

Welcome

County Councillor Eddie Pope

Chair of Lancashire County Pension Fund

Annual Financial Report

Abigail Leech

Head of Lancashire County Pension Fund

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- Highlights
- Investments held within the Fund
- Fund investment performance
- Fund returns
- Actuarial valuation

Highlights

- Investment Performance – 4.0% annual return on assets, outperforming the Lancashire plan benchmark of 3.8% and inflation at 3.3%.
- Other than the Fund's direct property portfolio and a few legacy assets, all investments have now been transitioned and pooled with LPP
- An award winning fund - Pensions Age Pension Scheme Innovation Award winner 2018 and LAPF Collaboration Award winner 2017

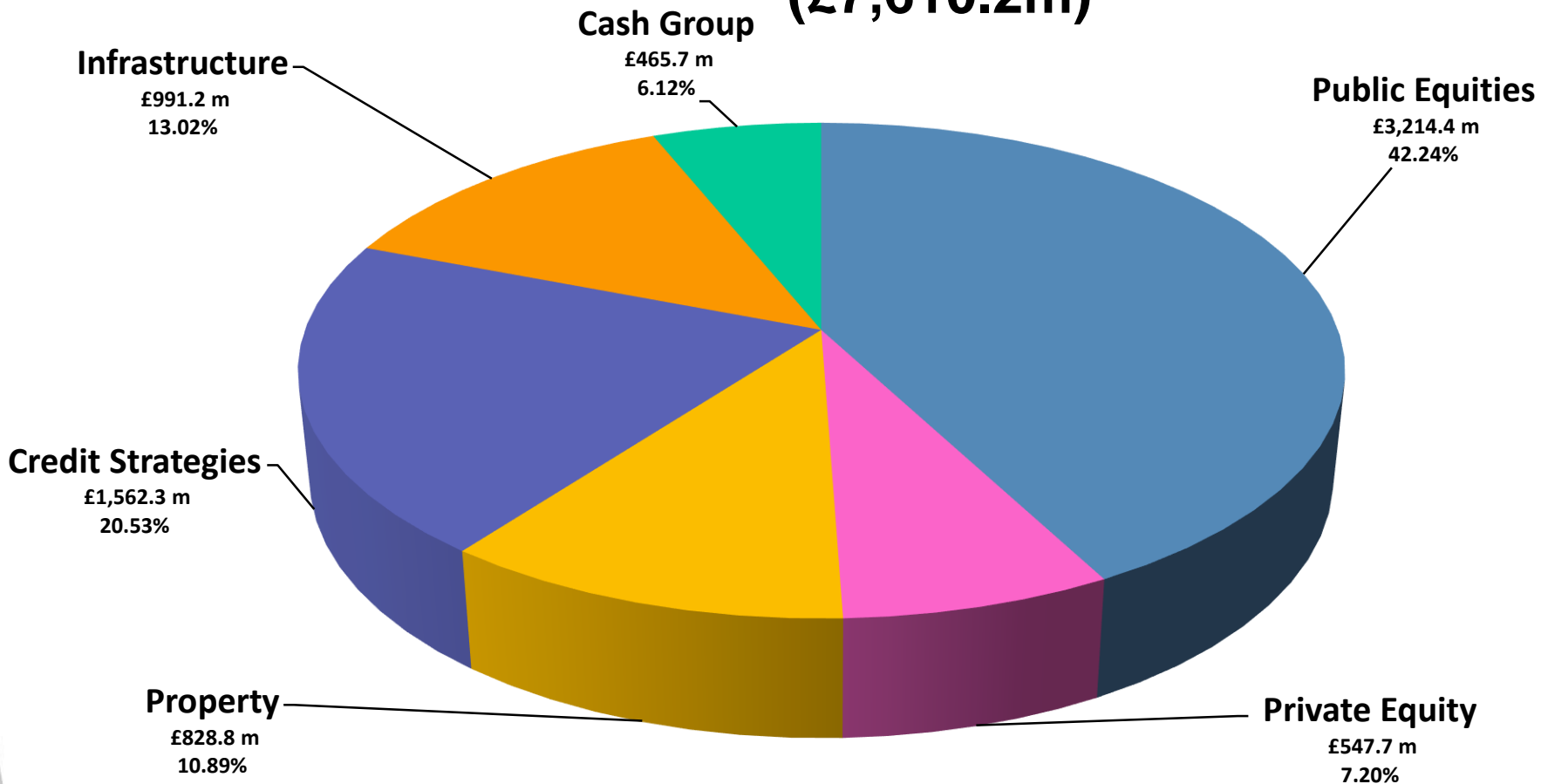
Highlights

- Administration service achieved 96% performance target – across more than 27,000 individual work items
- Membership increased from 167,309 members to 172,074 members across more than 400 employers.
- Next actuarial valuation will take place in 2019.

