



LPP

Local Pensions Partnership

Building resilience to provide secure futures

Annual Report and Accounts
2018-19

Contents

- 4 About us
- 6 Chair's welcome
- 8 Key facts

Strategic report and business review

- 11 Interim Chief Executive's statement
- 12 LPP's business model
- 14 Strategy
- 16 Benefits of LPP's approach for clients
- 17 Future strategic direction
- 19 Corporate structure
- 20 Attracting and developing talent
- 23 Responsible investment and stewardship
- 26 Investment case studies
- 28 LPP challenges and risk management

Corporate governance

- 31 Corporate governance statement
- 32 Board of Directors
- 38 How the Board operates
- 39 Board and Committee structure
- 48 Directors' report
- 50 Independent auditor's report

Financial statements

- 53 Consolidated income statement
- 54 Consolidated statement of comprehensive income
- 55 Consolidated statement of financial position
- 56 Company statement of financial position
- 57 Consolidated statement of changes in equity
- 58 Consolidated statement of cash flows
- 59 Notes to the financial statements

For more information visit us online at
localpensionspartnership.org.uk



At Local Pensions Partnership Ltd (LPP), our work has one overriding goal: to help our clients and shareholders to meet their pension obligations (and in turn help to provide secure futures for the families of retired public servants, police officers and firefighters).

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

We now manage 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 we launch our first specialised Real Estate fund later in 2019, it will be the eighth distinct investment pooling vehicle we are able to offer our clients, every one with an emphasis on long-term viability and returns.

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

With strong roots in both the public and private sectors, we are continuing 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. Our philosophy means we are aligned to our 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 we look to build our own long-term resilience, our emphasis is on sustainability in both the investment vehicles we select and our 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 our work with our partners in GLIL Infrastructure has already proved the positive impact that investment in UK infrastructure can bring.


With triennial valuations due before the end of 2019, LPP is helping our clients and their employers to understand their liabilities, and design investment and funding strategies that manage cash flow and employer contribution rates effectively.





Our business is built on five principles:

- 

1 Leading investment management expertise - we have recruited excellent investment talent from both the private and public sectors.
- 

2 Strong governance, compliance and stewardship - a commitment to holding ourselves and our investee companies to high standards
- 

3 Administrative scale - allowing LPP to provide a platform for technological change and best practice
- 

4 Consistent risk and liability risk management - providing greater certainty in retirement obligations
- 

5 Competitive and efficient pricing - so that we seize opportunities to generate efficiencies for our clients while always acting responsibly



Chair's welcome

Michael O'Higgins
Chair

“The theme in this report of building resilience will continue over the medium term. We will progress our vision to be a leading pension services provider...”

When we set out on our quest three years ago, the urgency of the situation was evident to all, with the Government facing a number of challenges in relation to its pension obligations.

In the background, there was also the global challenge of lower interest rates and an uncertain market environment, along with an ageing population: by 2050, the number of people over 60 is expected to rise to 2.1 billion world-wide; by 2100, 3.2 billion¹. This was the context in which the idea of asset pooling first came to the fore.

Our approach at LPP has been strategic, by first recognising that to develop a vigorous and efficient pooling partnership, we'd first need to put in place a robust framework. We achieved that in the early stages, with solid foundations laid down, from building our investment expertise to our strong governance structures.

Building resilience has been a strategic aim for the past year. For example, we are in the process of implementing upgraded systems in portfolio management and financial reporting. We have also strengthened our Board with the addition of three new Non-Executive Directors and a Senior Independent Director. The theme of resilience and robustness will continue into 2020 and beyond. It is vital that we have stability across all our functions in order to provide the best possible service to our clients.

1. Source: United Nations, World Population Prospects, Key findings & advance tables, 2015 revision.

While our approach has been measured, we have followed best practice from around the world, and look to be on target strategically reflecting some of the more mature international counterparts in Australia, the Netherlands and Canada.

While we have come a long way and set some good standards over the past three years, this listening and learning will continue as we develop and refine our sustainable business model.

Before I look forward to the coming 12 months and beyond, I'd like to pause and consider what we have achieved since we started operating in 2016, including alongside our partners in GLIL Infrastructure.

From the day LPP was launched, we have been managing 100% of client assets across all asset classes and have launched seven investment funds to realise the benefits of pooled investment management - Diversifying Strategies, Fixed Income, Credit, Global Infrastructure, Private Equity, Global Equity and Liquidity. A Real Estate fund will be launched by the end of the year.

Reductions in fund management fees for our clients has been achieved via:

- Allocations to internal fund management
- Consolidation of external fund managers
- Improved fee rates thanks to the scale of investments that LPP can make.

GLIL Infrastructure has received commitments of more than £1.8 billion and has invested more than £1bn in vital infrastructure projects like the Forth Ports, new trains for East Anglia and the South West, and the social infrastructure plans of Semperian, which is financing such essentials as roads, schools, hospital beds and waste disposal schemes.

These are projects whose potential importance will be clear to many. They are a good use of pension fund money, and our investment managers are confident that they will provide excellent returns.

We've been engaging fully in all the public policy debates and reviews into the changing pensions landscape. In the past year, we have provided insight on such reviews as the Ministry of Housing, Communities and Local Government's (MHCLG) consultation on Statutory Guidance on Asset Pooling in Local Government Pension Scheme. We also contributed to the Department of Works and Pensions (DWP) consultation on Fair Deal - Strengthening Pension Protection, the Financial Conduct Authority (FCA) discussion paper on Climate Change and Green Finance, and other initiatives like the Pension Dashboard and other technical advances helping simplify pensions management and provision.

Third party endorsement of our work is also good to have, and I am particularly proud that LPP was recognised in a number of prestigious industry awards.

I was, however, disappointed that our Pension Administration operating model took longer than expected to achieve stabilisation. I thank all those staff who work directly for the function and others who have helped to move to a position where LPP is on the way to delivering the service that clients, members and employers expect.

The financial year concluded with LPP delivering a core operating profit of £1.78 million which is a good indicator of our progress.

Susan Martin, LPP's inaugural Chief Executive stepped down in April. On behalf of the Board, I thank Susan for her significant contribution to the establishment and success of LPP.

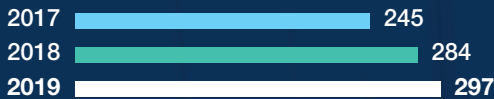
Finally, the theme in this report of building resilience will continue over the medium term. We will progress our vision to be a leading pension services provider and, with shareholders support, will move through a careful transition into the next development phase towards a more mature and sophisticated model over the next five years.

Key facts As at 31 March 2019



Group employees¹

297

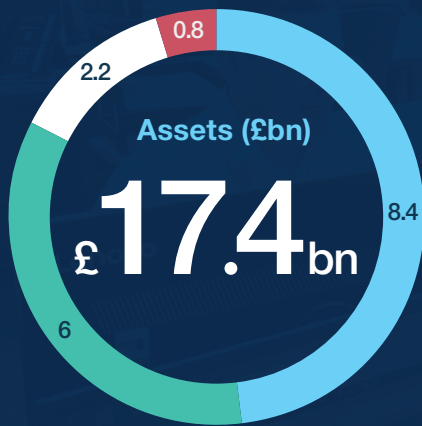


Revenue (£m)

£33.0m

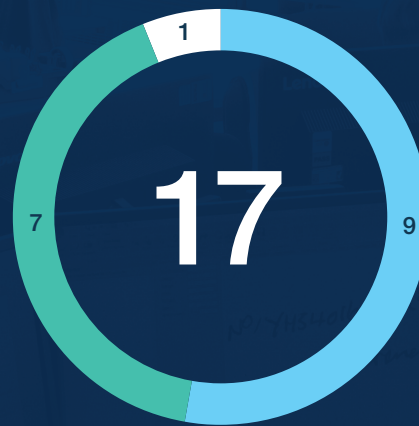


Client assets under management²



- Lancashire County Pension Fund
- London Pensions Fund Authority
- The Royal County of Berkshire Pension Fund
- GLIL Infrastructure²

Pension administration clients

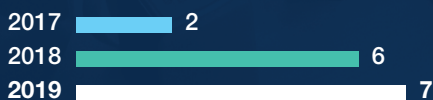


- LGPS
- Fire
- Police



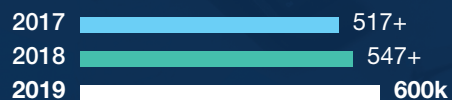
Number of investment funds

7



Pension members under administration

600k



1. Full Time Equivalent (FTE) employees.

2: Net asset value of GLIL's portfolio excluding committed capital.

Awards



LAPF Investment Awards 2018

WINNER - POOL OF THE YEAR



LAPF Investment Awards 2018

WINNER GLIL INFRASTRUCTURE - COLLABORATION AWARD



IPE Awards 2018

SHORTLISTED - PUBLIC PENSION FUND



European Pensions Awards 2019

WINNER GLIL INFRASTRUCTURE - MANAGER OF THE YEAR



European Pensions Awards 2019

FINALIST - FIDUCIARY MANAGEMENT



European Pensions Awards 2019

FINALIST - SPONSOR COVENANT PROVIDER OF THE YEAR



Pension and Investment Provider Awards 2019

FINALIST - COVENANT REVIEW PROVIDER OF THE YEAR



Professional Pensions UK Pensions Award 2019

FINALIST GLIL INFRASTRUCTURE - ALTERNATIVE INVESTMENT MANAGER OF THE YEAR



Customer Service Excellence

PENSION ADMINISTRATION BUSINESS



Strategic report and business review

- 11 Interim Chief Executive's statement
- 12 LPP's business model
- 14 Strategy
- 16 Benefits of LPP's approach for clients
- 17 Future strategic direction
- 19 Corporate structure
- 20 Attracting and developing talent
- 23 Responsible investment and stewardship
- 26 Investment case studies
- 28 LPP challenges and risk management

Interim Chief Executive's statement

Chris Rule
Interim Chief Executive

“I would like to thank our clients for their trust, confidence and patience, and colleagues for their dedication and hard work.”

Through our collective efforts, we continue to make good progress in delivering the benefits that we envisaged when we launched LPP three years ago; a different way to deliver and manage LGPS funds. I was delighted to welcome new clients to the business who believed in our ethos.

Our partnership model, whereby we provide a combination of tailored advice on strategic asset allocation and use discretion to select individual investments, continues to provide an aligned business model and highly effective outcome for our clients. Investment performance across our range of funds has been strong with most funds outperforming their respective benchmarks – this has helped our clients continue to meet their funding objectives.

We have also expanded the range of investment vehicles available to clients with the launch of the Diversifying Strategies Fund in late 2018.

In this Annual Report and Accounts, we include some investment case studies which demonstrate the positive impact asset owners can have on society, while also delivering sustainable long-term returns that are needed to pay pensions when they fall due. We fully expect this type of investment activity to continue.

I have received feedback from members and employers that our engagement activities could be further improved. We launched a new version of our member self-service in January 2019 and also implemented customer care surveys in our contact centre interactions. Whilst we have many opportunities to improve, we should also note that over 90% of those who undertook the contact centre survey rated their experience as either “excellent or very good”. Further member and employer feedback measures are planned for 2019-20, including reviewing the quality of our email processes and key retirement processes.

