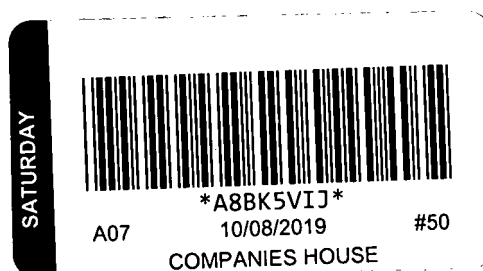


Registered number
09830002

Local Pensions Partnership Ltd
Report and Financial Statements
for the year ended 31 March 2019



Local Pensions Partnership Ltd
Report and Financial Statements
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Local Pensions Partnership Ltd

Company information for the year ended 31 March 2019

Directors	Sally Bridgeland Sarah Laessig Jill Mackenzie Dermot McMullan Michael O'Higgins Thomas Richardson Sir Peter Rogers Christopher Rule Alan Schofield Adrian Taylor Robert Vandersluis
Company Secretary	Greg Smith
Company registration number	09830002
Registered office	2nd Floor 169 Union Street London SE1 0LL
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG
Bankers	National Westminster Bank PO Box 35 10 Southwark Street London SE1 1TJ Handelsbanken Winckley Chambers 30 Winckley Square Preston Lancashire PR1 3JJ

Local Pensions Partnership Ltd

Strategic Report

Principal activities

Launched in 2016 as a collaboration between the Lancashire County Council (LCC) and London Pensions Fund Authority (LPFA), Local Pensions Partnership Ltd (LPP) has grown, adding the Royal County of Berkshire Pension Fund (Berkshire Pension Fund) as an investment and risk client in 2018.

LPP now manages about £17.4 billion of assets, and provide pension administration services to almost 600,000 members from around 1,800 public and charity sector employers in 17 pension schemes.

Over the past year, LPP has continued to develop and mature as a business. When LPP launches its first specialised Real Estate fund later in 2019, it will be the eighth distinct investment pooling vehicle LPP is able to offer its clients, every one with an emphasis on long-term viability and returns.

For most of the large pension fund clients, LPP provides an end-to-end pension services partnership covering investment, administration and risk management. LPP also offers standalone services such as pension administration.

With strong roots in both the public and private sectors, LPP continues to foster an entrepreneurial culture that aims to promote innovation, looking at best practice in pensions services management from around the globe. LPP has a commercial profit for clients ethos that ensures all monies generated are used for the mutual benefit of clients and shareholders. LPP's philosophy is aligned to that of its clients and shareholders. This manifests itself in LPP acting akin to an asset owner rather than an asset manager.

LPP operates out of four sites in London, Lancashire, Hertfordshire and Havering. As LPP looks to build its own long-term resilience, the emphasis is on sustainability in both the investment vehicles LPP selects and its own operational structures.

Looking further forward, LPP's model is scalable, providing opportunity for mutual benefit for new and existing clients and shareholders. One area of specialism is private infrastructure, where its work with its partners in GLIL Infrastructure has already proved the positive impact that investment in UK infrastructure can bring.

With triennial valuations due by March 2020, LPP is helping its clients and their employers to understand their liabilities, and design investment and funding strategies that manage cash flow and employer contribution rates effectively.

Business operations

Summary

LPP is a pension services business, providing a range of pension fund related services to clients. LPP shares the associated benefits of scale and economy with them.

The aim behind the establishment of LPP was to create a new way of managing pensions within the Local Government Pension Scheme ('LGPS') and help manage the cost of benefit provision. LPP operates through a partnership and delegated management approach. Clients retain their strategic responsibilities but they delegate fully the implementation of pension administration and investment management activities.

This delegation model helps LPP achieve economies of scale from which clients can benefit via lower overall investment or pension administration management fees, and improved access to a broad range of investment opportunities. LPP delivers additional benefits to clients through its focus on liability risk management and setting appropriate investment strategies to meet client fund obligations.

Local Pensions Partnership Ltd

Strategic Report

Business operations (continued)

Two core business lines:

1) Investment, Asset and Liability Risk Management

LPP, via its FCA authorised and regulated investment subsidiary, Local Pensions Partnership Investments Ltd (LPPI), manages £17.4 billion of assets on behalf of three asset and liability risk management clients and GLIL:

- Lancashire County Pension Fund
- London Pensions Fund Authority
- Berkshire Pension Fund

2) Pension Administration

LPP provides pension administration services to almost 600,000 members from around 1,800 public and charity sector employers in 17 pension schemes.

In addition, LPP supports several pension funds with its technical pension consultancy and support services in specialist areas, such as Guaranteed Minimum Pension reconciliation and employer risk management.

Benefits of LPP's approach for clients

LPP works with clients to provide efficiencies and resilience in pension fund management.

The financial benefits resulting from this approach are shown in the statutory accounts of our clients in the form of reduced costs of running the pension funds. This is achieved by consolidating third party fund managers, increasing allocations to internal management and through broader economies of scale.

Business strategy

LPP is mid-way through a two-year strategy to continue building operational resilience across the business. This reflects LPP's relatively swift growth rate since 2016, which has involved an increased number of clients and the creation of investment pooling vehicles.

It is important that LPP has stable and resilient foundations on which to service existing and future clients. This measured approach is supported by findings from the World Bank Group*, which argues that taking the time to build these foundations will pay dividends as a pool develops.

Over the year the following strategic initiatives have been delivered:

- as at 31 March 2019, seven out of eight planned investment pooling vehicles have been created;
- on-boarded Berkshire Pension Fund (Investments and Risk only), GLIL Infrastructure LLP, Kent Fire and Rescue Authority and the London Borough of Brent (Pension administration only);
- rolled out a single Pension Administration operating model including the establishment of a dedicated contact centre in Preston for member and employer enquiries;
- implemented a programme of governance enhancements including the appointment of new non-executive directors. Also introduced governance compliance initiatives, including the implementation of the General Data Protection Regulations (GDPR);
- improved systems and processes including procurement of an upgraded portfolio management system; and
- LPP's vision, values and culture were further embedded throughout the business. This included the first employee engagement survey for LPP, which will inform the development of the LPP culture and purpose work.

* Source: World Bank Group, The evolution of the Canadian Pension Model 2017

Local Pensions Partnership Ltd

Strategic Report

Business strategy (continued)

Future strategic direction

LPP continues to operate as a pension services business, ensuring that ongoing resilience is implemented. Alongside business as usual activity, LPP is in the process of reviewing the marketplace and opportunities to strengthen its activities with a view to setting a new long-term strategic plan.

As well as operational resilience, LPP will focus on:

- maintaining Pension Administration stabilisation, customer care and further improving the member and employer experience;
- launching the final investment pooling vehicle - a Real Estate fund;
- implementing its updated portfolio management system;
- interpreting liability data to enable our clients to manage an effective triennial valuation;
- implementing the Senior Managers and Certification Regime (SMCR);
- developing an enhanced ICT (information and communication technologies) strategy;
- building financial resilience; and
- streamlining governance and decision making.

Business structure

The LPP Group comprises a holding company, an investment management subsidiary LPPI and other indirect subsidiaries. Local Pensions Partnership Administration Ltd (LPPA) remains a subsidiary, however it is non-trading.

The LPP Board has established an appropriate corporate structure to meet the needs of the Group. The LPP Audit Committee and the LPP and LPPI Remuneration and Nomination Committee are non-executive in nature. The LPPI Risk Committee is made up of a mix of executive and non-executive members. Other committees within the structure comprise of executives and senior managers. Terms of Reference (ToR) for the boards and committees within the structure are reviewed as and when necessary and at least on an annual basis. Operational committees were established in 2018-2019 to allow the Executive Committee to focus on strategic matters.

