Fund and are therefore not represented. However, all employers receive a full Annual Report and are alerted to important events. Although employee representatives, i.e., trade unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition, the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.

2) Members of the Investment Panel are in attendance at the Pension Fund Committee and recommendations are made to the Committee, as appropriate, as well as an update on investment performance.

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

ii. The Annual Report for Pension Fund Committee

Activity undertaken by the Pension Fund Committee ("the Committee") in 2023/24 has been extensive. We continue to work closely with members of the Local Pension Board (as detailed in the report below) as well as the Investment Panel, Fund Officers and service providers such as Local Pensions Partnership Limited (LPPL). Our staff and advisers work tirelessly to meet the requirements of the Fund and I thank them for their great efforts in an increasingly demanding market.

The Pension Fund Committee plays an important role in deciding the strategy and operation of the Fund. At each meeting of the Committee reports from the Officers are considered on operational aspects of the Pension Fund in addition to reviewing and approving strategic documents as and when required.

Our investments continued to perform well within the context of global economic developments and, as reported last year, valuation results indicated a healthy funding position. Membership of the Fund continued to evolve and overall, there are now 197,442 members of the Fund. Some of the highlights of the year are as follows.

- Following on from the actuarial valuation that took place in 2022/23, a review of the Fund's investment strategy was undertaken with recommendations provided by the Investment Panel and strategic advice received from Local Pensions Partnership Investments Limited;
- As the Fund has co-owned LPPL for a number of years, a review of the governance structure was undertaken resulting in an update to some aspects of the arrangement;
- Consideration of pooling within the broader Local Government Pension Scheme ('LGPS') sector took place in order to respond to the government consultation on investment pooling; and
- Work has continued on 'bedding in' the new pension administration system, Universal Pensions Management (UPM) and financial management system, Oracle Fusion in order to ensure that member experience is good.

Membership of the Committee

Each year the Committee membership is established as per the Terms of Reference. The membership is made up of 12 County Councilor's and 7 Co-opted members.

Each political party and organisation which the co-opted members represent are asked annually to ratify the continuing participation of each member of the committee or nominate a replacement.

Attendance of Committee Members at Meetings

The Committee has a cycle of 4 meetings each year. In addition, there was an extra meeting to discuss the governance project referred to above.

Training

The Committee members are expected to maintain their levels of knowledge and understanding through regular training.

Activities

A number of 'business as usual' activities were undertaken, including budgeting, administration, responsible investment, investment performance and risk. Many of these items are detailed elsewhere in the Annual Report.

At each meeting, the Committee monitored the ongoing budget of the Fund (noting actual spend against budget) and a surplus position was declared at the end of the 2023/24 year. Further detail on the budget is provided in the Financial Performance section.

Oversight and monitoring of performance of the administration service provided by our administration partner Local Pensions Partnership Administration Limited (LPPA) - was undertaken at each meeting in what was a challenging year for administration as 'bedding in' of the two systems mentioned above was required with LPPA and the employers participating in the Fund establishing new ways of working. Further detail is provided in the Local Pension Board report below and LPPA is now at the stage of undertaking work to enhance member experience. The Committee also considered other supplementary matters such as the Fund's breaches, complaints and overpayments.

At the start of 2023/24, the Committee approved the Strategic plan of the Fund. This is a vital exercise as it defined key objectives for the Fund during 2023/24 and drives the focus of Fund Officers, service providers and advisers across five thematic areas of governance, funding and investment, administration, communication and shareholder. The Fund has progressed significantly with many projects throughout the year that are referenced throughout the Annual Report.

A review of the investment strategy of the Fund was undertaken following the completion of the 2022 valuation. The backdrop to this review is that the Fund seeks to ensure that over the long term it will have sufficient assets to meet all pension payments as they fall due and this review was a significant activity for the Investment Panel and our investment pooling partner - LPPI - ahead of it being considered by the Committee. As the funding position of Fund was healthier than in prior years, the outcome of the review was a change to the strategy. More information on this is contained in the Investment and Funding. Alongside this work, the Treasury Management was reviewed in order to support the in Fund managing its cash to ensure that there is sufficient liquidity to pay its obligations, principally pensions.

Governance Activities

The Fund co-owns LPP Limited and its subsidiaries. A review of governance of this arrangement started in 2022/23 and continued in this year. This resulted in a change to the make up of the LPP Limited Board and updates to the arrangement that governs the relationship between the Shareholders (referred to as the Shareholder Agreement).

The Government consulted on pooling within the LGPS sector and the Committee approved the Fund's response. The Fund's response confirmed that pooling has been successful for the Fund with investment activity and investment fee savings delivered and over 97% of the Fund's assets invested within the pool. Sector discussion on this matter continues and the Fund is actively monitoring developments.

Advisers and service providers are key to good governance of the Fund and during 2023/24 the Committee reviewed and updated the objectives of the Independent Investment Advisers who are members of the Investment Panel. The Committee also approved the processes for entering into contracts for actuarial services (resulting in the successful reappoint of Mercer for a period of six years), Fund custody services and Independent investment advisory services.

Future developments

The strategic plan for 2024/25 identifies a number of key projects for the Fund, including:

- Governance activity focused on implementing the General Code of Practice, reviewing cyber security and enhancements to training;
- Investment activity including a review of the Fund's Responsible Investment policy and consideration of forthcoming requirements on carbon emissions (referred to as Taskforce on Climate Related Disclosure);
- Funding work in preparation for the 2025 actuarial valuation;
- Administration activity on the pensions dashboard and McCloud remedy, further information is under Administration - section 7 of the Annual Report; and
- Continued oversight of LPP Limited and its subsidiaries.

Cllr Eddie Pope,
Chair of the Pension Fund Committee

iii. Lancashire Local Pension Board Annual Report

I was appointed to the Local Pension Board ("the Board") in November 2023 and as such this is my first report as Independent Chair of the Board ("the Board"). Since inception of Boards in the LGPS nine years ago the legal remit to assist the Pension Fund Committee ("the Committee") with oversight and the effective running of the Fund has not changed. Over that period Lancashire has been at the forefront of developing the activities and governance arrangements for its Board and thus I was delighted to be appointed to join a well-established, efficient Board with a committed membership, strong governance, and a good working relationship with the Committee.

The Fund operates on an outsourced model with a focus on strategy, governance, funding and oversight with the responsibility for investment implementation and for administration to LPPI and LPPA respectively.

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

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

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

Membership of the Board

This year has seen significant membership change, including myself as a new Chair, two Board members left and four others came to the end of their second term of office. Under the succession plan, new Board members have been recruited and appointed and the Board is now back to full strength with all Board members in post and working effectively. Whilst accepting that significant turnover takes time to bed in, the succession planning was well executed and the mix of expertise on the Board remains well balanced. However, whilst the recruitment progress looked at candidates' general knowledge and specific expertise, the recruitment panel also considered how they might add to the diversity of the Board, sadly other than gender balance other diversity factors remain an issue and one as Chair I will take into consideration in assessing any ways to help strengthen our understanding and considerations going forwards.

Attendance of Board Members at Meetings

The Board has a cycle of 4 meetings each year and details of attendance are provided within the Governance section of this report. *See section v of the governance and training section.*

Training

The Board is under a legal obligation to ensure its members maintain their levels of knowledge and understanding through regular training. Details of training are provided within the Governance section of this report. *See section v of the governance and training section.*

Board Resources

The Board is well supported by Fund officers from LCC and has a budget to cover both its expenses and to allow it to commission reports if required. During the year the cost of running the Board came to £11,410.94 which was mainly in relation to the independent chairs fees and expenses relating to training of board members and attendance at meetings.

Activities

In 2024 the Board spent significant time on the completion of the implementation and training for staff and employers for the new pension administration system at LPPA and new financial system at LCC, including administering monthly data collection across these new systems. In addition, the Board (i) considered governance issues such as the forthcoming General Code of Practice (ii) proposed an enhanced service level metric for administration services, (iii) considered the timely and accurate production of member annual benefit statements.

The issue of adequate resourcing both at LCC and LPPA has been considered a high risk, and this has been debated regularly over the past 12 months. I was therefore pleased to see positive movement on this towards the end of the year and to see the difference new recruits are having both in terms of capability and morale in the respective teams.

Recognising the effect that the systems implementation issues have had on communication and engagement issues, again whilst there is still work to do in this area, recent evidence indicates progress is now being made on online member engagement, and employer communication.

Significant attention has been given to developing Performance Indicators that focus activities on delivering an improved experience for both our members and employers. Whilst we have seen improvement there is still some way to go to embed the reporting and monitoring of these indications so we can evidence consistently good performance from LPPA, employers and other parties.

That said there are areas where there is good news that should not get lost in the administration issues, e.g. the funding level, investment performance and progress implementing McCloud.

The core of the Board's work remains one of oversight. At each meeting, we look at any breaches of the regulations and consider the Key Performance Indicators. This year we also reviewed the requirements for the General Code of Practice and the Fund's activity around the cyber security requirements within the new General Code. Board members are all users of the Fund, (either as employers or scheme members of the Fund), and in many cases have specific expertise which is the basis for providing useful and relevant feedback to the Committee.

In his report last year, the previous Chair commented that significant regulatory change was expected over this year, and sadly the lack of policy guidance and regulation continues to hamper progress across the LGPS. The Board has done significant oversight work in readiness for the receipt of the Pensions Regulators General Code of Practice and its receipt which codified and streamlined previous guidance was welcomed.

However, whilst we took a step forward with the issuance of the consultation from the MHCLG on new investment regulations and guidance, including further requirements on pooling and possibly levelling up, which we took time to actively consider and respond to, no changes to the regulations or guidance has been forthcoming on the back of this consultation. Additionally, new statutory guidance to implement the recommendations made in the Scheme Advisory Board's 2019 Good Governance project remain outstanding.

Looking ahead to next year the Board's activities are likely to continue to focus on the embedding of the new pension administration software, work towards the anticipated regulatory changes identified above and any matters following the election.

Under the Board's Terms of Reference, I am required to make a statement in respect of my annual review of the Board's effectiveness. I conducted this in January 2024 (through a series of one-to-one meetings with Board members and others) and made recommendations which were discussed at our Board meeting in April 2024. I believe the Board operates effectively and efficiently and fulfils its legal and regulatory requirements.

The Board is supported by Officers from the Pension Fund and the Democratic Services teams at LCC. The Board's ability to function and the Fund's success in dealing with the considerable challenges relies on their efforts. On behalf of the Boards members, as well as myself personally, I would like to finish by thanking them.

Fiona Miller,
Independent Chair of the Lancashire Local Pension Board

iv. Attendance at meetings

Membership of PFC County Councillors	16th June 2023	15th September 2023	1st December 2023	8th March 2024
M Brown	Present	Present	Present	Present
J Burrows	Replaced	Present	Present	Present
M Clifford	Present	Present	Present	Present
F De Molfetta	Present	Present	Present	Present
C Edwards	Present	Present	Replaced	Apologies
J Fillis	Present	Present	Virtual	Present
J Mein	Present	Replaced	Present	Present
G Mirfin	Present	Present	Replaced	Replaced
E Pope – Chair	Present	Present	Present	Present
M Salter	Present	Present	Replaced	Replaced
A Schofield – Deputy Chair	Present	Present	Present	Present
R Woollam	Present	Present	Present	Present
S Rigby (for J Burrows)	Present	N/A	N/A	N/A
N Hennessy (for J Mein)	N/A	Present	N/A	N/A
S Rigby (for C Edwards)	Present	N/A	Present	N/A
J Couperthwaite (for G Mirfin)	N/A	N/A	Present	Present
A Gardiner (for M Salter)	N/A	N/A	Present	Present
Co-opted Members				
Cllr E Whittingham (Blackburn) (replaced by Cllr M Jackson)	Absent	N/A	N/A	N/A
Cllr M Jackson (Blackburn) (Finished September 2023)	N/A	Present	N/A	N/A
Vacancy (Blackburn)	N/A	N/A	-	-
Cllr M Smith (Blackpool)	Present	Apologies	Apologies	Present
Cllr D Borrow	Apologies	Present	Present	Present
Cllr M Dad (replaced by Cllr Whipp)	Absent	Present	Absent	N/A
Cllr D Whipp	N/A	N/A	N/A	Apologies
Ms J Eastham	Apologies	Present	Present	Apologies
Mr P Crewe	Present	Present	Present	Present
Ms S Roylance	Apologies	Present	Apologies	Present
	14	18	15	15

Key:

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

Local Pension Board

Membership of LLPB	11th July 2023	17th October 2023	23rd January 2024	2nd April 2024
Mr W Bourne (Chair)	Present	Present	N/A	N/A
Mrs F Miller (Chair) (replaced W Bourne)	N/A	Observer	Present	Present
County Councillor J Couperthwaite	Present	Present	N/A	N/A
County Councillor G Mirfin (replaced County Councillor J Couperthwaite)	N/A	N/A	Present	Present
Mr S Lawrence	Present	Apologies	Apologies	Absent
Mr M Davies	N/A	Present	Present	Apologies
Mr S Dunstan	Present	Apologies	Present	Present
Ms D Parker	Present	Present	Present	Present
Mr K Ellard	Present	Present	Present	Present
Ms G Hart	Present	Present	Present	Present
Mr A Egerton	Present	Present	Apologies	Present
	8	7	7	7

v. The training undertaken by members of the Pension Fund Committee and Local Pension Board

Internal Training/Workshops

Date	Event	Held	Participants PFC	Participants LLPB
4 April 2023	Induction Event for new Board members	County Hall	0	4
Viewed 17 Apr 2023	Recording of 24th March 2023 Internal workshop – Legal Update (including breaches).	Online library	0	1
22 May 2023	'Investment Strategy Statement and Risk Appetite Statement', plus Investment Vocabulary	County Hall & Online library	6	4
5 Jun 2023	LPPA Pensions Administration Update	County Hall & MS Teams	6	4
3 Jul 2023	Cyber Security	Online library, County Hall & MS Teams	11	4
18 Jul 2023	Audit Risk and Governance Committee briefing on treasury management*	MS Teams	10	0
20 Jul 2023	Local Pension Partnership Governance Review*	County Hall & MS Teams	10	0
4 Sept 2023	LCPF Accounts & Annual Report plus Audit Assurance Framework	County Hall & MS Teams	8	4
25 Sept 2023	Briefing on LCPF and LPP for new members of the Committee and Pension Board.	County Hall & MS Teams	3	4
3 Oct 2023	Responsible Investment and Task Force on Climate-related Financial Disclosures (TCFD).	County Hall & MS Teams	9	5
8 Nov 2023	LPP Technical Update (including impact of new regulatory changes and progress on Pensions Dashboard Project & McCloud).	County Hall & MS Teams	10	8
1 Dec 2023	Pre-Committee briefing - IAS19 liabilities	County Hall & MS Teams	11	0
12 Dec 2023	General Code of Practice and Good Governance	MS Teams	7	6
16 Jan 2024	LCPF Communications	County Hall & MS Teams	10	8
26 Feb 2024	LPP Budget*	County Hall & MS Teams	13	0
27 Mar 2024	LCPF Legal Update	County Hall & MS Teams	11	6
		TOTAL	**125**	**58**

* Denotes training/workshops for Pension Fund Committee only

External Workshops/Events

Date	Event	Held	Participants PFC	Participants LLPB
18 May 2023	CIPFA Annual Local Pensions Board Conference	Birmingham	0	1
Viewed 16 June 2023	Recording of 23rd February 2023 webinar - Better Communications with LGPS members.	Online library	0	1
26/28 Jun 2023	PLSA Local Authority Conference	Gloucestershire	1	1
Reported 20 Jul 2023	Non-Executive Director Certificate (N.B completed in March 2023)	Online	1	0
Reported 20 Jul 2023	TPR Trustee Toolkit (N.B. completed in May 2023)	Online	1	0
12 Sept 2023	Scheme Advisory Board training session on the Code of Transparency.	Wolverhampton	1	0
17-19 Oct 2023	PLSA Annual Conference	Manchester	1	1
27/29 Feb 2024	PLSA Investment Conference	Edinburgh	2	0
		TOTAL	**7**	**4**