We continue to develop best practice across our business, including building our track record, launching investment funds and delivering quality pension administration services for members and employers. I thank our clients for their trust, confidence and patience, and colleagues for their dedication and hard work.

At the time of writing there is one final point I would highlight. There has been a recent Supreme Court judgement known as the McCloud case. This has introduced some potential additional pension liabilities for the LPP Group and impacts both LPP and LPPI.

At the moment I am highlighting that 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.



Chris Rule
Interim Chief Executive Officer

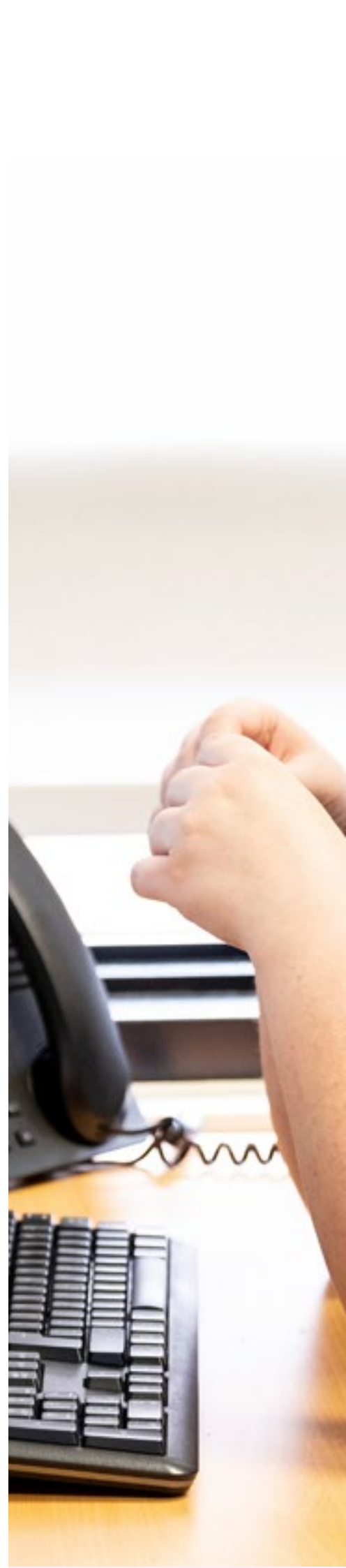
LPP business model

LPP is a pension services business, providing a range of pension fund-related services to clients. We share 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 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.





Two core business lines:

1.

INVESTMENT, ASSET AND LIABILITY RISK MANAGEMENT

LPP, via our FCA authorised and regulated investment subsidiary, Local Pensions Partnership Investments Ltd (LPPI), manages about £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

Lancashire County Council (LCC), the administering authority of Lancashire County Pension Fund (LCPF), and LPFA are also shareholders of LPP.

2.

PENSION ADMINISTRATION

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

In addition, we support several pension funds with our technical pension consultancy and support services in specialist areas, such as Guaranteed Minimum Pension Reconciliation and Employer Risk Management.

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 Group¹, 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



Investment pooling

Seven out of the eight planned investment pooling vehicles have been created



New clients

On-boarded Berkshire Pension Fund (Investment and Risk only). GLIL Infrastructure. Kent Fire and Rescue Authority and the London Borough of Brent (Pension administration only)



Pension Administration operating model

Rolled out a single Pension Administration operating model, including the establishment of a dedicated contact centre in Preston for member and employer enquiries

1. Source: World Bank Group, The Evolution of the Canadian Pension Model, 2017.



Compliance and governance

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

Improved systems and processes, including procurement of an upgraded portfolio management system



People and culture

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 our culture and purpose work



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.

Other potential benefits to the LPP approach include:

- ▶ Portfolio diversification
- ▶ Access to new markets and managers
- ▶ Higher potential returns
- ▶ Reduced risk for the overall investment portfolio
- ▶ More predictable future cash flows
- ▶ Better alignment of the investment portfolio with the liability profile of the client, leading to greater certainty and more stable employer contributions
- ▶ Sharing best practice and exchanging ideas via collaboration with other institutional asset owners.

Future strategic direction

LPP continues to operate as a pension services business, ensuring that ongoing ‘business-as-usual’ resilience is implemented.

Alongside the 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.

While LPP’s existing clients come from the LGPS community, extensive client relationships and co-investment opportunities exist across the wider pension fund sector. LPP continues to leverage our heritage and expertise to help our clients and shareholders to meet their pension obligations.



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
- ▶ Streamlining governance and decision making



Corporate structure

LPP comprises a holding company, an investment management subsidiary, LPPI, and other indirect subsidiaries as set out in the chart below.

The Executive Committee oversees the activity of both LPP and LPPI, driving the delivery of the pension administration and investment management services.

Two years ago, operations originally carried out by Local Pensions Partnership Administration Ltd (LPPA) were transferred to LPP, and LPPA is now non-trading.

LPPI's range of investments funds

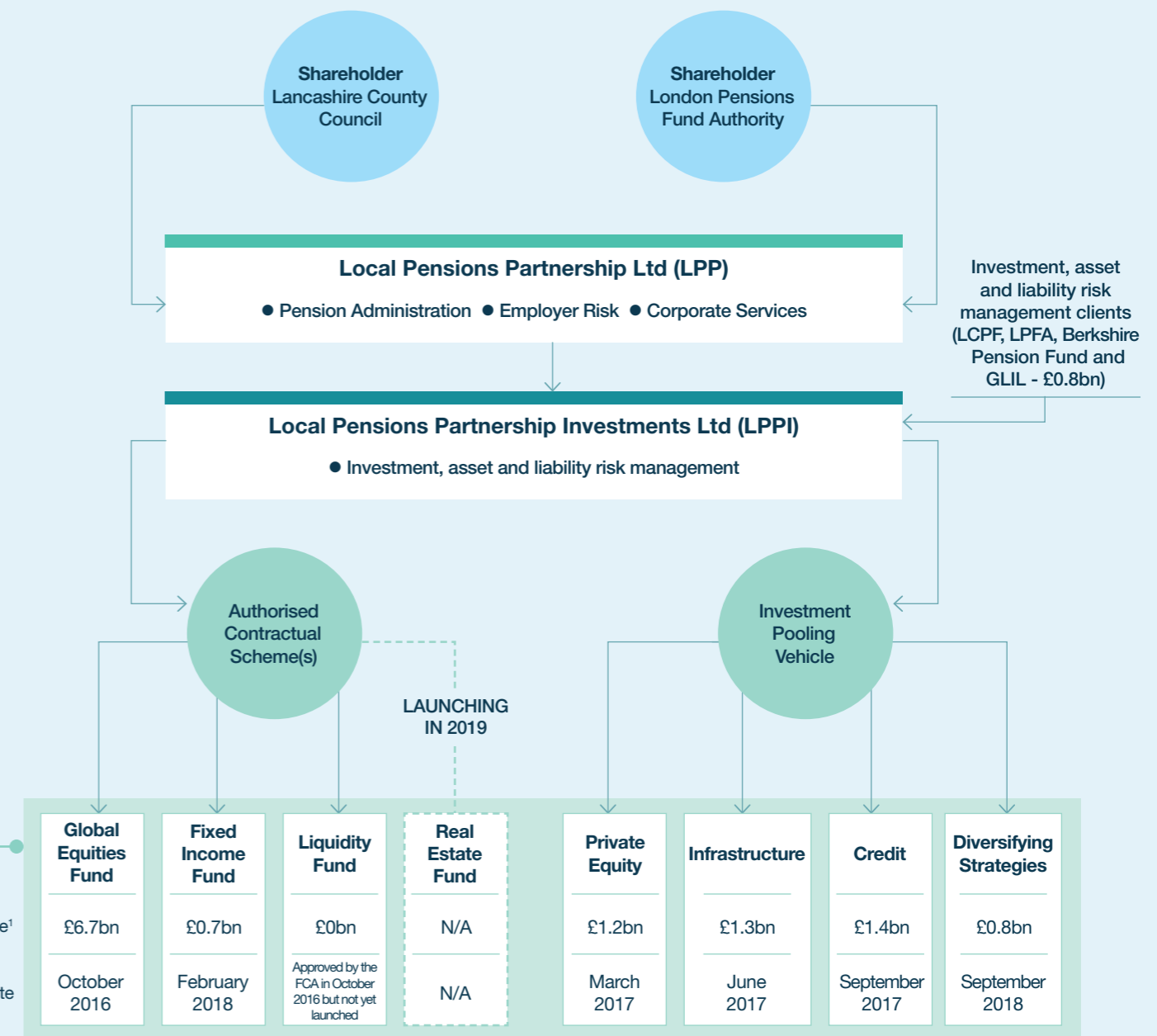
LPPI's range of investments funds provides clients with the building blocks to create a diverse portfolio capable of delivering long-term sustainable investment outcomes.

Each fund:

- pursues an investment strategy that is distinctive and complementary within clients' strategic asset allocation
- integrates our responsible investment beliefs, approach and governance in the investment decision-making process
- seeks to deliver superior investment outcomes via operational efficient and cost-effective structures.

Therefore, LPPI manages a total of £17.4bn, which comprises:

- **£12.1bn** of assets in pools
- **£4.5bn** of non-pooled assets
- **£0.8bn** GLIL portfolio (excluding committed capital)



1. All fund sizes are as at 31 March 2019

Attracting and developing talent

LPP is a partnership business, building relationships with clients and managing services for almost 600,000 members. We, therefore, place huge importance on our people, and their abilities to nurture relationships with all our stakeholders.



With our heritage and expertise as an experienced pension fund asset owner, we have a clear advantage in our aim to become a leading pension services business.

Over the past year, we have continued to build capability and resilience throughout the organisation. This has been done by attracting, developing and nurturing new and existing talent with diverse levels of thinking, experience and expertise. All of which helps us on our journey to consolidate and build a single integrated business.

By working with employees, we have developed a set of clear values that underpin our culture and enhance a collaborative approach.

These values are embedded in our people processes and procedures, encouraging further innovation. Clear ownership and accountability are all supported by strong communication and increased automation.

Our inaugural Employee Engagement Survey provided us with a powerful pulse check on areas where we are doing well, and on others where we need a more focused approach.

The 77% response rate from the Survey provided encouraging signs that our people feel their voice matters. The feedback has identified opportunities where we can do things differently. Our next steps include engaging more regularly with staff around LPP's future strategy and working to achieve greater levels of autonomy and decision making.

Our Staff Committee provides a forum for employees to meet with senior leadership to share, exchange and discuss ideas on a range of topics. We value their feedback as we believe employees who are engaged and valued can help us develop LPP as "employer of choice". Our aim is to develop LPP as a continuous learning organisation, underpinned by a high-performing culture and ethos.

A key element of this strategy is to grow and develop our current capability. We look to achieve this through the introduction of apprenticeships, internships and graduates training programmes. In addition, we will continually develop our existing employees through a range of blended learning options. These include professional qualifications, management and leadership development programmes, support with career paths, e-learning activities, mentoring and coaching opportunities.



Gender and equality reporting

We have continued to publish our gender pay statistics and equalities statement on our website. The 2018 results demonstrate that LPP has a gender pay gap of 26.95%. This is higher than the overall national pay gap published by the Office of National Statistics.