The average monthly number of employees for the Group, during the year to 31 March 2019 was 281, of which 11 were directors and 270 were staff.

Key facts

- LPP Group revenue - £33m
- Number of pension administration clients - 17 clients
- Assets under management - at 31 March 2019 was £17.4bn, for clients as follows:

	£bn
London Pension Fund Authority	6.0
Lancashire County Pension Fund	8.4
The Royal County of Berkshire Pension Fund	2.2
GLIL Infrastructure LLP*	0.8
	<hr/> 17.4

* net asset value excluding committed capital

- Pension members under administration - 600k members
- Number of investment funds - 7 funds

Local Pensions Partnership Ltd

Strategic Report

Responsible investment and stewardship

Responsible investing and stewardship are foundation stones in LPP's approach to investment management. Three significant milestones help to illustrate continuing and positive progress this year:

- 1) In July 2018, LPP became an asset owner signatory to the UN Principles for Responsible Investment (PRI). This is a significant step and a practical demonstration of LPP's commitment to the responsible investment of pension savings on behalf clients.
- 2) In August 2018, LPPI published an Annex on Climate Change which supplements its existing Responsible Investment (RI) Policy.
- 3) For the first time this year, LPPI is making disclosures in accordance with the recommendations of the Task Force on Climate Change Financial Disclosures (TCFD) as part of Annual Reporting.

PRI signatories commit to adopting six aspirational principles for responsible investment and report annually on their efforts to put the principles into practice. LPP's first detailed reporting (for the period to 31 December 2018) will be publicly available within a Transparency Report accessible from PRI's website and describes its activities, sharing insights and examples which help to contextualise the investment beliefs, governance arrangements and procedures which underpin its approach.

LPP's responsible investment beliefs are a strong foundation for prudent investment management practices and are fully explained in its RI Policy.

LPP believe that:

- LPPI has a fiduciary duty to act in the best long-term interests of clients and their beneficiaries. Fulfilling this duty requires a governance structure, culture and investment approach collectively focused on adding value over the long-term.
- The objective of RI is to secure optimum returns in the long term at an acceptable level of risk.
- The primary focus of RI is the effective management of investment risks and opportunities in order to achieve optimum risk-adjusted returns on a sustainable basis. The attainment of broader social outcomes is secondary to funding the pension benefits payable to members.
- Environmental, social and governance factors (ESG) can have a direct financial impact on the value of individual investments and an influence on long-term investment performance. The consideration of ESG factors is relevant at every stage in the investment cycle - within investment strategy, investment selection, and within the stewardship of assets in ownership.
- As providers of capital, investors have influence. Institutional investors should utilise their ownership powers to exert influence in circumstances where their intervention is warranted to protect the long-term financial interests of beneficiaries.

In translating its RI beliefs into investment practice, LPP has identified and is aiming to achieve six key outcomes through its continuing activities:

- Responsive to client needs;
- Commercial and sustainable;
- Diligent in asset selection;
- Active in ownership;
- Committed to collaboration; and
- Continuously reviewing and improving.

Local Pensions Partnership Ltd

Strategic Report

Responsible investment and stewardship (continued)

RI is integral to LPP's investment management approach, delivered principally through the activities of LPPI. Oversight and governance of RI reside with the LPPI Board and are executed through the Board's oversight of the investment business. Operationally, the implementation of LPP's approach to RI is delegated to the Stewardship Committee.

Responsible investment in practice

Prudent investment management is a presiding objective which directly informs LPP's approach to RI. The key points at which RI and ESG considerations are core inputs include the selection of investments (where LPP directly manages assets internally), the appointment and oversight of external managers (where LPP selects third parties to work alongside it), and the prioritisation of engagement themes as part of the active ownership of pension fund assets.

LPP uses a variety of approaches and routes to integrate RI and ESG in practice. This reflects that the same tools are not equally applicable to all asset classes. The vehicles through which investments are made determine the routes for having ownership influence.

Directly owned assets may afford board seats or other forms of direct representation, but those assets owned through funds (in common with other investors) require a more collaborative approach, often as a limited partner seeking influence through the general partner's relationships. Where LPPI is not directly managing assets, its key focus is on the evaluation and selection of the external managers whose approach and expertise align with LPP's RI approach and requirements. This involves a detailed due diligence process prior to manager appointment, the specification of RI requirements within investment management agreements and the continuous monitoring and dialogue thereafter.

During the year LPP has given particular focus to climate change as a thematic priority. There is growing consensus around the significant financial risks climate change potentially poses for pension funds as long-term investors. LPP's thinking, the actions they have taken and the objectives being worked towards feature in a new Annex on Climate Change which supplements LPP's RI Policy.

Better information is needed to enhance LPP's understanding of the complex risks climate change poses and inform its decision-making on current and future investments. LPP has committed to encouraging companies to make more detailed climate-related financial disclosures in line with the recommendations of the Taskforce on Climate Related Financial Disclosure (TCFD). The TCFD disclosure framework focuses on governance, strategy and risk management around climate change and encourages greater transparency by both companies and investors (asset managers and pension funds) on their approach and actions on this crucial issue. As part of our own annual reporting, LPPI has taken first steps towards providing the voluntary disclosures aimed at asset owners through a Climate Change Disclosure: TCFD Report which is available from our website.

Local Pensions Partnership Ltd

Strategic Report

Risk management

Risk management framework

As a business, LPP is exposed to a variety of risks as a result of its business activities. LPP actively monitors the potential likelihood and impact of current and future risks.

The LPP Board is ultimately responsible for the risk framework and oversight of the business's approach to managing risk. The Board is supported by the LPP Audit Committee which monitors Group wide risks. The LPPI Risk Committee oversees internal controls and risks relating to the regulatory responsibilities of LPPI.

LPP's approach to risk management recognises that it is the responsibility of all employees to manage risks in their respective areas of business.

Executive oversight of risk is delegated to the Chief Risk Officer who is responsible for the design and implementation of the risk and control framework, and reporting of risk.

LPP's Risk Management Framework can be described as 'a process which helps us prevent an unacceptable level of uncertainty in business objectives'. The Framework sets out what the business will undertake in order to:

- establish and operate an effective risk management and internal control environment including risk identification, assessment, reporting, monitoring and the development of actions arising;
- establish, operate and report a regular program of analysis, reporting, stress testing, scenario development, thematic review and reverse stress testing; and
- integrate risk management into the culture of the business.

Key risk categories

Financial risk and investment performance

LPP recognises that poor investment performance could result in a reduction in assets under management (AUM). LPP's investment management business charges fees as a percentage of AUM. A fall in these assets could result in a fall in income. LPP closely monitors the risk and performance of the assets it manages and maintains financial resources in an amount sufficient to meet regulatory requirements and to cover a sustained fall in income.

Concentration risk

There is a risk of investment and pension administration client concentration as a significant portion of income is derived from our two largest clients. The two clients are LPP's joint equal shareholders and founding partners. Given this aligned construct, management is content with the relatively high level of client concentration.

Risk resilience

In line with a key business objective of increasing operational resilience, LPP's risk management function continues to develop its resilience and maturity as a second line of defence, providing stakeholders with assurance that its business is well managed.

Key aspects of this development include the additional resource focusing on investment risk management, information security and new systems to enhance its ability to manage operational risk across the firm. Cyber and operational risks will continue to be a focus, while LPP develops its operational resilience with specific initiatives underway to enhance its business continuity arrangements and cyber security measures with the aim of meeting higher levels of industry standard benchmarks in both areas.

