

County Offices
Newland
Lincoln
LN1 1YL

30 December 2014

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 8 January 2015** in **Committee Room One, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely



Tony McArdle
Chief Executive

Membership of the Pensions Committee
(8 Members of the Council and 3 Co-Opted Members)

Councillors M G Allan (Chairman), R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, C E D Mair, Mrs S Rawlins, A H Turner MBE JP and 1 UK Independence Party Vacancy

Co-Opted Members

Mr A N Antcliff, Employee Representative
M G Leaning, District Councils Representative
Mr J Grant, Non-District Council Employers Representative

**PENSIONS COMMITTEE AGENDA
THURSDAY, 8 JANUARY 2015**

Item	Title	Report Reference
1	Apologies/Replacement Members	
2	Declarations of Members' Interests	
3	Minutes of the previous meeting of the Pensions Committee held on 11 December 2014	(Pages 5 - 8)
4	Independent Advisors Report <i>(A report by Peter Jones, the Committee's Independent Advisor, which provides a market commentary by on the current state of global investment markets)</i>	(Pages 9 - 12)
5	Pension Fund Update Report <i>(A report by Jo Ray, Pensions and Treasury Manager, which provides updates on current issues and Fund matters over the quarter ending 30th September 2014)</i>	(Pages 13 - 26)
6	Investment Management Report <i>(A report by Nick Rouse, Investment Manager, in connection with the management of the Lincolnshire Pension Fund assets, over the period from 1st July to 30th September 2014)</i>	(Pages 27 - 52)
7	Pension Administration Report <i>(The quarterly report by Stuart Duncombe, the Communications Coordinator, in connection with current administration issues by the pension administrator Mouchel)</i>	(Pages 53 - 58)
8	Pensions Administration Transition Update <i>(A report by Jo Ray, Pensions and Treasury Manager, which provides an update on progress with the transition of the pensions' administration service from Mouchel to West Yorkshire Pension Fund (WYPF). In addition, it highlights areas where we will look to streamline processes between the two Funds)</i>	(Pages 59 - 62)

Democratic Services Officer Contact Details

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Please Note: for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:
www.lincolnshire.gov.uk/committeerecords



**PENSIONS COMMITTEE
11 DECEMBER 2014**

PRESENT: COUNCILLOR M G ALLAN (CHAIRMAN)

Councillors R J Phillips (Vice-Chairman), N I Jackson, B W Keimach, C E D Mair, Mrs S Rawlins and A H Turner MBE JP

Co-Opted Members: Mr A N Antcliff (Employee Representative), M G Leaning (District Councils Representative) and Mr J Grant (Non-District Council Employers Representative)

Officers in attendance:-

Jo Ray (Pensions and Treasury Manager), Nick Rouse (Investment Manager) and Catherine Wilman (Democratic Services Officer)

34 APOLOGIES FOR ABSENCE/REPLACEMENT COUNCILLORS

None

35 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M G Allan requested that a note be made in the minutes that he was currently a contributing member of the Pension Fund as a North Kesteven District Councillor and as a County Councillor.

Mr A Antcliff requested that a note be made in the minutes that he was currently a contributing member of the Pension Fund as an employee of Lincolnshire County Council.

Councillor M Leaning stated he was now a pensioner and in receipt of a pension from the fund.

Councillor R J Phillips declared a personal interest in all items on the agenda as a member of the Upper Witham Internal Drainage Board and as a contributing member of the Pension Fund.

36 MINUTES FROM PREVIOUS MEETINGS OF THE PENSIONS COMMITTEE

(a) Minutes of the meeting held on 24 July 2014

RESOLVED

PENSIONS COMMITTEE
11 DECEMBER 2014

That the minutes from 24 July 2014 be approved as a correct record and signed by the Chairman.

(b) Minutes of the meeting held on 9 October 2014

RESOLVED

That the minutes be approved and signed by the Chairman as a correct record, subject to a minor amendment.

37 MANAGER PRESENTATION - THREADNEEDLE - GLOBAL EQUITIES

The Investment Manager introduced a presentation from Threadneedle, who managed an active portfolio of Global Equities for the Fund.

Threadneedle was originally appointed in August 2006 to manage an active global equity portfolio with a performance target of 2% per annum (before the deduction of fees). They were reappointed in 2010.

The opinion from Hymans Robertson was that although they had outperformed the benchmark, it was only by a small margin. The early to mid 2000s had seen some strong performance from Threadneedle, however since then certain senior members of the team had moved on. A new team had been in place since 2011, which appeared to be stable.

The Committee received a presentation by representatives from Threadneedle which covered the performance of the portfolio in the year to date.

Although the portfolio had outperformed its benchmark over the long term; performance against target was disappointing, particularly when considered net of fees. Threadneedle were aware that performance had been poor in the eight years since appointment but believed that their investment process could still deliver target performance for the Fund.

In the discussion that followed the presentation, the Committee felt that Threadneedle could add value to the fund in the future.

RESOLVED

That the report be noted.

38 MANAGER PRESENTATION - NEPTUNE INVESTMENT MANAGEMENT - GLOBAL EQUITIES

The Committee considered a report which introduced a presentation from Neptune Investment Management who managed an active portfolio of Global Equities for the Fund.

Neptune was originally appointed in April 2010 to manage an active global equity portfolio with a performance target of 4% per annum. As high conviction managers,

the Committee had appointed them to complement the management styles of the other active global equity managers appointed.

Hyman Robertson's view was that Neptune's long term record was good, However, the company was dependent on a particular member of the firm. Hymans was not fully convinced that the high conviction management style was effective. However they were not a manager that they followed closely. It was requested that as the Fund's investment consultant, Hymans visit Neptune in the near future.

Representatives from Neptune made a presentation on the portfolio's performance in 2014. The portfolio was very overweight in Japan and India. The change in political and economic direction in both Japan and India had made these markets very attractive. With their high conviction approach and beliefs in the Japanese, Indian and Chinese markets, managers believed that with the current strategy there was a good chance the portfolio could be 4% ahead of the benchmark by mid 2015.

During the discussion following the presentation, the Committee expressed its concern that being overweight in certain markets was risky and having a portion of funds in the UK and European markets would reduce that risk slightly. Officers were keen to highlight that Neptune had been appointed as a high conviction manager, and therefore would have large over and underweights when compared to the benchmark, and that they only managed 5% of the Fund.

Neptune had been engaged by the Fund for four years which was not sufficient time for them to demonstrate their performance fully. The Committee was advised to continue with Neptune.

RESOLVED

That the report be noted.