Attendance at training from Pension Fund Committee

Name	Internal events	External events	Total
County Councillor M Brown	1	0	1
County Councillor J Burrows	5	0	5
County Councillor M Clifford	10	1	11
County Councillor J Couperthwaite	4	0	4
County Councillor F De Molfetta	9	0	9
County Councillor C Edwards	7	2	9
County Councillor J Fillis	8	0	8
County Councillor A Gardiner	3	0	3
County Councillor J Mein	5	0	5
County Councillor E Pope	14	3	17
County Councillor A Schofield	6	0	6
County Councillor R Woollam	4	0	4
VACANCY (Blackburn Councillor)	0	0	0
Councillor M Smith (Blackpool)	1	0	1
Councillor D Borrow	10	0	10
Councillor D Whipp	0	0	0
Ms J Eastham	7	0	7
Mr P Crewe	11	1	12
Ms S Roylance	8	0	8
Previous Committee members			
County Councillor G Mirfin	5	0	5
County Councillor G Mirfin	4	0	4
County Councillor J Couperthwaite	0	0	0
County Councillor M Tomlinson	0	0	0
County Councillor D Westley	1	0	1
County Councillor S Rigby	1	0	1
Councillor M Dad	1	0	1
Councillor M Jackson	0	0	0
Councillor E Whittingham	0	0	0
TOTAL	**125**	**7**	**132**

Attendance at training from Local Pension Board

Name	Internal events	External events	Total
Mrs F Miller (Chair)	3	0	3
County Councillor G Mirfin	2	0	2
Mr S Lawrence	1	0	1
Mr M Davies	4	0	4
Mr S Dunstan	10	0	10
Ms D Parker	10	1	11
Mr K Ellard	4	1	5
Ms G Hart	9	2	11
Mr A Egerton	7	0	7
Previous Board members			
County Councillor J Couperthwaite	4	0	4
Mr W Bourne	2	0	2
County Councillor M Salter	1	0	1
Ms S Maka	1	0	1
TOTAL	58	4	62

vi. Risk Management and Internal Audit activity in the year

Risk Management

The Fund is exposed to a number of risks which pose a potential threat to the Fund meeting its objectives. The Fund has a robust Risk Management Framework. The risk register is broken down into the following key risk areas:

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

Some of the key risks reviewed in the year are:

- System Implementation – Activity around this area was monitored closely as LPPA transitioned to a new administration system along with the Fund's largest employer changing payroll software at the end of 2022/early 2023. Significant controls were put in place to ensure adequate oversight of this risk and minimise impact on the administration service to members.
- Fund Team Recruitment and Retention – This risk was regularly reviewed in the year as the Fund team operated with a reduced workforce following the retirement of two staff. The Fund restructured its team and now operates with a model shown in the Governance Compliance Statement although there is still a gap in the investments area. In the year there was significant movement on the Local Pension Board where new employer/ member representatives were onboarded along with a new Chair of the Board.
- Provision of Statutory information – The Officers and LPPA closely monitored this risk to ensure that Annual Benefit Statement for the Fund's largest employer would be issued. A plan was devised which resulted in the Fund being able to issue Annual Benefit Statements to over 98% of its members in scope within the deadline. An action plan was developed to ensure that the remaining members would receive the Annual benefit statements at an appropriate point.
- Cyber Security - The Fund has progressed with its Cyber Security project where it has assessed the controls of its key providers including LCC and where relevant obtained assurance based on the standards the service providers are accredited to. Further work has taken place following the year end.

Internal Audit

The County Council's Internal Audit Team carries out an independent review of the County Council's systems and processes. The Head of Internal Audit produces a plan of areas that will be in the scope of the audit in the year and is presented to the County Council's Audit Risk and Governance Committee (AR&G) to approve. The scope of any audit for the Pension Fund is also considered by Pension Fund Committee ahead of commencement. The outcomes of the Internal Audit work for 2023/24 were reviewed and approved by AR&G at its meeting in July 2024.

In 2023/24 the Internal Audit function reviewed and tested the adequacy and effectiveness of the controls and processes in placer to mitigate the key risks relating to the following areas:

- Pension Fund Governance – Substantial Assurance
- Pension Fund Treasury Management – Substantial Assurance
- Pensions Payroll Processing – Moderate Assurance

The coverage of the audit in the year was quite wide ranging and, in the areas listed above, where the Fund received a substantial assurance rating, shows that the framework of control is adequately designed and effectively operates overall.

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

vii. Membership of professional bodies

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

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

4

Financial Performance

This section of the report provides information on financial performance of the Fund, comparing actual performance against budget. The Fund had a net inflow of cash for the Year ending 31st March 2024 of £129.0m. The 2023/24 budget was approved by the Fund's Pension Fund Committee in March 2023 and was produced based on past experience, the latest available information and in consultation with the Fund's advisers.

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

	Budget (£m)	Actual (£m)	Variance (£m)
Members Contributions	78.2	79.0	0.8
Employers Contributions	325.9	333.1	7.2
Contributions Income	404.1	412.1	8.0
Transfers in from other pension funds	15.4	25.3	9.9
Benefits Payable	(345.8)	(360.4)	(14.6)
Transfers out and other payments to leavers	(17.0)	(22.3)	(5.3)
Net (withdrawals)/additions from dealings with members	56.8	54.7	2.1
Fund Administration Costs	(5.3)	(4.9)	0.4
Investment Management Costs	(130.5)	(118.2)	12.3
Oversight & Governance Costs	(1.8)	(1.7)	0.1
Net (outflow)/inflow before investments	(80.8)	(70.2)	10.7
Investment income	220.0	199.1	(20.9)
Net (outflow)/inflow	**139.2**	**129.0**	**(10.2)**
Change in market value of investments*	N/A	770.5	
Net increase/(decrease) in the fund*		**899.5**	

* This does not form as part of the budget but is included here to reconcile back to the Fund accounts section of this report

- Contributions income for the year was slightly above budget due to actual pay award exceeding the pay award assumption.
- As expected, contributions income included the receipt of prepaid contributions from a number of large employers covering 2023 to 2026.As such contribution income is expected to lower in 2024/25 and 2025/26.
- Benefits payable exceeded the budget which was driven by an increase in pensioner numbers.
- Administration costs were below budget due to smoothing of some costs after the budget had been set.
- Staff, premises, IT, amongst other costs are included within oversight and governance costs. These costs fell slightly below budget mainly due to Officer vacancies during 2023/24.
- Investment income received was lower than expected when setting the budget. However, it is noted that is it challenging to anticipate the level of investment income. Investment management fees saw a favourable variance of £12.3m, this was as a result of the Fund incurring fewer performance fees due to investment performance.

Contributions

After the 2022 Actuarial Valuation, the contribution rates were set for the period 1st April 2023 to 31st March 2026. For 2023/24, the employers in the Lancashire County Pension Fund contributed at an average employer rate of 16.7% (Excludes those employers who opted to prepay) and an employee rate of 6.2%, individual employer contribution rates for 2023/24 range from 0.0% to 27.8% of pensionable pay.

The Fund collects contributions by direct debit on a monthly basis and does not have a significant issue in respect of timeliness of receipt of contribution income. No interest on overdue contributions has been levied during the year. The Fund has a contributions escalation policy which it refers to in the event of late payment of contributions. Any contribution incidents and breaches are reported quarterly to the Local Pension Board.

Analysis of Pensions Overpayments

The below analysis shows invoices raised, amounts recovered and invoices written off between 1st April 2023 and 31st March 2024. For each category, the amounts may include overpayments which occurred in prior years as well as the current year.

Invoices Raised

Invoices Raised	£204,058.57
Amounts recovered	£247,354.79
Write offs	£8,070.05

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

The Fund has a robust debt management policy to monitor and recover overpayments on an ongoing basis.

Fraud

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

5

Administration

This section of the Annual Report provides information on the activity undertaken by the Pension Fund Team in relation to administration during the year. It also provides a report on the activity undertaken by our pension administration provider.

In 2016 the Fund established LPP Limited, a company owned by LCC and the London Pensions Fund Authority (LPFA). Its subsidiary LPPA provides administration services to the Fund.

The Fund is responsible for determining the pension administration strategy and other administration related policies, as well as leading on certain administration processes and monitoring performance of LPPA. The Fund's Pensions Administration Strategy can be found by clicking here.

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

Information on the administration activity and performance is provided through the following content:

i. **Pension Fund** – activity undertaken by Fund Officers during the year.

ii. **LPPA** – activity undertaken by LPPA staff during the year.

iii. **Performance** – of administration services which is monitored on a regular basis as part of governance arrangements, including satisfaction.

iv. **Engagement** – and communication with Fund members and employers which is a key aspect of services provided by LPPA.

v. **Complaints** – update on resolution of complaints and internal disputes.

vi. **Value for money** – a statement on efficiency and effectiveness of administration services.

i. Pension Fund Team Activity

The Fund has its own Administration and Technical Lead for focusing on technical matters, relationship management, complaints and appeals. Oversight of pension administration services provided by LPPA is also key. Activities this year have included.

- Liaising with Fund employers where monthly data is late or employers have experienced difficulties implementing the new data submission requirements following implementation of LPPAs new administration system in 2022/23
- Collaborating with LPPA and the Fund's largest employer to improve the end to end journey for member's retiring from the scheme following the implementation of a new finance system and the new administration system (mentioned above).
- Monitoring performance of LPPA including complaint resolution and dealing with Internal Dispute Resolution cases.
- Targeting LPPA with developing performance metrics to reflect a member's end to end experience which will support future continuous improvement activity and support the Local Pension Board and Pension Fund Committee to undertake their monitoring role.
- Supporting the Pension Fund Committee and Local Pension Board in undertaking their duties in relation to administration.
- Monitoring progress of key projects including:

McCloud Remedy

- o McCloud refers to a legal judgement intended to remove age discrimination impacting on all Funds within the LGPS. Back in 2014/15 benefit changes were introduced within the LGPS and – after a period of time – it was determined that these changes may be discriminatory for some members and benefits need to be reviewed.
- o Fund officers have liaised with LPPA and Fund employers with regards specific data required to check whether any members have been discriminated against. For the McCloud Remedy, 95% of data is now verified.
- o LPPA have identified members who may be impacted and are now processing current cases. Retrospective cases – for example, members who have retired in the past, will be progressed in line with the MHCLG McCloud Implementation Statutory Guidance.

Pensions Dashboard

- o The Government intends to introduce Pensions Dashboards which will enable millions of workers to view all their pension pots in one place online.
- o LPPA have appointed a third-party service provider to enable connection to the dashboard IT eco-system. In addition, LPPA are starting to prepare data for connection and will be working with an external provider to review data integrity and to support with minimising data matching queries on go live.
- o The Fund officers engaged with LPPA to ensure that continued progress is being made on the project to implement the Pensions Dashboard

Monitoring of these projects is ongoing to ensure the Fund complies with relevant legislation by the appropriate deadlines.

ii. LPPA activity

A summary of activities undertaken by LPPA during the year is as follows:

- **Efficiency and Service Improvement Programme (ESIP)**

Following the implementation of the new administration system, UPM, LPPA mobilised a project called ESIP to leverage the investment made in the new system. LPPA focused heavily on embedding the new pensions administration system during 2023/24 with overall performance improving to meet or exceed the business as usual 95% target (see below) from May 2023 onwards.

ESIP aims to drive increased automation and improve efficiency and member experience. In 2023/24 this programme delivered the first suite of process automation including refund quotations and deferred member benefit statements. Further automation is planned for 2024/25 including automation of deferred and active retirement quotes, and the programme will deliver improvements to the monthly returns process and member and employer portals.

- **McCloud Remedy**

LPPA continued to gather data from employers and commenced activity to deliver McCloud remedy supported by the Fund team. McCloud functionality has been applied to the administration system in phases to allow administrators to implement McCloud related requirements and more releases are due in 2024/25. McCloud eligibility flags have been applied to all records where members are in scope for remedy and where employer data has been validated the deferred choice underpin is applied at the point of benefits crystallisation. Immediate choice work commences in 2024/25.

- **Pensions Dashboard**

Ahead of the date for public sector schemes to connect to the Pensions Dashboard, LPPA has mobilised a data project, taking a proactive approach to improving data quality. LPPA are reviewing the quality of data that they hold to make sure that they are able to provide accurate responses to queries that arise from members through the Pensions Dashboard.

- **Statutory requirements**

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

5

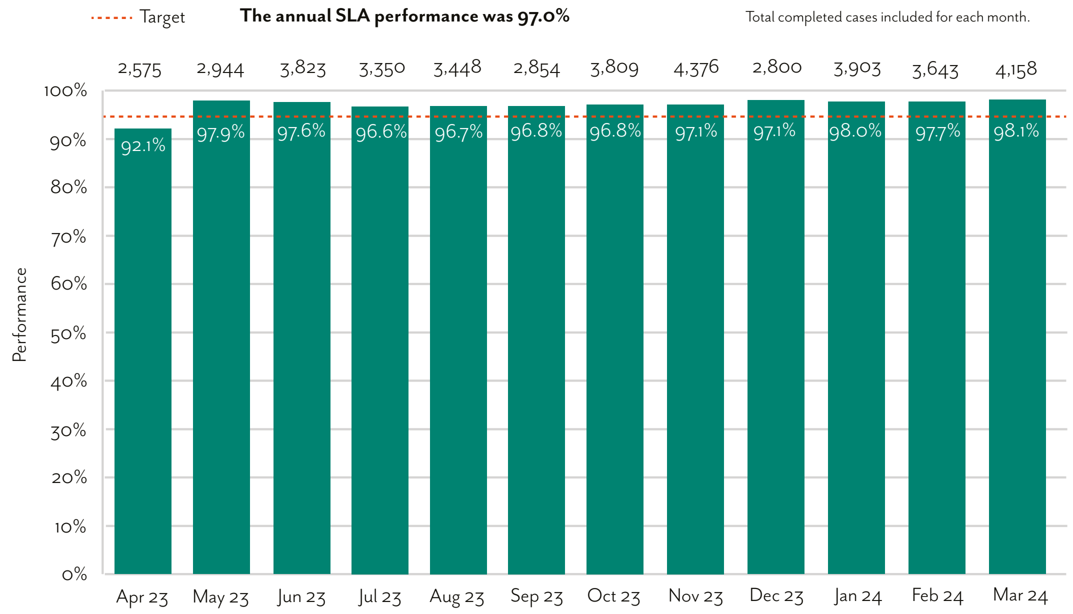
iii. Performance

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

For the year 2023/24, service performance metrics achieved an overall performance of 97% across all casework. Monthly performance over the year is covered in Figure 1. The overall service target was not met in April 2023 (92.1%) but has exceeded the target for the remainder of the year with an annual SLA performance of 97%.

Figure 1

Performance - All cases



Additionally, LPPA measures the performance of individual case types such as retirement and bereavement. During the year 93.6% of bereavement cases were processed within the target number of days, whilst the figure for Active member to Retirement cases (where a member leaves their job and retires straight away) was 92.5%. Deferred member to Retirement cases (where a member leaves their job but does not retire until a later point) performed at 97%.

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

A total of 1645 Helpdesk surveys and 714 Retirement surveys were completed in the year. A summary of the satisfaction results is detailed in Figure 2 and 3; LPPA activity on ESIP (see above) will support in improving member experience and satisfaction.