Local Pensions Partnership Ltd

Strategic Report

Risk management (continued)

Operational and conduct risk

Operational risks may arise as a result of failures in internal controls or operational processes. Such failures may lead to financial and reputational losses which can have a permanent and negative impact on clients' trust and confidence in LPP. LPP has implemented a three year internal audit plan to review its business operation. The results of the reviews are reported to the LPP Audit Committee. Conduct and regulatory risks include:

- Compliance with legislative change including GDPR, MiFID II and SMCR
- Risks of client detriment arising from inappropriate conduct, conflicts management, practice, behaviour or failing to meet client requirements
- Risks of money laundering, bribery, market abuse or negligence
- Risk of fines, penalties or other sanctions from failure to identify or meet regulatory requirements
- Risk that new regulations or changes to existing interpretations have a material effect on the Group's operations, risk profile or cost base.

Brexit

LPP is well prepared for Brexit with a working group established to coordinate the business preparations for all possible Brexit outcomes. Operationally, LPP expect there to be a low impact to its business given LPP operates only in the UK and provide services to UK resident organisations.

LPP has worked closely with its key suppliers, some of whom are non-UK, to assess whether any contractual arrangements will be negatively impacted. It is possible that Brexit may cause volatility in investment asset prices and that this may impact the portfolios that LPPI manages. LPPI portfolios are well diversified in terms of different asset classes and geographical exposures. LPPI manage with a long-term investment horizon, any short-term volatility is not expected to have a significant impact on its clients and on its business model.

Pension liabilities

There have been recent Supreme Court judgements known as the McCloud and GMP cases. This has introduced some potential additional pension liabilities for the LPP Group and impacts both LPP and LPPI.

At the moment these are being highlighted and we have made allowance for the additional liabilities within these accounts but the remedies remain subject to determination and therefore the accounts reflect the position as estimated at this stage.

Triennial valuation

LGPS is undergoing its triennial valuation exercise from 31 March 2019. LPP's Pension Administration and Employer Risk services will be supporting LGPS clients and liaising with clients' actuaries throughout this process, which is expected to complete by March 2020.

This exercise involves significant data management and extensive liaison between pension schemes, employers and fund actuaries. LPP has a formal project underway to ensure that its process is well managed and delivers successful outcome for all parties.

Local Pensions Partnership Ltd

Strategic Report

Risk management (continued)

Global economic uncertainty

Looking forward, LPPI continues to see a somewhat challenging investment environment over the medium and longer term. While many, if not all, major asset classes have delivered extremely strong performance over the last decade, LPP are expecting this to moderate in the years to come.

Markets tend to move in cycles around longer-term secular trends. The performance of risk assets in the last decade was outsized relative to long-term averages, and this has been overlaid on a secular bull-market in the bond markets going back to the early 1980s. It is not unreasonable to assume that in the coming decade, both tailwinds could turn into headwinds. LPPI seeks to build portfolios that are not simply reliant on strong performance from global equities, but are diversified across asset classes and risk factors, and have resilience to a range of market environments. LPPI's investment process seeks to find investments that provide further diversification from broad public market exposures and are accretive to clients' overall risk-reward profile.

Going Concern

In assessing the basis of preparation of the financial statements for the year ended 31 March 2019, the Directors have considered the principles of the Financial Reporting Council's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, 2014'; namely assessing the applicability of the going concern basis, the review period and disclosures.

The Directors have undertaken a rigorous assessment of going concern and liquidity, taking into account financial forecasts for the 18 month period from the statement of financial position approval date. In order to satisfy themselves that they have adequate resources for the future, the Directors have reviewed the strength of the LPP Group's statement of financial position, the recoverability of assets and availability of funding through the Group's existing facilities.

The Directors have a reasonable expectation that the Group will be able to operate within the level of available facilities and cash for the foreseeable future and accordingly believe that it is appropriate to prepare the financial statements on a going concern basis.

This report was approved by the Board and signed on its behalf on 31 July 2019



Christopher Rule
Director

Local Pensions Partnership Ltd

Directors' Report

The Directors present their report and financial statements for the year to 31 March 2019.

Directors

The Directors in office for the Company, during the year and at the date of signing this report, were as follows:

Sally Bridgeland	
Allister Jeffrey	(Resigned 29 November 2018)
Sarah Laessig	(Appointed 1 September 2018)
Jill Mackenzie	(Appointed 1 September 2018)
Susan Martin	(Resigned 26 April 2019)
Dermot McMullan	
Michael O'Higgins	
Thomas Richardson	
Sir Peter Rogers	
Chris Rule	(Appointed 10 June 2019)
Alan Schofield	
Adrian Taylor	(Appointed 10 June 2019)
Robert Vandersluis	

Statement of Directors' Responsibilities

The Directors are responsible for preparing the strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under the law the Directors have elected to prepare the financial statements in accordance with United Kingdom applicable law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit and loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are responsible for ensuring that the Group keeps adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Local Pensions Partnership Ltd

Directors' Report

Results and dividends

The result for the Group for the year is a profit after tax of £204,000 (2018 - loss of £2,110,000). LPP itself made a loss after tax of £270,000 (2018 - loss of £3,795,000).

No dividends were paid during the year (2018 - nil).

Capital

LPP has an issued share capital of 2 ordinary shares of £1.

The shareholders are: Lancashire County Council and London Pensions Fund Authority, each hold 1 fully paid ordinary share of £1 in value.

Board and committee reports

LPP produces a detailed Annual Report, which can be downloaded from its website, which includes an outline of its Group governance framework.

Going concern

After making enquiries in relation to the Group's forecasts and projects, the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

Expected future developments

Expected future developments are set out in the strategic report.

Political or charitable donations

No political or charitable donations were made during the year (2018 - nil).

Directors' indemnity

There is no qualifying third party indemnity provision (whether made by the company or otherwise) in place, for the benefit of one or more of the Directors.

Research and developments

No research and development expenditure were made during the year (2018 - nil).

Financial instrument risk

The Group does not use hedging or financial risk management instruments and all cash is held within bank accounts with highly rated financial institutions.

Employee representation

Organisational wide changes are communicated to employees and major strategic projects are discussed with employees through a Staff Committee. The Committee meets with the Group CEO and other Executive Directors on a monthly basis. During the year, the Committee completed a staff engagement survey.

Local Pensions Partnership Ltd

Directors' Report

Disabled employees

LPP is committed to ensuring equality of opportunity and access in both our employment and service arrangements. We aim to promote diversity within our workforce and ensure that our services meet the different needs of our staff, and clients at all times. LPP has published an Equality Policy on its website. 8% of LPP's employees have reported some form of disability.

As a Group, we aim to ensure fairness and equality towards all applicants through objective based recruitment practices and family friendly policies to support staff during changing circumstances. This includes flexible working arrangements to support participation in religious and/or cultural events, to care for dependents or where reasonable adjustments are required to roles/working patterns to support declared disabilities.

Training methods and environments are tailored to support staff with declared disabilities including delivering the training with the support of sign language.

Post balance sheet events

There have been no post balance sheet events to report.

Disclosure of Information to Auditors

Each person who was a director at the time this report was approved confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report was approved by the Board and signed on its behalf on 31 July 2019



Christopher Rule
Director

Local Pensions Partnership Ltd
Independent auditor's report
to the member of Local Pensions Partnership Ltd

Opinion

We have audited the financial statements of Local Pensions Partnership Ltd (the 'parent company') and its subsidiaries (together 'the Group') for the year ended 31 March 2019, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 or a material misstatement of the other information. 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.