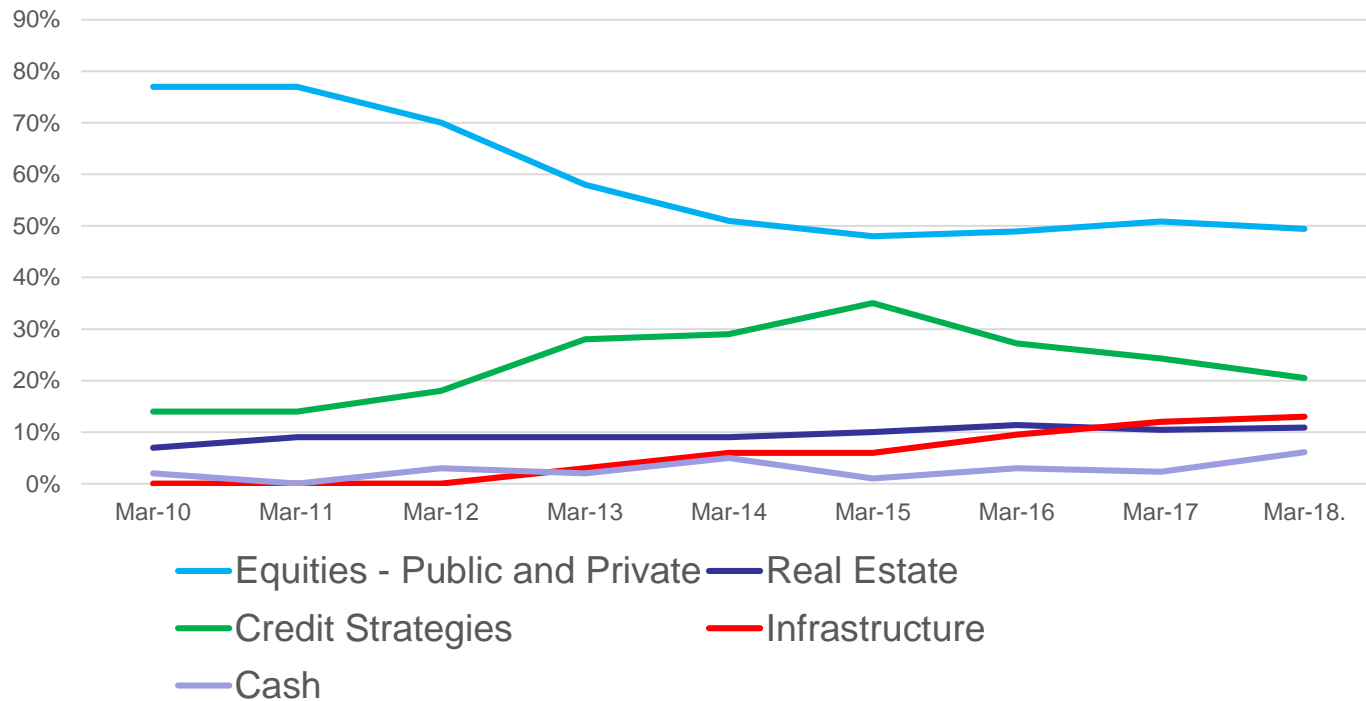
Fund Investment Performance

- Our strategy is to invest long term in assets that generate income.
- Performance of our assets is reviewed on a regular basis internally, by investment managers and by independent advisors to the Fund.
- We invest in assets that provide the best returns for an appropriate amount of risk.

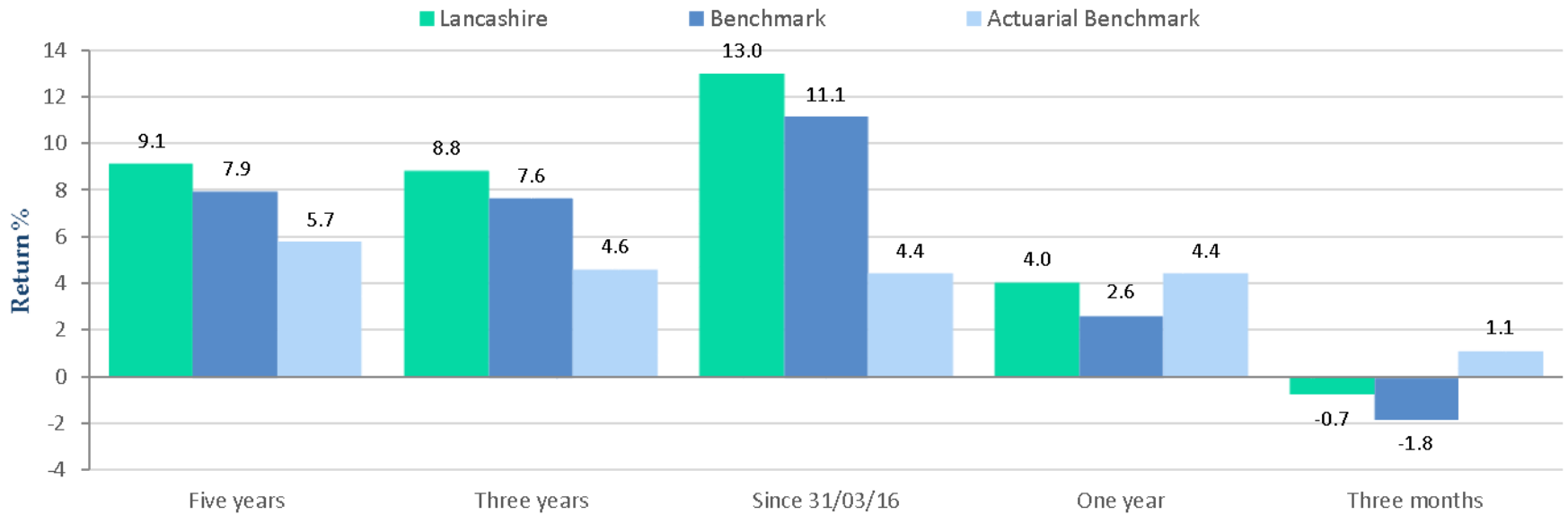
Investments at 31 March 2018 (£7,610.2m)