39 MANAGER PRESENTATION - SCHRODER INVESTMENT MANAGEMENT
- GLOBAL EQUITIES

Consideration was given to a report which introduced a presentation from Schroder Investment Management who managed an active portfolio of Global Equities for the Fund.

Schroders were appointed in April 2010 to manage an active global equity portfolio with a performance target of 3% per annum, before fees.

Hymans Robertson were optimistic about the team at Schroders which had recently been finalised following several personnel changes.

The Committee received a presentation by representatives of Schroders on the portfolio's performance during 2014. The portfolio had not met the 3% outperformance target since appointment.

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11 DECEMBER 2014

Following the departure of the portfolios manager last year, a number of the investment team had been approached to join her new company. There had been two further departures from the team. However, the current portfolio manager did not see any further changes to the remaining team.

When asked about their views on the Japanese market, the Schroders' representatives felt that certain companies were doing well, while other domestic companies were struggling. Wages were not increasing and the Yen was decreasing in value. They felt there was medium to long term growth in Japanese exporter companies.

Officers questioned whether enough risk was being taken, given that performance, excluding the very difficult year of 2011, had only been around 1% above benchmark per annum, against the target of 3% per annum. Schroders felt there was enough risk in the portfolio to meet the required return, and it was about selecting the best ideas and working within the more disciplined purchase and sales process that had been introduced following the departure of the previous manager. Schroders were confident that with the morale within the existing team, 2015 was looking promising for the portfolio.

Following the presentation, Officers and the Committee agreed that four years was not sufficient time for them to demonstrate their performance fully, particularly given recent team changes.

Discussion took place regarding the possibility of Officers providing more in-house investment management services. However, it was felt there were insufficient resources to increase the amount of internal management undertaken, particularly for an active mandate, and it would be difficult to recruit within the existing Council pay framework.

RESOLVED

That the report be noted.

The meeting closed at 1.15 pm



Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	Pensions Committee
Date:	08 January 2015
Subject:	Independent Advisor's Report

Summary:

This report provides a market commentary by the Committee's Independent Advisor on the current state of global investment markets.

Recommendation(s):

That the Committee note the report.

Background

INVESTMENT COMMENTARY – JANUARY 2015

2014 in hindsight

Investment markets performed modestly in 2014. Global equities were up by about 5% (in sterling terms), largely because of the strong performance of Wall Street, even after the December setback. Other equity markets were little changed, with Europe and the emerging markets being generally lower. Fixed interest markets confounded the sceptics and generally provided positive returns – especially long dated securities. So, investment portfolios typically showed slightly higher valuations.

Global economic performance was decidedly mixed: the USA and UK did quite well, growing at around 3%, whilst almost everywhere else disappointed. The significant surprise of the year was the fall in commodity prices, especially the price of crude oil, which collapsed from \$115 in the summer to around \$60 by late December, a fall of no less than 45%.

The fall in the oil price was initially treated as a reaction to a global over-supply of crude oil, triggered by ample supplies from the US shale oil fields. More recently, concerns have emerged that it is as much a reaction to “under-demand” from a global economy that is losing its growth momentum. And hence leading to doubts about the more optimistic economic growth forecasts for 2015.

What could go right for markets in 2015? And what wrong?

The global economy will certainly grow in 2015, perhaps at around 3%: say 5% in emerging markets, driven by their strong demographic profile and around 3% in the USA and UK. Europe is forecast to grow but by no more than 1% and Germany is expected to remain lacklustre, albeit positive. Inflation everywhere will be very modest and in many regions, notably the Eurozone, will turn negative, in part reflecting lower oil prices. Central bankers will remain concerned to see some modest level of positive price inflation, fearing lower prices could be the harbinger of a 1930's style depression. Given such anxieties, the chances of any material financial tightening by central bankers or governments are pretty remote, in my view.

The effects of the fall in the oil price, if it endures, are profound. It alters the balance of political power away from oil producers (especially the "renegade" ones, such as Iraq, Iran, Libya, Venezuela, even Russia) in favour of the developed nations of the western world. More particularly, it increases the purchasing power of citizens the world over. Thus, there is the potential for the global economy to surprise on the positive side.

And what could go wrong?

A significant worry for markets in 2015 will be the actions (rather than the rhetoric) of central bankers, especially the US Federal Reserve and the Bank of England. Both need to make the difficult transition from Quantitative Easing ("QE", i.e. supplying ample liquidity on a grand scale in order to promote economic growth) to a measured withdrawal of that liquidity. They will want to raise interest rates as soon as they dare, but the collapse in the oil prices gives them a dilemma. Is deflation, because of lower oil prices, a greater threat than an economy that grows above expectations?

There are going to be "second order effects" from lower oil prices. Not all of these are obvious yet. An example is that the global oil industry will become notably weaker financially and some of the more highly indebted companies in the oil sector will experience difficulties in repaying their loans. The global banking sector will be weaker as a result. Yet, if economic growth is to surprise on the upside, banks must play their part. Healthy economic growth is hugely dependent on banks being willing and able to lend freely.

If interest rates do start to rise in the USA and the UK, the potential for a sharp change in trend has been made much more likely by the efforts of bank regulators to make large banks "proof against failure". The markets in fixed interest stocks (especially government securities) used to be highly liquid: but no longer. Regulators have required that such inventories of stocks, when held by banks, be supported by significant additional capital, which is no longer available. If interest rates do rise in 2015 (and they may not) they could do so very rapidly and lead to sharp falls in asset values. The equity markets would not be immune.

Other anxieties centre around "trade wars" – or perhaps more precisely "currency wars". Japan has been indulging in a competitive devaluation of the yen in an

attempt to stimulate its moribund economy and to lift its inflation rate. Were other nations to follow suit (China, for example), that would have the ability to spook markets.

Here at home, politics in the form of the general election will influence markets. Expectations are that no party will have sufficient control to get significant legislation through parliament. The new government, weak or strong, of whichever political hue, will need to reduce government borrowing, either by lower expenditure or higher taxes. The economic effects of such moves will raise investors' anxieties, however essential they are. And the possibility of a referendum on the UK remaining a member of the European Union will influence market sentiment, perhaps negatively.

Market prospects

All markets, both equities and fixed interest, seem fully valued to me – and to most market participants. I do not expect to see large positive returns in either of these markets. If all securities are so highly valued, surely sellers will emerge? Only if there is an alternative that offers capital protection and a reasonable return: at present, cash – the traditional alternative - does not. The possibility of a significant and rapid fall in markets is quite possibility. To that extent, to borrow an analogy, markets will “tip toe on egg shells” into 2015.

Peter Jones
17th December 2014

Conclusion

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Peter Jones, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.

Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	Pensions Committee
Date:	08 January 2015
Subject:	Pension Fund Update Report

Summary:

This report updates the Committee on current issues and Fund matters over the quarter ending 30th September 2014.

Recommendation(s):

That the Committee note this report.

Background

1 Fund Summary

1.1 Over the period covered by this report, the value of the Fund rose in value by £28.3m (1.7%) to £1,646.9m on 30th September 2014. Fund performance and individual manager returns are covered in the separate Investment Management report, item 6 on the agenda.

1.2 Appendix A shows the Fund's distribution as at 30th September. All asset classes are within the agreed tolerances. The Fund's overall position relative to its benchmark can be described as follows:

Overweight Equities by 1.3%

UK Equities underweight by 0.6%

Global Equities overweight by 1.9%

Underweight Alternatives by 0.7%

Underweight Property by 0.2%

Underweight Bonds by 1.2%

Overweight Cash by 0.9%

Cash balances have been increased over the quarter to build a balance of £29m by December, to fund the transfer of Probation assets to Greater Manchester Pension Fund. This follows the transfer of Probation liabilities earlier in June. Other movements in weight are due to the relative performance of the different asset classes.

- 1.3 The purchases and sales made by the Fund's portfolio managers over the period (including those transactions resulting from corporate activity such as take-overs) are summarised in Appendix B.
- 1.4 Appendix C shows the market returns over the three and twelve months to 30th September 2014.
- 1.5 The table below shows the Fund's ten largest single company investments (equity only and includes pooled investments) at 30th September, accounting for 9.5% of the Fund, which compares with 9.4% last quarter. Equity holdings in the Fund are now shown on the Pensions website, and updated on a quarterly basis.

	Company	Total Value £M	% of Fund
1	ROYAL DUTCH SHELL	25.1	1.5
2	HSBC	21.1	1.3
3	BRITISH AMERICAN TOBACCO	18.7	1.1
4	NESTLE	14.2	0.9
5	BP	14.1	0.9
6	APPLE	13.0	0.8
7	UNILEVER	12.9	0.8
8	RECKITT BENCKISER	12.8	0.8
9	GLAXOSMITHKLINE	11.8	0.7
10	VODAFONE	11.0	0.7
	TOTAL	154.7	9.5

- 1.6 Appendix D presents summarised information in respect of votes cast by the Manifest Voting Agency, in relation to the Fund's equity holdings. Over the three months covered by this report, the Fund voted at 96 company meetings and cast votes in respect of 1,422 resolutions. Of these resolutions, the Fund voted 'For' 1,186, 'Against' 228 and abstained on 3 and withheld votes on 5.

- 1.7 A breakdown of the issues covered by these resolutions together with an analysis of how the votes were cast between 'For', 'Abstain' or 'Against' a resolution is given in Appendix D. Votes were cast in accordance with the voting template last reviewed at the 9th January 2014 meeting of this Committee, and effective from 1st March 2014.

2 Local Authority Pension Fund Forum

- 2.1 The Fund participates in the Local Authority Pension Fund Forum that has a work plan addressing the following matters:

- **Corporate Governance** – to develop and monitor, in consultation with Fund Managers, effective company reporting and engagement on governance issues.
- **Overseas employment standards and workforce management** - to develop an engagement programme in respect of large companies with operations and supply chains in China.
- **Climate Change** - to review the latest developments in Climate Change policy and engage with companies concerning the likely impacts of climate change.
- **Mergers and Acquisitions** - develop guidance on strategic and other issues to be considered by pension fund trustees when assessing M&A situations.
- **Consultations** – to respond to any relevant consultations.

- 2.2 The latest LAPFF newsletter can be found on their website at www.lapfforum.org. Highlights during the quarter included:

- Attended **Vodafone, BT Group** and **Burberry** Annual General Meetings (AGM) to challenge the companies over executive remuneration.
- Questioned the **Betfair** chairman at the company AGM over illegal dividends and share buybacks after LAPFF issued a voting alert on this topic.
- Asked about the links between executive pay and climate risk management at the **British Land** AGM and continued engagement on carbon management with the chairman of **National Grid** at its AGM.
- After collaborative engagement on sustainable palm oil practices, four companies announced an immediate moratorium on clearance of high carbon stock forests.

- Engaged with companies in eleven country domiciles on a wide range of governance and risk management concerns.

2.3 Members of the Committee should contact the author of this report if they would like further information on the Forum's activities.

3 Treasury Management

3.1 At the April 2010 meeting, the Pensions Committee agreed a Service Level Agreement with the Treasury team within Lincolnshire County Council, for the continued provision of cash management services to the Pension Fund.

3.2 The Treasury Manager has produced the quarterly report detailing the performance of the cash balances managed by the Treasury. This shows an average cash balance of £6.9m. The invested cash has outperformed the benchmark from 1st April 2014 by 0.25%, annualised, as shown in the table below, and earned interest of £23.7k.

3.3 A new weighted benchmark (combining both 7 day and 3 month LIBID) has been adopted by the Council, replacing the 7 Day LIBID benchmark. This new benchmark is more reflective of the investment portfolio maturity profile.

Pension Fund Pooled Balance – to September 2014				
Pension Fund Average Balance £'000	Interest Earned £'000	Cumulative Average Yield Annualised %	Cumulative Weighted Benchmark Annualised %	Performance %
6,935.7	23.7	0.65	0.40	0.25

4 Pensions Administration

4.1 The contract with Mouchel to provide Pensions Administration services to the Fund ends on 31st March 2015. Committee members were notified in May that West Yorkshire Pension Fund (WYPF) was the preferred provider for pensions administration services from 1st April 2015. A paper updating the Committee is included at paper 8 on this agenda.

5 Risk Register Update

- 5.1 There have been no new risks added to the risk register over the quarter. A separate risk register is being kept as part of the pensions administration transition to WYPF.
- 5.2 All controls for existing risks are being carried out and there have been no changes to the existing risk levels.