Local Pensions Partnership Ltd
Independent auditor's report
to the member of Local Pensions Partnership Ltd

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors for the financial statements

As explained more fully in the statement of Directors' responsibilities set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company'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 the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

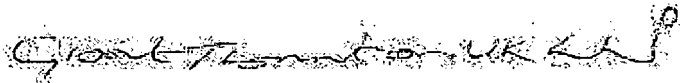
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

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.

Local Pensions Partnership Ltd
Independent auditor's report
to the member of Local Pensions Partnership Ltd

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London, United Kingdom

31 July 2019

Local Pensions Partnership Ltd
Consolidated Income Statement
for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Turnover	5	33,006	26,140
Administrative expenses		(32,072)	(27,906)
Operating profit/(loss)	6	<u>934</u>	<u>(1,766)</u>
Interest receivable		33	16
Interest payable	9	(745)	(742)
Profit/(loss) before taxation		<u>222</u>	<u>(2,492)</u>
Tax for the year	10	(18)	382
Profit/(loss) for the financial year attributable to ordinary shareholders		<u>204</u>	<u>(2,110)</u>

Local Pensions Partnership Ltd
Consolidated Statement of Comprehensive Income
for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Profit/(loss) for the financial year		204	(2,110)
Other comprehensive income			
Remeasurement of defined benefit obligation	17	(404)	5,062
Tax on components of other comprehensive income		69	(861)
Total comprehensive income for the year		<u>(131)</u>	<u>2,091</u>

Local Pensions Partnership Ltd
Consolidated Statement of Financial Position
as at 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	11	385	865
Tangible assets	12	<u>868</u>	<u>765</u>
		1,253	1,630
Current assets			
Debtors	14	12,996	10,557
Cash at bank and in hand		<u>17,893</u>	<u>18,064</u>
		30,889	28,621
Creditors: amounts falling due within one year	15	<u>(4,925)</u>	<u>(6,655)</u>
Net current assets		25,964	21,966
Total assets less current liabilities		<u>27,217</u>	<u>23,596</u>
Creditors: amounts falling due after more than one year	16	(17,500)	(17,500)
Post employment benefits	17	(16,994)	(13,242)
Net liabilities		<u>(7,277)</u>	<u>(7,146)</u>
Capital and reserves			
Called up share capital	18	-	-
Retirement benefit obligations reserve		(3,866)	(3,866)
Profit and loss account		(3,411)	(3,280)
Total equity		<u>(7,277)</u>	<u>(7,146)</u>

The financial statements were approved by the Board and signed on its behalf on 29 July 2019



Adrian Taylor
Director

Local Pensions Partnership Ltd
Company Statement of Financial Position
as at 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	11	385	392
Tangible assets	12	868	765
Investments	13	<u>10,000</u>	<u>10,000</u>
		11,253	11,157
Current assets			
Debtors	14	7,948	10,615
Cash at bank and in hand		<u>5,752</u>	<u>1,013</u>
		13,700	11,628
Creditors: amounts falling due within one year	15	(3,180)	(3,622)
Net current assets		<u>10,520</u>	<u>8,006</u>
Total assets less current liabilities		<u>21,773</u>	<u>19,163</u>
Creditors: amounts falling due after more than one year	16	(17,500)	(17,500)
Post employment benefits	17	(14,579)	(11,498)
Net liabilities		<u>(10,306)</u>	<u>(9,835)</u>
Capital and reserves			
Called up share capital	18	-	-
Retirement benefit obligations reserve		(3,605)	(3,605)
Profit and loss account		(6,701)	(6,230)
Total equity		<u>(10,306)</u>	<u>(9,835)</u>

The financial statements were approved by the Board and signed on its behalf on 29 July 2019



Adrian Taylor
Director

Local Pensions Partnership Ltd
Consolidated Statement of Changes in Equity
for the year ended 31 March 2019

		Share capital	Share premium	Retirement benefit obligations reserve	Profit and loss account	Total
	Notes	£'000	£'000	£'000	£'000	£'000
At 1 April 2017		-	-	(8,057)	(1,180)	(9,237)
Reclassification	17	-	-	4,191	(4,191)	-
		<u>-</u>	<u>-</u>	<u>(3,866)</u>	<u>(5,371)</u>	<u>(9,237)</u>
Profit for the financial year		-	-	-	2,091	2,091
At 31 March 2018		<u>-</u>	<u>-</u>	<u>(3,866)</u>	<u>(3,280)</u>	<u>(7,146)</u>
At 1 April 2018		-	-	(3,866)	(3,280)	(7,146)
Loss for the financial year		-	-	-	(131)	(131)
At 31 March 2019		<u>-</u>	<u>-</u>	<u>(3,866)</u>	<u>(3,411)</u>	<u>(7,277)</u>

Local Pensions Partnership Ltd
Consolidated Statement of Cash Flows
for the year ended 31 March 2019

	2019	2018
	£'000	£'000
Operating activities		
Profit/(loss) for the financial year	204	(2,110)
Adjustments for:		
Tax on profit/(loss) on ordinary activities	18	(382)
Depreciation	288	115
Amortisation of intangible fixed assets	99	58
Write off of intangible fixed assets	473	-
Pension movement in the year	2,964	2,404
Increase in debtors	(2,009)	(978)
(Decrease)/increase in creditors	(1,541)	3,691
	<u>496</u>	<u>2,798</u>
Corporation tax paid	(207)	(627)
	<u>289</u>	<u>2,171</u>
Cash generated from operating activities		
Investing activities		
Payments to acquire intangible fixed assets	(92)	(868)
Payments to acquire tangible fixed assets	(368)	(800)
	<u>(460)</u>	<u>(1,668)</u>
Cash used in investing activities		
Net cash (used)/generated		
Cash generated by operating activities	289	2,171
Cash used in investing activities	(460)	(1,668)
	<u>(171)</u>	<u>503</u>
Net cash (used in)/generated from		
Cash and cash equivalents at 1 April	18,064	17,561
Cash and cash equivalents at 31 March	<u>17,893</u>	<u>18,064</u>
Cash and cash equivalents comprise:		
Cash at bank	<u>17,893</u>	<u>18,064</u>
	<u>17,893</u>	<u>18,064</u>

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

1 Company information

Local Pensions Partnership Ltd ('LPP' or 'the Company') is a private company limited by shares and incorporated in England. Its registered office is 169 Union Street, London, SE1 0LL

The Company's principal activities and nature of operations are included in the Strategic report on page 2.

2 Basis of preparation

LPP and its subsidiaries (together 'the Group') financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The Group financial statements have been prepared on the historical cost basis.

The Group financial statements are presented in Sterling (£).

The Group financial statements consolidate the financial statements of LPP and all its subsidiary undertakings drawn up to 31 March each year.

LPP has taken advantage of section 408 of the Companies Act 2006 and has not included its own Income Statement in these financial statements.

The individual accounts of LPP have also adopted the following disclosure exemptions, as they are included in the Group financial statements:

- the requirement to present a statement of cash flows and related notes (s7 FRS 102)
- financial instrument disclosures (s11 & s12 FRS 102), including:
 - categories of financial instruments;
 - items of income, expenses, gains or losses relating to financial instruments; and
 - exposure to and management of financial risks.
- the exemption has been claimed not to disclose related party transactions (s33 FRS 102).

There are no other FRS102 interpretations that are not yet effective that would be expected to have a material impact on the Group or the Company.

Going concern

After reviewing the Group's forecasts and projections, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

3 Significant judgements and estimates

In the process of applying the Group's accounting policies, which are described in note 4, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements. As described below, many of these areas of judgement also involve a high level of estimation uncertainty.