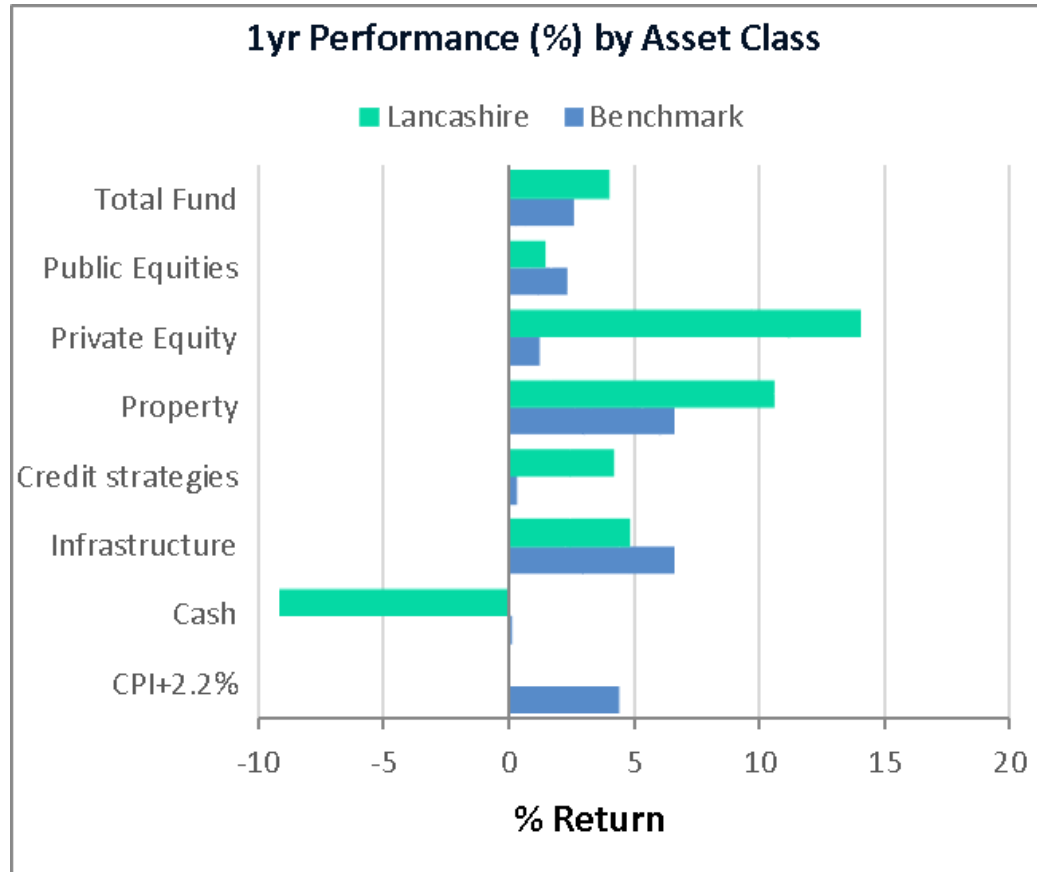


Fund allocations since 31 March 2010

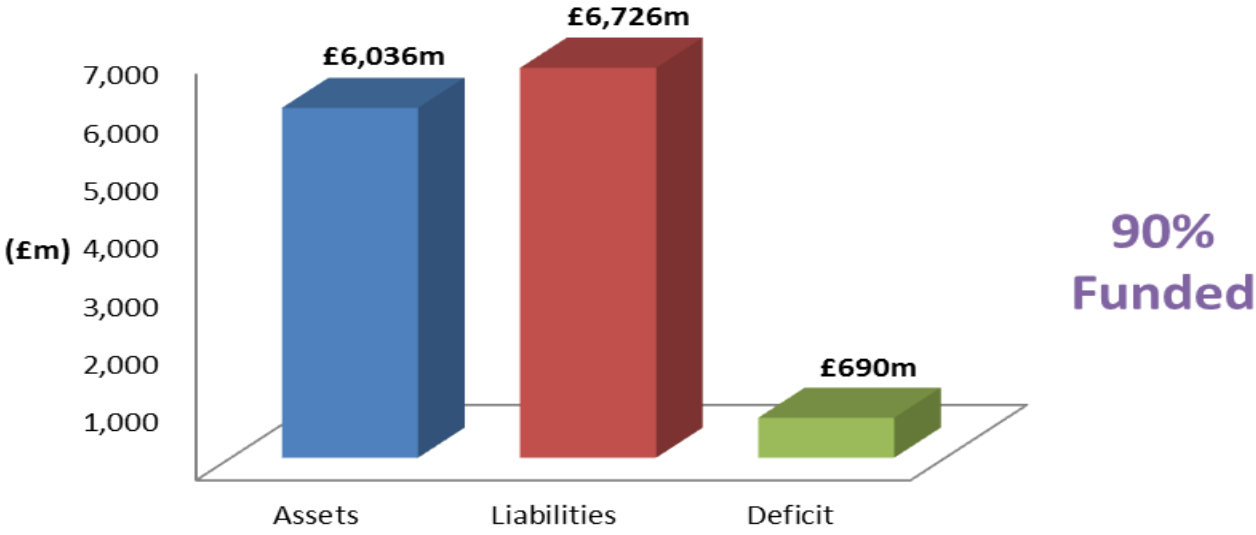


Fund Return (%) as at 31st March 2018





Funding level



The role of the Local Pension Board

William Bourne

Local Pension Board Independent Chair

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Official remit

- Established by Public Sector Pensions Act 2013
- **Assist** administering authority to:
 - Secure compliance with Regulations, other legislation and governance,
and Pension Regulator's requirements
 - Ensure effective and efficient governance of the Scheme
- Same training and knowledge requirements as Pension Fund Committee

What does that mean in practical terms?

Who is on the Lancashire LPB?

Employer Representatives

Name	Representing	Date appointed
Christian Wakeford	Lancashire CC Councillor	2017
Tony Pounder	Lancashire CC	2018
Carl Gibson	Other Employers	2015
Steve Thompson	Unitary, City, Borough, City, Fire	2015

Scheme Member Representatives

Name		Date appointed
Yvonne Moulton		2015
Kathryn Haigh		2015
Bob Harvey		2015
vacant		

What does the LPB add?

- A voice for Scheme Members and Employers
- Expertise: eg pensions administration, risk management, auditing, governance
- User experience both as employers and scheme members
 - Communication and engagement
 - Feedback
- Extra leverage to help Pension Fund Committee achieve its objectives

‘A second pair of eyes leads to better decisions’

Challenges the LPB faces

- Tension between oversight and assistance roles
- Limited powers
- No template for the role – we have had to forge our own

In practice

- Annual workplan to ensure all statutory documents reviewed regularly
 - Breaches and Key Performance Indicators every meeting
- Commentary on reports authored internally
- Challenge to external papers (eg. auditors, other service providers)
- Formal recommendations to Pension Fund Committee if necessary, but will always be after discussion with PFC Chair