We take gender pay equality seriously and the following actions are being taken to address the gap:

- ▶ Regularly reviewing and updating our employment policy
- ▶ Ensuring bonus schemes are relevant and fit for purpose
- ▶ Promoting our flexible working policies and maternity and paternity schemes
- ▶ Encouraging parental leave where appropriate
- ▶ Reviewing recruitment processes and aligning them to succession planning and personal development
- ▶ Using a multi-channel online job boards and direct hire strategies to attract candidates
- ▶ Ensuring diversity and inclusion is a key part of our succession planning and talent review process
- ▶ Enhancing our flexible working policy, such as advertising roles as flexible, part time or job share, where appropriate.

Signatory of:



A key move in the past year was LPP becoming an asset owner signatory to the UN Principles for Responsible Investment



Responsible investment and stewardship

Responsible investment and stewardship are foundation stones in LPPI's approach to investment management.

Three significant milestones help to illustrate continuing and positive progress this year:

- a)** in July 2018, LPP became an asset owner signatory to the UN Principles for Responsible Investment (PRI)
- b)** in August 2018, LPPI published an Annex on Climate Change which supplements our existing Responsible Investment (RI) Policy
- c)** for the first time this year, LPPI is making disclosures in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) as part of Annual Reporting

LPP became an asset owner signatory to the UN Principles for Responsible Investment (PRI) in July 2018. This is a significant step and a very practical demonstration of our commitment to the responsible investment of pension savings on behalf of clients.

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](#). The Report describes our activities, and shares insights and examples which help to contextualise the investment beliefs, governance arrangements and procedures which underpin our approach.

Our responsible investment beliefs, approach and governance

Our responsible investment beliefs are a strong foundation for prudent investment management practices, and are fully explained in our Responsible Investment Policy.

1. Long-term interests

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.

3. Effective management of risks and opportunities

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.

5. Utilise ownership powers

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.

2. Secure optimum returns

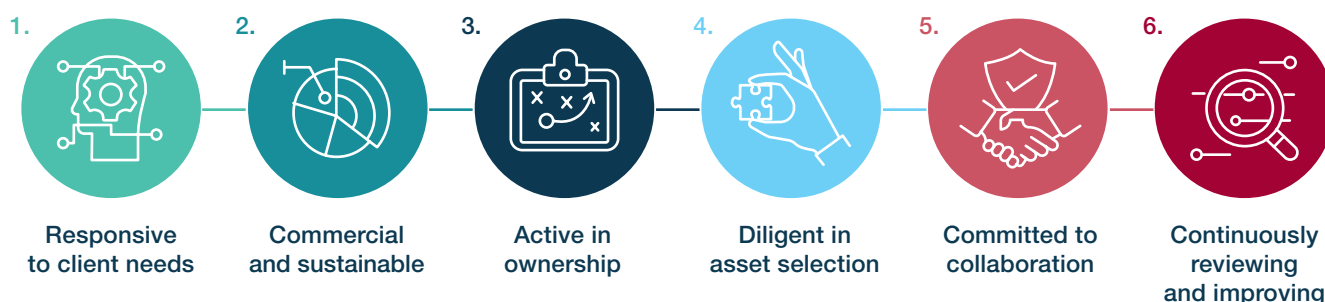
The objective of RI is to secure optimum returns in the long-term at an acceptable level of risk.

4. Environment, Social and Governance (ESG) factors

ESG factors 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.

Six key outcomes

In translating our RI beliefs into investment practice, we have identified and are aiming to achieve six key outcomes through our continuing activities.



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 our approach to RI. The key points at which RI and ESG considerations are core inputs include the selection of investments (where we directly manage assets internally), the appointment and oversight of external managers (where we select third parties to work alongside us), and the prioritisation of engagement themes as part of the active ownership of pension fund assets.

We use 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, our key focus is on the evaluation and selection of the external managers whose approach and expertise align with our 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 we have 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. The actions we have taken and the objectives we are working towards feature in a new Annex on Climate Change which supplements our RI Policy and is available from our [website](#).

Better information is needed to enhance our understanding of the complex risks climate change poses and inform our decision-making on current and future investments. We have 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.

For more information on LPPI's responsible investment and stewardship philosophy, including client voting rights please visit our [website](#).

Investment case studies

Below are examples of our responsible investment in practice.

Guild Investments



Guild Investments owns six wind farm sites across Portugal, a growing global source of renewable energy which reduces carbon emission intensity.

Portugal is an attractive location for wind farm installations, having a windy terrain, a stable feed-in-tariff regime and the support of local communities. This investment enables us to partner with a top tier renewable energy operator who is a market leader in renewable energy electricity, enjoying technical and local expertise support.

Guild Investments also actively contribute to protecting the endangered species the Iberian Wolf, through formation and membership of the Iberian Wolf Habitat Conservation Association. This organisation was founded in 2006 through constituent members of Guild Investments.

Cape Byron



Cape Byron Power is one of the largest renewable base load generators in Australia. It consists of two biomass power plants: Broadwater and Condong, both on the New South Wales north coast.

In aggregate, these two plants produced enough renewable energy in 2018 to power c.75,000 homes and avoided an estimated 163,000 tonnes of carbon emissions.

Forth Ports Group



Forth Ports is the third largest Ports Group in the UK, with a diverse operational and port-centric logistic business model across Tilbury in the south east of England and several Scottish ports. Its strategy is focused on the delivery of efficient and low carbon supply chain solutions. This investment was made via the GLIL Infrastructure platform.

Forth Ports are undertaking a project to transform an old power station in Tilbury to extend the port. Not only is this initiative creating jobs within the area but the promotion and protection of wildlife is paramount within the scope of the project, including the building of a 12,000 strong water vole park. Further regeneration projects are underway in Scotland.

Advent Life Sciences



Advent Life Sciences is one of the leading trans-Atlantic venture investors focused on building innovative life sciences businesses in the UK, Europe and the USA.

The team at the Advent Life Sciences has invested over £300 million into early stage drug and device company development over the last 10 years, contributing to 14 regulatory approvals, representing a success rate and longevity that exceeds that of most life science and large pharmaceutical companies. These successes contribute to society through technological breakthrough in medicines and products, research and development.

LPP challenges and risk management



Risk resilience

In line with a key business objective of increasing operational resilience, our risk management function continues to develop its resilience and maturity as a second line of defence, providing stakeholders with assurance that our 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 our ability to manage operational risk across the firm. Cyber and operational risks will continue to be a focus, while we develop our operational resilience with specific initiatives underway to enhance our business continuity arrangements and cyber security measures with the aim of meeting higher levels of industry standard benchmarks in both areas.



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. We have a formal project underway to ensure that our process is well managed and delivers a successful outcome for all parties.



Brexit

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

We have worked closely with our 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. These 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 our clients and on our business model.



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, we 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.

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.

Further details on the role and scope of work undertaken by the Audit Committee can be found on page 43. Our 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 programme of analysis, reporting, stress testing, scenario development, thematic review and reverse stress testing
- Integrate risk management into the culture of the business.

Key risk categories

Financial risk and investment performance

We recognise that poor investment performance could result in a reduction in Assets under Management (AUM). Our investment management business charges fees as a percentage of AUM. A fall in these assets could result in a fall in income. We closely monitor the risk and performance of the assets we manage and maintain 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.

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.

Corporate governance

- 31 Corporate governance statement
 - 32 Board of Directors
 - 38 How the Board operates
 - 39 Board and Committee structure
 - 48 Directors' report
 - 50 Independent auditor's report
- 
- A photograph of two men in business suits, one pointing at a document held by the other. The image is overlaid with a teal color filter.

Corporate governance statement

“On behalf of the Board, I am pleased to introduce our third corporate governance report since the incorporation of the business.”



The Board is responsible to its shareholders for the overall direction, supervision and management of LPP and its subsidiaries (the Group) to ensure its success. It determines the Group's strategic direction and objectives, its viability and governance structure. It operates in accordance with its Articles of Association, Terms of Reference and powers reserved for the Board as laid down by the shareholders agreement along with its obligations under the Companies Act, FCA regulations and other public law obligations.

As a Board, we are committed to the highest standard of corporate governance. The past year saw the implementation of the recommendations made by the governance reviews carried out on the Group corporate and governance structure. The actions flowing from these reviews strengthened governance practices within the Group. I am pleased to announce the appointment of Sarah Laessig and Jill Mackenzie as Non-Executive Directors. Jill has also been appointed as the Chairman of the Remuneration and Nomination Committee, and Sarah has been appointed as a member of the Audit Committee. In addition, Martin

Tully has been appointed as Non-Executive Director to our subsidiary the LPPI Board. Sir Peter Rogers has been appointed to the role of Senior Independent Director. Their appointments add to the wealth of skills and experience and increased independence of our Board, and their biographies can be found on page 34.

All new Non-Executive Directors carried out a thorough induction programme which is reviewed regularly to ensure that it is current and aligned with the business's strategy and vision. In addition, a training schedule is organised to ensure these skills and knowledge are kept current.

The day-to-day management of the Group and the implementation of the strategic plan are delegated to the Chief Executive, along with the Executive Directors, whom are all members of the Executive Committee. The Executive Committee plays a key role in overseeing the operational performance and delivering our strategy. It meets monthly and receives updates from all areas of the business. Investment decisions are made by Executives authorised by the Financial Conduct Authority (FCA). Further details of the work the Board and its Committees can be found on page 38.

This coming year, work has continued to meet the objectives agreed within the strategic plan. In addition, the Board felt that a period of resilience was required across the business. This was agreed with the shareholders for 2019-20.

The Board recognises the importance of engaging with shareholders and its wider stakeholders. Shareholder meetings take place quarterly, in addition to a general meeting which takes place on an annual basis. During the year, a representative from each shareholder has been invited to attend as observers at our Board meetings. In addition, LPPI runs an Investor Forum twice a year, providing an update on its pooling progress and to discuss any investment strategies with shareholders and clients.

The Board and I will continue to focus on the effective oversight of the Group during 2019-20 with a view to building resilience and meeting our strategic objectives as agreed with our shareholders.

Michael O'Higgins
Chair

Board of Directors

The current LPP Board comprises an independent Chair, three Executive Directors, five independent Non-Executive Directors and two shareholder Non-Executive Directors. Each of LPP's shareholders appoints a shareholder Non-Executive Director to the Board.

LPP Directors are subject to annual re-appointment at the Annual General Meeting (AGM). During the year, Jill Mackenzie and Sarah Laessig were appointed as Non-Executive Directors and will seek re-appointment, along with all statutory Directors, by the shareholders at the AGM in August 2019.

In November 2018, Allister Jeffrey resigned as Executive Director. In April 2019, Susan Martin resigned as Executive Director.

Chris Rule and Adrian Taylor were appointed as Executive Directors on 10 June 2019.

All Non-Executive Directors are appointed on a three to four-year initial term and undertake a formal induction programme on appointment. This programme is kept under review to ensure that it reflects current regulations and is aligned with the business's strategic objectives.



Jill Mackenzie was unavailable when the photograph of the Board was taken.