Deferred taxation

The financial statements include judgements and estimates that been made regarding deferred taxation, as described in note 4.9

Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Firms of consulting actuaries are engaged to provide the Group with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

4 Summary of significant accounting policies

4.1 Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

4.2 Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible fixed assets are amortised over the following useful economic lives:

- Software costs, over the life of the licence

4.3 Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Computer equipment - 3 to 5 years
- Office equipment - 3 to 5 years
- Improvements to leasehold over the length of the lease

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

4. Principal accounting policies (continued)

4.4 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit and loss account.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

4.5 Debtors

Loans receivable are measured initially at fair value, net of transaction costs.

4.6 Cash at bank and in hand

Cash at bank and in hand also includes deposits held at call with banks and other short-term highly liquid investments with original maturities of three months. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

4.7 Creditors

Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs.

4.8 Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

4. Principal accounting policies (continued)

4.9 Taxation

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.10 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of administration, investment and risk management services.

4.11 Employee and pension costs

Participation by Group employees in four administered defined benefit scheme funds began on 8 April 2016. Contributions from the employer are payable to the schemes and are charged to the profit and loss account in the period to which they relate.

5 Analysis of turnover	2019	2018
	£'000	£'000
Investment management fees	19,873	14,065
Pension administration fees	11,072	9,866
Risk management services	1,384	1,532
Corporate services	677	677
	<u>33,006</u>	<u>26,140</u>

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

6 Operating profit	2019	2018
	£'000	£'000
This is stated after charging:		
Depreciation of tangible fixed assets	288	115
Operating lease rentals - land and buildings	1,403	1,373
Auditor's remuneration for audit services	77	90
Auditor's remuneration for other services	<u>7</u>	<u>8</u>

7 Directors' emoluments	2019	2018
	£'000	£'000
Emoluments	1,655	1,818
Social security costs	210	229
Other pension costs	<u>158</u>	<u>174</u>
	<u>2,023</u>	<u>2,221</u>

The amounts set out above include remuneration in respect of the highest paid director which are as follows:

Emoluments	382	369
Social security costs	52	50
Other pension costs	<u>46</u>	<u>44</u>
	<u>480</u>	<u>463</u>

8 Directors and employees	2019	2018
	£'000	£'000
Wages and salaries	13,368	12,114
Social security costs	1,490	1,259
Other pension costs	<u>4,807</u>	<u>4,582</u>
	<u>19,665</u>	<u>17,955</u>

The companies in the Group are members of four defined benefit pension schemes for the benefit of the employees and directors. The scheme is administered in house. Employer contributions recognised as an expense during the year amount to £4,807,000 (2018 - £4,582,000). Included in these contributions is the IAS19 accrued pension cost adjustment of £3,348,000 (2018 - £3,265,000), as disclosed in note 17.

The average monthly number of employees for the Group, during the year to 31 March 2019 was 281 (2018 - 255), of which 11 (2018 - 8) were Directors and 270 (2018 - 247) were staff.

At 31 March 2019, the Group headcount was 297 (2018 - 284).

9 Interest payable	2019	2018
	£'000	£'000
Loan interest	<u>745</u>	<u>742</u>

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

10 Taxation	2019	2018
	£'000	£'000
Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the period	737	189
Adjustments in respect of previous periods	(153)	16
	<u>584</u>	<u>205</u>
Deferred tax:		
Origination and reversal of timing differences	(566)	(587)
Effect of increased tax rate on opening liability	-	-
	<u>(566)</u>	<u>(587)</u>
Tax on profit/(loss) on ordinary activities	<u>18</u>	<u>(382)</u>
 Factors affecting tax charge for period		
The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:		
	2019	2018
	£'000	£'000
Profit/(loss) on ordinary activities before tax	<u>222</u>	<u>(2,492)</u>
Standard rate of corporation tax in the UK	19%	19%
	£'000	£'000
Profit on ordinary activities multiplied by the standard rate of corporation tax	42	(473)
Effects of:		
Expenses not deductible for tax purposes	62	75
Effect of tax rate change	67	-
Adjustments to tax charge in respect of previous periods	(153)	16
	<u>18</u>	<u>(382)</u>
Tax charge for period		
 Deferred taxation		
Deferred tax credit to income statement for the year	(566)	(587)
Deferred tax charge/(credit) in OCI for the year	(69)	861
	<u>(635)</u>	<u>274</u>

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

11 Intangible fixed assets

	Company	Group
	Software	Software
	£'000	£'000
Cost		
At 1 April 2018	454	927
Additions	92	92
Written off to profit and loss account	-	(473)
At 31 March 2019	<u>546</u>	<u>546</u>
Amortisation		
At 1 April 2018	62	62
Provided during the year	99	99
At 31 March 2019	<u>161</u>	<u>161</u>
Carrying amount		
At 31 March 2019	<u>385</u>	<u>385</u>
At 31 March 2018	<u>392</u>	<u>865</u>

12 Tangible fixed assets

Group & Company	Leasehold	IT equipment	Fixtures, fittings & office equipment	Assets under construction	Total
	improvements	£'000	£'000	£'000	£'000
	£'000		£'000		
Cost or valuation					
At 1 April 2018	191	590	106	-	887
Additions	5	333	30	23	391
At 31 March 2019	<u>196</u>	<u>923</u>	<u>136</u>	<u>23</u>	<u>1,278</u>
Depreciation					
At 1 April 2018	32	82	8	-	122
Charge for the year	38	227	23	-	288
At 31 March 2019	<u>70</u>	<u>309</u>	<u>31</u>	<u>-</u>	<u>410</u>
Carrying amount					
At 31 March 2019	<u>126</u>	<u>614</u>	<u>105</u>	<u>23</u>	<u>868</u>
At 31 March 2018	<u>159</u>	<u>508</u>	<u>98</u>	<u>-</u>	<u>765</u>

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

13 Investments

The Company				Investment in subsidiaries
Cost				£'000
At 31 March 2018 & 2019				10,000
Subsidiaries - direct	Type of shares held	Proportion held	Country of incorporation	Nature of business
Local Pensions Partnership Administration Ltd	Ordinary	100%	UK	Non-trading
Local Pensions Partnership Investments Ltd	Ordinary	100%	UK	Investment
Subsidiaries - indirect	Type of shares held	Proportion held	Country of incorporation	Nature of business
LPPI Scotland (No.1) Ltd	Ordinary	100%	UK	Investment
LPPI Scotland (No.2) Ltd	Ordinary	100%	UK	Investment
Daventry GP Limited	Ordinary	100%	UK	General partner
LPPI PE GP (No 1) LLP	LLP units	100%	UK	General partner
LPPI PE GP (No 2) LLP	LLP units	100%	UK	General partner
LPPI Infrastructure GP LLP	LLP units	100%	UK	General partner
LPPI Credit GP Limited	Ordinary	100%	UK	General partner
LPPI PE GP (No 3) LLP	LLP units	100%	UK	General partner
LPPI Diversifying Strategies GP Limited	Ordinary	100%	UK	General partner

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

14 Debtors	Company	Company	Group	Group
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade debtors	3,159	4,893	8,836	7,682
Amounts owed by group undertakings	1,260	2,870	-	-
Corporation tax	262	329	430	-
Prepayments and accrued income	793	570	835	615
Deferred taxation	2,474	1,953	2,895	2,260
	<u>7,948</u>	<u>10,615</u>	<u>12,996</u>	<u>10,557</u>

15 Creditors: amounts falling due within one year

	Company	Company	Group	Group
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade creditors	502	1,057	764	1,216
Corporation tax	-	-	-	189
Other taxes and social security costs	1,063	832	1,212	949
Other creditors	148	133	195	172
Accruals and deferred income	1,467	1,600	2,754	4,129
	<u>3,180</u>	<u>3,622</u>	<u>4,925</u>	<u>6,655</u>

16 Creditors: amounts falling due after one year

	Company	Company	Group	Group
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Amounts owed to group undertakings	<u>17,500</u>	<u>17,500</u>	<u>17,500</u>	<u>17,500</u>

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

17 Pension schemes

Defined benefit schemes

On 8 April 2016 current employees of the LPFA and LCC who were members of the Lancashire County Pension Fund (LCPF), were TUPE transferred to LPP and LPPI. A subsequent transfer of employees into LPP from LPFA took place during the period.