- Annual appraisal of Board's effectiveness

Improving governance of your fund

- LPB role is to assist Pension Fund Committee, not to duplicate its functions
 - Provide additional comfort that Fund is compliant with regulations
 - Improve communications and engagement
 - Relate members' views eg. Environmental, Social, Governance (ESG)
 - Critique risk management and monitoring
 - Review cost effectiveness
 - Challenge governance processes, especially for service providers

The LPB can only be effective if it works closely together with the Pension Fund Committee

Lancashire County Pension Fund Investment update

Richard J. Tomlinson
Investment Director, Head of Investment Strategy

19 June 2018

Important information

Capital at risk: Past performance is not an indicator of future performance. Investments may go down as well as up and you could get back less than you put in.

Local Pensions Partnership Investments Ltd (LPPI) is authorised and regulated by the Financial Conduct Authority (Reference number: 724653). LPPI is appointed as an Investment Manager to manage the assets of Lancashire County Pension Fund (LCPF).

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LPP

Local Pensions Partnership

Patient capital

Capital at risk. Past performance is not an indicator of future performance. Investments may go down as well as up and you could get back less than you put in.

- Long term investment horizon
- Providing capital financing for businesses, real estate and infrastructure projects
- Rigorous investment assessment and risk evaluation

Student accommodation

Capital at risk. Past performance is not an indicator of future performance. Investments may go down as well as up and you could get back less than you put in.

Generating annual income that rises with inflation



Student accommodation

Capital at risk. Past performance is not an indicator of future performance. Investments may go down as well as up and you could get back less than you put in.