- 1.**
Sir Peter Rogers
Senior Independent Director

Member of Board since 2 November 2015
- 2.**
Michael O’Higgins
Chair of LPP Board

Member of Board since 19 October 2015
- 3.**
Chris Rule
Executive Director, Interim Chief Executive,
Chief Investment Officer and Managing
Director (Investments)

Member of Board since 10 June 2019
- 4.**
Tom Richardson
Executive Director - Chief Risk Officer

Member of Board since 11 July 2016
- 5.**
Adrian Taylor
Executive Director, Chief Financial Officer

Member of Board since 10 June 2019
- 6.**
Sally Bridgeland
Non-Executive Director

Member of Board since 1 July 2016
- 7.**
Dermot ‘Skip’ McMullan
Shareholder Non-Executive Director (LPFA)

Member of Board since 9 October 2015
- 8.**
Sarah Laessig
Non-Executive Director

Member of Board since 1 September 2018
- 9.**
Alan Schofield
Shareholder Non-Executive Director (LCC)

Member of Board since 25 May 2017
- 10.**
Robert Vandersluis
Non-Executive Director

Member of Board since 2 November 2015
- 11.**
Jill Mackenzie (inset)
Non-Executive Director

Member of Board since 1 September 2018

Meet your Board of Directors



Michael O'Higgins
Chair of LPP Board



Term of office

19 October 2015 to 31 December 2022

Career and experience

Michael is also Chairman of Calculus VCT, the Channel Islands Competition and Regulatory Authorities, and is a Non-Executive Director of the pensions company Hedgehog.

Michael was Chairman of The Pensions Regulator from 2011 to 2014, Chairman of the Audit Commission from 2006 until 2012 and Chairman of the NHS Confederation from 2012 until 2015. He was Non-Executive Director of HM Treasury and Chair of the Treasury Group Audit Committee from 2008 to 2014 and a Non-Executive Director of Network Rail 2012 to 2018. Michael was also the Chair of the youth homelessness charity, Centrepoin from 2004 to 2011.

Previously, Michael was a Managing Partner with PA Consulting, leading its Government and IT Consulting Groups, latterly as a Director on its International Board. Prior to that he was a partner at PricewaterhouseCoopers, worked at the Organisation for Economic Co-Operation and Development in Paris and held academic posts at the University of Bath, the London School of Economics, Harvard University and the Australian National University.

Committee and subsidiary membership

Member of the LPP and LPPI Remuneration and Nomination Committee. Non-Executive Director on LPPI Board.



Sally Bridgeland
Non-Executive Director



Term of office

1 July 2016 to 31 July 2021

Career and experience

Sally is an actuary with pensions and investment experience both as an adviser and a trustee. She combines consultancy for Avida International with a number of complementary Non-Executive and advisory roles.

Sally is a Non-Executive Director at insurer Royal London and at Impax Asset Management plc. She is a trustee at the Lloyds Bank pension schemes and the Nuclear Liabilities Fund.

An Honorary Group Captain with 601 (County of London) Squadron of the Royal Auxiliary Air Force, Sally is also a trustee of the RAF Central Fund. Sally was the first lady Master of the Worshipful Company of Actuaries in 2016-17 and currently serves on the Royal Society's Advisory Committee on Mathematics Education (ACME).

In her Executive career, Sally served as the Chief Executive Officer of BP Pension Trustees Limited having previously spent twenty years with Aon Hewitt (originally Bacon & Woodrow) as a pensions consultant and in investment research and innovation.

In Professional Pensions' inaugural Women in Pensions awards, Sally was named a Role Model of the Year 2018.

Committee and subsidiary membership

Chair of LPPI Board.

Key to Board and Committee memberships

- B** LPP Board
- A** LPP Audit Committee
- R** LPP and LPPI Remuneration and Nomination Committee
- B** LPPI Board
- Re** LPPI Risk Committee



Sarah Laessig
Non-Executive Director



Term of office

1 September 2018 to 31 August 2021

Career and experience

Sarah holds a number of board positions across the public and private sectors, which reflect her experience and interest in financial services and technology, data and digital, government, higher education and international development. She is a Commissioner on the Civil Service Commission and the Commonwealth Scholarship Commission. She is a Non-Executive Director of a Hong Kong based financial technology firm, Valoot Technologies Ltd, and sits on the Board of Advisors of a US based technology company, data.world. Sarah previously enjoyed an Executive banking career at Citigroup.

Sarah was recently recognised as one of the 100 Women to Watch in The Female FTSE Board Report 2018, an annual benchmarking report and supplement published by Cranfield University.

Committee and subsidiary membership

Member of LPP Audit Committee.



Jill Mackenzie
Non-Executive Director



Term of office

1 September 2018 to 31 August 2021

Career and experience

Jill embarked on her portfolio career in 2013 and holds a number of Non-Executive, trustee and chair positions mostly in the pensions arena. She chairs the Judicial Pension Board having been appointed by the Lord Chancellor in 2014. She is the Chair of Trustees of the Legal Services Commission Pension Scheme, Chair of the National Assembly for Wales Assembly Members Pension Scheme, and a board and trustee member at NEST Corporation where she is also Senior Independent Director.

Jill has enjoyed a successful career spanning 25 years focusing on leading organisations in their HR, shared services and organisational transformation activities. She has held senior leadership roles with a range of customer facing private sector organisations including Lloyds Bank, and until 2013 as an Executive Director at Virgin Media where she led internal service delivery.

Committee and subsidiary membership

Chair of LPP and LPPI Remuneration and Nomination Committee.



Dermot 'Skip' McMullan
Shareholder Non-Executive
Director (LPFA)



Term of office

9 October 2015 to 31 March 2021

Career and experience

Skip was a Managing Director at Bank of America in a career spanning 28 years prior to becoming an Independent Chair of Trustees. During his career at Bank of America, he was involved with a number of major industries in the UK and globally, including construction, mining, real estate, shipping, and the oil and gas industries. Most recently he was responsible for all the relationships that the Bank had in Europe with other financial and non-financial institutions.

His earlier career included the creation of the first PFI company, structuring the financial package and concession for the Dartford Bridge, followed by the larger concession for the Second Severn Bridge and the smaller concession for the Skye Bridge. The latter also involved the buyout of the concession by the Scottish Executive.

Currently, he chairs the trustee boards of the Bank of America UK Pension Plan and the SSVC Pension Plan. He is a Director of the Bank of America Merrill Lynch UK Pension Plan and joined the LPFA board in April 2013. He became Deputy Chair of the LPFA board in 2017. He is also a Trustee of a number of charities.

Committee and subsidiary membership

Member of LPP and LPPI Remuneration and Nomination Committee.

Meet your Board of Directors

continued



Tom Richardson

Executive Director, Chief Risk Officer



Term of office

Appointed on 11 July 2016

Career and experience

Tom joined LPP in July 2016 from the Maple Financial Group, where he spent almost 20 years building his skills in different parts of the business. From 2008, he was the Chief Risk Officer (Market Risk), Global, a role that saw him drive the management and communication of Maple's business line policies within an economic capital framework totalling £400 million.

Tom's areas of responsibility included the measurement and reporting of financial risk where he led the design and implementation of risk methodologies, policies and procedures to meet both internal and regulatory objectives, including Value at Risk, Credit Capital at Risk, scenario analysis and stress testing.

At LPP, Tom is also responsible for ICT, facilities and operational and employer risk.

Tom graduated from Loughborough University with a BSc in Economics and Politics. He also holds a Certificate in Securities from the Chartered Institute for Securities & Investment.

Committee and subsidiary membership

Executive Director on LPPI Board, Member of LPPI Risk Committee.



Sir Peter Rogers

Senior Independent Director



Term of office

2 November 2015 to 31 August 2022

Career and experience

Sir Peter has more than 19 years' knowledge and experience of working within the public sector. Sir Peter is currently the Chairman of New West End Company and was previously an advisor to Boris Johnson, Mayor of London, on regeneration, growth and enterprise at the Greater London Authority.

He is a former Chief Executive Officer of Westminster City Council, a former Non-Executive Director to Liberata and also former Chief Executive Officer of the London Development Agency. Prior to that, Sir Peter worked in the private sector as a Senior Executive in one of the leading national transport operators.

Committee and subsidiary membership

Chair of LPP Audit Committee.



Chris Rule

Executive Director, Interim Chief Executive, Chief Investment Officer and Managing Director (Investments)



Term of office

Appointed on 10 June 2019

Career and experience

Chris is Interim Chief Executive, Chief Investment Officer (CIO) and Managing Director of LPP's Investment business. Chris has been with LPP since its inception and is an architect of investment structures and governance.

Prior to joining LPP in 2016, Chris was CIO at London Pensions Fund Authority, one of LPP's founding clients. Working collaboratively with Northern Pool, Chris founded and manages GLIL Infrastructure, an Alternative Investment Fund focused on investing in UK infrastructure assets.

Chris has 20 years of investment experience. He has held several senior positions including Head of Alternatives at SEB Investment Management, as well as founding and co-managing the multi-strategy team whilst a Principal at Old Mutual Asset Managers. Earlier in his career, Chris was trained as a risk manager at GNI Fund Management, before taking on investment management responsibility for hedge fund portfolios. Chris graduated from Manchester University and is a Chartered Alternative Investment Analyst.

Committee and subsidiary membership

Executive Director on LPP and LPPI Board, Chair of the LPPI Investment Committee and Chair of Stewardship Committee.



Alan Schofield
Shareholder Non -
Executive Director (LCC)



Term of office
25 May 2017 to 24 May 2021

Career and experience

Councillor Schofield was elected to LCC in May 2013 and re-elected in 2017. Prior to becoming a County Councillor, Alan held senior financial management posts in the Water Services industry at several locations, before moving to a local government career in 1992. He served in a metropolitan borough in Greater Manchester and then progressed upward at three local authorities in Cumbria and Lancashire, retiring in 2011. Alan is a life member of the Chartered Institute of Public Finance and Accountancy (CIPFA).

At Lancashire, he is a member of the Pension Fund Committee (now Deputy Chair); and participated from the outset in the high level working party deliberating on, and overseeing, the preparations and approval stages toward achieving the April 2016 establishment of LPP. Also at LCC, Alan chairs the Audit, Risk and Governance Committee. Outside the county council, Alan is a Trustee Director of a Citizens Advice Bureau and a Parish Councillor.

Committee and subsidiary membership
Member of LPP and LPPI Remuneration and Nomination Committee.



Adrian Taylor
Executive Director,
Chief Financial Officer



Term of office
10 June 2019

Career and experience

Adrian joined LPP in November 2018. With over 30 years of financial services experience, mainly in the asset and wealth management sectors, Adrian has a large firm background from Barclays Capital, JP Morgan Asset Management and Fidelity. Adrian's recent roles include Finance Director UK at Edmond de Rothschild, Partner and Finance Director at Killik & Co, and CFO at Sarasin & Partners.

Adrian qualified as a chartered accountant while at KPMG and is a fellow of the ICAEW. He graduated from Exeter University with a BA (comb hon) degree in Economics and Statistics.



Robert Vandersluis
Non-Executive Director



Term of office
2 November 2015 to 31 December 2021

Career and experience

Robert is the Director of Global Pension Investments at GlaxoSmithKline (GSK), where he manages £18 billion of investments and a substantial derivative portfolio. At GSK, Robert sits on a number of pension boards, and he provides strategic advice to GSK's pension fund trustees in Europe, the United States and Japan. Robert established GSK's London-based pension investment department, where he developed and implemented GSK's interest rate and inflation hedging strategies.