6 Asset Allocation

- 6.1 The asset allocation working group met on 11th December, following the Pensions Committee manager presentations. The objective of the meeting was to consider whether any changes might be considered to the Fund's equity mandates. Two papers produced by Hymans had been circulated prior to the meeting:
- Analysis of Global Equity Managers
 - Alternative approaches to capturing equity market returns – an overview
- 6.2 The Fund's 60% allocation to equities includes a 20% UK allocation, which is managed internally using a low risk "enhanced index" type basis – (target of +/-0.5% p.a. relative return), and a 20% overseas allocation managed by Invesco on a "low risk" basis (target +1% p.a. relative return).
- 6.3 There are no concerns with either of these mandates. The internal mandate is managed with satisfactory returns at very low cost and Invesco have met their performance target net of fees, though 20% of assets is regarded as a maximum to invest with any individual manager.
- 6.4 Given the low risk approaches above, it was felt perfectly reasonable to have the remaining 20% of equities managed on a high conviction fully active basis. However, this assumes / requires a high level of confidence in the managers to deliver added value net of fees commensurate with the levels of risk which they are taking. Discussion was had regarding the performance of the current active managers and whether changes would be beneficial in terms of increasing expected return with the same level of risk or maintaining expected return whilst reducing risk.
- 6.5 The 'Style Analysis' carried out on the Fund's combined actively managed global equities suggested that the four existing managers do not cancel each other out in terms of positioning. However, it also suggested that – in aggregate – there was a bias away from stocks displaying traditional 'value' characteristics and modestly in favour of 'mega cap' companies. There would be advantages in considering a passive approach which might help compensate for these biases within the Fund.
- 6.6 It was agreed that additional work would be carried out on low cost, passive investments in global equities with a broad bias towards 'value' stocks – and

how they might combine with the current investments. Pooled fund options are required in order to avoid a full OJEU procurement process.

- 6.7 There is currently much uncertainty surrounding the awaited response from the DCLG's 'Call for Evidence' consultation, as to whether funds should be mandated to invest passively or otherwise. The response is expected early in 2015. A further meeting of the working group will be held following that response, and a paper will be brought to the April Committee, detailing the research that Hymans have completed and providing any recommendations on changes within the Fund's active global equity allocation.

7 Diary Dates

- 7.1 A reminder that the next Committee training session is on Thursday 5th February commencing at 10am. Sessions will cover an introduction from the WYPF team and an overview of the Local Pensions Board requirements.
- 7.2 The annual employer meeting is being held in the Council Chamber on the morning of Tuesday 24th February, and all Committee members are welcome to attend.

Conclusion

- 8.1 This reporting period saw the value of the Fund grow, increasing by £28.3m to close at £1,646.9m. At the end of the period the asset allocation, compared to the strategic allocation, was;
- overweight equities and cash;
 - underweight alternatives, fixed interest and property.
- 8.2 The transition of the pensions administration service to WYPF continues to progress. It is being managed as part of the Council's Future Delivery of Support Services programme (FDSSP).
- 8.3 The asset allocation working group are currently reviewing the active global equity strategy and will have further meetings once the outcome of the DCLG's 'Call for Evidence' consultation is known.

Consultation

a) Policy Proofing Actions Required

n/a

Appendices

These are listed below and attached at the back of the report	
Appendix A	Distribution of Investments
Appendix B	Purchases and Sales of Investments
Appendix C	Changes in Market Indices
Appendix D	Equity Voting Activity

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.

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APPENDIX A

DISTRIBUTION OF INVESTMENTS

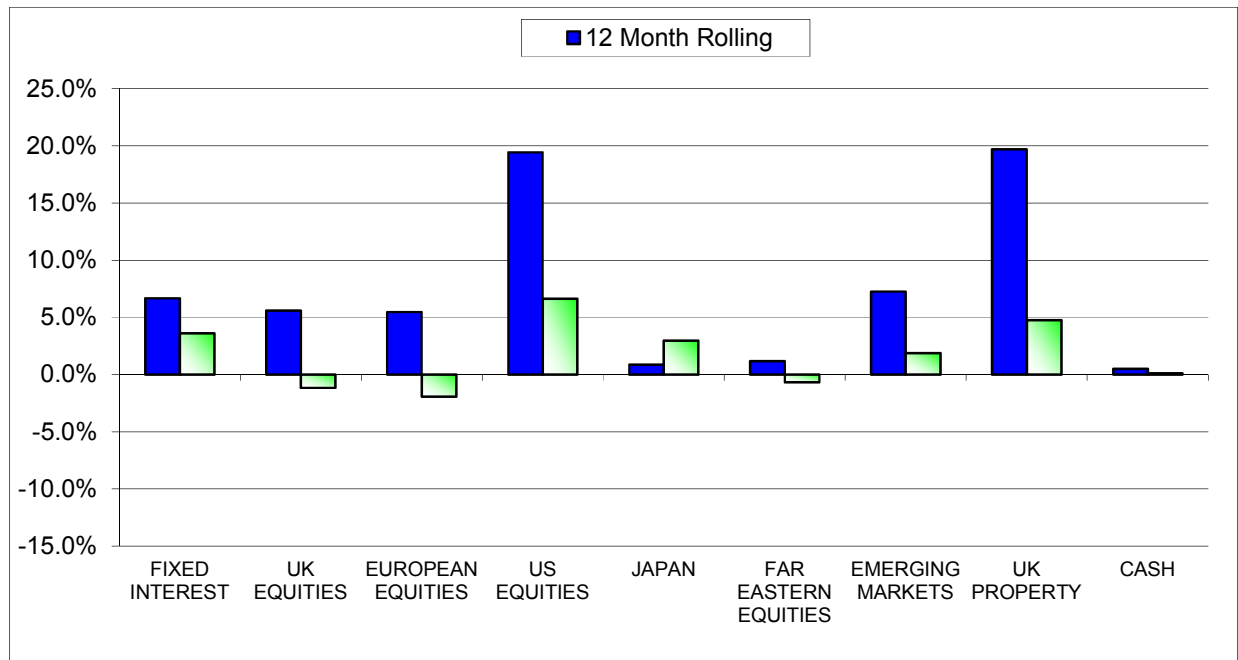
INVESTMENT	30 September 2014			30 June 2014			COMPARATIVE STRATEGIC BENCHMARK	
	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	%	TOLERANCE
UK EQUITIES								
UK Index Tracker	318,884,035	31.6	19.4	326,491,228	32.7	20.2	20.0	+/- 1.5%
TOTAL UK EQUITIES	318,884,035		19.4	326,491,228		20.2	20.0	
GLOBAL EQUITIES								
Invesco	347,438,525	34.4	21.1	338,749,574	33.9	20.9	20.0	+/- 1.5%
Threadneedle	92,629,923	9.2	5.6	89,614,986	9.0	5.5	5.0	+/- 1%
Schroder	88,121,764	8.7	5.4	86,622,173	8.7	5.4	5.0	+/- 1%
Neptune	83,608,504	8.3	5.1	80,183,778	8.0	5.0	5.0	+/- 1%
Morgan Stanley	78,896,781	7.8	4.8	76,514,346	7.7	4.7	5.0	+/- 1%
TOTAL GLOBAL EQUITIES	690,695,497		41.9	671,684,857		41.5	40.0	
TOTAL EQUITIES	1,009,579,532	100	61.3	998,176,086	100	61.7	60.0	+/- 5%
ALTERNATIVES	234,972,126		14.3	230,870,134		14.3	15.0	+/- 1.5%
PROPERTY	185,711,870		11.3	182,550,960		11.3	11.5	+/- 1%
FIXED INTEREST								
Goodhart F & C	99,549,520	49.2	6.0	102,127,622	50.7	6.3	6.75	+/- 1%
Blackrock	102,825,416	50.8	6.2	99,231,326	49.3	6.1	6.75	+/- 1%
TOTAL FIXED INTEREST	202,374,936	100	12.3	201,358,948	100	12.4	13.5	+/- 1.5%
TOTAL UNALLOCATED CASH	14,308,497		0.9	5,697,331		0.4	0.0	+ 0.5%
TOTAL FUND	1,646,946,962		100	1,618,653,458		100	100	