- Friargate Court, Preston
 - 253 bed new complex opened 2017 between University and Preston city centre

- St. Leonards House, Lancaster
 - 179 bed conversion of Grade II listed former Waring & Gillow's furniture factory, due to open 2019

Logistics

Capital at risk. Past performance is not an indicator of future performance. Investments may go down as well as up and you could get back less than you put in.

Logistics warehouses in demand with increasing levels of commerce transacted on-line



Logistics

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- Joint venture with Harworth Estates; 3 development phases
- 10 units comprising 563,000 sq.ft of space on 29 acres of the 250 acre Logistics North site at Bolton
- Logistic North is a former coal mine site now emerging as a premier industrial and logistics complex with direct access to M61

GLIL Infrastructure

Capital at risk. Past performance is not an indicator of future performance. Investments may go down as well as up and you could get back less than you put in.

- Direct UK infrastructure investments
- In collaboration with:
 - London Pensions Fund Authority
 - Greater Manchester Pension Fund
 - Merseyside Pension Fund
 - West Yorkshire Pension Fund
- Long term ownership of the assets

GLIL Infrastructure

Capital at risk. Past performance is not an indicator of future performance. Investments may go down as well as up and you could get back less than you put in.

Direct investments and commitments by GLIL Infrastructure over recent years amounts to nearly £1 billion

GUILD INVESTMENTS



October 2015

- Operating onshore windfarm jointly with EDF (and First State)
- Over-equipment follow-on

IONA CAPITAL



November 2015

- Biomass energy
- Development capital targeting £10-20m per site
- Potential follow-on capital

MRG



February 2016

- Gas distribution utility, minority partners with PGGM, Gingko, EDF Invest
- Regulated asset

CLYDE WIND FARM



March 2016

- Joint with Greencoat purchasing 49% of SSE wind farm
- Access to Clyde wind farm extension, with follow-on funded in July 2017

EAST ANGLIA RAIL



October 2016

- Minority equity investment with Rock Rail and partner SL Capital
- Total train investment £600m

SOUTH WEST RAIL



June 2017

- Minority equity investment with Rock Rail and partner SL Capital
- Total new train investment £1 billion

ANGLIAN WATER



February 2018

- Joint with Dalmore Capital purchasing 15% in Anglian Water, a strongly performing water company in the regulated sector