Robert's previous roles include senior treasury and corporate finance positions at Affinity Sutton Group and FCE Bank plc. He also served on the board of the Pensions Trust, where he was Deputy Chair of the Investment Committee.

Robert studied economics and public policy at the London School of Economics, the University of Michigan, Cambridge University, and Harvard University's Kennedy School of Government.

Committee and subsidiary membership
Non-Executive Director on LPPI Board, Chair of LPPI Risk Committee.

How the Board operates

The Board met five times during the year. Each meeting discussed a range of topics in accordance with the strategic priorities and the annual Forward Agenda as agreed by the Board. During the year the structure of the agenda was reviewed to ensure that appropriate time was given to strategic and risk matters.

The Board also held two strategic awaydays during the year. The table below sets out the Board attendance at the meetings.

Activity during the year

The Board has been heavily focusing on building resilience across the business.

Activity during the year includes:

- Developing the Group strategic plan
- Driving the financial performance and resilience of the Group
- Managing key risks facing the Group

Its strategic priorities are:

- Developing our people
- Pension Administration
- Asset and liability risk management services
- Investment management and advisory services
- Technology and innovation
- Governance and compliance.

Managed growth has still featured during the year with the successful expansion of GLIL Infrastructure and the on-boarding of Berkshire Pension Fund and the London Borough of Brent.

Board evaluation

Work continues to implement and embed the recommendations made from the Board Effectiveness Review which was carried out by an external provider last year. For 2019-20, the Board has agreed to focus on reviewing the effectiveness of its Committees.

Conflicts of interest and independence

The Board may seek independent professional advice from an external provider for which LPP must pay. During the year no such advice was sought.

The process by which Directors' conflicts might be authorised is set out in detail in LPP's Articles of Association. LPP and LPPI also have Board-approved conflicts of interest policies in place, ensuring a proper process for the identification, consideration of authorisation and appropriate recording of any conflicts of interest. These policies are reviewed on an annual basis and any amendments approved by the respective Board. In addition, Directors declare any conflicts at the start of each Board or Committee meeting, and these are recorded formally in the minutes of the meeting and the interests register.

At all times during the year, the independent Directors met the criteria for independence. LPP has arranged for appropriate insurance cover in respect of legislation against Directors of LPP and its subsidiaries

Outlook for the next year

The Board will continue to work with shareholders in order to deliver LPP's strategy and build resilience in all areas of the business for the next year.

Director	Appointment	Resignation	No. of meetings	Meetings attended
Michael O'Higgins	19 October 2015	N/A	5	5
Sally Bridgeland	1 July 2016	N/A	5	4
Allister Jeffrey	6 December 2017	29 November 2018	3	3
Sarah Laessig	1 September 2018	N/A	3	3
Jill Mackenzie	1 September 2018	N/A	3	3
Susan Martin	11 November 2015	26 April 2019	5	4
Dermot 'Skip' McMullan	19 October 2015	N/A	5	5
Tom Richardson	11 July 2016	N/A	5	4
Sir Peter Rogers	2 November 2015	N/A	5	4
Alan Schofield	25 May 2017	N/A	5	5
Robert Vandersluis	2 November 2015	N/A	5	5

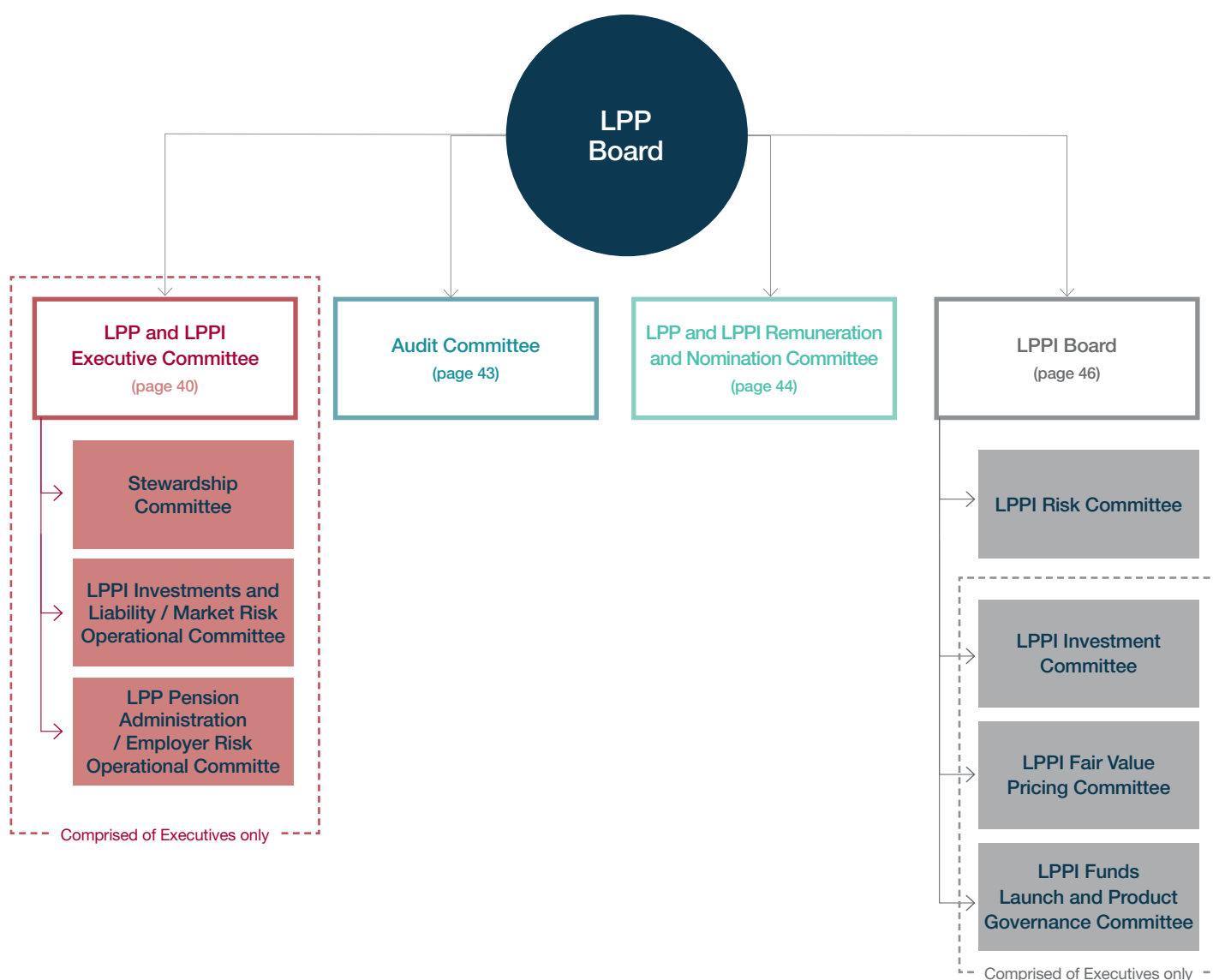
Board and committee structure

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

The LPP Board has established an appropriate corporate structure to meet the needs of the Group. This is set out below. 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.

BOARD AND COMMITTEE STRUCTURE



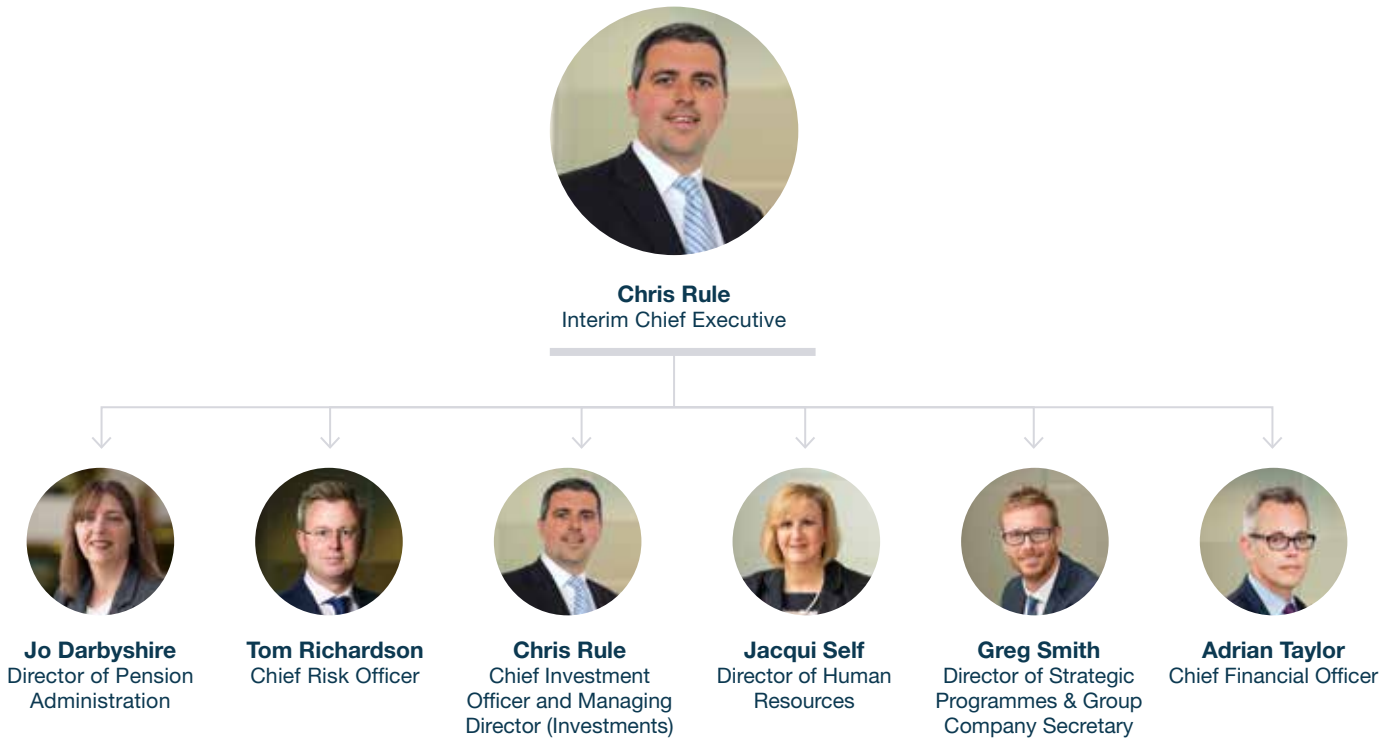
LPP and LPPI Executive Committee

Composition

The Executive Committee comprise the Chief Executive, Chief Financial Officer, Chief Investment Officer & Managing Director (Investments), Chief Risk Officer, Director of Pension Administration, Director of Human Resources, and Director of Strategic Programmes & Group Company Secretary.

At the end of the financial year, Susan Martin resigned as Chief Executive. Chris Rule has been appointed as Interim Chief Executive. During the year, Martin Pattinson resigned as Director of Client Relations, Business Development and Communications, Allister Jeffrey resigned as Chief Financial Officer and Adrian Taylor was appointed as Interim Chief Financial Officer, and his appointment was made substantive in March 2019. We welcomed Jo Darbyshire, Director of Pension Administration on 1 April 2019.