Figure 2

Retirements

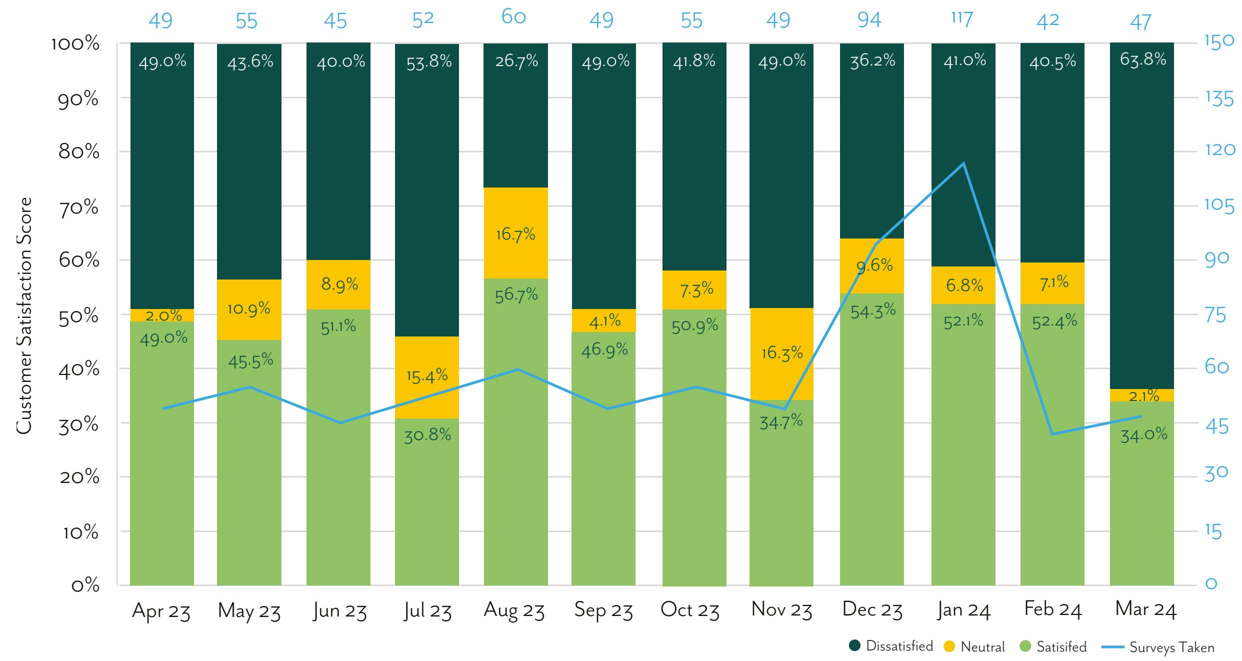
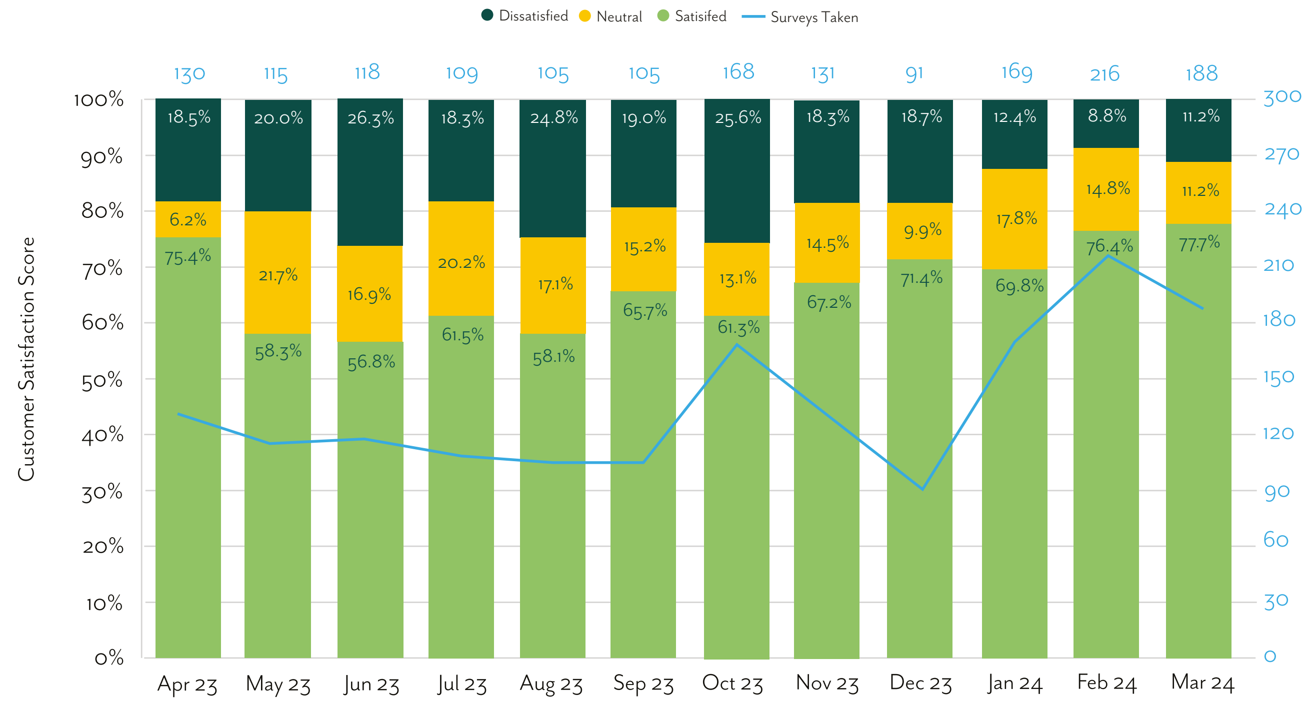


Figure 3

Helpdesk Calls Satisfaction



iv. Engagement and communications

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

In the year LPPA undertook the following activity:

Employer engagement

- Virtual employer visits were held with 42 employers.
- Scheme leavers training was delivered with 8 employers attending.
- 15 LCPF employers attended LGPS Scheme Essentials employer training.
- Monthly returns training sessions were delivered with 21 employers attending.
- UPM employer portal training was delivered with 10 employers attending.
- Absence and Ill Health training was delivered with 16 employers attending.
- Employer Responsibilities training was delivered with 10 employers attending.

In addition the pensions team delivered an in person engagement with 40 representatives from Lancashire employers via our Employer Forum, which covered an update on investment, funding, and administration.

Member engagement

- Retirement planning sessions were delivered via the LPPA retirement essentials monthly program to 209 Fund members.
- Fund members were invited to attend the Making Sense of Your Pension sessions.
- Communications were issued to increase sign up to the member online portal, PensionsPoint – more detail is provided in table E.
- Newsletters were issued to active, deferred and pensioner members.

v. Complaints and disputes

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

In the year, LPPA received 636 complaints and 89 complaints were outstanding at end of Q4 in 2023/24. This is above the usual complaints level and was due to a disruption to service – the majority of the complaints in the year were in relation to general services and delays following the migration to the new administration system as well as implementation of a new finance system by the Fund's largest employer. As the new systems have 'bedded in' during the latter part of the year, the number of complaints has significantly reduced and been processed.

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

- Stage 1 IDRP = 17
- Stage 2 IDRP= 6

The majority of IDRP cases relate to ill-health retirements. Under stage 1 an adjudicator will review the complaint and if, the member is dissatisfied with the determination, they can then ask for the complaint to be considered under stage 2 by the Fund. If, following completion of the IDRP, the member is not satisfied with the outcome, they may refer the complaint to the Pensions Ombudsman, an organisation set up by law to investigate complaints about pension administration.

In the year, 12 members raised a complaint to the Pensions Ombudsman. Most complaints were in relation to delays in processing of benefits around retirements. Three complaints were relating to decisions made on the tier of ill health benefits.

vi. Value for money achieved by administration service

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

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

Other administration items

Member and employer numbers by category

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

Further performance related data

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

Table A – Total Number of Casework

When a member of the Fund contacts LPPA, their request or query is referred to as a 'case' and there are different types of cases depending on the event that a Fund member is experiencing. For example, if the member is leaving their employment due to retirement, they would be classified as an 'Active member retirement' or, if the member is leaving their employment to work for a new employer, they would be classified as a 'Deferred benefits'.

LPPA monitors the performance of these individual case types which are summarised in the table below for the year 2023/24.

Where figures are not available due to new guidance being released at the end of the financial year the lines in the tables have been omitted. The omitted information is expected to be made available from 2024/25.

The below measures the number of cases in flight throughout the year, include cases at the start of the year, the number processed in the year and any new cases received in the year.

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	COMMENTS
A1	Deaths recorded of active, deferred, pensioner and dependent members	1022	4562	4324	77.44%	New dependent member benefits included in these figures
A3	Deferred member retirements	1127	6144	6371	87.62%	Combined quote and actual – See note below
A4	Active member retirements	838	6178	6134	87.43%	Combined quote and actual – See note below
A5	Deferred benefits	2556	8403	5030	45.90%	
A6	Transfers in (including interfunds in, club transfers)	1205	2488	2393	64.80%	
A7	Transfers out (including interfunds out, club transfers)	837	2747	2681	74.80%	
A8	Refunds	486	5405	5284	89.70%	
A9	Divorce quotations issued	46	388	374	86.18%	
A10	Actual divorce cases	10	22	29	90.63%	
A11	Member estimates requested either by scheme member and employer	460	3030	3211	92.01%	
A12	New joiner notifications	114	795	867	95.38%	
A13	Aggregation cases	1276	6529	5871	75.22%	This KPI does not include transfers or Interfund

Notes - A3 and A4 – LPPA have provided this data to all their clients combining both the quotation stage of retirements and payment of benefits stage. The above figures counts the quotation and payment of benefit stage as separate cases.

The completed rate does show low in some areas due to LPPA's progress following migration to a new administration system. The low rate of deferred cases processed in the year was due to the system migration and partly down to the Fund's largest employer transitioning to a new payroll system.

Table B – Time taken to process casework

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

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

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

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

Table C – Communication and Engagement

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

Ref	Engagement with member portal (PensionPoint)	At year end	COMMENTS
C1	% of active members registered	37.60%	
C2	% of deferred member registered	21.50%	
C3	% of pensioner and survivor members	37.70%	
C4	% total of all scheme members registered for self-service	31.90%	
C5	Number of registered users by age		Table provided below
C6	% of all registered users that have logged onto the service in the last 12 months	52.66%	
Ref	**Communications**		
C7	Total number of telephone calls received in year	36,806	
C8	Total number of email and online channel queries received	14,094	
C9	Number of scheme member events held in year (total of in-person and online)	24	All online
C10	Number of employer engagement events held in year (in-person and online)	47	All online
C11	Number of active members who received a one-to-one (in-person and online)	0	
C12	Number of times a communication (i.e. newsletter) issued to:		
	a) Active members	Twice	
	b) Deferred members	Once	
	c) Pensioners	Once	

Note – PensionPoint replaced a portal called My Pension Online and was made available for members to register from the 28 October 2022. Work is ongoing by LPPA to improve registration numbers within Pension Point to a level comparable under My Pension Online.

C5 - Number of registered users by age

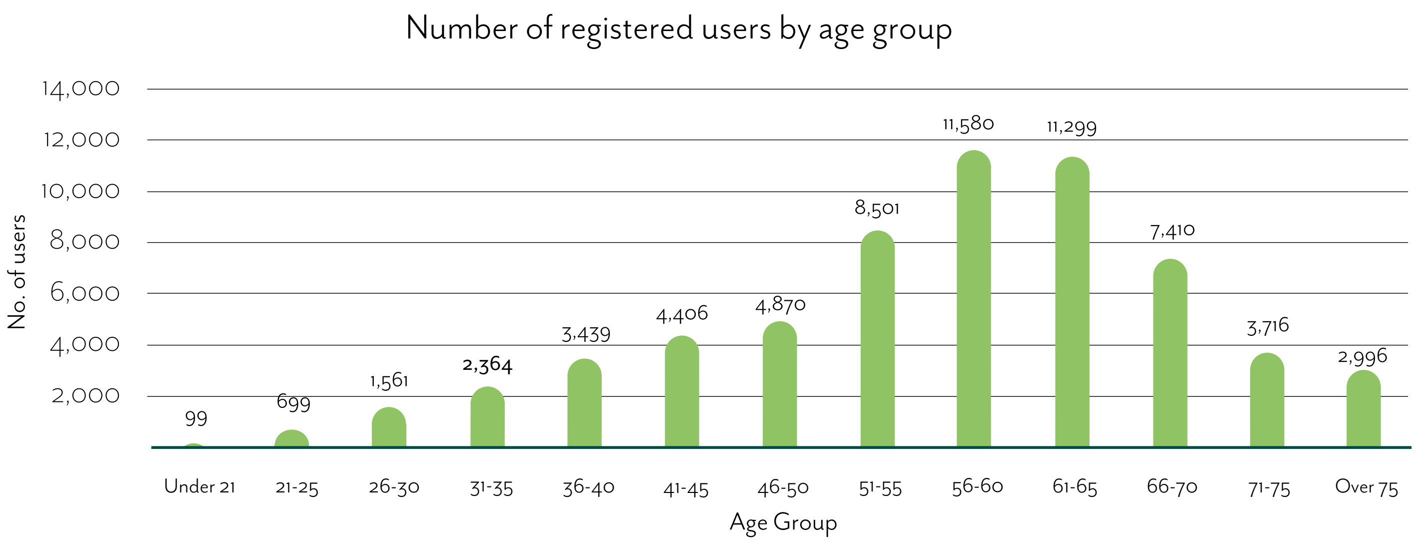


Table D – Resources

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

Ref	Resources	% Completed within SLA current year	COMMENTS
D1	All administration staff (FTE)	70.2	The 70.2 FTE includes LPPA resource attributed to LCPF. Additional 1.5 FTE added into this figure to reflect Fund resource relating to pensions administration
D2	Average service length of all administration staff	5 years 5 months	LPPA only
D3	Staff vacancy rate as %	3.50%	LPPA only
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	2,876:1	
D5	Ratio of administration staff (excluding management) to total number of scheme members	3,011:1	LCPF Officers counted as management so reflected only in D1 & D4

Notes – In addition to the above, some Fund level resourcing is allocated to oversight, performance monitoring and client relationship management of LPPA.

Table E – Data Quality

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

Ref	Engagement with member portal (PensionPoint)	Data	COMMENTS
E1	Percentage of annual benefit statements issued as at 31 August	97.60%	
E2	Short commentary if less than 100%	Remainder were files not received and outstanding queries preventing ABS production	
	Data Category		
E3	Common data score	98.00%	
E4	Scheme specific data score	92.60%	This is low due to moving systems and delays to monthly data file returns from largest employer
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	0.60%	
E6	Percentage of active, deferred and pensioner members with an email address held on file	57.50%	
	Employer Performance		
E7	Percentage of employers set up to make monthly data submissions	100%	

Notes – Data is provided to LPPA by each employer that participates within the Fund and the employers are required to provide data on members each month

LPPA has a responsibility to ensure that data is kept well and updated regularly and the Pensions Regulator requires the Fund to monitoring of certain data referred to as common (such as, National insurance number of each member) and scheme specific (such as status of each member). Contact information is also important.

It is a legal requirement that Annual Benefit Statements are provided to active members each year. This statement provides each member with an estimate of pension up to the end of the year.

Investments and Funding

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

i. Strategy – this is defined in the Investment Strategy and Funding Strategy Statements.

ii. Pooling – the Fund's assets are managed under pooled investment arrangements.

iii. Performance – of investments is monitored on a regular basis as part of governance arrangements.

iv. Costs – fee saving information is detailed below

v. Responsible Investment - the Fund aims to integrate environmental, social and governance (ESG) issues into its investments.

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

i. Strategy

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

The Funding Strategy Statement – see link to Funding Strategy Statement - is prepared in line with statutory requirements and was last updated in 2023. It focuses on solvency and a long term funding target is set out to maintain sufficient assets to cover the liabilities (that is, pension liabilities of members of the Fund). It also seeks to establish contributions at a level to secure the solvency of the Fund whilst providing equity between different generations of taxpayers – referred to as "long term cost efficiency". The Funding Strategy Statement sets out a clear and transparent strategy regarding how each employer's pension liabilities are to be met.

Investment strategy is a key element in achieving this funding target and is a significant determinant in investment performance of the Fund. The Fund's primary investment objective is to ensure that, over the long term, the Fund will have sufficient assets to meet all pension liabilities as they fall due. To achieve this objective, the Fund seeks to maximise investment returns whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met.

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

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

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

The following table presents the Fund's actual asset allocation versus strategic target at the end of March 2024 and March 2023:

Asset Class	March 2024				March 2023			
	Assets (GBP Million)	Allocation (%)	Strategic Asset Allocation (%)	Range (%)	Assets (GBP Million)	Allocation (%)	Strategic Asset Allocation (%)	Range (%)
Public Equities	5,646	48.1	45.0	40.0 – 52.5	5,191	48.0	45.5	40.0 - 50.0
Fixed Income	465	4.0	5.0	0.0 - 10.0	158	1.5	1.5	0.0 - 10.0
Diversifying Strategies	16	0.1	0.0	0.0 – 3.0	116	1.1	0.0	0.0 - 5.0
Credit	1,826	15.6	18.0	12.5 - 22.5	1,596	14.7	18.0	12.5 - 22.5
Infrastructure	1,725	14.7	15.0	10.0 - 20.0	1,678	15.5	16.0	10.0 - 20.0
Private Equity	894	7.6	5.0	0.0 - 10.0	897	8.3	5.0	0.0 - 10.0
Real Estate	1,034	8.8	11.0	6.0 – 16.0	1,099	10.1	12.5	7.5 - 17.5
Cash	124	1.1	1.0	0.0 - 5.0	87	0.8	1.5	0.0 - 5.0
Total	**11,730[2]**	**100.0**	**100.0**		**10,822[2]**	**100.0**	**100.0**	

[1] The accounts of the Fund section refer to net assets as at 31st March 2024 of £11,729m. Difference due to asset values contained in the Account of the Fund section includes an updated Market Value in respect of several asset classes and net current assets.

[2] The accounts of the Fund section refer to net assets as at 31st March 2023 of £10,833m. Difference due to asset values contained in the Account of the Fund section includes an updated Market Value in respect of several asset classes and net current assets.

The allocation of the Fund's assets for the previous financial year has been added for comparison purposes.

The target weights for the Fund's allocation to asset classes were updated over the year – see columns entitled 'Strategic Asset Allocation'. The Fund increased the target allocation to Fixed Income whilst decreasing the target allocation to Global Equities, Infrastructure, Real Estate and Cash.