Local Pensions Partnership

Thank you

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LPP Update

Lancashire Fund Members Meeting
June 2018

Presented by Martin Pattinson and Greg Smith

Agenda

- LPP update – Martin Pattinson
- Pensions Administration update - Greg Smith

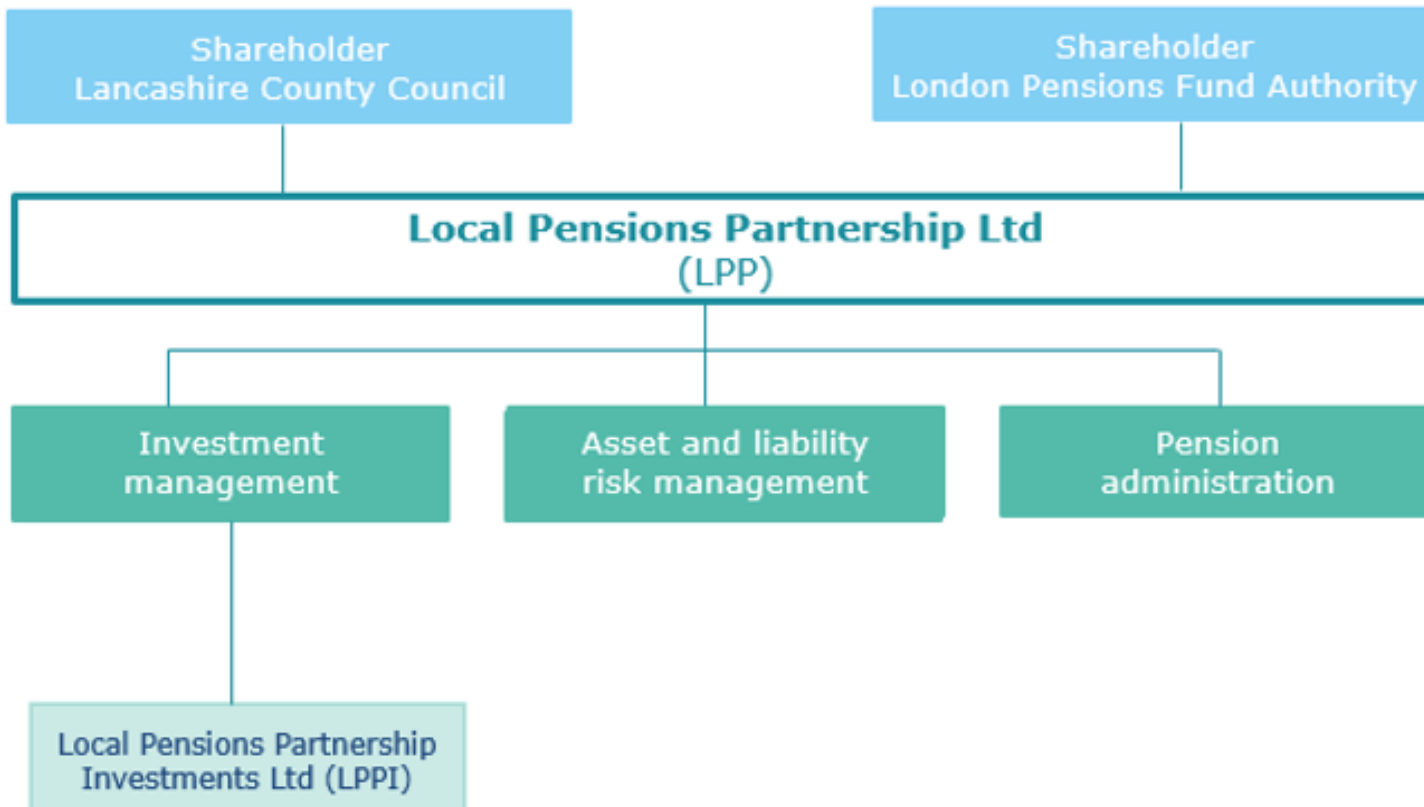
The origins of LPP

In 2014, Lancashire County Pension Fund and the London Pensions Fund Authority both identified that by working collaboratively, benefitting from each other's areas of excellence, having a strong focus on risk, aggregating and broadening the asset base and resources, they could potentially:



Our vision and strategy was re-affirmed when the Government announced plans in 2015 to pool assets for 91 LPGS funds in England and Wales to 'significantly reduce costs'.

LPP Group structure



About us



Investment management



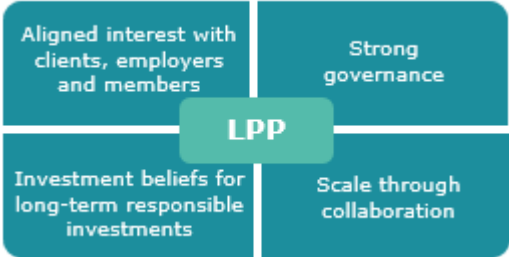
Asset and liability risk management



Pension administration

(via LPPI¹, authorised and regulated by the Financial Conduct Authority)

Our vision is to be *'a leading pension services business'* operating on a 'not-for-profit' philosophy and working in partnership with our clients and other customers



LPP at a glance

299

employees

550,000+

pension fund members across LGPS, Police and Firefighter schemes

£16bn

assets under management via LPPI, a fully-owned subsidiary authorised and regulated by the Financial Conduct Authority