LPP AND LPPI EXECUTIVE COMMITTEE STRUCTURE



Meet our Executive Committee members

As well as sitting on the LPP Board, Chris Rule, Tom Richardson and Adrian Taylor are also members of the Executive Committee, and their biographies can be found on pages 36-37. Other members of the Executive Committee are:



Jo Darbyshire

Director of Pension Administration

Career and experience

Jo Darbyshire joined LPP in April 2019 where she is responsible for leading the business to continue to drive a programme of building a strong and sector-leading pension administration offering which focuses and delivers on increased operational efficiency for clients, tailored and effective member communications, robust risk and data management.

Jo brings a wealth of experience in the life and pensions sector. She held several senior roles at the Co-operative Group including Head of Co-operative Life Planning and Head of Commercial and Strategy. Jo currently holds a Non-Executive Trustee and Director position at the Leasehold Knowledge Partnership.



Jacqui Self

Director of Human Resources

Career and experience

Before joining LPP, Jacqui spent four years as LPFA's Head of HR. Her experience covers the breadth of HR activities including recruitment, learning and development, reward, organisational design and engagement.

As a graduate member of the Institute of Personnel and Development and a Chartered Fellow of the CIPD, her HR career spans over 30 years with a brief spell in manufacturing and IT before specialising in financial services and particularly wealth management. She has managed a range of HR change programmes, including mergers and acquisitions, outsourcing, insourcing, investment start-up organisations and Transfer of Undertakings (Protection of Employment) Regulations 2016 (TUPE) activities.



Greg Smith

Director of Strategic Programmes & Group Company Secretary

Career and experience

Greg joined LPP from LPFA where, since 2004, he held a number of Corporate Development roles including Head of Communications before becoming Head of Governance and Strategy in 2014. Since 2009 Greg was also LPFA's Board Secretary, a role which saw him recognised as Company Secretary of the Year 2015, at the ICSA Awards. In his time at LPFA Greg led on a number of strategic change programmes including the £10bn partnership with Lancashire County Council.

Greg holds a degree in law from the University of Reading, as well as being an Associate of the Institute of Chartered Secretaries and Administrators (ICSA).

LPP and LPPI Executive Committee

continued

Role and responsibilities

The Executive Committee is responsible for the strategic management of the LPP Group, with authority and responsibility for implementing the strategic plan as delegated to it by both LPP and LPPI Boards, and the Group's shareholders. Decisions are made on LPP and LPPI matters. LPPI matters are approved by FCA approved persons.

The Executive Committee's key responsibilities include:

- Developing and implementing the strategic plan and the annual budget for submission to the Board
- Monitoring of the operating and financial performance of the Group
- Assessing and managing risks to the business
- Prioritising and allocating resources within the business
- Maintaining oversight of the Operational Committees which consider the more business as usual activities along with operational plans, policies and procedures.

The Chief Executive reports formally to the LPP Board, and the Chief Investment Officer & Managing Director (Investments) reports formally to the LPPI Board.

Outlook for the next year

Across the business, the Executive Committee will look at ways to maintain service levels for clients whilst seeking ways to improve those services. Within the Pension Administration business, work will continue to improve customer satisfaction, communication strategy, IT and process innovation. Within the Investment business, the priorities are to complete the final elements of the asset pooling programme, to continue building on the successful investment track record, and to implement the target operating model for the investment operation function. Across the business, lessons learned from the employee survey that was carried out during the year will be acted upon, including improving decision-making processes. In addition, one of the major projects that the Executive Committee will be focusing on will be the SMCR implementation which will impact the Group.

Sub-committees and Groups of the LPP and LPPI Executive Committee

In order to focus more on strategic matters, the Executive Committee has delegated operational strategy to two operational committees which meet monthly: the LPPI Investments & Liability/Market Risk Operational Committee, which is chaired by the Chief Investment Officer & Managing Director (Investments), and the LPP Pension Administration/Employer Risk Operational Committee, which is chaired by the Director of Pension Administration. These committees manage, oversee and monitor the investment and liability/market risk, and the pension administration/employer risk business respectively.

The Stewardship Committee also reports directly to the Executive Committee. Its role is to develop and co-ordinate LPP's approach to stewardship, responsible investment, ESG and collaborative engagement across the Group's portfolio of both internally and externally managed investment funds. (see page 23 for more information.)

Audit Committee report

Composition

The Audit Committee is chaired by Sir Peter Rogers and comprises two other members: one independent Non-Executive Director Sarah Laessig, and an independent member Malcolm Cooper. During the year, Bharat Shah stepped down on 31 July 2018, and Malcolm was appointed.

The Chief Executive, Chief Financial Officer and Chief Risk Officer are invited to attend every meeting. In addition, internal and external audit representatives are invited to attend and present their reports.

Role and Responsibilities

The Committee plays a key role in ensuring that there is appropriate challenge to the Group's risk management and internal control framework. It receives regular governance compliance, risk, and internal and external audit reports to assist them in this duty. The Committee provides assurance to the LPP Board on the robustness of these systems via a report following every Committee meeting. In addition, the Committee continues to work closely with the LPPI Risk Committee.

The Committee focuses on Group-wide risk management whereas the LPPI Risk Committee specifically considers risks that are pertinent to LPP's investment subsidiary and the associated investment funds. An external evaluation of both committees is being considered and is anticipated to take place later this year.

Activity during the year

During the year, the Committee monitored and reviewed the effectiveness of the Group's internal audit function, agreed and approved the annual internal audit work plan. The Committee also met the internal auditor without the presence of management.

Significant time was spent on the external audit process which involved the agreement and monitoring of the workplan for LPP and its subsidiaries for the preparation of the Group's Annual Report and Accounts, LPPI Annual Report and Accounts, and the LPPI Asset Pooling Authorised Contractual Scheme yearly and half-yearly accounts. The Committee is responsible for recommending the appointment of the external auditor to the LPP Board, managing the relationship, approving the terms of engagement, monitoring performance and assessing qualifications, expertise and resources.

During the year, a tender was carried out for the appointment of the external auditor to the Group. Following its completion, Grant Thornton was re-appointed for a period of three years which was subsequently approved by the shareholders.

Outlook for the next year

The Committee will continue to closely monitor the Group-wide risks, internal controls, compliance arrangements, the provision of internal audit and external audit services, and perform its duties in relation to financial reporting obligations and governance arrangements.

Director	Number of meetings	Meetings attended
Sir Peter Rogers (Chair)	3	3
Sarah Laessig	2	2
Malcolm Cooper	2	2
Bharat Shah	1	1

Regular attendees:

Tom Richardson, Chief Risk Officer | **Greg Smith**, Director of Strategic Programmes & Group Company Secretary | **Adrian Taylor**, Chief Financial Officer

LPP and LPPI Remuneration and Nomination Committee report

Composition

The Committee comprises two Non-Executive Directors: Michael O'Higgins and Jill Mackenzie, and two shareholder Non-Executive Directors: Dermot 'Skip' McMullan and Alan Schofield. At the end of 2018, Skip retired as Chair and Jill took his place following her appointment to the Board on 1 September 2018. The Chief Executive, Director of Human Resources and Director of Strategic Programmes & Group Company Secretary are invited to attend each meeting.

Role and responsibilities

The function of the Committee is to ensure that formal, transparent and rigorous remuneration policy and procedures are in place for the Executive Committee, Non-Executive Director and Senior Independent Director appointments, in addition to overseeing any major changes in employee benefit structures throughout the Group. It also oversees the Board performance evaluation process, recommends Directors for re-election as appropriate, and reviews the Non-Executive and Executive Committee succession planning. The Committee meets at least twice a year and at other times as necessary for the business.

Activity during the year

During the year, the Committee oversaw the search and appointment for the two new Non-Executive Directors for LPP and the additional Non-Executive Director for LPPI. It recommended the appointment of the Senior Independent Director for the Group. The Committee continued to work on the future reward strategy for the Group, including considering a range of flexible benefits. It also implemented the senior management group annual variable pay award, in addition to exploring the improvement of the employee benefits provided to the staff and the outcomes of the staff engagement survey.

Outlook for the next year

Moving forward, the Committee will consider its terms of reference to determine whether there are additional elements of HR strategy and cultural themes which would benefit from the support and oversight of the Committee.

Director	Number of meetings	Meetings attended
Dermot 'Skip' McMullan (Chair until end of 2018)	4	4
Jill Mackenzie (Chair from beginning of 2019)	3	3
Michael O'Higgins	4	4
Alan Schofield	4	4

Regular attendees:

Chris Rule, Interim Chief Executive | **Jacqui Self**, Director of Human Resources | **Greg Smith**, Director of Strategic Programmes & Group Company Secretary

Directors' emoluments

As part of the desire for transparency, the table below summarises the remuneration paid to Group Statutory Directors for the year to 31 March 2019, for those in post as at the date of signing of this report.

Paid by LPP (unless stated)	Basic salary (£)	Bonuses (£)	Pensions (£)	Total (£)
Sally Bridgeland	36,577	-	-	36,577
Sarah Laessig	17,500	-	-	17,500
Jill Mackenzie	19,494	-	-	19,494
Dermot 'Skip' McMullan	33,750	-	-	33,750
Michael O'Higgins	70,000	-	-	70,000
Tom Richardson	186,300	29,808	25,933	242,041
Sir Peter Rogers	37,237	-	-	37,237
Chris Rule¹	254,610	127,305	45,830	427,745
Alan Schofield	30,000	-	-	30,000
Jacqui Self	127,297	15,736	17,536	160,569
Greg Smith	150,000	22,500	20,700	193,200
Martin Tully¹	21,500	-	-	21,500
Robert Vandersluis	35,000	-	-	35,000

1. Paid by LPPI

LPPI Board

Composition

The LPPI Board is chaired by Sally Bridgeland. Other Non-Executive Directors include Michael O’Higgins, Martin Tully and Robert Vandersluis. Martin Tully was appointed on 1 September 2018. Executive Directors of the Board for 2018-19 were Susan Martin, Chris Rule and Tom Richardson. The Deputy Chief Investment Officer, Chief Financial Officer and Director of Strategic Programmes & Group Company Secretary are invited to attend every meeting. In April 2019, Susan Martin stepped down as Group Chief Executive and an Executive Director.

Role and responsibilities

The Board meets five times a year and is responsible for overseeing the investment management business. This includes organising and directing the affairs of LPPI for the benefit of its shareholders in accordance with its Articles, applicable regulatory requirements and the Group’s Shareholder Agreement.

Other responsibilities also include setting the overall direction and culture of LPPI, and overseeing LPPI’s performance against the its business plan.

Furthermore, the Board sets the risk framework for LPPI and ensures a strong framework of policies and procedures are in place. The Board and its terms of reference are reviewed on an annual basis.