PURCHASES AND SALES OF INVESTMENTS – QTR ENDED 30th SEPTEMBER 2014

	Purchases	Sales	Net Investment
Investment	£000's	£000's	£000's
UK Equities			
In House	502	4,040	(3,538)
Global Equities			
Invesco	28,362	37,220	(8,858)
Threadneedle	10,901	10,855	46
Schroders	14,337	12,880	1,457
Neptune	24,406	23,325	1,081
Morgan Stanley Global Brands	0	0	0
Total Equities	78,508	88,320	(9,812)
Alternatives			
Morgan Stanley	0	0	0
Total Alternatives	0	0	0
Property	106	3,456	(3,350)
Fixed Interest			
BlackRock	0	0	0
Goodhart F & C	0	0	0
Total FI	0	0	0
TOTAL FUND	78,614	91,776	(13,162)

NB: Blackrock, Goodhart and both Morgan Stanley investments are Pooled Funds and therefore Purchases and Sales are only shown when new money is given to the manager or withdrawn from the manager.

MARKET RETURNS TO 30th SEPTEMBER 2014



INDEX RETURNS	12 Months to Sept '14	July-Sept '14
	%	%
FIXED INTEREST	6.7	3.6
UK EQUITIES	5.6	(1.2)
EUROPEAN EQUITIES	5.5	(1.9)
US EQUITIES	19.4	6.6
JAPANESE EQUITIES	0.9	3.0
FAR EASTERN EQUITIES	1.2	(0.7)
EMERGING MARKETS	7.3	1.9
UK PROPERTY	19.7	4.8
CASH	0.5	0.1

APPENDIX D**Votes Summarised by Votes Cast**

Votes Cast at Management Group Level 01/07/14-30/09/14

Voting Guideline Code	Resolutions			Total
	For	Abstain	Against	
AGM Date	1	0	0	1
All Employee Share Schemes	15	0	6	21
Annual Incentive Plan Metrics	2	0	0	2
Any Other Business	0	0	1	1
Approve CSR Report	1	0	0	1
Approve Majority Vote Standard for Directors	1	0	0	1
Auditor - Appointment	61	0	18	79
Auditor - Remuneration	40	0	23	63
Auth Board to Issue Shares	59	0	4	63
Auth Board to Issue Shares w/o Pre-emption	57	0	5	62
Authorise Board to set Board Size	1	0	0	1
Authorise Political Donations & Expenditure	33	0	3	36
Authorised Capital	0	0	1	1
Authorised Capital [DE/CH/AT]	3	0	0	3
Board Alternate	2	0	0	2
Board Re-election Frequency	1	0	0	1
Board Size for Year	1	0	0	1
Capital Raising	0	0	1	1
Change Jurisdiction of Incorporation	0	0	0	0
Delegate Powers	4	0	0	4
Director - Discharge from Liability	41	0	0	41
Director Election - All Directors [Single]	539	2	104	645
Director Election - Chairman	20	0	47	67
Director Election - Chairs Audit Committee	55	1	7	63
Director Election - Chairs Nomination Com	25	0	45	70
Director Election - Chairs Remuneration Com	50	2	10	62
Director Election - Executives	168	0	10	178
Director Election - Lead Ind. Director/DepCH	48	0	8	56
Director Election - Non-executive/Sup Board	357	2	63	422
Director Election - Sits on Audit Committee	177	0	18	195
Director Election - Sits on Nomination Com	220	2	26	248
Director Election - Slate	1	0	0	1
Director Election - Sits on Remuneration Com	177	0	33	210
Directors' Indemnification	2	0	0	2
Directors liability insurance	1	0	0	1
Distribute/Appropriate Profits/Reserves	4	0	0	4
Dividends - Ordinary	52	0	4	56
Dividends - Scrip	2	0	0	2
EGM Notice Periods	52	0	0	52
Financial Statements	39	0	23	62
Financial Statements - Environmental Issues	39	0	23	62
Individual Share Award	1	0	0	1
Insert New Holding Company	0	0	0	0
Introduce/Amend Other Ownership Limitations	1	0	0	1

Voting Guideline Code	For	Abstain	Against	Total
Investment Strategy/Policy	1	0	0	1
Long-term Deferral Systems	4	0	0	4
Long-term Incentive Plans	0	0	20	20
LTI: Performance Share Plan	0	0	4	4
Meeting Formalities	2	0	0	2
Merger Related Compensation [US]	1	0	0	1
NED Remuneration - Fee Rate/Ceiling	5	0	0	5
NED Remuneration - Fees proposed for year	2	0	0	2
New Class of Capital	0	0	0	0
Other Changes to Governance Arrangements	7	0	0	7
Other Meeting Procedures	1	0	0	1
Permit Holding of Treasury Shares	1	0	0	1
Provision of Financial Assistance	1	0	0	1
Reduce Nominal Value	1	0	0	1
Reduce or Reclassify Capital or Reserves	0	0	0	0
Reduce Share Premium Account	1	0	0	1
Related Party Transaction - Specific Transaction	0	0	0	0
Remove Supermajority Provisions	1	0	0	1
Remuneration Policy	56	0	3	59
Remuneration Report	56	0	17	73
Resolution Issues	1	0	0	1
Return of Capital	0	0	0	0
Scheme of Arrangement	0	0	0	0
SH: Approve Majority Vote Standard for Directors	1	0	0	1
SH: De-classify the Board	1	0	0	1
SH: Establish Other Board Committee	1	0	0	1
SH: Political Spending - Improve Disclosure	0	0	2	2
SH: Restrict Accelerated Vesting of LTIP Awards	1	0	0	1
SH: Shareholder Action by Written Consent	1	0	0	1
Share Buy-back Authority (inc Tender Offer)	56	0	2	58
Share Consolidation	2	0	0	2
Share Issue - Approve Discounted Issue Price	0	0	0	0
Share Issue - Preferred Shares	4	0	0	4
Share Split	2	0	0	2
Significant Transactions	1	0	0	1
Stock Exchange Listing.	0	0	0	0
Treasury Shares - Set Re-issue Price Range	0	0	1	1
Unclassified	0	0	0	0
TOTALS	2564	9	532	3105

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Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	Pensions Committee
Date:	08 January 2015
Subject:	Investment Management Report

Summary:

This report covers the management of the Lincolnshire Pension Fund assets, over the period from 1st July to 30th September 2014.