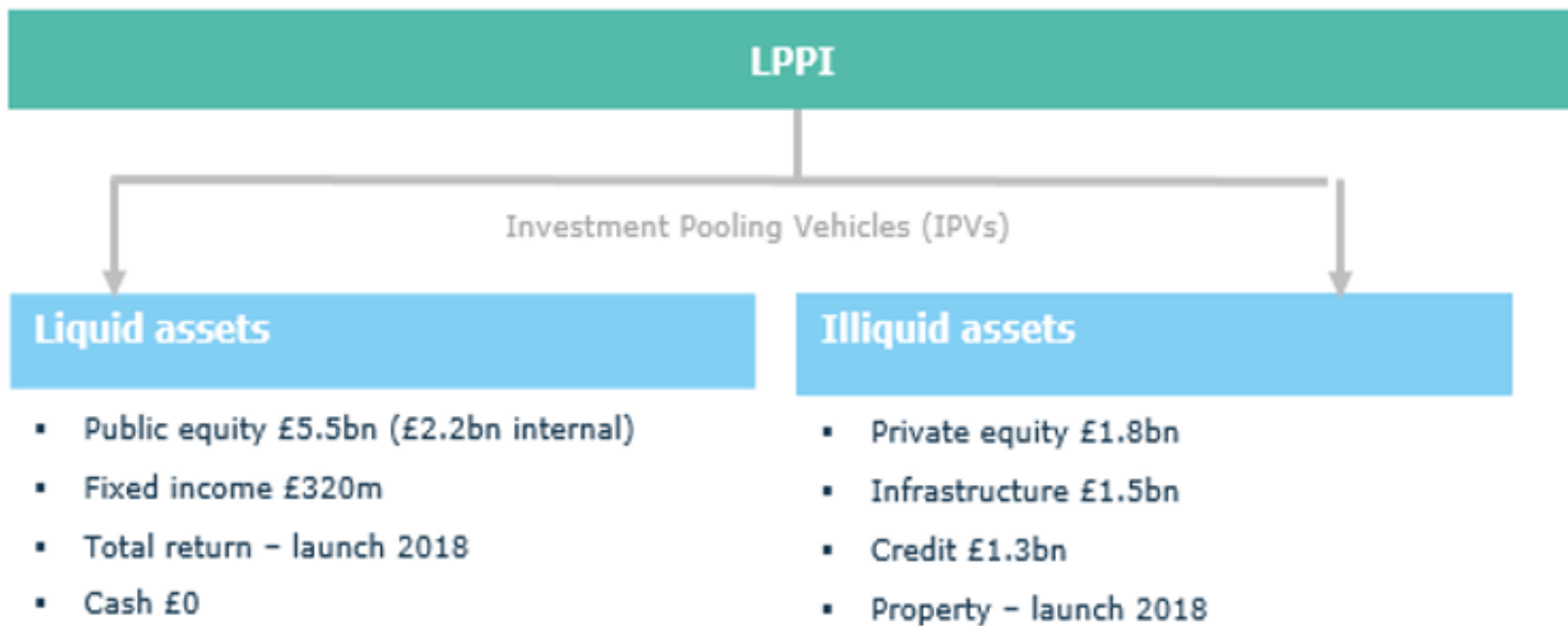
27

investment, risk and actuarial professionals

LPP

Local Pensions Partnership

Strategic highlights asset pooling



Strategic highlights

- Berkshire Pension Fund has become a new client – we are providing investment management & advisory services and asset & liability risk management services
- GLIL 2.0 launched and available to other investors
- Since April 2016 LPP Group has undertaken a transformation programme which is nearing successful completion, we are now entering the next stage of our development
- Target Operating Model for pension administration launched 1st April 2018
- Strategic Business Plan and Budget presented to shareholders

Our Strategic and Business Growth Plan (2018-2023)

To be a leading pensions services business

Developing a sustainable pensions services business and sharing the benefits with clients

Business lines:

Pension Administration

Asset & Liability Risk
Management

Investment Management &
Advisory

Financial
Performance

Technology &
Innovation

Governance &
Compliance

Delivered by our **people** and underpinned by our **values**: doing the right thing, working together, committed to excellence and forward thinking

LPP

Local Pensions Partnership

LCPF Investments & Liabilities

- Funding level decreased slightly on an estimated triennial valuation basis

Client	Fund size 30 June 17	Fund size 30 th Sept 17	Fund size 31 Dec 17	Fund size 31 st March 18	Solvency level 2016 valuation basis
LCPF	£7.4bn	£7.4bn	£7.6bn	£7.6bn	90%

Pension Administration – Greg Smith

- Administration Performance
- Changes to the way we deliver pensions
- Engaging with the membership

Pension Administration – Greg Smith

- Administration Performance
- 96% of all queries completed on time – over 29,000 queries

Lancashire County Pension Fund	31/03/17	31/03/18
Number of active scheme members		
County council	26,416	27,059
Other employers	29,499	29,817
Total	55,915	56,874
Number of pensioners		
County council	23,141	23,722
Other employers	23,012	23,723
Total	46,153	47,445
Number of deferred pensioners		
County council	34,668	35,477
Other employers	30,573	32,276
Total	65,241	67,753
Total membership	167,309	172,074