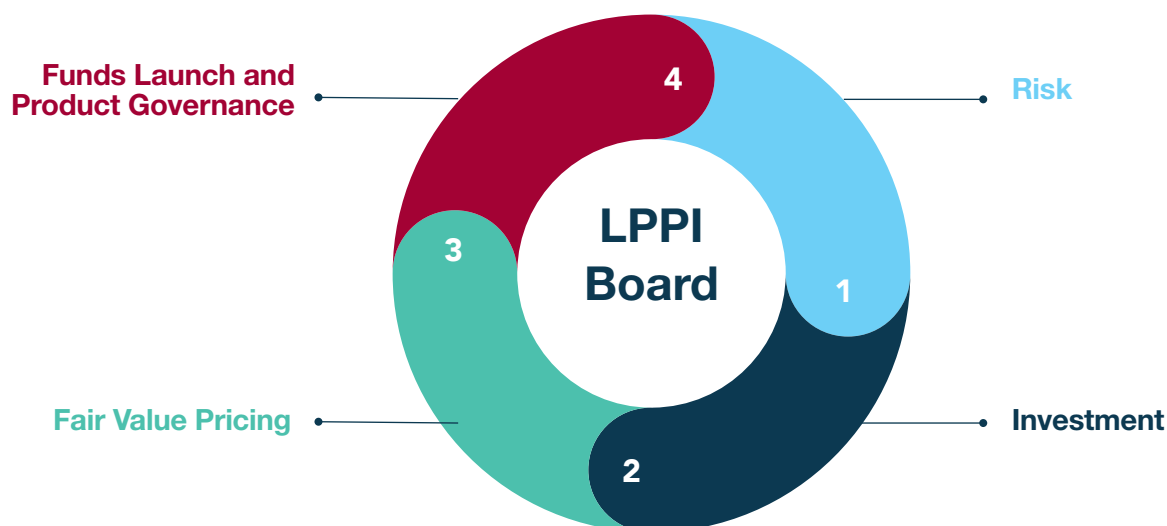
Activity during the year

During 2018-19, the Board considered formalised investment beliefs, approved the preferred supplier of the portfolio management systems, and approved the launch of the Diversifying Strategies Fund.

Outlook for the next year

The Board will be focusing on overseeing the SMCR preparation and implementation which comes into force on 9 December 2019, and the implementation of an investment operations system.

THE BOARD DELEGATES VARIOUS POWERS TO ITS COMMITTEES AS FOLLOWS:



1. LPPI Risk Committee



The Committee meets on a quarterly basis and comprises two Non-Executive Directors: Robert Vandersluijs (Chair) and Martin Tully, and one Executive Director Tom Richardson (Chief Risk Officer). During the year, Sir Peter Rogers resigned as a member to ensure that the membership better reflect the division of responsibilities between LPPI Risk Committee and the LPP Audit Committee. The Chief Executive, Chief Financial Officer, Deputy Chief Risk Officer, Head of Compliance and Director of Strategic Programmes & Group Company Secretary are also invited to attend. All Directors appointed at the time of the meetings attended all meetings.

The Risk Committee is responsible for monitoring the implementation of the Risk Management Framework, ensuring that effective procedures are in place to manage LPPI's operational and investment fund risks, including but not exclusively those arising from the requirements of Alternative

Investment Fund Manager Directive and EU regulations.

Following each quarterly meeting, the Risk Committee reports its activities to the LPPI Board. In addition, it reports on any Group-wide risks to the LPP Audit Committee and the LPP Board as appropriate.

During the year, the LPPI Risk Committee:

- Implemented a new framework for providing risk advice to clients
- Oversaw the implementation and the on-going monitoring of Berkshire Pension Fund and GLIL Infrastructure
- Reviewed and supported the implementation of an investment operations system
- Confirmed that sufficient resources were in place to meet LPPI's regulatory requirements.

2. LPPI Investment Committee



The Committee comprises five permanent members and other members. The permanent members are: Chief Investment Officer & Managing Director (Investments) (Chair), Deputy Chief Investment Officer, Head of Private Markets, Head of Public Markets and Chief Risk Officer. The Head of Compliance and Director of Strategic Programmes & Group Company Secretary are invited to all meetings as are those presenting reports to the Committee. Additional members include CF30s, who are invited to attend the fortnightly meetings to present their proposals and all quarterly meetings.

To carry out its duties as delegated by the LPPI Board, the Committee sits on a fortnightly and quarterly basis. Investment proposals are considered at the fortnightly

meeting and monitored on an ongoing basis. The investment performance of the funds against agreed targets is monitored by the Committee on a quarterly basis.

The Committee reports on its activities to the LPPI Board on a quarterly basis.

During the year, the Committee:

- Approved a wide range of investment opportunities for the pooled funds
- Approved the transfer of existing assets into LPPI's pooling vehicles
- Managed the legal process, due diligence and operational readiness in the run up to new fund launches
- Developed the LPPI investment beliefs.

3. LPPI Fair Value Pricing Committee



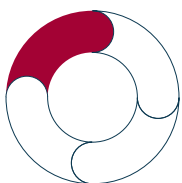
The Committee is chaired by the Head of Investment Operations and other members who are Head of Financial Control, Market Risk Specialist, in-house Actuary and Deputy Chief Risk Officer. In addition, the Head of Compliance is invited to attend along with observers from the Investment team and depositary.

The Committee meets at least quarterly to discharge its duties as delegated by LPPI Board.

The Committee's core objectives are set out below. These formed the basis for Committee activities during the year which are:

- Monitor LPPI's Compliance with the Valuation Policy
- Approve the valuation of pooled assets
- Regulate and monitor the use of independent external valuers and valuation models together with any internal valuation models in use.

4. LPPI Funds Launch and Product Governance Committee



The Committee comprises three members: Chief Investment Officer & Managing Director (Investments) (Chair), Deputy Chief Investment Officer and Chief Risk Officer. Its main duty is to approve the launch or winding-up of a fund, asset pool or collective investment vehicle as directed by the LPPI Board, and to review existing products in accordance with product governance requirements.

The Committee reports on an ad-hoc basis around fund launches and at least on an annual basis to the LPPI Board.

During the year, the Committee approved the launch of the Diversifying Strategies Fund, and a number of fund transitions of the assets of Berkshire Pension Fund into LPPI's investment pooling vehicles.

Directors' report

The Directors' have pleasure in presenting their Annual Report and Accounts for the year ended 31 March 2019.

Directors

The Directors in the office during the period 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 'Skip' McMullan

Michael O'Higgins

Tom 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 year. 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 judgments 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
- 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; disclose with reasonable accuracy at any time the financial position of the Group; 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.

Results and dividends

The Group's result for the year ended 31 March 2019 is a profit after tax of £204,000 (2018 – profit 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) and no recommendation is made to pay a final dividend.

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.

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).

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.

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

None.

Disclosure of information to auditors

Each of the persons who is a Director at the date of the approval of this report confirms that:

1. So far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware, and
2. The Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Following the finalisation of a tender exercise for an external auditor provider, Grant Thornton UK LPP have been re-appointed as external auditor for the LPP Group by the shareholders on 10 October 2018 for a period of three years.

Approved by the Board of Directors and signed on behalf of the Board:



Chris Rule
Interim Chief Executive Officer

31 July 2019

Independent auditor's report to the members of Local Pensions Partnership Limited

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 the 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for 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
- 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 and Accounts, 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.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us
- the parent company financial statements are not in agreement with the accounting records and returns
- certain disclosures of Directors' remuneration specified by law are not made
- 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 48, 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.

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

1 August 2019



Financial statements

- 53 Consolidated income statement
- 54 Consolidated statement of comprehensive income
- 55 Consolidated statement of financial position
- 56 Company statement of financial position
- 57 Consolidated statement of changes in equity
- 58 Consolidated statement of cash flows
- 59 Notes to the financial statements

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	934	(1,766)
Interest receivable		33	16
Interest payable	9	(745)	(742)
Profit/(loss) before taxation		222	(2,492)
Tax for the year	10	(18)	382
Profit/(loss) for the financial year		204	(2,110)

Consolidated statement of comprehensive income

for the year ended 31 March 2019

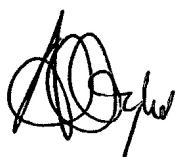
	Notes	2019 £'000	2018 £'000
Profit/(loss) for the financial year		204	(2,110)
Other comprehensive income			
Remeasurement of Defined benefit obligations	17	(404)	5,062
Tax on components of other comprehensive income		69	(861)
Total comprehensive income for the year		(131)	2,091

Consolidated statement of financial position

for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Intangible assets	11	385	865
Tangible assets	12	868	765
		1,253	1,630
Current assets			
Debtors	14	12,996	10,557
Cash at bank and in hand		17,893	18,064
		30,889	28,621
Creditors: amounts falling due within one year	15	(4,925)	(6,655)
Net current assets		25,964	21,966
Total assets less current liabilities		27,217	23,596
Creditors: amounts falling due after one year	16	(17,500)	(17,500)
Post employment benefits	17	(16,994)	(13,242)
Net liabilities		(7,277)	(7,146)
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		(7,277)	(7,146)

Approved by the Board of Directors and signed on behalf of the Board on 31 July 2019 by:



Adrian Taylor
Chief Financial Officer

Company statement of financial position

for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Intangible fixed assets	11	385	392
Tangible fixed assets	12	868	765
Investments	13	10,000	10,000
		11,253	11,157
Current assets			
Debtors	14	7,948	10,615
Cash at bank and in hand		5,752	1,013
		13,700	11,628
Creditors: amounts falling due within one year	15	(3,180)	(3,622)
Net current assets		10,520	8,006
Total assets less current liabilities		21,773	19,163
Creditors: amounts falling due after one year	16	(17,500)	(17,500)
Post employment benefits	17	(14,579)	(11,498)
Net liabilities		(10,306)	(9,835)
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 Shareholders' Funds		(10,306)	(9,835)

Approved by the Board of Directors and signed on behalf of the Board on 31 July 2019 by:



Adrian Taylor
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 March 2019

	Share capital £'000	Share premium £'000	Retirement benefit obligations reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2017	-	-	(8,057)	(1,180)	(9,237)
Reclassification (see note 17)	-	-	4,191	(4,191)	-
	-	-	(3,866)	(5,371)	(9,237)
Profit for the financial year	-	-	-	2,091	2,091
At 31 March 2018	-	-	(3,866)	(3,280)	(7,146)
At 1 April 2018	-	-	(3,866)	(3,280)	(7,146)
Profit for the financial year	-	-	-	(131)	(131)
At 31 March 2019	-	-	(3,866)	(3,411)	(7,227)

Consolidated statement of cash flows

for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Operating activities			
Profit/(loss) for the financial year		204	(2,110)
Adjustments for:			
Tax on profit/(loss) on ordinary activities		18	(382)
Transfer of tangible fixed assets		473	-
Depreciation		288	115
Amortisation of intangible assests		99	58
Pension movements in the year		2,964	2,404
Decrease in debtors		(2,009)	(978)
Increase/(decrease) in creditors		(1,541)	3,691
		496	2798
Corporation tax paid		(207)	(627)
Cash generated from operating activities		289	2,171
Investing activities			
Payments to acquire intangible fixed assets		(92)	(868)
Payments to acquire tangible fixed assets		(368)	(800)
Cash used in investing activities		(460)	(1,668)
Net cash used			
Cash used in operating activities		289	2,171
Cash used in investing activities		(460)	(1,668)
		(171)	503
Cash and cash equivalents at 1 April		18,064	17,561
Cash and cash equivalents at 31 March		17,893	18,064
Cash and cash equivalents at the end of the year		17,893	18,064

Notes to the financial statements

for the year ended 31 March 2019

1. Company information

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

The company's principal activities and nature of operations is included in the Strategic report on pages 12-18.