At the end of March 2024, actual allocations were within the acceptable ranges, however, the Fund was overweight in its allocation to Equities (both Public and Private), Diversifying Strategies and Cash relative to its SAA, whilst being underweight in its allocation to Fixed Income and the private market asset classes: Credit, Infrastructure and Real Estate. Private market assets, along with Private Equity, are illiquid in nature and therefore it can take time to address any relative overweight or underweight positions

ii. Pooling

In 2016 the Fund established LPP Limited, a company owned by LCC and the LPFA. Its subsidiary LPPI acts as our investment pool and provides investment services to the Fund.

The Fund is responsible for setting investment strategy, as well as overseeing activity and monitoring performance of LPPI. The Fund's assets are managed under pooled investment arrangements with LPPI. Day to day decision-making around the appointment of asset managers, the selection of investment products, and the exercise of ownership responsibilities is delegated to LPPI. LPPI is a Financial Conduct Authority (FCA) regulated investment company.

LPPI has created seven pooled funds – based on different asset classes - to manage clients' assets including Public Equities, Fixed Income, Diversifying Strategies, Credit, Infrastructure, Private Equity and Real Estate. However, a limited number of assets of the Fund are invested outside of these pooled funds

The majority of the Fund's assets are in LPPI pooled investment arrangements (97% as at 31 March 2024) and the remaining assets are under pool management. This is detailed in the table below:

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not pooled	Total
Equities (including convertible shares)	5,646	0	0	5,646
Bonds	465	0	0	465
Property	888	145	0	1,034
Hedge funds	14	2	0	16
Diversified Growth Funds (including multi-asset funds)	0	0	0	0
Private equity	874	20	0	894
Private debt	1,803	23	0	1,826
Infrastructure	1,647	78	0	1,725
Derivatives	0	0	0	0
Cash and net current assets	0	124	0	124
Other	0	0	0	0
Total	**11,337**	**393**	**0**	**11,730**

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

Northern Trust act as the custodian on behalf of the Fund ensuring the security and safe custody of Fund assets.

iii. Performance

The value of the Fund's investment assets at 31 March 2024 was £11,730 million, up from £10,822 million at 31 March 2023. Performance of the investments held by the Fund is of importance over the long-term. Key performance headlines are as follows:

- Over the long-term, the Fund's absolute return and its return relative to its actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year) have both been strong, with the Fund's return exceeding the benchmark over both 3- and 5-year periods.
- Analysis undertaken by an independent provider – CEM Benchmarking - has indicated that over the long-term, the Fund has produced returns in excess of peer Funds within the LGPS.
- However, the Fund's return relative to its policy portfolio benchmark has been mixed, with the Fund outperforming over the 3-year period but underperforming over the 5-year period. Key drivers of the underperformance have been the underperformance of the Fund's Global Equities and Infrastructure investments relative to their respective benchmarks.
- Over the year ending 31 March 2024, the Fund delivered a 7.9% return on assets, which was above the actuarial benchmark but below the policy portfolio benchmark. This is illustrated in the tables and charts which follow.

The charts below illustrate total performance as well as performance over 1 year, 3 years and 5 years.

Fig.1 Total Fund performance at 31 March 2024

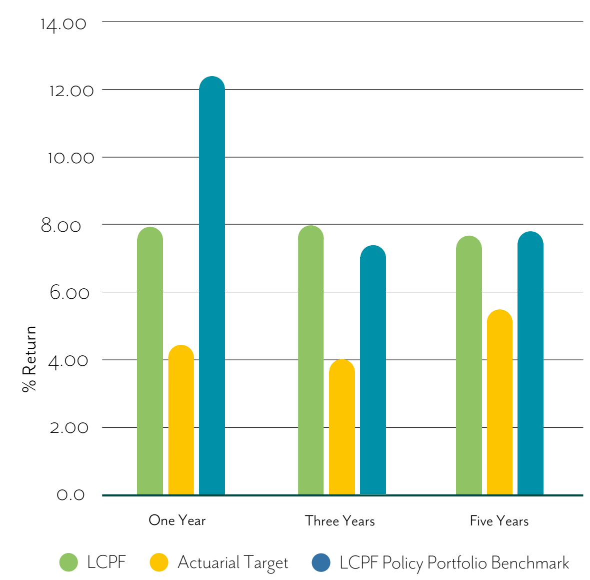


Fig.2 One-year Fund performance by asset class at 31 March 2024

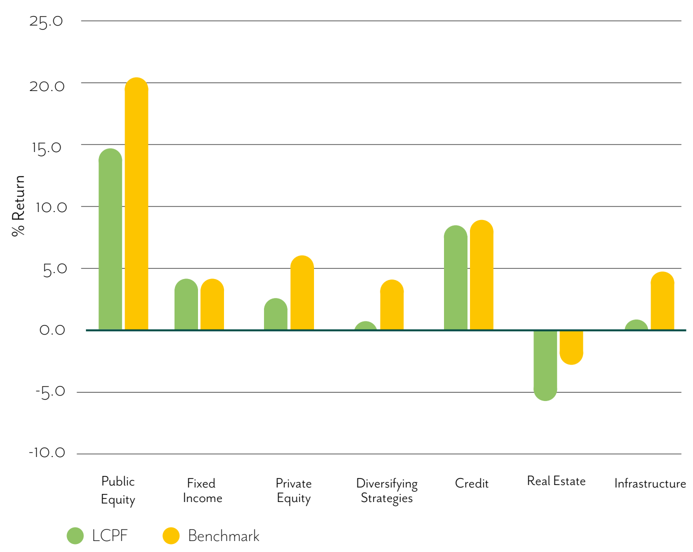


Fig.3 Three-year Fund performance by asset class at 31 March 2024

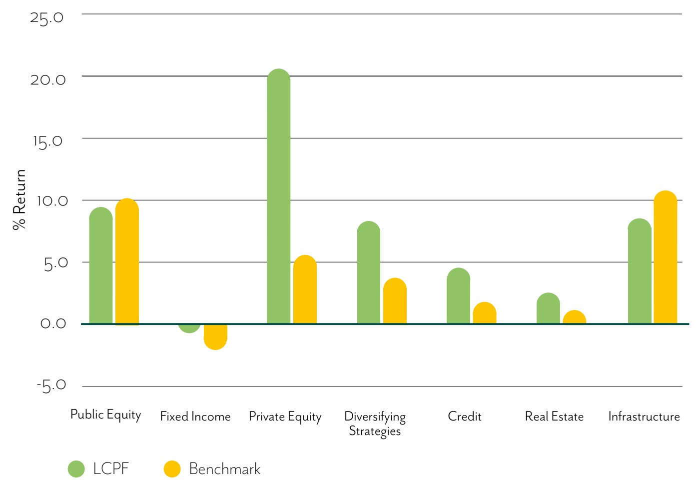
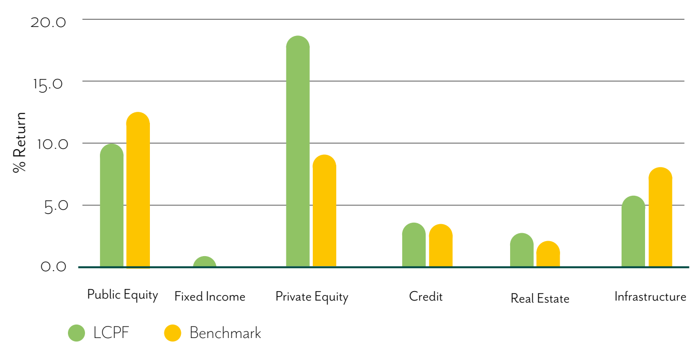


Fig.4 Five-year Fund performance by asset class at 31 March 2024



Note: Initial investment in Diversifying Strategies was in October 2019. Thus, there is no five-year performance data.

6

The performance of the Fund's assets is assessed on a "total return" basis (i.e. income and capital return combined).

In order to achieve the objective of ensuring that the Fund has sufficient assets to meet its pension liabilities, the Fund invests in a range of geographies and UK investment is key to this. The table below details investments within the UK specifically, excluding real estate.

Additional memorandum data on 'levelling up' investments, includes investments within the real estate asset class. These investments meet defined levelling up missions, covering themes such as research and development, transport, digital connectivity, education, skills, health, and housing. The tables below provide detail both of these matters.

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not pooled	Total
UK Listed Equities	378	0	0	378
UK Government Bonds	10	0	0	10
UK Infrastructure	805	43	0	848
UK Private Equity	198	0	0	198
Total	**1,391**	**43**	**0**	**1,434**

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

Additional memorandum:

£m Asset values as at 31 March 2024	Pooled	Under pool management	Not pooled	Total
UK Levelling up	672	145	0	817

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

Economic Overview 2023/24

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

GDP

GDP Growth (% Year on Year)			
	UK	US	Eurozone
Quarter ended 30th June 2023	0.2%	2.4%	0.6%
Quarter ended 30th September 2023	0.2%	2.9%	0.2%
Quarter ended 31st December2023	-0.2%	3.1%	0.2%
Quarter ended 31st March 2024	0.2%	2.9%	0.4%

[3] Data sourced from Bloomberg

Inflation

Consumer Price Inflation (% Year on Year)			
	UK	US	Eurozone
Quarter ended 30th June 2023	7.9%	4.0%	5.5%
Quarter ended 30th September 2023	6.7%	3.5%	4.3%
Quarter ended 31st December 2023	4.0%	3.2%	2.9%
Quarter ended 31st March 2024	3.2%	3.3%	2.4%

Interest Rates

10-Year Nominal Government Bond Yields (quarterly change in brackets)			
	UK	US	Germany
Quarter ended 30th June 2023	4.4% (0.9%)	3.8% (0.3%)	2.4% (0.1%)
Quarter ended 30th September 2023	4.4% (0.0%)	4.6% (0.8%)	2.8% (0.4%)
Quarter ended 31st December2023	3.5% (-0.9%)	3.9% (-0.7%)	2.0% (-0.8%)
Quarter ended 31st March 2024	3.9% (0.4%)	4.2% (0.3%)	2.3% (0.3%)

The latest fiscal year saw a moderate deceleration of global growth through the first three quarters. The US continued to lead other regions with robust consumption and industrial policies. The US Federal reserve ("the Fed"), Bank of England ("the BOE"), European Central Bank ("the ECB") and other central banks, all raised rates to multi-decade highs to combat inflation over the past couple of years. The road toward inflation targets remained bumpy, although CPI figures reduced in 2023/24. Amid ongoing macroeconomic uncertainties, geopolitical risks rose further with new flare-ups in the Middle East, adding to ongoing uncertainties emanating from the war in Ukraine. Tensions between China and the US remained high.

In the UK, inflation-adjusted GDP stagnated in 2023 before a shallow recession ensued in the final part of 2023. Gradually receding inflation gave way to an increase in wages in real terms, and together with payroll tax cuts and a relatively more stable political environment led to a rebound in economic growth in the first quarter of 2024. The BOE raised its policy rate to 5.25%, and CPI inflation dropped from 10.1% in March 2023 to 3.2% in March 2024. Although the headline inflation rate saw a steep reduction, measures of inflation that exclude energy and food prices remained more "sticky", driven by strong services price growth. This led the BOE policymakers to tread carefully with regards to an early loosening of their restrictive monetary policy.

In the US, despite a tight labour market and above trend GDP growth, the Fed "opened the door" to interest rate cuts at the end of 2023. Buoyant market sentiment on the back of expectations for monetary policy easing drove equity markets significantly higher. With inflation proving more "sticky" in subsequent months, market interest rate expectations then recalibrated higher in 2024, reversing to the previous stance of "higher for longer" interest rates. Despite this, global and US equities continued toward new all-time highs by the end of March 2024, brushing aside ongoing geopolitical uncertainties.

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

Public Equities

Public equities are publicly traded stocks and shares in companies that are listed on a public stock exchange, for example the FTSE 100 Index in the UK, and are commonly grouped in global indices, such as the Morgan Stanley Capital International (MSCI) World Index, by their respective company size. Public equities are commonly viewed as one of the highest-returning liquid asset classes and represent the largest asset class exposure for the Fund.

The Fund's investment in Public Equities arises through an allocation to the LPPI Global Equity Fund ("GEF"), which combines an internally managed portfolio by LPPI with a variety of external equity managers. The GEF maintains an overall bias to "Quality" stocks, which are stocks of high-quality companies (i.e. companies with more stable earnings, stronger balance sheets, and higher margins), however other styles are included to provide diversification. As a global fund, the GEF invests in a wide range of geographic regions, though maintains a bias towards Europe and Americas as shown in figure6.

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

- Over the twelve-months to 31 March 2024, the GEF generated a positive absolute return of +14.6%, underperforming its benchmark by 5.0%.
- Over the three-years to 31 March 2024, the GEF returned +9.4% p.a., underperforming its benchmark by 0.7% p.a.
- Over the five-year period to 31 March 2024, the GEF returned +9.9% p.a., underperforming its benchmark by 1.5% p.a.

Key factors in this performance were equity markets rallied over the past year, dominated by a smaller subset of companies, such as the group of leading tech companies known as "the Magnificent 7". The GEF holding a lower weight in the Magnificent 7 companies than the benchmark was the main detractor from returns over the year. The GEF also suffered from its aggregate overweight allocation over the past 12 months in the Consumer Staples sector (stocks of companies who produce essential everyday goods). The overweight is as a result of portfolio construction preference towards "Quality" stocks with stable earnings.

Although, the Fund's Global Equity investment has returned 9.9% p.a. over the 5-year period to 31 March 2024 on an absolute basis, it has underperformed its benchmark. This was driven by two key factors; the underweight allocation to energy companies, and the underweight allocation to certain companies in the technology sector. Both of these sectors have experienced market rallies at different periods within the last 5-years. Data on sector weights is provided in figure 6.

The infrastructure underperformance is attributed to the asset class having a UK CPI-linked benchmark, which have proved challenging in the recent period of elevated inflation.

Fig.5 LCPF Public Equities – Regional weights v MSCI ACWI[1] benchmark as at 31 March 2024

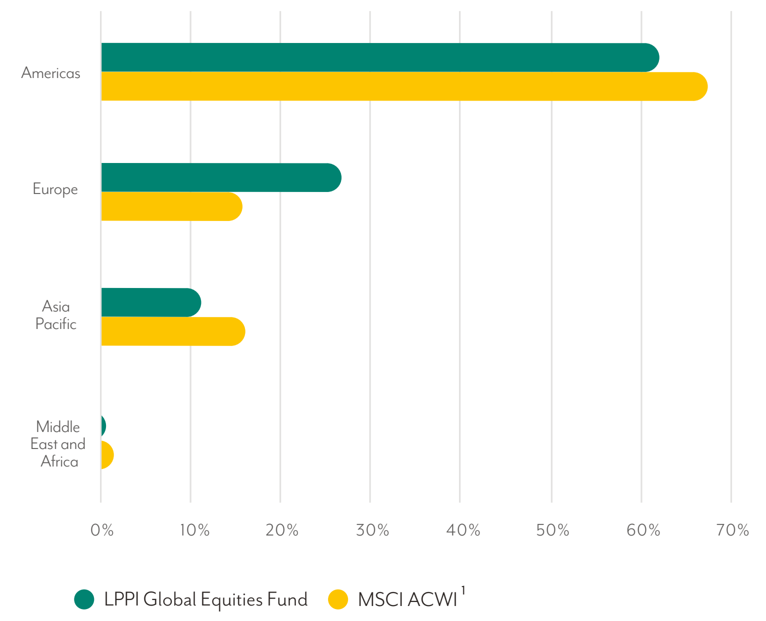
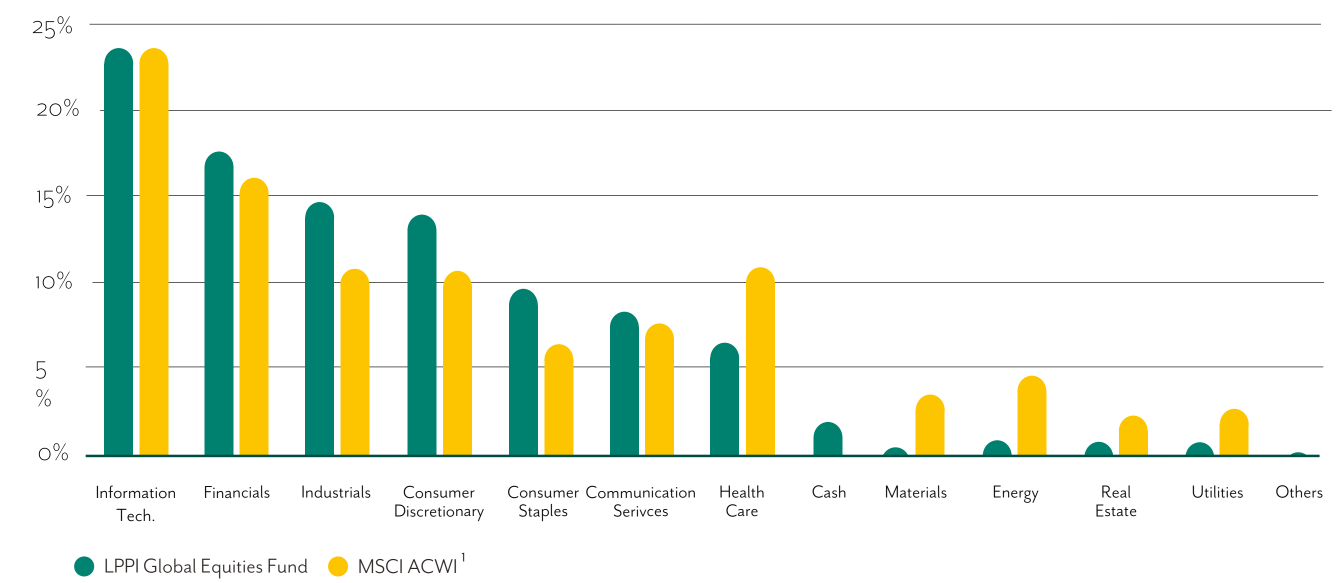