The transferring employees are all members of the Local Government Pension Scheme (LGPS). LPP and LPPI were allocated notional shares of the LPFA and LCPF Fund assets equal to 100% of the value of the transferring pension liabilities. The liabilities were calculated on the ongoing basis appropriate for funding, either the LPFA or LCPF 2016 Triennial valuation assumptions depending on the Fund from which employees' liabilities were transferred. As such LPP and LPPI's pension liabilities were 100% funded on the relevant ongoing basis at the dates of transfer.

Notwithstanding differences between the LPFA and LCPF ongoing 2016 Triennial valuation basis, when the pension liabilities are valued for the purposes of IAS19 disclosures, the discount rate is prescribed by the IAS19 standards to be set with reference to corporate bond yields. The assessment of pension liabilities on this accounting basis at the date of transfer results in pension liabilities greater than those assessed on the LPFA and LCPF ongoing valuation basis. Therefore at the date of transfer LPP and LPPI's pension liabilities on the IAS19 accounting basis were not fully funded.

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The benefits under the scheme are based on the length of membership and the average salary. Each member contributes a proportion of their salary, within a 5.5% to 12.5% range depending on their rate of pay. LPP and LPPI, as the employing bodies, also contribute in to the scheme on the employee's behalf up to 12.0% for the LPFA scheme and 12.4% for LCPF, of the employee's salary.

LGPS is accounted for as a defined benefits scheme. The liabilities of the LGPS attributable to the Group are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

In accounting for the defined benefit schemes, the Group has applied the following principles:

- No pension assets are invested in the Group's own financial instruments or property;

The schemes in the UK typically expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk, as follows:

- Investment risk - the present value of the defined benefit schemes' liability is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on plan assets is below this rate, a deficit will be created;
- Interest risk - a decrease in the bond interest rate will increase the scheme liability but this will be partially offset by an increase in the return of the plan's debt investments;
- Longevity risk - the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability; and
- Salary risk - the present value of the defined benefit scheme liability is calculated by reference to the future salaries of plan participants, as such, an increase in the salary of the plan participants will increase the plan's liability.

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

17. Pension schemes (continued)

During the year, management undertook a detailed assessment of the classification of components of its defined benefit obligations in its first year of operations and noted that some of the components of the actuarial reports were misinterpreted at the time of disclosures in the financial statements. This misclassification has been corrected by reclassifying a component of such actuarial assumptions which had been classified through the retired benefit obligation reserve instead of the profit and loss account, net of deferred tax.

In summary, the four defined benefit pension schemes can be summarised, by entity, as follows:

Post employment benefits summary

	Year to 31 March 2019		
	LPP	LPPI	Total
	£'000	£'000	£'000
Net assets	24,472	3,843	28,315
Net liabilities	(39,051)	(6,258)	(45,309)
	<u>(14,579)</u>	<u>(2,415)</u>	<u>(16,994)</u>

	Year to 31 March 2018		
	LPP	LPPI	Total
	£'000	£'000	£'000
Net assets	20,257	2,846	23,103
Net liabilities	(31,755)	(4,590)	(36,345)
	<u>(11,498)</u>	<u>(1,744)</u>	<u>(13,242)</u>
Net movement on pension deficit	3,081	671	3,752
Consolidated statement of comprehensive income	(242)	(162)	(404)
IAS19 pension costs accrued for the year	<u>2,839</u>	<u>509</u>	<u>3,348</u>

London Pensions Fund Authority

The actuaries for LPFA are Barnett Waddingham.

LPP pension information

A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPP	LPP
	31-Mar-19	31-Mar-18
	£'000	£'000
Retirement benefit assets	13,866	11,002
Retirement benefit obligations	<u>(23,712)</u>	<u>(18,912)</u>
Net retirement benefit deficit	<u>(9,846)</u>	<u>(7,910)</u>

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

17. Pension schemes (continued)

Scheme assets - Changes in the fair value of scheme assets are as follows:

	LPP	LPP
	31-Mar-19	31-Mar-18
	£'000	£'000
Fair value of plan assets at beginning of year	11,002	9,521
Interest income on scheme assets - employer	309	280
Return on scheme assets less interest income	777	276
Administrative expenses and taxes	(14)	(12)
Employer contributions	855	614
Contributions by employees	498	429
Benefits paid	439	(106)
Fair value of plan assets at end of year	<u>13,866</u>	<u>11,002</u>

Analysis of assets - The major categories of scheme assets are as follows:

	LPP	LPP
	31-Mar-19	31-Mar-18
	£'000	£'000
Equity instruments	7,544	6,727
Target return portfolio	3,698	2,466
Infrastructure	835	481
Property	1,304	792
Cash and other	485	536
At 31 March	<u>13,866</u>	<u>11,002</u>

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group. Virtually all equity and debt instruments have quoted prices in an active market.

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

17. Pension schemes (continued)

Scheme liabilities - Changes in the fair value of scheme liabilities are as follows:

	LPP	LPP
	31-Mar-19	31-Mar-18
	£'000	£'000
Benefit obligation at beginning of year	18,912	18,671
Current service cost - employer	2,170	2,269
Effect of changes in financial assumptions	1,205	(2,123)
Effect of demographic assumptions	(398)	(1,042)
Interest cost - employer	504	527
Past service costs	382	287
Benefits paid	439	(106)
Contributions by scheme participants	498	429
Benefit obligation at end of year	<u>23,712</u>	<u>18,912</u>

Amounts recognised in the income statement

	LPP	LPP
	Year to 31	Year to 31
	March 2019	March 2018
	£'000	£'000
Amounts recognised in operating profit		
Current service cost	2,170	2,556
Past service cost	382	-
Administrative expenses and taxes	14	12
Recognised in arriving at operating profit	<u>2,566</u>	<u>2,568</u>
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	195	247
Recognised in interest receivable and similar income	<u>195</u>	<u>247</u>
Total recognised in the profit and loss account	<u>2,761</u>	<u>2,815</u>

Local Pensions Partnership Ltd
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17. Pension schemes (continued)

Amounts recognised in the statement of comprehensive income

	LPP	LPP
	Year to 31	Year to 31
	March 2019	March 2018
	£'000	£'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	777	276
Effect of changes in financial assumptions	(1,205)	2,123
Effect of changes in demographic assumptions	398	1,042
Total pension cost recognised in the statement of comprehensive income	(30)	3,441

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	LPP	LPP
	31-Mar-19	31-Mar-18
	%	%
Discount rate	2.5	2.6
Future salary increases	3.7	3.6
Future pension increases (CPI)	2.2	2.1
Future pension increases (RPI)	3.2	3.1
Inflation assumption (CPI)	2.2	2.1
Inflation assumption (RPI)	3.2	3.1