Recommendation(s):

That the committee note this report.

Background

This report is split into four areas:

- Funding Level Update
- Fund Performance & Asset Allocation
- Hymans Robertson Manager Ratings
- Individual Manager Update

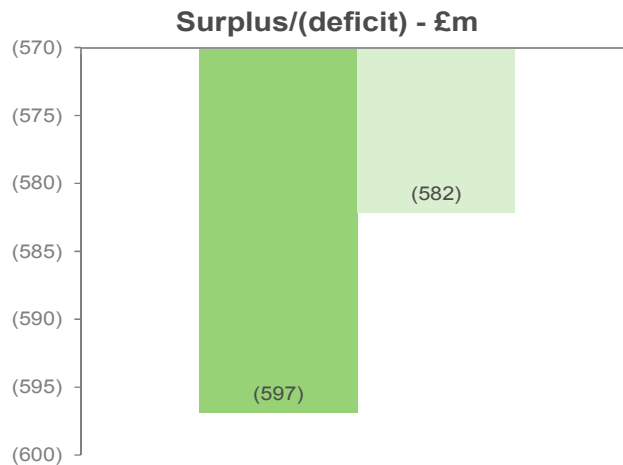
1. Funding Level Update

- 1.1 The funding update is provided to illustrate the estimated development of the funding position from 31st March 2013 to 30th September 2014, for the Fund.
- 1.2 As the graph below shows, the funding level at the latest formal valuation was 71.5%. As at 30th September 2014 the funding level has increased to 73.8%. This is largely as a result of good investment performance.
- 1.3 In the period since 30th June 2014, the funding level has fallen from 76.8% to 73.8% as a result of the recent fall in government bond yields.

Change in funding level since last valuation



- 1.4 As shown below, the deficit in real money has reduced from £597m to £582m between the period 31st March 2013 and 30th September 2014. The deficit at 30th June 2014 was £488m.



2. Fund Performance & Asset Allocation

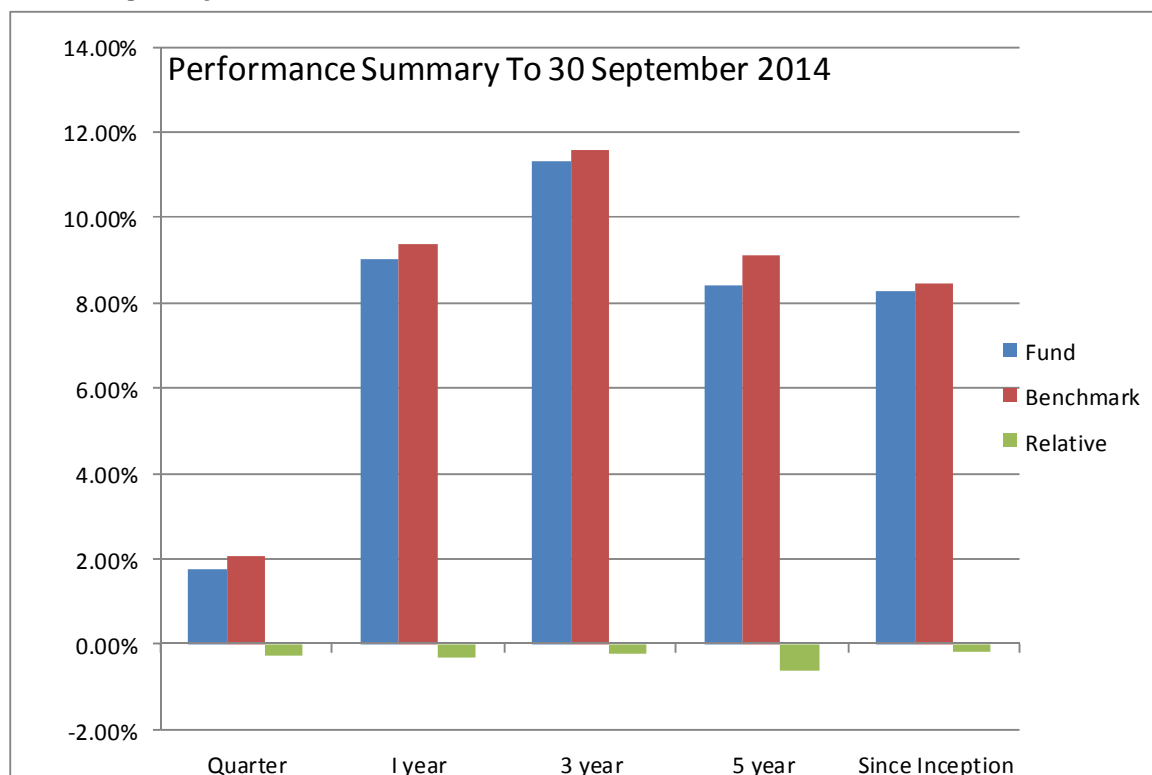
- 2.1 The Fund increased in value by £28.3m during the quarter from £1,618.7m to £1,647m, as the chart below shows. The Fund was overweight to cash and global equities and underweight UK equities, fixed interest, alternatives and property.

Asset Class	Q3 2014 £	Q2 2014 £	Asset Allocation %	Strategic Asset Allocation %	Difference %
UK Equities	318.9	326.5	19.4	20.0	(0.6)
Global Equities	690.7	671.7	41.9	40.0	1.9
Alternatives	235.0	230.9	14.3	15.0	(0.7)
Property	185.7	182.5	11.2	11.5	(0.3)
Fixed Interest	202.4	201.4	12.3	13.5	(1.2)
Cash	14.3	5.7	0.9	0.0	0.9
Total	1,647.0	1,618.7	100.0	100.0	

2.2 The graph below shows the Fund's performance against the benchmark over the quarter, one year, three years, five years and since inception. The Fund has a target to outperform the strategic benchmark by 1% per annum.

2.3 Over the quarter, the Fund produced a positive return of 1.77% underperforming the benchmark which returned 2.05%. The Fund is behind the benchmark over all periods.