Fig.6 LCPF Public Equities – Sector weights v MSCI ACWI as at 31 March 2024



[1] MSCI ACWI – MSCI All Country World Index

Fixed Income

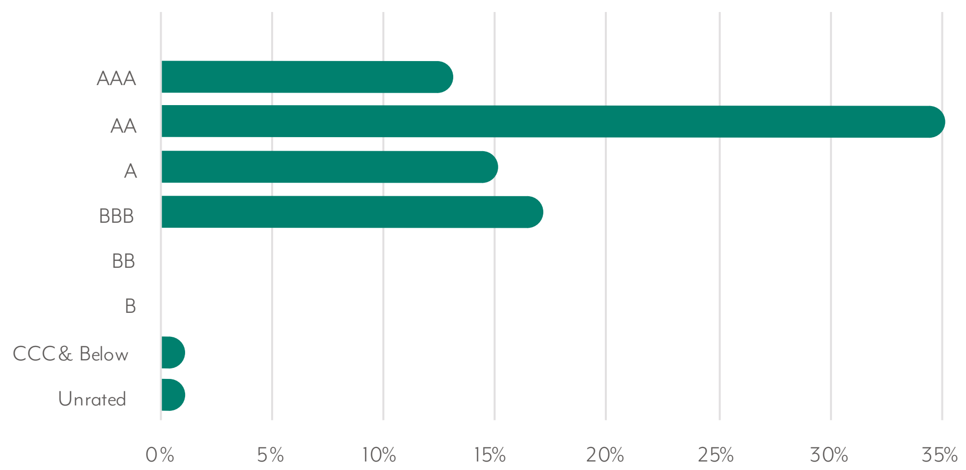
Fixed Income assets are broadly those types of assets where an investor lends an amount of money to an entity (often a government or company) and, in exchange for this, receives a set of cashflows back in the form of fixed interest or dividend payments, until a given maturity date in the future. At the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

The Fund's exposure to Fixed Income arises through its holding in the LPPI Fixed Income Fund ("FIF"). The FIF has a bias towards higher-quality Fixed Income assets. The higher the quality of the asset (i.e. the closer to the AAA rating in Figure.8), the lower the expected chance of default of the entity to which the money has been lent.

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

The FIF returned +3.5% over the twelve-months to 31 March 2024, matching the benchmark. The key driver of the FIF's positive absolute return over the twelve-months to 31 March 2024 was the allocation to corporate credit, which relates to lending to companies. In addition, management of 'duration', which relates to the sensitivity of Fixed Income assets to interest rate changes, was a positive contributor due to higher interest rates.

Fig.7 LCPF Fixed Income – Holdings by credit rating as at 31 March 2024



Private Equity

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

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

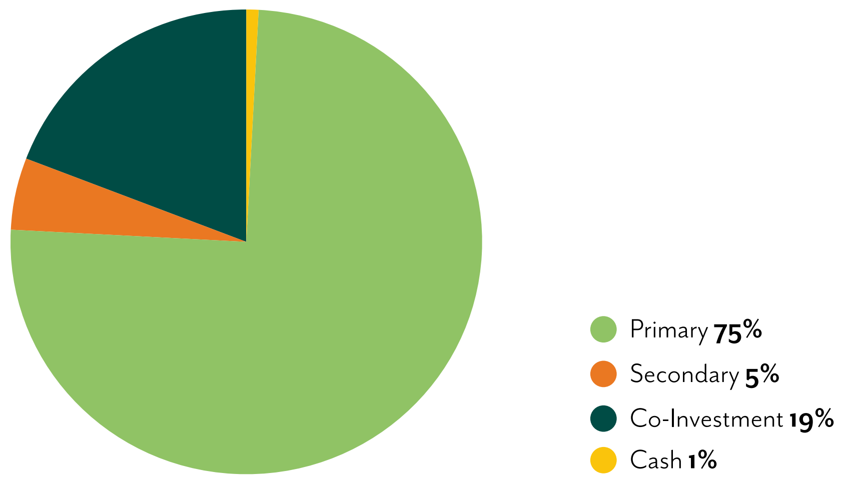
The Fund's Private Equity investments are held through a variety of funds managed by a number of managers who cover a different strategies, investment types and geographic regions as shown in Figure.8, Figure.9 and Figure.10, respectively.

The Fund's Private Equity portfolio is benchmarked against the MSCI World SMID[1] Index, which is a Public Equity index, and aims to outperform this benchmark by 2% p.a. – 4% p.a. over a rolling ten-year period.

The Fund's Private Equity portfolio returned +2.4% over the twelve-month period to 31 March 2024, underperforming the benchmark by 10.6%. It should be noted that the performance calculation of the portfolio lags that of the benchmark, which is a Public Equity index, as by their nature it takes much longer to value Private Equity assets than Public Equities.

Performance is generally best viewed over longer horizons. The Fund's Private Equity portfolio has generated double-digit annualised returns over the three-year (+20.5% p.a.), five-year (+18.3% p.a.) and since inception (+15.5% p.a.) periods.

Fig.8 LCPF Private Equity – Investment strategy breakdown as at 31 March 2024



Primary – Denotes investments made directly within newly launched company or Fund

Secondary – Denotes investments made within existing private equity opportunities, companies or funds

Co-Investment – Denotes investing alongside other investors in the same opportunity

[1] SMID refers to small and mid cap companies in developed markets

Fig. 9 LCPF Private Equity – Investment type breakdown as at 31 March 2024

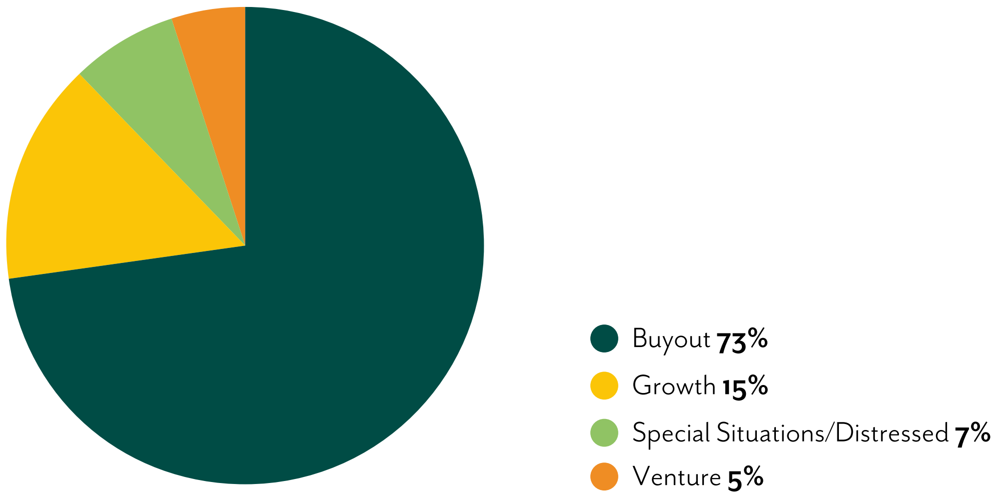
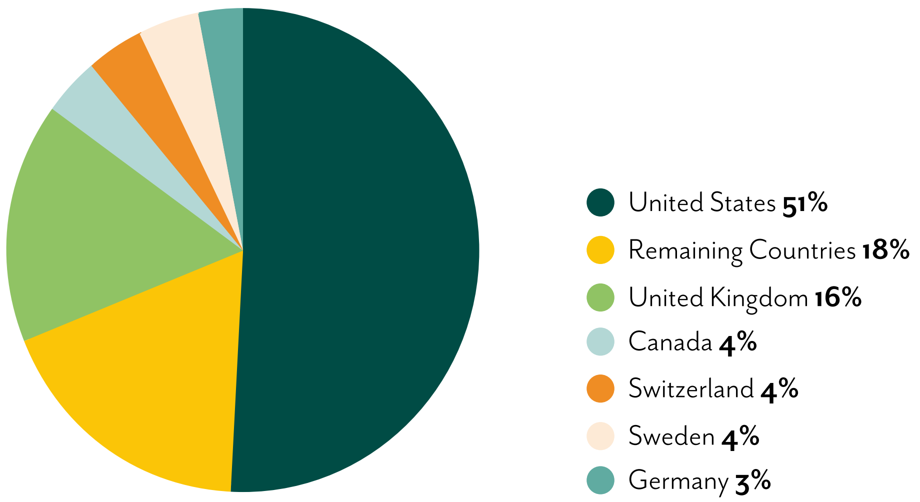


Fig.10 LCPF Private Equity – Regional breakdown as at 31 March 2024



Real Estate

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

The majority of the Fund's Real Estate portfolio is invested in the LPPI Real Estate Fund ("REF") which consists of a portfolio of directly held properties and a collection of external managers in different sectors – see figure 12. The Fund has retained direct ownership of – outside of the REF – its County and National portfolios managed by Knight Frank Investment Management. The Fund's Real Estate portfolio is primarily made up of UK assets, representing 78% of the portfolio.

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

Over the twelve-month period to 31 March 2024 the Fund's Real Estate Portfolio returned -6.1%, underperforming the benchmark by 4.4%. This performance is largely attributable to the REF, which returned -7.5% over the period.

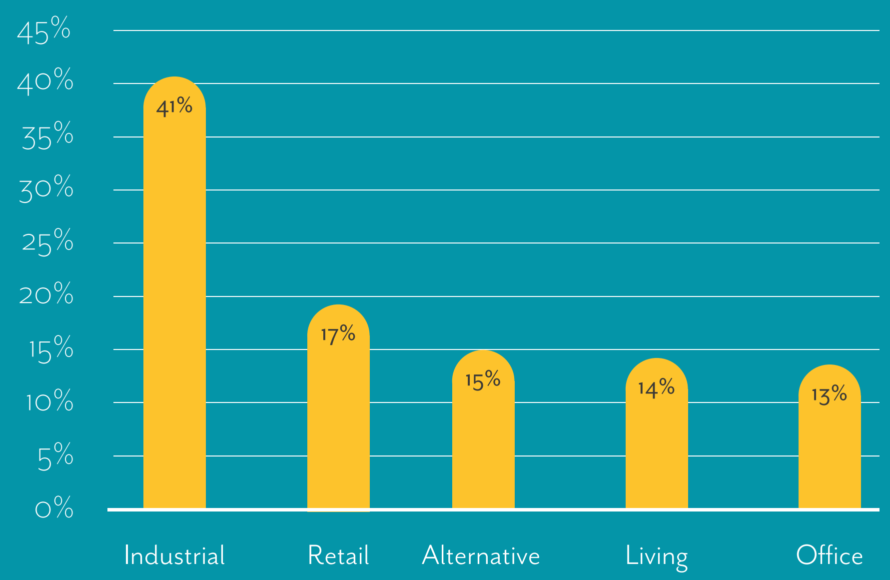
Over the past year, the positive income generated from the REF was more than offset by the fall in capital values of the underlying assets.

The underperformance of the REF versus the benchmark over the year can be attributed to the fact that the benchmark for the REF is based on UK direct real estate only, whereas the REF also holds indirect and overseas real estate investments.

Whilst the UK direct real estate market experienced a decline in the period immediately prior to the last twelve months, the indirect and overseas investments have experienced a further decline over the last year.

Performance is best assessed over longer time horizons. Over three-year and five-year periods, the Fund's Real Estate portfolio has produced positive absolute and relative performance.

Fig.11 LCPF Real Estate – Sector breakdown as at 31 March 2024



Infrastructure

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

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

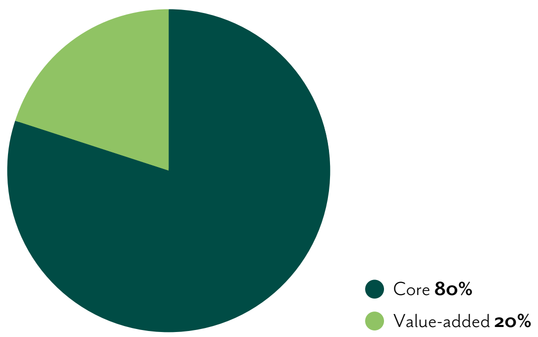
The majority of the Fund's infrastructure exposure is through the LPPI Infrastructure Fund. This comprises allocations to a variety of UK domestic and global infrastructure funds and direct investment projects. The portfolio focusses predominantly on Core infrastructure in the UK, Europe and North America as illustrated in **Fig.12** and **Fig.13**. The portfolio is diverse across a number of sectors, as shown in **Fig.14.**

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

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

Over the twelve months to 31 March 2024, the portfolio returned +1.2%, underperforming the benchmark by 5.5%. The LPPI Infrastructure Fund posted a return of +3.6% (gross of fees) over the twelve months, driven by growth in co-investments (digital and transport) and continued distributions from Core investments such as GLIL. Regarding infrastructure investments on the Fund's balance sheet, only two North American energy funds remain.

Fig.12 LCPF Infrastructure – Strategy breakdown as at 31 March 2024



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

Fig.13 LCPF Infrastructure – Geographical breakdown as at 31 March 2024

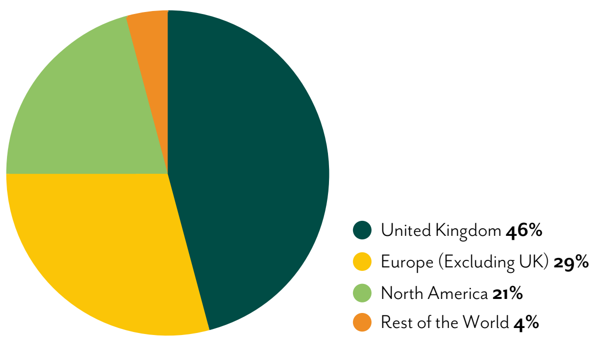
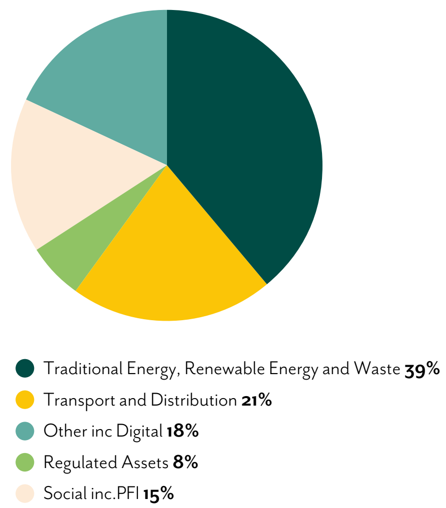


Fig.14 LCPF Infrastructure – Sector breakdown as at 31 March 2024



Credit

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

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

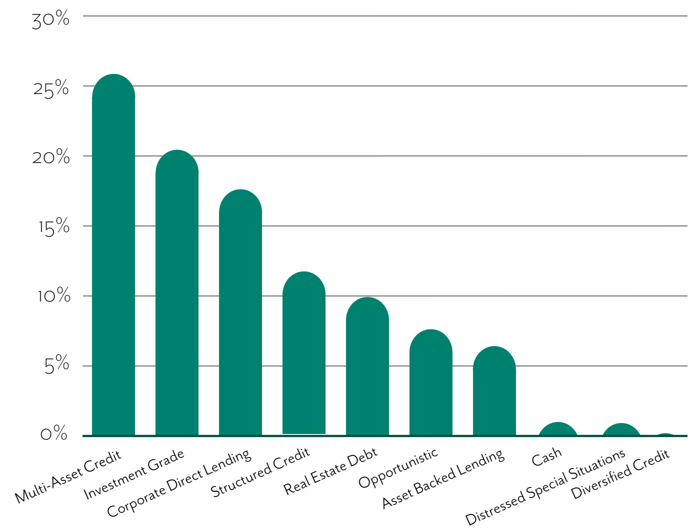
The majority of the Fund's Credit exposure arises through investment in the LPPI Credit Investments LP ("LPPI Credit Fund"), with a small allocation remaining on the Fund's balance sheet. The LPPI Credit Fund invests in a range of credit-linked strategies globally, as noted in Fig.15, achieved by investing with third-party external managers. Credit exposure is predominantly in illiquid investments which are typically held to maturity.