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 statements in their financial statements.

The financial statements of LPP have also adopted the following disclosure exemptions, which the shareholders have been informed about:

- 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 FRS 102 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 company's forecasts and projections, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

3. Significant judgements and estimates

In the process of applying the company'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 judgments and estimates that been made regarding deferred taxation, as described in note 4.7.

Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries 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 company has claimed an exemption, not to produce consolidated financial statements, under Section 9 of FRS 102 and therefore do not include the results of any subsidiary entity but merely the company's investment in the subsidiary.

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 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the financial statements cont.

for the year ended 31 March 2019

4.4 Cash at bank and in hand

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

4.5 Creditors

Short-term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

4.6 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.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

4.7 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.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

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.

4.8 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 investment management services.

4.9 Employee and pension costs

Participation by company employees in two 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 £'000	2018 £'000
Pension administration fees	11,072	9,866
Investment management fees	19,873	14,065
Risk management services	1,384	1,532
Corporate services	677	677
	33,006	26,140

6. Operating profit

	2019 £'000	2018 £'000
This is stated after charging:		
Depreciation of tangible fixed assets	288	115
Internal Auditor's remuneration	312	124
Operating lease rentals - land and buildings	1,403	1,373
Auditor's remuneration for audit services	77	90
Auditor's remuneration for other services	7	8

7. Directors' emoluments

	2019 £'000	2018 £'000
Emoluments	1,655	1,818
Social security costs	210	229
Other pension costs	158	174
	2,023	2,221

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

	2019 £'000	2018 £'000
Emoluments	382	369
Social security costs	52	50
Other pension costs	46	44
	480	463

Notes to the financial statements cont.

for the year ended 31 March 2019

8. Staff costs

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

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 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

	Year to 31 Mar 2019 £'000	Year to 31 Mar 2018 £'000
Loan interest	745	742

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
	584	205
Deferred tax:		
Origination and reversal of timing differences	(566)	(587)
Tax on profit/(loss) on ordinary activities	18	(382)

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:

Profit/(loss) on ordinary activities before tax	222	(2,492)
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (PY: 19%)	42	(473)
Expenses not deductible for tax purposes	62	75
Effect of tax rate change	67	-
Prior year tax adjustment	(153)	16
Tax charge for the year	18	(382)

Deferred taxation

Deferred tax credit to income statement for the year	(566)	(587)
Deferred tax charge/(credit) in OCI for the year	(69)	861
	(635)	274

Notes to the financial statements cont.

for the year ended 31 March 2019

11. Intangible fixed assets

	Company software £'000	Group software £'000
Cost		
At 1 April 2018	454	927
Additions	92	92
Write off to profit and loss	-	(473)
At 31 March 2019	546	546
Amortisation		
At 1 April 2018	62	62
Charge for the year	99	99
At 31 March 2019	161	161
Net book value		
At 31 March 2018	392	865
At 31 March 2019	385	385

12. Tangible fixed assets

Company & Group

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

13. Investments**The Company****Investment in subsidiaries
£'000****Cost****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 PE GP (No 3) 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 Diversifying Strategies GP Ltd	Ordinary	100%	UK	General partner

Notes to the financial statements cont.

for the year ended 31 March 2019

14. Debtors

	The Company		The Group	
	31 Mar 2019 £'000	31 Mar 2018 £'000	31 Mar 2019 £'000	31 Mar 2018 £'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
	7,948	10,615	12,996	10,557

15. Creditors: amounts falling due within one year

	The Company		The Group	
	31 Mar 2019 £'000	31 Mar 2018 £'000	31 Mar 2019 £'000	31 Mar 2018 £'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
	3,180	3,622	4,925	6,655

16. Creditors: amounts falling due after one year

	The Company		The Group	
	31 Mar 2019 £'000	31 Mar 2018 £'000	31 Mar 2019 £'000	31 Mar 2018 £'000
Amounts owed to group undertakings	17,500	17,500	17,500	17,500

17. Pension schemes

Defined benefit schemes

On 8 April 2016 current employees of the London Pensions Fund Authority (LPFA) and Lancashire County Council (LCC) who were members of the Lancashire County Pension Fund (LCPF), were TUPE transferred to the Local Pensions Partnership Ltd (LPP) and Local Pensions Partnership Investments Ltd (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 contributes in to the scheme on the employee's behalf at 12.0% 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.

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

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 as follows:

Post employment benefits summary

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

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

London Pensions Fund Authority

The actuaries for LPFA are Barnett Waddingham.

LPP pension information

The normal contributions expected to be paid during the financial year ending 31 March 2020 are **£862,000** (2019: £743,000) for LPP.

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

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'000
Retirement benefit assets	13,866	11,002
Retirement benefit obligations	(23,712)	(18,912)
Net retirement benefit deficit	(9,846)	(7,910)

17. Pension schemes (cont.)

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

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'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	13,866	11,002

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

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'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
	13,866	11,002

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.

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

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

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'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	23,712	18,912

Amounts recognised in the income statement

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

17. Pension schemes (cont.)**Amounts recognised in the statement of comprehensive income**

	LPP Year to 31 Mar 2019 £'000	LPP Year to 31 Mar 2018 £'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
	(30)	3,441
Actuarial (losses)/gains on reimbursable rights		
Change in franchise adjustment	-	-
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 31 Mar 2019 %	LPP 31 Mar 2018 %
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 31 Mar 2019 'years'	LPP 31 Mar 2018 '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

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

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 £'000	Result of change of (0.1%) in present value of scheme liabilities £'000
Year to 31 March 2019			
LPP			
Discount rate: 2.5%	0.1	23,317	23,409
Inflation: 2.2% CPI	0.1	24,416	22,307
Rate of salary increase: 3.7%	0.1	24,339	22,369
Year to 31 March 2018			
LPP			
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.

17. Pension schemes (cont.)**LPPI pension information**

The normal contributions expected to be paid during the financial year ending 31 March 2020 for LPPI are **£236,000** (2019: £187,000).

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

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'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 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'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	-	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 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Equity instruments	744	509
Target return portfolio	364	187
Infrastructure	82	36
Property	128	60
Cash and other	48	41
	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.

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

Scheme liabilities – Changes in the present value of scheme liabilities are as follows:

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'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
Post service cost	33	-
Benefit obligation at end of year	2,221	1,364

Amounts recognised in the income statement

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

17. Pension schemes (cont.)**Amounts recognised in the statement of comprehensive income**

	LPPI Year to Mar 2019 £'000	LPPI Year to 31 Mar 2018 £'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
	(71)	341
Actuarial (losses)/gains on reimbursable rights		
Change in franchise adjustment	-	-
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 31 Mar 2019 %	LPPI 31 Mar 2018 %
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 31 Mar 2019 %	LPPI 31 Mar 2018 %
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

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

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 £'000	Result of change of (0.1%) in present value of scheme liabilities £'000
Year to 31 March 2019			
LPPI			
Discount rate: 2.5%	0.1	2,161	2,277
Inflation: 2.2% CPI	0.1	2,270	2,177
Rate of salary increase: 3.7%	0.1	2,250	2,163
Year to 31 March 2018			
LPPI			
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.

17. Pension schemes (cont.)**Lancashire County Pension Fund**

The actuaries for LCPF are Mercer.

LPP pension information

The normal contributions expected to be paid during the financial year ending 31 March 2020 are **£364,000** (2019: £306,000) for LPP.

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

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'000
Retirement benefit assets	10,606	9,255
Retirement benefit obligations	(15,339)	(12,843)
Net retirement benefit deficit	(4,733)	(3,588)

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

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'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	(329)	(4)
Fair value of plan assets at end of year	10,606	9,255

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

	LPP Year to 31 Mar 2019 £'000	LPP Year to 31 Mar 2018 £'000
Equity instruments	9,069	8,024
Bonds	498	398
Property	986	870
Cash and other	53	(37)
	10,606	9,255

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.

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

Scheme liabilities – Changes in the present value of scheme liabilities are as follows:

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'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	15,339	12,843

Amounts recognised in the income statement

	LPP Year to 31 Mar 2019 £'000	LPP Year to 31 Mar 2018 £'000
Amounts recognised in operating profit		
Current service cost	813	747
Post service cost	361	-
Curtailment	63	-
Administrative expenses and taxes	15	12
Recognised in arriving at operating profit	1,252	759
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities – employer	90	102
Recognised in interest receivable and similar income	90	102
Total recognised in the profit and loss account	1,342	861

17. Pension schemes (cont.)**Amounts recognised in the statement of comprehensive income**

	LPP Year to 31 Mar 2019 £'000	LPP Year to 31 Mar 2018 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	(842)	(86)
Changes in financial assumptions	1,054	(941)
	212	(1,027)
Actuarial (losses)/gains on reimbursable rights		
Change in franchise adjustments	-	-
Total pension cost recognised in the statement of comprehensive income	212	(1,027)

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

	LPP 31 Mar 2019 %	LPP 31 Mar 2018 %
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

	LPP 31 Mar 2019 'years'	LPP 31 Mar 2018 '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

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

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 £'000	Result of change of (0.1%) in present value of scheme liabilities £'000
Year to 31 March 2019			
Discount rate: 2.7%	0.1	14,935	14,973
Inflation: 2.1% CPI	0.1	15,754	14,446
Rate of salary increase: 3.6%	0.1	15,477	14,306
Year to 31 March 2018			
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.

17. Pension schemes (cont.)

Lancashire County Pension Fund

LPPI pension information

The normal contributions expected to be paid during the financial year ending 31 March 2020 are for LPPI **£129,000** (2019: £127,000).

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

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'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 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'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 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Equity instruments	2,118	1,746
Bonds	117	86
Property	230	189
Cash and other	12	(8)
	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.

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

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

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'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
Post service cost	70	-
Benefit obligation at end of year	4,037	3,226

Amounts recognised in the income statement

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Amounts recognised in operating profit		
Current service cost	279	299
Post service cost	70	-
Administrative expenses and taxes	5	5
Recognised in arriving at operating profit	354	304
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	31	31
Total recognised in the profit and loss account	385	335

17. Pension schemes (cont.)**Amounts recognised in the statement of comprehensive income**

	LPPI Year to 31 Mar 2019 £'000	LPPI Year to 31 Mar 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
	(91)	253
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 Year to 31 Mar 2019 %	LPPI Year to 31 Mar 2018 %
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 2019 %	LPPI 31 Mar 2018 %
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

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

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 £'000	Result of change of (0.1%) in present value of scheme liabilities £'000
Year to 31 March 2019			
Discount rate: 2.7%	0.1	3,932	4,134
Inflation: 2.1% CPI	0.1	3,944	3,944
Rate of salary increase: 3.6%	0.1	3,844	3,884
Year to 31 March 2018			
Discount rate: 2.7%	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.

18. Share capital

	Nominal value	2018 and 2019 - Number	2019 - £'000	2018 - £'000
Allotted, called up and fully paid:				
Ordinary shares	£1 each	2	-	-

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 and also in detail as part of the Directors' report.

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.

Offices and contact information

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