* Since Inception figures are from March 1987



3. Hymans Robertson Manager Ratings

3.1 Hymans Robertson regularly meet managers to discuss current issues, management changes and performance. The manager is then allocated one of five ratings between replace and retain. The table below shows Hymans

Robertson's rating of all managers that have been appointed by the Lincolnshire Pension Fund.

- 3.2 The Fund has twenty managers and there has been no change in the rating of any of these managers over the quarter. Hymans Robertson still rate sixteen managers as retain and have categorised three managers, Reef Property Ventures Fund 3, Aviva Pooled Property Fund and Schroders, as "on watch" and Neptune as "strongly on watch". Officers will monitor these managers closely and arrange meetings to discuss any potential issues. In December Schroders, Neptune and Threadneedle attended the Pensions Committee for their annual presentation. The committee discussed performance and future expectations of the managers. These discussions fed into the asset allocation meeting later that day which is summarised in agenda item 8.

Manager	Rating			
	Replace		On Watch	Retain
Invesco Global Equities (Ex-UK)				X
Threadneedle Global Equity				X
Schroders Global Equity			X	
Neptune Global Equity		X		
Morgan Stanley Global Brands				X
F&C Absolute Return Bonds				X
Morgan Stanley Alternative Investments				X
Blackrock Fixed Interest				X
Standard Life European Property				X
Innisfree Continuation Fund 2				X
Innisfree Secondary Fund				X
Innisfree Secondary Fund 2				X
Franklin Templeton European Real Estate				X
Franklin Templeton Asian Real Estate				X
RREEF Ventures Fund 3			X	
Igloo Regeneration Partnership				X
Aviva Pooled Property Fund			X	
Royal London PAIF				X
Standard Life Pooled Property Fund				X
Blackrock Property				X

4. Individual Manager Update

- 4.1 The manager returns and index returns for equity, fixed interest and alternative managers are shown in the table below. A detailed report on each manager outlining the investment process, performance, purchases and sales and Hymans Robertson's manager view can be found after the table at 4.2.
- 4.2 Manager Returns – As shown below it was a mixed quarter for the Fund with six of the nine managers producing a positive absolute return. Over the quarter three managers outperformed their benchmark and two matched their benchmark. Schroder's, Morgan Stanley Global Brands, F&C and Morgan Stanley Alternative Investments all underperformed their benchmark over the quarter. Over the 12 month period all managers have produced positive absolute returns and only four of the managers underperformed against the

index. Against their target, only the in house team, Invesco, Morgan Stanley Alternatives and Blackrock have matched or beaten the required return.

	3 months ended 30/09/14			Previous 12 months			
Manager	Manager Return %	Index Return %	Relative Variance %	Manager Return %	Index Return %	Relative Variance %	Target p.a. %
Passive UK Equity In house	(1.1)	(1.1)	0.0	5.8	5.6	0.1	+/- 0.5
Invesco (Global Equities (ex UK))	4.1	3.6	0.5	14.8	12.7	1.8	+1.0
Threadneedle (Global Equities)	3.4	3.2	0.2	12.1	11.8	0.3	+2.0
Neptune (Global Equities)	4.0	3.2	0.8	8.9	11.8	(2.6)	+4.0
Schroder's (Global Equities)	1.8	3.0	(1.2)	9.7	11.2	(1.4)	+3.0
Morgan Stanley Global Brands	3.1	3.2	(0.1)	9.2	12.1	(2.6)	n/a
Blackrock (Fixed Interest)	3.6	3.6	0.0	6.7	6.7	0.0	Match Index
F&C (Fixed Interest)	(2.5)	0.9	(3.4)	2.4	3.6	(1.1)	3M LIBOR + 3%
Morgan Stanley (Alternative Investments)	(0.6)	1.2	(1.7)	5.4	4.6	0.8	3M LIBOR + 4%

**Lincolnshire Pension Fund
UK Equities – In House (Passive UK)
Quarterly Report September 2014**

Investment Process

This portfolio is managed internally and mandated to track the MSCI UK IMI index +/- 0.5% around the index, with a tracking error of 0.5%. Approximately 250-300 stocks are held.

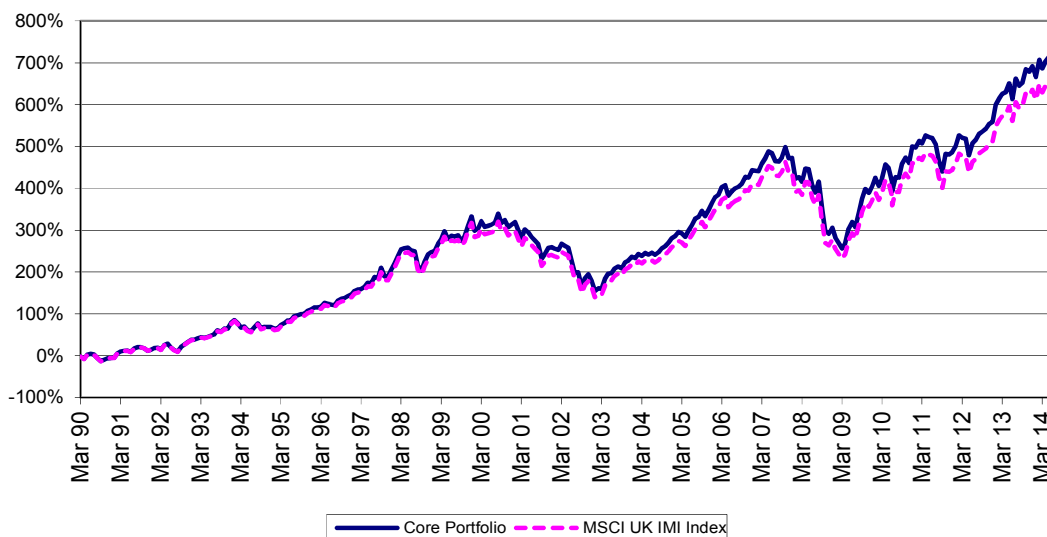
Portfolio Valuation

Value at 30.06.14	Value at 30.09.14
£326,491,228	£318,884,035

Performance

During the quarter the portfolio produced a negative return of 1.1% which matched the index. This was achieved through the portfolio's underweight positioning in Information Technology and materials whilst detractors to performance were underweight positions in financials and healthcare and an overweight position in energy. Over all other periods the portfolio has slightly outperformed the index and is within the target of +/- 0.5%.