The portfolio has a composite benchmark. The LPPI Credit Fund's target is to outperform the benchmark by 1.0% p.a. – 3.0% p.a. over a full market cycle of at least seven years.

Over the twelve months, the Fund's Credit portfolio returned +8.5%, underperforming its benchmark by 0.4%,, with the largest positive contributor to returns being Multi-Asset Credit, a sub-sector of the Public Credit portion of the portfolio. Within Private Credit, the largest contributor was Asset Backed Lending

The Fund's on-balance sheet credit investments made a positive contribution to performance over the year.

Fig.15 LCPF Credit – Investment type breakdown as at 31 March 2024



Note: When comparing the investment type breakdown as at 31 March 2023 with Fig.16 above, the Diversified Credit allocation within the LPPI Credit Fund has been broken down into more granular investment types in Fig.16. The remaining Diversified Credit allocation shown in Fig.16 represents holdings within the Fund's on balance sheet assets.

Diversifying Strategies

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

The Fund's diversifying strategies exposure is through a combination of investment in LPPI Diversifying Strategies Fund ("DSF") along with a small legacy exposure through Reinsurance.

The DSF is benchmarked against the Hedge Fund Research Incorporated (HFRI) Fund of Funds Conservative Index and aims to outperform this benchmark by 1% p.a. over a rolling seven-year period.

During the twelve-month period to 31 March 2024, the DSF returned +1.4%, underperforming its benchmark by 4.7%.

Over the course of the year, the decision was made to close the DSF and is in the process of winding the fund up. Therefore, from the end of March 2024, the DSF is significantly reduced in size, with a large holding in Cash, and is no longer being actively managed except for the processing of redemptions.

iv. Costs

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

Pool set up and investment transition costs by year

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

Pool set up and investment transition costs by type of expense

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

Total expected costs and savings

The table below compares the investment management fee savings realised since admission to the Pool. The savings are based on grossed up fees in accordance with the revised CIPFA guidance issued in 2016, whereas in previous years fees may have been reported lower as they would have been netted off against the change in market value. This is consistent with current recommended practice.

	Gross (savings)/costs realised	Set up costs	Transition costs	Net (savings)/costs realised
	£'m	£'m	£'m	£'m
2014-15	-	-	-	-
2015-16	-	0.2	-	0.2
2016-17	(0.6)	0.2	2.0	1.6
2017-18	0.4	0.7	0.3	1.4
2018-19	(9.1)	-	-	(9.1)
2019-20	(8.1)	0.8	-	(7.3)
2020-21	(12.1)	-	-	(12.1)
2021-22	(15.0)	-	-	(15.0)
2022-23	(17.2)	-	-	(17.2)
2023-24	(21.8)	-	-	(21.8)
Cumulative	**(83.5)**	**1.9**	**2.3**	**(79.3)**

Total expected costs and savings

Ongoing investment management costs 2023/24

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

The table below summarises investment management costs for 2023/24. It has been compiled from cost transparency templates completed by each of the Fund's investment managers. The investment expenses are split between those held within LPPI investment pooling vehicles and those non-pooled assets held directly by the Fund.

	LPPI pooled assets			Non pooled assets			Fund Total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Management fees	52.7	–	52.7	1.5	–	1.5	54.2
Performance	16.6	–	16.6	0.4	–	0.4	17
Transaction costs	4.2	1.1	5.3	0.5	–	0.5	5.8
Custody	–	–	0	0.1	–	0.1	0.1
Administration	–	15.6	15.6	–	0.8	0.8	16.4
Borrowing and arrangement fees	–	1.7	1.7	–	–	0	1.7
Distribution, comms and client service	–	–	0	–	–	0	0
Governance, Regulation and Compliance	–	7.3	7.3	–	0.5	0.5	7.8
Property expenses	–	6.1	6.1	–	2.4	2.4	8.5
Other fees	–	2.8	2.8	–	–	0	2.8
Total	**73.5**	**34.6**	**108.1**	**2.5**	**3.7**	**6.2**	**114.3**

The table above summarises the investment management costs for 2023-24. These have been compiled from cost transparency templates completed by each of the Pension Fund's investment managers. LPPI collates the costs and charges information on behalf of the Pension Fund, utilising the services of ClearGlass, and then submits them to the SAB Cost Transparency Compliance and Validation System, Byhiras.

Fees Risk and Investment Return

LPPI undertakes an assessment of value for its regulated funds on an annual basis, those funds being the LPPI Global Equities Fund, LPPI Fixed Income Fund and LPPI Real Estate Fund. Copies of the LPPI assessment of value reports can be found here. The Pension Fund has a large allocation to alternative / private market assets including Real Estate, Infrastructure and Private Equity, which require an active management approach to, for example, undertake operational improvements which, in turn, drive investment returns. The greater involvement in the investment selection and management of these assets typically results in higher costs when compared to public market investments.

v. Responsible Investment

The Fund is committed to the long-term Responsible Investment (RI) of retirement savings on behalf of Fund members.

Strategy

Consideration of RI begins at a strategic level with the Fund's RI Policy which is a companion document to the Investment Strategy Statement. The policy reflects a commitment to fulfilling the responsibilities held by the Fund as an institutional asset owner and steward of the retirement savings of Fund members and their beneficiaries. It covers the following areas:

- Approach – the policy articulates the thinking that shapes the Fund's approach to RI including its beliefs, principles and values;
- Priorities – it states the desired outcomes in terms of identified priorities. Identifying core priorities for RI is an important part of focussing the attention of LPPI on the issues of greatest importance to us. Further detail on priorities is below; and
- Implementation - it sets a clear requirement for LPPI - as our provider of investment management services -to evaluate material influences which could affect the future value of investments by incorporating Environmental, Social and Governance (ESG) considerations into their analysis.

The current RI policy can be accessed on the Fund's Website by clicking here and a detailed review of the RI Policy will be taking place over 2024/25.

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

Environment Priorities:

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

Social Priorities:

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

Governance Priorities:

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

Governance

As well as approving the RI Policy, the Pension Fund Committee receives quarterly RI reporting covering stewardship and engagement activities undertaken by LPPI. RI reporting incorporates metrics on a range of RI matters including shareholder voting and engagement. The Fund is also involved in investor collaborations that engage with companies, regulators and interest groups on issues that matter to the Fund.

Implementation

Investment selection and ongoing stewardship activities (such as shareholder voting) are managed centrally by LPPI on behalf of the Fund. LPPI are monitored by the Fund and held to account for delivering our investment strategy and implementing our RI policy commitments. LPPI select, and focus stewardship efforts on promoting well managed and sustainable companies. This involves monitoring and engaging companies to encourage positive behaviours such as fair and just employment practices and transparent disclosure on corporate activities.

6

LPPI use two main external benchmarks to ensure that they are applying best practice – the UK Stewardship Code and Principles for Responsible Investment. The UK Stewardship Code sets clear standards for effective stewardship by asset owners. The Financial Reporting Council defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. LPPI has continued to meet the higher standard for stewardship disclosure in accordance with the updated 2020 code and have retained signatory status for 2022-23. Their Responsible Investment and Stewardship Report 2022-23, which forms their Stewardship Code submission, can be found on their website.

The Principles for Responsible Investment (PRI) are a global standard for Responsible Investment. Our portfolio is managed under arrangements which comply with the 6 PRI principles, to which LPPI is a signatory. In LPPI's latest PRI Assessment Report, they achieved 4-star and 5-star ratings, and more than 70% in each module. This means that despite a range of changes to the assessment questions, LPPI successfully maintained high scores across the board, scoring significantly higher than the PRI median and either at or significantly above the Asset Owners Peer Group median:

Module	LPPI Scores	PRI Median Scores
Policy Governance and Strategy	4* (77%)	3* (60%)
Indirect – Listed Equity - Active	5* (94%)	3* (57%)
Indirect – Fixed Income - Active	5* (94%)	3* (58%)
Confidence Building Measures	4* (80%)	4* (80%)

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

The Fund recognises climate change as a systemic risk and a long-term investment concern posing material risks across all asset classes with the potential for loss of value including via stranded assets. Understanding and managing the risks faced from climate change is a core priority. We are working with LPPI to gain a better understanding of the risks our portfolio faces and to ensure climate change considerations feature within investment decision-making. In addition, it is expected that new requirements will be introduced for Funds within the LGPS sector regarding climate change.

LPPI has voluntarily made a public commitment to the long-term goal of aligning our portfolio with net zero emissions by 2050. Net zero is an aspirational multi-decadal ambition and as a signatory to the Net Zero Asset Manager Commitment, LPPI will work in partnership with us and other asset owner clients to bring emissions measurement and portfolio net zero alignment into closer focus. This means sourcing data, setting targets, monitoring progress, and actively encouraging the companies we invest in to decarbonise, so they are well placed to benefit from the global transition underway and deliver the sustainable investment returns we need to pay pensions. LPPI has published targets for listed equities (our largest asset class), corporate fixed income assets within the Fixed Income Fund and Credit fund, and our direct real estate portfolio. They will bring further asset classes progressively into scope over time. You can read more about this in LPPI's Roadmap to Net Zero and on the net zero asset managers website here. You can also find LPPI's climate disclosure reports which report the emissions and assessment of climate risks for a number of funds on their website here.

Engagement, voting and collaboration

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

1 Engagement

Engagement is the act of communicating with an organisation with the aims of raising an issue. To increase the resources focussed on engaging with and influencing public companies, LPPI use an engagement services partner, Robeco. Robeco undertakes direct engagement with investee companies on a number of ESG themes via dialogue with investee company representatives which seeks progress against identified engagement outcomes.

The metrics below summarise activity in 2023/24 where 233 engagement cases undertaken by Robeco involved 350 engagement activities. These metrics provide information by topic, sector and geographical region.

Activity by Focus Topic	YTD
Environment	81
Social	49
Corporate Governance	35
Sustainable Development Goals	49
Global Controversy	7
Robeco-linked voting	12
Total	**233**

Activity by Region	YTD
North America	46%
Europe	26%
Pacific	3%
Emerging Markets	25%
Total	**100%**

Activity by Focus Topic	YTD
Energy	13
Materials	29
Industrials	7
Consumer Discretionary	48
Consumer Staples	34
Health Care	9
Financials	48
Information Technology	24
Utilities	5
Telecommunications	16
Total	**233**

Activity by Focus Topic	YTD
Meeting	12
Conference Call	124
Written correspondence	130
Shareholder Resolution	3
Analysis	79
Other	2
Total	**350**

2 Voting

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

In the 12-months from April 2023 to March 2024 LPPI voted at 376 company meetings on 4,440 separate resolutions. Analysis by themes is as follows:

Theme:	Election of Directors (& related)	Compensation	Anti-takeover & related	Audit-related	Capitalisation	Routine business	Shareholder proposals
FOR	2103	535	16	257	276	535	122
AGAINST	244	147	1	12	44	63	85

During the financial year ended 31 March 2024, LPPI voted

1. Against 22% of management resolutions relating to executive compensation. Votes against management are motivated by a range of factors, including, but not limited to, poor transparency, mis-aligned incentives, and pay magnitude.
2. In support of 75% of shareholder proposals seeking reporting on human rights assessments and the improvement of human rights-related standards.
3. In support of 67% of shareholder proposals related to gender and/or racial diversity. Typical proposals supported requested specific disclosures (such as pay gaps) and actions such as the conducting a racial equity audit.
4. In support of 100% of shareholder proposals seeking greater transparency on company tax practices. In support of 100% of shareholder proposals on climate change where most proposals sought greater information on how companies are managing risk.
5. In support of 65% of shareholder proposals on climate change. LPPI typically supported proposals that sought greater information on how companies are managing risk.
6. In support of 90% of shareholder proposals seeking greater transparency on corporate behaviour relating to political lobbying (e.g. through enhanced reporting).

3 Collaboration

The Fund prioritises working in partnership with like-minded investors to share information and build influence. One of our key partners is LAPFF.

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

Over the last 12 months, the Fund was represented by LAPFF across the range of activities and further detail is provided in [LAPFF's Annual Report 2023.]

Responsible Investment Case Studies

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

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

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

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

Edge London Bridge, London

Edge London Bridge, is a 27 floor, 260,00 sqft best-in-class, mid-rise office tower development designed to be operationally net-zero.

Key features are:

- innovative development designed with sustainability and will achieve an excellent energy rating of EPC 'A'.
- construction tried to reduce the lifetime carbon emissions produced and achieved c. 54% lower embodied carbon compared to similar new constructions.
- development is targeting a sustainability standard referred to as BREEAM 'Outstanding', reflecting the exemplary design.
- a new landscaped public park will be created adjacent to the building.
- Underfloor air supply in combination with natural ventilation will provide optimal air quality, which, together with natural light from the floor-to-ceiling windows and radiant cooling, will provide a healthy environment for the building's users.
- site is powered by hydrogenated vegetable oil.
- project is currently under construction and is aiming to be complete in early 2026.

Hornsea 1, Yorkshire Coast

Hornsea 1 is one of the world's largest operational wind farms, generating enough green energy to power over one million homes across the UK. Hornsea 1 became fully operational in 2019 and at the time was the world's first offshore wind farm to exceed 1GW in capacity. The wind farm consists of 174 wind turbines located 120km off the North East coast of England.

GLIL recently joined the collaborative shareholder group at Hornsea, called the Project Company ("Project-Co") for Hornsea 1. The group's focus is to align ESG data requested at company level with industry reporting standards which include TCFD, SFDR, and the EU Taxonomy. GLIL joined the shareholder group to encourage further development of the company's approach to ESG reporting and track progression on targets and community initiatives that Hornsea have committed to through the Project-Co.

Goodman Australia Industrial Partnership, Australia

Goodman Australia Industrial Partnership (GAIP) is a Real Estate Fund that provides exposure to predominantly industrial assets, in addition to a smaller number of office/business parks across Australia.

- GAIP achieved a 78 (out of 100) in their most recent GRESB assessment (which covers ESG performance and sustainability) for standing investments and 86 for their development assets.
- GAIP have been working with their landscaping contractors to improve recycling of on-site green waste, and since the commencement of the program in November 2022 over 180,000 kg of green waste has been recycled (as at March 2023). This is equivalent to 293 tonnes CO_2.
- GAIP generates 14.3MW of photovoltaic power, with a further 3.8MW contracted for installation and delivery over the coming months.
- 100% of the portfolio has water tanks for rainwater capture and smart irrigation, saving 53% of water used for irrigation purposes.

External Audit Opinion – DRAFT AUDIT OPINION

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

Opinion on financial statements

We have audited the financial statements of Lancashire County Pension Fund (the 'Pension Fund') administered by Lancashire County Council (the 'Authority') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Executive Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Executive Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements.

The Executive Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit

Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority and the Executive Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director of Resources. The Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the Pension Fund's financial statements, the Executive Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003), Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of management and the Audit, Risk and Governance Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit, Risk and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

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

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large post year-end journals above performance materiality, journals posted by senior management, journals over half performance materiality which impact the fund account and journals impacting changes in the value of investments,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 investments, level 3 investments and directly held property, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - o the provisions of the applicable legislation
  - o guidance issued by CIPFA/LASAAC and SOLACE
  - o the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Sarah Ironmonger, Key Audit Partner

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

Manchester

Date:

Fund Accounts, Net Asset Statements and Notes

This section of the report presents the Fund's transactions - income and expenditure for the year and its position at the end of the year. This is prepared in accordance with accounting standards and guidance. Further details are provided in notes to this statement.

This statement of accounts is that upon which the auditor should enter his certificate and opinion.