As at 31 March there were 5,530 pending leavers

Pension Administration – Greg Smith

Average 42 days
to payment
of pension

2588 new
pensioners

18 compliments

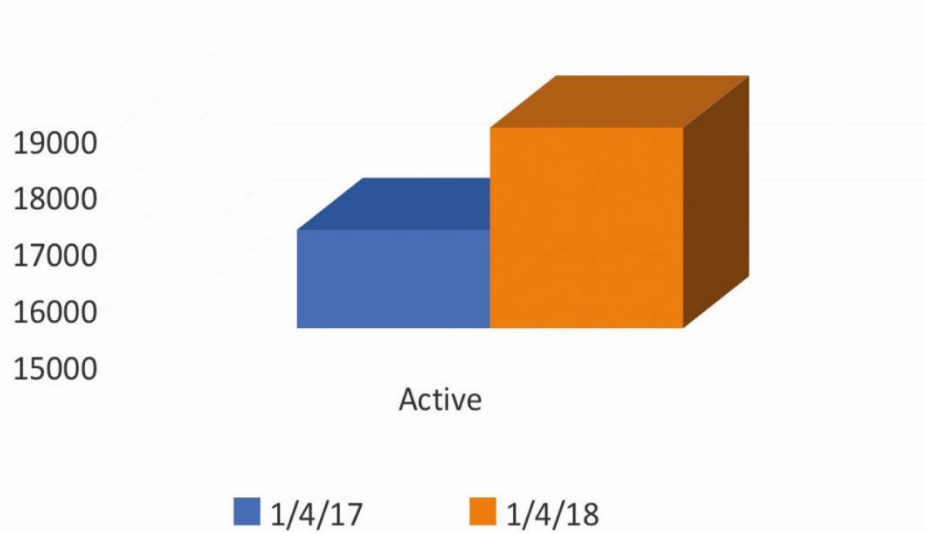
49 complaints

LPP

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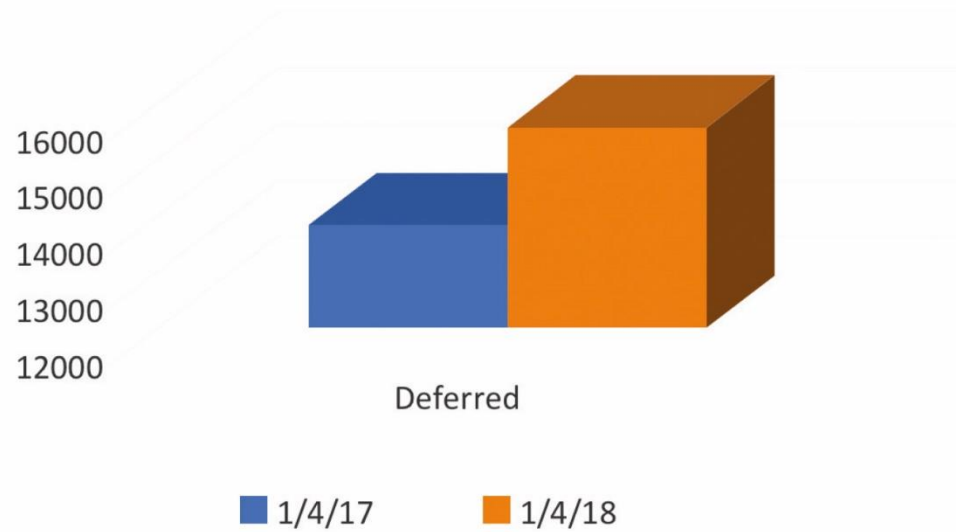
Pension Administration – Greg Smith

Active



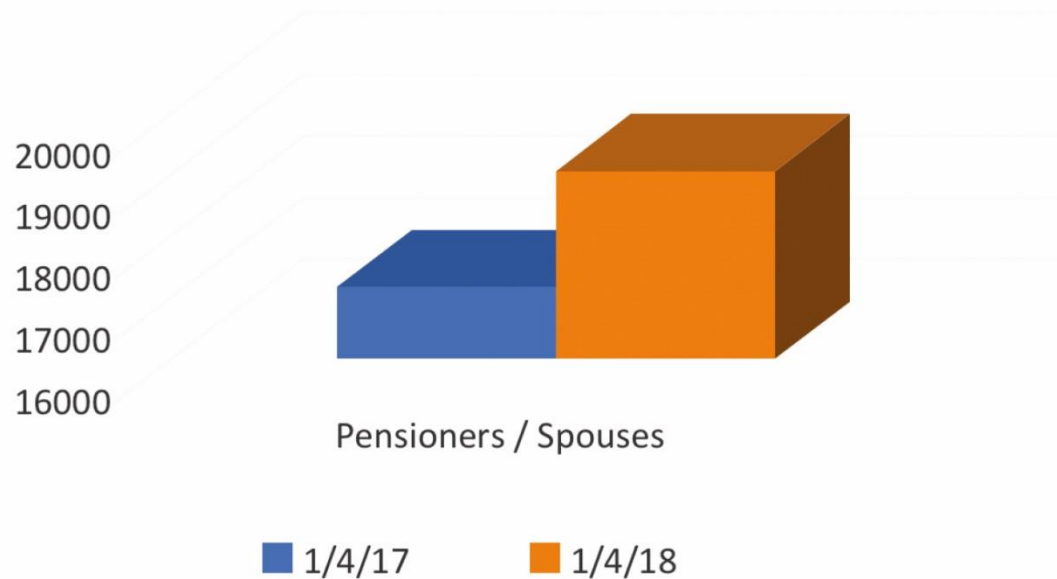
Pension Administration – Greg Smith

Deferred



Pension Administration – Greg Smith

Pensioners / Spouses



Pension Administration – Greg Smith

- Changes to the way that we deliver pensions
- Contact centre development
- Calls and emails from all locations
- Key statistics



16
staff



1.05
Average
wait
time



93%



85,490

Pension Administration – Greg Smith

- New target operating model explained
- ICT implementation was successful
- Teething problems to date but remedial plan in place

Member and
Employer
Engagement

Operations

Business
Development

Pension Administration:
Preston 91
London 1
Romford 31
Hertford 29

Pension Administration – Greg Smith

- Engaging with employers and members
- Customer Service Accreditation
- Member meetings
- Employer annual conference November
- Annual employer visits
- Valuation 2019
- Website review planned for 2018-19
- Roll out of new member self service functionality

Questions?

Thank you

Lancashire Whole Fund Meeting 2018

Questions?

Thank you

Lancashire Whole Fund Meeting 2018