Post retirement mortality assumptions

	LPP	LPP
	31-Mar-19	31-Mar-18
	Years	Years
Current UK pensioners at retirement age - male	20.6	21.1
Current UK pensioners at retirement age - female	23.4	23.9
Future UK pensioners at retirement age - male	22.1	22.6
Future UK pensioners at retirement age - female	25.0	25.4

Local Pensions Partnership Ltd
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17. Pension schemes (continued)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2019 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2019 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption	Result of change of +0.1% in present value of scheme liabilities	Result of change of (0.1%) in present value of scheme liabilities
Year to 31 March 2019			
LPP	%	£'000	£'000
Discount rate: 2.5%	0.1	23,095	24,329
Inflation: 2.2% CPI	0.1	24,257	23,167
Rate of salary increase: 3.7%	0.1	24,613	22,811
Year to 31 March 2018			
LPP	%	£'000	£'000
Discount rate: 2.6%	0.1	18,402	19,437
Inflation: 2.1% CPI	0.1	19,341	18,495
Rate of salary increase: 3.6%	0.1	19,009	18,816

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 20.6 - 25.0 years, post retirement age, the change in present value of scheme liabilities would be an increase of 0.3%.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

17. Pension schemes (continued)

LPPI pension information

A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPPI	LPPI
	31-Mar-19	31-Mar-18
	£'000	£'000
Retirement benefit assets	1,366	833
Retirement benefit obligations	(2,221)	(1,364)
Net retirement benefit deficit	(855)	(531)

Scheme assets - Changes in the fair value of scheme assets are as follows:

	LPPI	LPPI
	31-Mar-19	31-Mar-18
	£'000	£'000
Fair value of plan assets at beginning of year	833	403
Interest income on scheme assets - employer	27	17
Return on scheme assets less interest income	68	16
Administrative expenses and taxes	(1)	(1)
Employer contributions	272	210
Contributions by employees	167	130
Benefits paid/(received)	-	58
Fair value of plan assets at end of year	1,366	833

Analysis of assets - The major categories of scheme assets are as follows:

	LPPI	LPPI
	31-Mar-19	31-Mar-18
	£'000	£'000
Equity instruments	744	509
Target return portfolio	364	187
Infrastructure	82	36
Property	128	60
Cash and other	48	41
At 31 March	1,366	833

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group. Virtually all equity and debt instruments have quoted prices in an active market.

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

17. Pension schemes (continued)

Scheme liabilities - Changes in the fair value of scheme liabilities are as follows:

	LPPI	LPPI
	31-Mar-19	31-Mar-18
	£'000	£'000
Benefit obligation at beginning of year	1,364	974
Current service cost - employer	480	497
Effect of changes in financial assumptions	175	(223)
Effect of changes in demographic assumptions	(36)	(102)
Interest cost - employer	38	30
Benefits paid/(received)	-	58
Contributions by scheme participants	167	130
Past service cost	33	-
Benefit obligation at end of year	<u>2,221</u>	<u>1,364</u>

Amounts recognised in the income statement

	LPPI	LPPI
	Year to 31	Year to 31
	March 2019	March 2018
	£'000	£'000
Amounts recognised in operating profit		
Current service cost	480	497
Past service cost	33	-
Administrative expenses and taxes	1	1
Recognised in arriving at operating profit	<u>514</u>	<u>498</u>
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	11	13
Recognised in interest receivable and similar income	<u>11</u>	<u>13</u>
Total recognised in the profit and loss account	<u>525</u>	<u>511</u>

Local Pensions Partnership Ltd
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17. Pension schemes (continued)

Amounts recognised in the statement of comprehensive income

	LPPI	LPPI
	Year to 31	Year to 31
	March 2019	March 2018
	£'000	£'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	68	16
Effect of changes in financial assumptions	(175)	223
Effect of changes in demographic assumptions	36	102
Total pension cost recognised in the statement of comprehensive income	(71)	341

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	LPPI	LPPI
	31-Mar-19	31-Mar-18
	%	%
Discount rate	2.5	2.6
Future salary increases	3.7	2.7
Future pension increases (CPI)	2.2	2.1
Future pension increases (RPI)	3.2	3.1
Inflation assumption (CPI)	2.2	2.1
Inflation assumption (RPI)	3.2	3.6

Post retirement mortality assumptions

	LPPI	LPPI
	31-Mar-19	31-Mar-18
	Years	Years
Current UK pensioners at retirement age - male	20.6	21.1
Current UK pensioners at retirement age - female	23.4	23.9
Future UK pensioners at retirement age - male	22.1	22.6
Future UK pensioners at retirement age - female	25.0	25.4

Local Pensions Partnership Ltd
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17. Pension schemes (continued)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2019 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2019 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption	Result of change of +0.1% in present value of scheme liabilities	Result of change of (0.1%) in present value of scheme liabilities
Year to 31 March 2019			
LPPI	%	£'000	£'000
Discount rate: 2.5%	0.1	2,161	2,281
Inflation: 2.2% CPI	0.1	2,270	2,172
Rate of salary increase: 3.7%	0.1	2,283	2,159
Year to 31 March 2018			
LPPI	%	£'000	£'000
Discount rate: 2.6%	0.1	1,318	1,411
Inflation: 2.1% CPI	0.1	1,412	1,318
Rate of salary increase: 3.6%	0.1	1,364	1,364

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 20.6 - 25.0 years, post retirement age, the change in present value of scheme liabilities would be an increase of 0.3%.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

Local Pensions Partnership Ltd
Notes to the Accounts
for the year ended 31 March 2019

17. Pension schemes (continued)

Lancashire County Pension Fund

The actuaries for LCPF are Mercer.

LPP pension information

A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPP	LPP
	31-Mar-19	31-Mar-18
	£'000	£'000
Retirement benefit assets	10,606	9,255
Retirement benefit obligations	<u>(15,339)</u>	<u>(12,843)</u>
Net retirement benefit deficit	<u>(4,733)</u>	<u>(3,588)</u>

Scheme assets - Changes in the fair value of scheme assets are as follows:

	LPP	LPP
	31-Mar-19	31-Mar-18
	£'000	£'000
Fair value of plan assets at beginning of year	9,255	8,487
Interest income on scheme assets - employer	254	227
Return on scheme assets less interest income	842	86
Administrative expenses and taxes	(15)	(12)
Employer contributions	409	306
Contributions by employees	190	165
Benefits paid	<u>(329)</u>	<u>(4)</u>
Fair value of plan assets at end of year	<u>10,606</u>	<u>9,255</u>

Analysis of assets - The major categories of scheme assets are as follows:

	LPP	LPP
	31-Mar-19	31-Mar-18
	£'000	£'000
Equity instruments	9,069	8,024
Bonds	498	398
Property	986	870
Cash and other	<u>53</u>	<u>(37)</u>
At 31 March	<u>10,606</u>	<u>9,255</u>

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group. Virtually all equity and debt instruments have quoted prices in an active market.