Fund account for year ended 31 March 2024

2022/23 £m	Dealing with members, employers and others directly involved in the Fund	Note	2023/24 £m
172.5	Contributions	6	412.0
17.8	Transfers in from other pension funds	7	25.4
190.3	**Additions from dealings with members**		**437.4**
(314.5)	Benefits	8	(361.3)
(18.9)	Payments to and on account of leavers	9	(22.3)
(333.4)	**Withdrawals from dealing with members**		**(383.6)**
(143.1)	**Net contributions (withdrawals) from dealings with members**		**53.8**
(116.8)	Management expenses	10	(117.9)
(259.9)	**Net withdrawals including fund management expenses**		**(64.1)**
	Returns on investments		
184.7	Investment income	11	193.1
210.9	Profit and losses on disposal of investments and changes in the value of investments	13	770.5
395.6	**Net return on investments**		**963.6**
135.7	**Net increase in the net assets available for benefits during the year**		**899.5**
10,711.5	**Opening net assets of the scheme**		**10,847.2**
10,847.2	**Closing net assets of the scheme**		**11,746.7**

Net assets statement as at 31 March 2024

31 March 2023 £m		Note	31 March 2024 £m
10,786.9	Investment assets	13	11,659.1
45.9	Cash deposits	13	70.3
10,832.8	**Total net investments**		**11,729.4**
19.8	Current assets	19	23.0
(5.4)	Current liabilities	20	(5.7)
10,847.2	**Net assets of the fund available to fund benefits at the end of the reporting period**		**11,746.7**

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

Notes to the financial statements

Note 1 - Pension Fund operations and membership

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

The following description of the Fund is a summary only. For more detail, reference should be made to the Lancashire County Pension Fund Annual Report 2023/24 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

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

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

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

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

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

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

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

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

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

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

Membership

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

Organisations participating in the Lancashire County Pension Fund include:

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

Membership of the Fund, as at 31 March 2024 is detailed in the following table:

31 March 2023	Lancashire County Pension Fund	31 March 2024
324	Number of employers with active members[1]	336
167	Number of ceased employers (no active members but some outstanding liabilities)	173
	Number of active scheme members[2]	
27,275	County Council	29,405
29,906	Other employers	34,729
57,181	**Total Number of pensioners**	**64,134**
27,967	County Council	29,182
28,479	Other employers	29,745
56,446	**Total Number of deferred pensioners[2]**	**58,927**
36,400	County Council	36,159
39,581	Other employers	38,222
75,981	**Total**	**74,381**
189,608	**Total membership**	**197,442***

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

[2] March 2023 membership numbers have been adjusted to transfer 5,273 pending leavers as at that date from active membership category to deferred membership category. An adjustment of 3,440 pending leavers has been made at 31 March 2024.

Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS (Amendment) Regulations 2018 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 2024. Employer contributions are set based on triennial actuarial funding valuations. The contributions in 2023/24 are based on the valuation at 31 March 2022. The latest valuation was at 31 March 2022 for the three years commencing 1 April 2023.

Employer contribution rates for 2023/24 range from 0.0% to 27.8% of pensionable pay, with a primary rate of 19.2%, and are dependent on the assumptions applied by the actuary when carrying out the valuation. Examples of variables which may differ between employers are demographic assumptions regarding the age profile and life expectancy of employees, probability of dependant's pensions becoming payable and the likelihood of ill health retirements.

Benefits

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

The scheme benefits are summarised in the following table.

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

Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the financial year and its position as at 31 March 2024. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2023/24 which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The accounts have been prepared on a going concern basis.

Accounting standards issued but not yet adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2024 but not yet adopted by the Code. There are no such accounting changes to be disclosed for 2023/24.

Events after the reporting period and Contingent Liabilities

No events after the reporting period have been identified which may impact Lancashire County Pension Fund's financial statements

Note 3 - Accounting policies

Fund account - revenue recognition

Contribution income

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

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

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

Transfers to and from other schemes

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

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

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

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

Investment income

Interest income

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

Income from pooled funds

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

Net income from properties

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

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

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

Movement in the net market value of investments

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

Fund account – expense items

Benefits payable

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

Taxation

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

Management expenses

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

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

Administrative expenses

Administrative expenses consist of the following:

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

All administrative expenses are accounted for on an accruals basis.

Oversight and governance costs

Oversight and governance expenses include the following costs:

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

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

Investment management expenses

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

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

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

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the latest available market value of their mandate as at the end of the year is used for the inclusion in the fund account. In 2023/24, £23.6m of fees is based on such estimates (2022/23: £3.1m).

Net assets statement

Financial assets

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

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

Freehold and leasehold properties

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

The properties were valued at open market value at 31 March 2024 by independent property valuers Avison Young in

accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards effective from 31 January 2022

Foreign currency transactions

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

Financial Assets at amortised cost

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

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

Cash and cash equivalents

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

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

Financial liabilities

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

Actuarial present value of promised retirement benefits

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

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

Additional voluntary contributions

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

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

Note 4 - Critical judgements in applying accounting policies

The LPPI Global Equities Fund has been categorised at level 1 in the fair value hierarchy as the NAV provided to the fund is the accumulation of the quoted prices of the underlying assets as of 31st March 2024. All the underlying assets are level 1 quoted securities and no adjustments have been made to the NAV such as for fees on exiting the fund. The judgment relates to the application of the Fund's accounting policy on financial assets as prescribed in Note 3, the effect can be seen in Note 16 – Financial Instruments - Fair Value Hierarchy.

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

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

The items at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming year are set out in the following table.

Item	Uncertainties	Impact if actual results differ from assumptions
Private Equity and infrastructure investments	Private Equity and infrastructure investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The market value of private equity and infrastructure investments in the financial statement's totals £2,606.7m (2022/23: £2,595.8m). Note 16 and 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
Long-term credit investments	Long-term credit investments are valued as the Fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager. In some cases, the underlying investments will be classified as level 3 investments, defined in note 16 as those investments for which valuation involves at least one input which is not based on observable market data.	The market value of long-term credit investments in the financial statements totals £1,826.4m (2022/23: £1,626.0m excluding investment in loans secured on real assets). Note 16 and 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
Indirect core property investments	Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Indirect property investments in the financial statements total £880.5m (2022/23: £910.8m). Note 16 and 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks. Indirect core property is included within the property and property funds, and total property headings in the sensitivity note.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to future experience – the main assumptions would be the discount rate used relative to assumed inflation (essentially the assumed real return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer Limited) is engaged to provide the authority with expert advice about the assumptions to be applied. Areas of uncertainty highlighted by the actuary include Guaranteed Minimum Pension (GMP) equalisation, the impact of COVID19 / Ukraine, the court of appeal ruling on the Sergeant and McCloud cases and current high levels of inflation. Further information can be found in note 24 to these accounts.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £375m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £120m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £215m. Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to future experience – the main assumptions would be the discount rate used relative to assumed inflation (essentially the assumed real return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer Limited) is engaged to provide the authority with expert advice about the assumptions to be applied. Areas of uncertainty highlighted by the actuary include Guaranteed Minimum Pension (GMP) equalisation, the impact of COVID19 / Ukraine, the court of appeal ruling on the Sergeant and McCloud cases and recent high levels of inflation. Further information can be found in note 24 to these accounts.

Note 6 - Contributions receivable

2022/23 £m	By category	2023/24 £m
73.4	Members	**78.9**
	Employers:	
91.2	Normal contributions[1]	329.6
6.3	Deficit recovery contributions[1]	1.6
1.6	Augmentation contributions[2]	1.9
99.1	**Total employers' contributions**	**333.1**
172.5	**Total contributions receivable**	**412.0**
	By type of employer	
62.7	County Council[1]	209.5
88.6	Scheduled bodies[1]	178.9
21.2	Admitted bodies	23.6
172.5		**412.0**

[1] Following the actuarial valuation in 2022, the Fund gave some employers the option of paying their 3-year future service rate and secondary contributions up front. A number of employers opted to do this and as a result the normal and secondary recovery contributions for the year ended 31 March 2024 includes £122.5m which relates to 2024/25 & 2025/26. Contributions for 2022/23 shows £88.4m less than it would have been but for pre-payments in previous years.

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

Note 7 - Transfers in from other pension funds

2022/23 £m		2023/24 £m
17.8	Individual transfers in from other schemes	25.4
17.8		**25.4**

Note 8 – Benefits payable

2022/23 £m	By category	2023/24 £m
266.5	Pensions	297.1
43.7	Commutation and lump sum retirement benefits	56.1
4.3	Lump sum death benefits	8.1
314.5	**Total benefits payable**	**361.3**
	By type of employer	
130.5	County Council	150.3
158.6	Scheduled bodies	182.1
25.4	Admitted bodies	29.0
314.5		**361.3**

Note 9 - Payments to and on account of leavers

2022/23 £m		2023/24 £m
0.7	Refunds to members leaving service	0.7
18.2	Individual transfers	21.6
18.9		**22.3**

Note 10 - Management expenses

2022/23 £m		2023/24 £m
4.2	Fund administrative costs	4.5
110.9	Investment management expenses[1]	111.3
1.7	Oversight and governance costs [2]	2.1
116.8		**117.9**

Investment management expenses

31st March 2024

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

31st March 2023

	Total £m	Management Fees[2] £m	Performance Related fees £m	Transaction Costs[1] £m
Pooled Investments	97.7	66.9	27.0	3.8
Pooled property investments	12.8	10.2	1.0	1.6
Property	0.2	0.2	-	
Cash Deposits	0.1	0.1		
	110.8	**77.4**	**28.0**	**5.4**
Custody Fees	0.1			
	110.9			

[1]Some costs are included in the investment management fees for budget purposes in section 4 of the Annual Report but are deducted from investment income in the accounts of the Fund

[2] Oversight and governance costs above include external audit fees which amounted to £113,251 (2022/23: £90,836). Additional fees of £2,200 were paid to the external auditor for IAS19 assurance work on behalf of Fund employers within the PSAA regime. The majority of the cost of the IAS 19 work is now built into the PSAA scale Fee (£105k) rather than being an additional cost and its only IAS 19 work for bodies outside the NAO framework that now form an extra cost.

[1]Transaction costs are not directly invoiced to the Fund and are included within the net asset value of investments by investment managers. In accordance with CIPFA guidance these fees are identified and reported through the Fund account.

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

Note 11 - Investment income

2022/23 £m		2023/24 £m
1.1	Fixed interest securities	1.2
151.5	Pooled investment vehicles1	141.3
24.6	Pooled property investments	38.9
6.2	Net rents from properties1	7.7
1.3	Interest on cash deposits	4.0
184.7	**Total investment income**	**193.1**

[1]Some costs are included in the investment management fees for budget purposes in section 4 of the Annual Report but are deducted from investment income in the accounts of the Fund

Note 12 - Property income

2022/23 £m		2023/24 £m
9.8	Rental income	11.8
(3.6)	Direct operating expenses	(4.1)
6.2	**Net income**	**7.7**

Note 13 - Reconciliation of movements in investments

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

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

Investments analysed by fund manager

31 March 2023 £m	31 March 2023 % of net investment assets		31 March 2024 £m	31 March 2024 % of net investment assets
Private equity investments				
876.2	8.1%	LPPI Private Equity Fund	873.8	7.4%
Private equity investments managed outside of LPPI Private Equity Fund				
7.8	0.1%	Trilantic Capital Partners	7.6	0.1%
12.5	0.1%	Local Pensions Partnership Limited	12.5	0.1%
896.5	**8.3%**	**Total private equity investments**	**893.9**	**7.6%**
Long term credit investments				
1,571.2	14.5%	LPPI Credit Investments	1,802.6	15.4%
Credit investments managed outside of LPPI Credit Investments Fund				
26.8	0.3%	CRC	3.2	0.1%
21.9	0.2%	Neuberger Berman	15.5	0.1%
2.5	-	Pimco Bravo	2.6	-
3.4	-	Bridgepoint[1]	2.4	-
0.2	-	Hayfin	0.0	-
1,626.0	**15.0%**	**Total long term credit investments**	**1,826.4**	**15.6%**
Fixed income investments				
156.3	1.4%	LPPI Fixed Income Fund	465.3	4.0%
Liquid credit investments managed outside of LPPI Fixed Income Fund				
88.3	0.8%	LPPI internal and LCC Treasury Management	132.4	1.1%
244.6	**2.2%**	**Total fixed income investments**	**597.7**	**5.1%**
Global equity investments				
5,191.3	47.9%	LPPI Global Equities Fund	5,645.9	48.1%
5, 191.3	**47.9%**	**Total global equity investments**	**5,645.9**	**48.1%**

[1] Bridgepoint Credit formerly EQT Credit

31 March 2023 £m	% of net investment assets		31 March 2024 £m	% of net investment assets
Infrastructure investments				
1,605.5	14.9%	LPPI Global Infrastructure Fund	1,647.5	14.0%
Infrastructure investments managed outside of LPPI Global Infrastructure Fund				
48.5	0.5%	Icon Infrastructure Partners	44.0	0.4%
36.4	0.3%	Arclight Energy	25.0	0.2%
4.7	-	Pike Petroleum Holdings LLC	4.7	0.1%
2.4	-	Highstar Capital	2.2	-
1.8	-	Eastern Generation Holdings LLC	1.8	-
93.8	**0.8%**		**77.7**	**0.7%**
1,699.3	**15.7%**	**Total infrastructure investments**	**1,725.2**	**14.7%**
Diversifying strategy investments				
111.5	1.0%	LPPI Diversifying Strategies Fund	14.5	0.1%
111.5	**1.0%**	**Total diversifying strategies investments**	**14.5**	**0.1%**
Property investments				
Directly held properties				
152.8	1.4%	Knight Frank	145.4	1.2%
Pooled property funds				
Core property				
910.8	8.4%	LPPI Real Estate Fund	880.5	7.5%
1,063.6	**9.8%**	**Total property investments**	**1,025.9**	**8.7%**
10,832.8	**100.0%**	**Net investment assets**	**11,729.5**	**100.0%**

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

Fixed interest securities

31 March 2023 £m		31 March 2024 £m
-	UK corporate bonds quoted	-
22.2	Overseas corporate bonds/ supernational bonds quoted	9.1
22.2		**9.1**

Pooled investment vehicles

31 March 2023 £m	UK funds:	31 March 2024 £m
£m	UK funds:	£m
156.3	Fixed income funds	465.3
192.9	Private equity	197.9
1,605.5	Infrastructure	1,647.5
1,571.4	Long term credit investments	1,802.7
910.8	Property funds	880.5
111.5	Diversifying strategies	14.5
	Overseas funds:	
691.1	Private equity	683.6
93.7	Infrastructure	77.7
54.6	Long term credit investments	23.7
5,191.3	Equity funds[1]	5,645.9
10,579.1		**11,439.3**

1The LPPI Global Equities Fund includes UK equities.

Direct property investments

31 March 2023 £m		31 March 2024 £m
120.8	UK – freehold	115.8
32.1	UK – long leasehold	29.6
152.8		**145.4**

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 shown in the table.

31 March 2023 £m		31 March 2024 £m
172.1	**Opening balance**	**152.8**
	Additions:	
11.1	• Purchases	7.3
0.4	• Subsequent expenditure	0.1
	Deductions:	
-	• Disposals	(10.5)
(30.8)	Net increase/decrease in market value	(4.4)
152.8	**Closing balance**	**145.4**

Leases

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

Residual asset risk
The independent valuation of the direct property portfolio considers the level of committed tenancies amongst other variables. Lessees do not have an option to purchase the properties at the expiry of their lease period and all rental contracts include market review clauses in the event that the lessee exercises an option to renew. Rental income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income generally reviewed to market rent five yearly, and there is also an element of the portfolio income that is indexed or has fixed uplifts (generally being in the range

of 2-4% per annum). As at 31 March 2024, the Fund has the following future minimum lease payments due from tenants.

2022/23 £m		2023/24 £m
0.3	Leases expiring within one year	0.5
6.6	Leases expiring between one and five years	5.1
91.1	Leases expiring later than five years	87.7
98.0	**Total future minimum lease payments receivable under existing non-cancellable leases**	**93.3**

The above disclosures have been reduced by a credit loss allowance of 5.0% for the county portfolio and 6.3% for the national portfolio (2022/23: 5.0% & 6.3% respectively) per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This adjustment is based on an analysis of rents outstanding 28 days after the due date taking account of trading difficulties that some occupiers were experiencing and how this would affect their ability to pay in the future.

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

Cash deposits

31 March 2023 £m		31 March 2024 £m
42.0	Sterling	57.5
3.9	Foreign currency	12.8
45.9		**70.3**

Note 14 - Financial instruments classification

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

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

31 March 2023

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

Note 15 - Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss was £774.9m (2022/23: £241.7m gain) . Note 13 outlines the change in Market Value of Fund Asset's, of which, £526.1m relates to unrealised gains and £248.8m relates to realised gains on the disposal of assets. Direct property is not included within this figure.

Note 16 - Financial instruments – fair value hierarchy

Valuation of financial instruments carried at fair value

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

Level 1

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

Level 2

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

Level 3

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

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

Fair value hierarchy

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

31 March 2024

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets at fair value through profit and loss	5,662.9	465.3	5,340.6	11,468.8
Financial Assets at Amortised Cost1	87.5	45.0	-	132.5
Non-financial assets at fair value through profit and loss (property holdings)[1]	-	-	145.4	145.4
Net investment assets	**5,750.4**	**510.3**	**5,486.0**	**11,746.7**

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

31 March 2023

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets at fair value through profit and loss	5,213.7	156.3	5,244.1	10,614.1
Financial Assets at Amortised Cost1	45.9	34.4	-	80.3
Non-financial assets at fair value through profit and loss (property holdings)[1]	-	-	152.8	152.8
Net investment assets	**5,259.6**	**190.7**	**5,396.9**	**10,847.2**

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

Basis of valuation

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

Sensitivity of assets valued at level 3

Having consulted with the Fund's independent investment advisors; PIRC, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2024.

Description of asset	Assessed valuation range[1]	Value at 31 March 2023	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	11.3	894.0	994.7	793.3
Infrastructure funds	5.9	1,725.3	1,826.4	1,623.9
Long term credit	5.9	1,826.3	1,933.6	1,719.2
Diversifying strategies	5.9	14.4	15.3	13.6
Property/Property Funds	7.4	1,026.0	1,101.9	949.8
Level 3 investments	**5.7**	**5,486.0**	**5,796.9**	**5,175.1**

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

Reconciliation of fair value measurements within level 3

	Private equity funds £m	Infrastructure funds £m	Long term credit funds £m	Property and Property funds £m	Diversifying strategies £m	Total level 3 investments £m
Market value 31 March 2023	**896.5**	**1,699.3**	**1,626.0**	**1,063.7**	**111.5**	**5,397.0**
Purchases during the year and derivative pay-ments	91.9	143.2	125.0	52.4	-	412.5
Sales during the year and derivative receipts	(134.7)	(92.6)	(47.9)	(20.3)	(109.1)	(404.6)
Unrealised gains / (losses)	(10.1)	(45.5)	110.8	(69.8)	(5.4)	(20.0)
Realised gains	50.4	20.9	12.4	0.0	17.4	101.1
Market value 31 March 2024	**894.0**	**1,725.3**	**1,826.3**	**1,026.0**	**14.4**	**5,486.0**

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

Risk and risk management

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

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

Market risk

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

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

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

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	4.2%
Total equities	11.3%
Alternatives	5.9%
Total property	7.4%

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

Asset type	31 March 2024 £m	Potential market movements (+/-)[1] £m	Potential value on increase £m	Potential value on decrease £m
Investment portfolio assets:				
Total equities	6,540	11.3%	7,277	5,803
Alternatives	4,031	5.9%	4,268	3,795
Total property	1,026	7.4%	1,102	950
Total bonds (including index linked)	9	4.2%	9	9
Total assets available to pay benefits[2]	**11,606**	**5.7%**	**12,264**	**10,948**

Asset type	31 March 2023 £m	Potential market movements (+/-)[1] £m	Potential value on increase £m	Potential value on decrease £m
Investment portfolio assets:				
Total equities	6,088	12.6%	6,855	5,321
Alternatives	3,593	6.3%	3,820	3,367
Total property	1,064	6.6%	1,134	993
Total bonds (including index linked)	22	4.0%	23	21
Total assets available to pay benefits[2]	**10,767**	**5.9%**	**11,402**	**10,132**

[1]The potential market movement has been separately assessed for each asset class including the total assets of the fund, as such, the sum of the potential change in individual assets may not equal the potential change of the total assets of the fund.

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

Direct Property – Price Risk

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

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

County Portfolio

		Potential Movement in Equivalent Yield			
Asset type	Asset value as at 31 March 2024 £m	-0.25% £m	0.25% £m	-0.50% £m	0.50% £m
Direct Property	29.2	27.6	25.7	28.7	24.8

National Portfolio

		Potential Movement in Equivalent Yield			
Asset type	Asset value as at 31 March 2024 £m	-2.50% £m	2.50% £m	-5.00% £m	5.00% £m
Direct Property	116.2	157.7	94.0	276.1	80.8

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 2023 and 31 March 2024 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31 March 2023 £m	Currency exposure – asset type	31 March 2024 £m
45.9	Cash and cash equivalents	22.2
45.9	**Total**	**70.3**

Interest rate risk - sensitivity analysis

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

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

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

		Impact of	
Asset type	31 March 2023 £m	1% increase £m	1% decrease £m
Cash and cash equivalents	45.9	0.5	(0.5)
Total change in assets available		0.7	(0.7)

Currency risk

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

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

The following table summarises the Fund's currency exposure as at 31 March 2024 and as at the previous year end.

31 March 2023 £m	Currency exposure – asset type	31 March 2024 £m
5,882.4	Overseas equities	6,329.5
148.5	Overseas alternatives	102.1
22.2	Overseas bonds (including index linked)	9.1
6,053.1	**Total overseas assets**	**6,440.7**

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 6.2%. A 6.2% 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 (2022/23: 6.5%).

A 6.2% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value at 31 March 2024 £m	Potential market movement +/- 6.2% £m	Value on increase £m	Value on decrease £m
Overseas equities	6,329.5	391.3	6,720.8	5,938.2
Overseas alternatives	102.1	6.3	108.4	95.8
Overseas bonds (including index linked)	9.1	0.6	9.7	8.5
Total assets available to pay benefits	**6,440.7**	**398.2**	**6,838.9**	**6,042.5**

Currency exposure - asset type	Asset value at 31 March 2023 £m	Potential market movement +/- 6.5% £m	Value on increase £m	Value on decrease £m
Overseas equities	5,882.4	383.1	6,265.5	5,499.3
Overseas alternatives	148.5	9.7	158.2	138.8
Overseas bonds (including index linked)	22.2	1.4	23.6	20.8
Total assets available to pay benefits	**6,053.1**	**394.2**	**6,447.3**	**5,658.9**

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

Currency	Asset value at 31 March 2024 £m	Potential market movement (+/-) [1] %	Value on increase £m	Value on decrease £m
Canadian Dollar	30.6	5.2	32.2	29.0
Euro	208.4	4.3	217.4	199.4
Singapore Dollar	9.1	4.9	9.5	8.6
Swedish Krona	1.2	7.0	1.2	1.1
US Dollar	545.5	8.2	590.4	500.6
Global Basket	5,645.9	6.1	5,992.7	5,299.2
Total Holdings in Foreign Currencies	**6,440.7**	**6.2**	**6,838.9**	**6,042.5**

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

Currency	Asset value at 31 March 2023 £m	Potential market movement (+/-) [1] %	Value on increase £m	Value on decrease £m
Canadian Dollar	32.0	5.7	33.8	30.2
Euro	264.8	5.3	279.0	250.7
Singapore Dollar	9.1	5.7	9.6	8.6
Swedish Krona	1.2	6.0	1.3	1.1
US Dollar	554.7	9.1	605.3	504.1
Global Basket	5,191.3	6.9	5,547.9	4,834.6
Total Holdings in Foreign Currencies	**6,053.1**	**6.5**	**6,447.3**	**5,658.9**

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

Credit risk

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

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

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

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

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

The Fund's cash holding under its treasury management arrangements at 31 March 2024 was £70.3m (31 March 2023: £45.9m) and was held with the following institutions:

31 March 2023 £m	Summary	Rating	31 March 2024 £m
	Bank deposit accounts		
7.0	Northern Trust	A+	49.8
38.7	Svenska Handelsbanken	AA2	8.9
0.1	National Westminster Bank	A1	0.1
-	Santander	A1	2.0
	Cash equivalents		
-	Aberdeen Lux Sterling Liquidity Fund	Aaa-mf	10.0
	Cash float with property manager		
0.1	Barclays Bank Plc	A1	(0.5)
45.9	**Total**		70.3

Liquidity risk

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

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

The Fund has financial liabilities of £5.7m at 31 March 2024, all of which is due within one year.

Note 18 - Additional voluntary contributions (AVC)

Members participating in AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year. A summary of the information provided by Utmost Life and Pensions and Prudential is shown below. (This summary has not been subject to review and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The figures relate to the financial year 1 April 2023 to 31 March 2024 for Prudential and 1 September 2019 to 31 August 2020 for Utmost Life and Pensions and are not included in the Pension Fund accounts, in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

31 March 2024

	Utmost Life and Pensions £m	Prudential £m	Total £m
Value at start of the year	**0.6**	**34.7**	**35.3**
Income (incl. contributions, bonuses, interest and transfers in)	-	12.6	12.6
Expenditure (incl. benefits, transfers out and change in market value)	-	(7.4)	(7.4)
Value at the end of the year	**0.6**	**39.9**	**40.5**

Note 19 - Current assets

31 March 2023 £m		31 March 2024 £m
8.2	Contributions due – employers	15.5
6.2	Contributions due – members	6.7
5.4	Sundry debtors	0.8
19.8		**23.0**

Note 20 - Current liabilities

31 March 2023 £m		31 March 2024 £m
5.4	Accrued expenses	5.7
5.4		**5.7**

Note 21 - Contractual commitments

As at 31 March 2024 the commitments relating to outstanding call payments due to unquoted limited partnership funds held in the private equity and infrastructure part of the portfolio totalled £369.7m (2023: £602.0m). The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of a fund investment is typically 10 years. Realisation of these investments in the form of distributions normally occurs in the second half of the fund life, when portfolio companies have built value and can be sold.

Commitments to outstanding call payments for credit strategies stood at £8.6m (2023: £39.7m). The majority of these amounts are expected to be called over the coming two years and relate to various different investments including direct lending and distressed credit opportunities which are expected to begin repaying capital after 5 years. In order to maintain a steady level of investment in the long term, the Fund will enter into further commitments to fund this type of strategy over the coming years.

There are no outstanding commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio (2023: £0m).

There are no outstanding commitments in relation to the pooled real estate fund (2023: £0m)

Note 22 - Related party transactions

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

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

Lancashire County Council

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

The Council incurred costs of £1.1m (2022/23: £1.0m) in relation to the administration of the Fund. This includes a proportion of relevant officers' salaries in respect of time allocated to pension and investment issues. The Council was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of the members of the Pension Fund and contributed £209.1m to the Fund in 2023/24. The council made an upfront payment of contributions for the 3-year period starting 1st April 2023 totalling £140.7m, of which, £46.9m relates to 2023/24. Total employer contributions from the Council in 2023/24 amounted to £177.2m. All monies owing to and due from the Fund were paid in year.

Lancashire County Council is a shareholder in the Local Pensions Partnership (LPP), having an ownership in the company equal to that of the London Pension Fund Authority. LPP manages the investment and administration functions of the Fund and the Fund makes regular payments to LPP to cover investment management charges and scheme administration expenses. Payments made for the year to 31 March 2024 amount to £4.9m (2022/23: £5.1m).

The Fund has a private equity investment of £12.5m in the Local Pensions Partnership as at 31 March 2024.

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 2024 payroll, are included within current assets in note 19.

Pension Fund Committee, Pensions Board and Senior Officers.

The Pension Fund Committee, Pensions Board members and senior officers of the Pension Fund were asked to complete a related party declaration for 2023/24 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2024.

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

Note 23 - Key management personnel

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

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

2023/24

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

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

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

2022/23

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

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

Note 24 - Funding arrangements

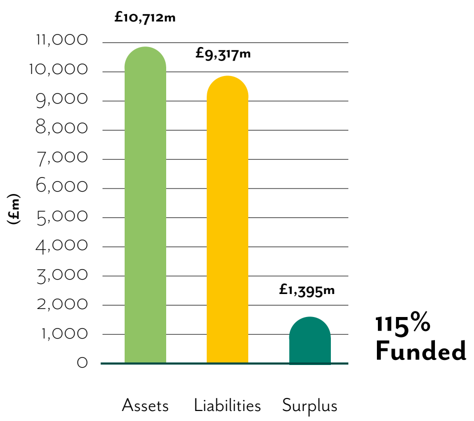
Lancashire County Pension Fund

Accounts for the year ended 31 March 2024
– Statement by the Consulting Actuary

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

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

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



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

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

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 10 years for employers in deficit (16 years for employers in surplus).

The total initial recovery payment (the "Secondary rate" for 2023/26) was an offset of approximately £27m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

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

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

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

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

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

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

The assets were assessed at market value.

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2024 (the 31 March 2023 assumptions are included for comparison):

	31 March 2023	31 March 2024
Rate of return on investments (discount rate)	4.8% per annum	4.9% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	2.6% per annum
Rate of pay increases	4.2% per annum	4.1% per annum
Increases on pensions (in excess of GMP) / Deferred revaluation	2.8% per annum	2.7% per annum

The demographic assumptions are the same as those used for funding purposes for the 2022 actuarial valuation, but with a long-term rate of life expectancy improvement of 1.5% p.a. For the year end assumptions, we have also updated to the latest CMI tables available (CMI 2022) and applied a suitable reweighting.

Full details of the demographic assumptions are set out in the formal report on the actuarial valuations dated March 2023

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

	Liabilities
Start of period liabilities	£9,201m
Interest on liabilities	£435m
Net benefits accrued/paid over the period*	(£59m)
Actuarial (gains)/losses (see below)	(£350m)
End of period liabilities	£9,277m

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

Key factors leading to actuarial gains above are:

- **Change in financial assumptions:** Corporate bond yields increased slightly over the year, with a corresponding increase in discount rate from 4.8% p.a. to 4.9% p.a. In addition, there has been a reduction in long-term assumed CPI from 2.7% p.a. to 2.6% p.a. In combination, these factors lead to a small reduction in liabilities.
- **Change in demographic assumptions:** As noted above, the assumptions have been updated to reflect the new CMI model available. This acts to reduce the liabilities.
- **Pension increases / high short-term inflation:** The figures allow for the impact of the April 2024 pension increase of 6.7%, to the extent it wasn't allowed for in the 2023 statement, along with known CPI since September 2023 (which will feed into the 2025 pension increase). As inflation over the year was higher than the long-term assumption, this increases the liabilities.

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

Clive Lewis
Fellow of the Institute and Faculty of Actuaries

Mercer Limited

May 2024

Appendix - Additional considerations

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

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

Covid 19 / Ukraine / Gaza conflict: The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact. .

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

9

Actuarial Report on Funds

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

Glossary

A

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

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

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

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

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

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

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

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

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

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

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

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

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

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

B

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

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

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

C

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

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

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

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

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

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

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

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

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

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

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

D

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

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

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

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

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

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

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

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

E

Emerging markets
An emerging market economy is the economy of a developing nation that is becoming more engaged with global markets as it grows e.g. Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to be more volatile than those in more established markets.

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

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

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future risks and opportunities which may be financially material to the investments they are already holding or those that are under consideration.

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

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

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

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

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

F

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

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

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

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

G

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

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

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

I

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

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

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

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

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

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

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

L

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

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

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

M

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

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

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

P

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

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

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

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

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

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

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

Private Equity
Shares in un-quoted companies.

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

Q

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

R

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

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

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

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

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

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

S

Scheduled bodies
Organisations which are listed in parts 1 and 2 of schedule 2 to the LGPS Regulations 2013. These bodies automatically have the right to offer LGPS membership to eligible employees.

Organisations listed in part 1 are required to enrol eligible employees into the LGPS. This list includes but is not limited to: County and District Councils, Combined Authorities, Fire and Rescue Authorities, Police and Crime Commissioners, Chief Constables, Further and Higher Education Corporations, Sixth Form Colleges and Academies.

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If an organisation is listed in part 2 it can choose to offer membership to all or some employees. This list includes, but is not limited to: Parish Councils, subsidiaries of County or District Councils, Other precepting authorities not listed in Part 1.

Service level agreement
A commitment between a service provider (for example LPP) and a client (for example, the Fund) that defines exactly which services will be provided and the level or standard expected for those services.

T

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

V

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

Appendix 1

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

- Scheduled bodies are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted Bodies are other organisations that participate in the Fund under an admission agreement between the Fund and relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following services being outsourced to the private sector.
- Terminated employers are those employers who no longer have active members in the scheme but have made contributions or the employer has received a refund in the year.

Employer Type	Employer contributions (£'000)	Employee contributions (£'000)	Deficit contributions (£'000)
Lancashire County Council (1)	177,242	31,887	-
District Councils (15)	56,757	19,368	-
Other Scheduled Bodies (204)	78,628	21,300	2,321
Admitted Bodies (99)	16,831	6,312	98
Total Active Employers (319)	**329,458**	**78,868**	**2,419**
Terminated Bodies (12)	**150**	**71**	**-863**

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

NOTE:

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