Local Pensions Partnership Ltd
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17. Pension schemes (continued)

Scheme liabilities - Changes in the fair value of scheme liabilities are as follows:

	LPP	LPP
	31-Mar-19	31-Mar-18
	£'000	£'000
Benefit obligation at beginning of year	12,843	12,547
Current service cost - employer	813	747
Effect of changes in financial assumptions	1,054	(941)
Interest cost - employer	344	329
Benefits paid	(329)	(4)
Contributions by scheme participants	190	165
Curtailments	63	-
Past service cost	361	-
Benefit obligation at end of year	<u>15,339</u>	<u>12,843</u>

Amounts recognised in the income statement

	LPP	LPP
	Year to 31	Year to 31
	March 2019	March 2018
	£'000	£'000
Amounts recognised in operating profit		
Current service cost	813	747
Past service cost	361	-
Curtailment	63	-
Administrative expenses and taxes	15	12
Recognised in arriving at operating profit	<u>1,252</u>	<u>759</u>

Amounts recognised in interest receivable and similar income

Interest cost on scheme liabilities - employer	<u>90</u>	<u>102</u>
Recognised in interest receivable and similar income	<u>90</u>	<u>102</u>
Total recognised in the profit and loss account	<u>1,342</u>	<u>861</u>

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17. Pension schemes (continued)

Amounts recognised in the statement of comprehensive income

	LPP	LPP
	Year to 31	Year to 31
	March 2019	March 2018
	£'000	£'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	(842)	(86)
Changes in financial assumptions	<u>1,054</u>	<u>(941)</u>
Total pension cost recognised in the statement of comprehensive income	<u>212</u>	<u>(1,027)</u>

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	LPP	LPP
	31-Mar-19	31-Mar-18
	%	%
Discount rate	2.5	2.7
Future salary increases	3.7	3.6
Future pension increases (CPI)	2.3	2.2
Future pension increases (RPI)	3.3	3.2
Inflation assumption (CPI)	2.2	2.1
Inflation assumption (RPI)	<u>3.2</u>	<u>3.1</u>

Post retirement mortality assumptions

	LPP	LPP
	31-Mar-19	31-Mar-18
	Years	Years
Current UK pensioners at retirement age - male	21.9	22.0
Current UK pensioners at retirement age - female	24.2	24.4
Future UK pensioners at retirement age - male	23.3	23.5
Future UK pensioners at retirement age - female	26.1	26.3

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17. Pension schemes (continued)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2019 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2019 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption	Result of change of +0.1% in present value of scheme liabilities	Result of change of (0.1%) in present value of scheme liabilities
Year to 31 March 2019			
	%	£'000	£'000
Discount rate: 2.7%	0.1	14,910	15,768
Inflation: 2.1% CPI	0.1	15,676	15,002
Rate of salary increase: 3.6%	0.1	15,907	14,771
Year to 31 March 2018			
	%	£'000	£'000
Discount rate: 2.7%	0.1	12,505	13,181
Inflation: 2.2% CPI	0.1	13,190	12,496
Rate of salary increase: 3.6%	0.1	12,966	12,720

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 21.9 - 26.1 the change in present value of scheme liabilities would be an increase of 0.2%.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

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17. Pension schemes (continued)

LPPI pension information

A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPPI	LPPI
	31-Mar-19	31-Mar-18
	£'000	£'000
Retirement benefit assets	2,477	2,013
Retirement benefit obligations	(4,037)	(3,226)
Net retirement benefit deficit	(1,560)	(1,213)

Scheme assets - Changes in the fair value of scheme assets are as follows:

	LPPI	LPPI
	31-Mar-19	31-Mar-18
	£'000	£'000
Fair value of plan assets at beginning of year	2,013	1,724
Interest income on scheme assets - employer	57	48
Return on scheme assets less interest income	191	17
Administrative expenses and taxes	(5)	(5)
Employer contributions	129	127
Contributions by employees	92	102
Fair value of plan assets at end of year	2,477	2,013

Analysis of assets - The major categories of scheme assets are as follows:

	LPPI	LPPI
	31-Mar-19	31-Mar-18
	£'000	£'000
Equity instruments	2,118	1,746
Bonds	117	86
Property	230	189
Cash and other	12	(8)
At 31 March	2,477	2,013

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group. Virtually all equity and debt instruments have quoted prices in an active market.

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17. Pension schemes (continued)

Scheme liabilities - Changes in the fair value of scheme liabilities are as follows:

	LPPI	LPPI
	31-Mar-19	31-Mar-18
	£'000	£'000
Benefit obligation at beginning of year	3,226	2,982
Current service cost - employer	279	299
Effect of changes in financial assumptions	282	(236)
Interest cost - employer	88	79
Contributions by scheme participants	92	102
Past service cost	70	-
Benefit obligation at end of year	<u>4,037</u>	<u>3,226</u>

Amounts recognised in the income statement

	LPPI	LPPI
	Year to 31	Year to 31
	March 2019	March 2018
	£'000	£'000
Amounts recognised in operating profit		
Current service cost	279	299
Past service cost	70	-
Administrative expenses and taxes	5	5
Recognised in arriving at operating profit	<u>354</u>	<u>304</u>
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	88	79
Interest cost on scheme assets - employer	(57)	(48)
Recognised in interest receivable and similar income	<u>31</u>	<u>31</u>
Total recognised in the profit and loss account	<u>385</u>	<u>335</u>

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17. Pension schemes (continued)

Amounts recognised in the statement of comprehensive income

	LPPI Year to 31 March 2019 £'000	LPPI Year to 31 March 2018 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	191	17
Changes in financial assumptions	(282)	236
Total pension cost recognised in the statement of comprehensive income	(91)	253

Principal actuarial assumptions

The principal actuarial assumptions at the balance sheet date are as follows:

	LPPI 31-Mar-19 %	LPPI 31-Mar-18 %
Discount rate	2.5	2.7
Future salary increases	3.7	3.6
Future pension increases (CPI)	2.3	2.2
Future pension increases (RPI)	3.3	3.2
Inflation assumption (CPI)	2.2	2.1
Inflation assumption (RPI)	3.2	3.1

Post retirement mortality assumptions

	LPPI 31-Mar-19 Years	LPPI 31-Mar-18 Years
Current UK pensioners at retirement age - male	21.9	22.0
Current UK pensioners at retirement age - female	24.2	24.4
Future UK pensioners at retirement age - male	23.3	23.5
Future UK pensioners at retirement age - female	26.1	26.3

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17. Pension schemes (continued)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2019 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2019 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption	Result of change of +0.1% in present value of scheme liabilities	Result of change of (0.1%) in present value of scheme liabilities
Year to 31 March 2019			
	%	£'000	£'000
Discount rate: 2.7%	0.1	3,932	4,142
Inflation: 2.1% CPI	0.1	4,130	3,944
Rate of salary increase: 3.6%	0.1	4,190	3,884
Year to 31 March 2018			
	%	£'000	£'000
Discount rate: 3.7%	0.1	3,140	3,312
Inflation: 2.2% CPI	0.1	3,313	3,139
Rate of salary increase: 3.6%	0.1	3,253	3,199

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 21.9 - 26.3 the change in present value of scheme liabilities would be an increase of 0.2%.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

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18 Share capital	Nominal value	2018 & 2019 Number	2019 £'000	2018 £'000
Allotted, called up and fully paid:				
Ordinary shares	£1 each	<u>2</u>	<u>-</u>	<u>-</u>

The shares issued have full rights in the Company with respect to voting, dividends and distributions.

19 Contingent liabilities and capital commitments

The Group and the Company have no contingent liabilities at the year end.

The Group and the Company have no capital commitments at the year end.

20 Related party transactions

The Key Management Personnel emoluments paid by the Group total £2,823,588 (2018 - £1,615,373) for the year.

The Directors of LPP had no transactions with the Company or its subsidiaries during the period other than service contracts and Directors' liability insurance. A summary of Directors' remuneration is disclosed in the notes to the accounts.

The Company is exempt under the terms of FRS 102 from disclosing related party transactions with entities that are 100% owned by LPP.

21 Controlling party

The Company is a joint venture and its ultimate parents and controlling parties are London Pensions Fund Authority and Lancashire County Council.