UK Equities In House Portfolio Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
UK Equities – In House	(1.1)	5.8	13.8	9.8	8.6
MSCI UK IMI	(1.1)	5.6	13.8	9.7	8.3
Relative Performance	0.0	0.1	0.1	0.1	0.3

* annualised, inception date 01/10/1989

Turnover

Holdings at 30.06.14	Holdings at 30.09.14	Turnover in Quarter %	Turnover in Previous Quarter %
247	249	0.1	0.9

Purchases and Sales

During the quarter there was little activity within the portfolio with a single trade being undertaken to increase the fund's holding in Lloyds. This was done to reduce the underweight position to both Lloyds and the financial sector.

Largest Overweights

Vodafone Group	0.15%
BP	0.13%
Rio Tinto	0.12%
British American Tobacco	0.12%
Royal Dutch Shell	0.10%

Largest Underweights

Lloyds Banking	(0.18%)
Shire PLC	(0.15%)
Barclays	(0.13%)
Astrazeneca	(0.09%)
Intu Properties	(0.09%)

* Measured against MSCI UK IMI

Top 10 Holdings

1	Royal Dutch Shell	£25,112,862
2	HSBC Holdings	£19,719,150
3	BP	£14,065,846
4	GlaxoSmithkline	£11,760,930
5	British American Tobacco	£11,091,598

6	Vodafone Group	£9,329,311
7	Astrazeneca	£8,891,883
8	Diageo	£7,594,859
9	Rio Tinto	£6,635,984
10	Lloyds Banking Group	£6,626,857

Risk Control

The portfolio has a tracking error limit of 0.5%. At the end of September 2014 the tracking error was 0.25%.

Lincolnshire Pension Fund
Global Equities – Invesco (Global Ex UK Enhanced)
Quarterly Report September 2014

Investment Process

This portfolio is mandated to track the MSCI World ex UK Index, with a performance target of +1% and a tracking error of 1%. The aim is to achieve long-term capital growth from a portfolio of investments in large-cap global companies. Active performance is generated through a quantitative bottom-up investment process, driven by stock selection and based on four concepts: Earnings Momentum, Price Trend, Management Action and Relative Value.

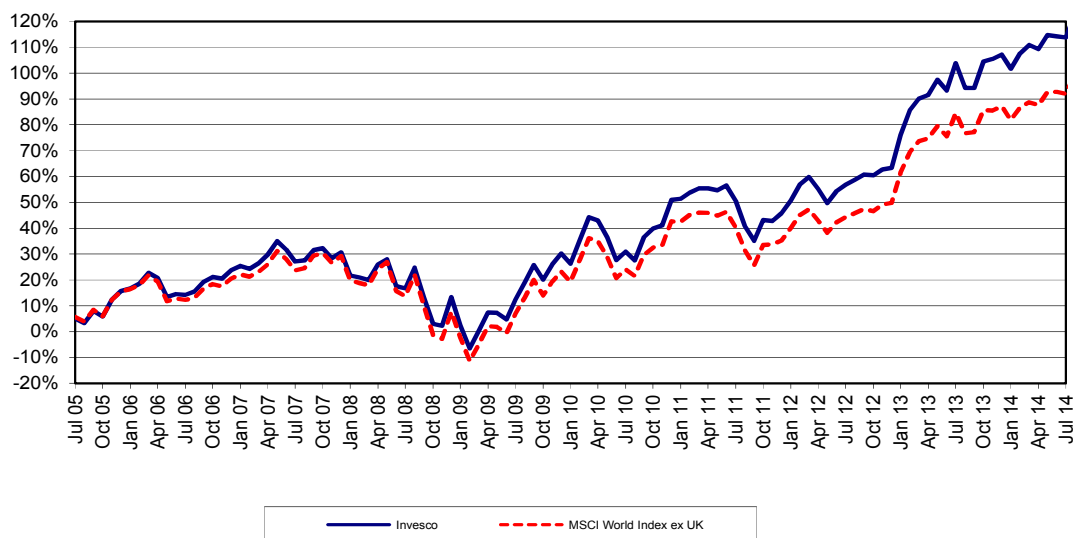
Portfolio Valuation

Value at 30.06.14	Value at 30.09.14
£338,749,574	£347,438,525

Performance

During the third quarter Invesco's strategy outperformed its benchmark. Stock Selection had the largest positive impact on relative performance, as the contribution from their overweighted assets was positive. In addition, intended overweight's in stocks with a high earnings expectation score added to performance. Contributions from Countries and Currencies, which are a residual of their Stock Selection, were slightly negative. Overweights in New Zealand stocks helped performance, while overweights in Danish stocks hurt performance.

Invesco Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Invesco	4.1	14.8	18.2	12.1	9.1
MSCI World ex UK	3.6	12.7	16.7	10.7	7.8

Relative Performance	0.5	1.8	1.3	1.3	1.2
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* annualised, inception date 1st July 2005

Turnover

Holdings at 30.06.14	Holdings at 30.09.14	Turnover in Quarter %	Turnover in Previous Quarter %
435	417	7.5	7.7

Purchases and Sales

During the quarter Invesco made a number of stock adjustments to the portfolio as a result of their Stock Selection model. They added Coca-Cola and increased their positions in NTT, Hennes & Mauritz, Trinity Industries and Liberty Ventures. These were funded by selling out of Lowe's, Monsanto and UPM and reducing positions in Hutchinson Whampoa and Procter & Gamble.

Largest Overweights

Archer Daniels	1.01%
Northrop Grumman	1.01%
NTT	0.98%
Pfizer	0.89%
Lockheed Martin	0.79%

Largest Underweights

Verizon Comms	(0.69%)
Google	(0.55%)
Procter & Gamble	(0.50%)
Walt Disney	(0.49%)
Sanofi	(0.45%)

* Measured against MSCI World ex UK (NDR)

Top 10 Holdings

1	Apple Inc	£7,941,629	6	General Electric Co	£3,892,290
2	Microsoft Corp	£6,359,969	7	Archer-Daniels	£3,858,905
3	Pfizer Inc	£5,214,856	8	Citigroup Inc	£3,775,062
4	JPMorgan Chase	£5,139,063	9	Northrop Grumman	£3,771,762
5	Exxon Mobil Corp	£4,473,859	10	Oracle Corp	£3,717,636

Hymans Robertson View

There was no significant business news from Invesco over the period. Hymans have a slight reservation about the complexity / lack of transparency of the strategy but they still think there is a high probability they will meet their objectives.

Risk Control

The predicted tracking error of the portfolio decreased to 1% (actual target 1%).

**Lincolnshire Pension Fund
Global Equities – Neptune
Quarterly Report September 2014**

Investment Process

This portfolio is mandated to outperform the MSCI All Countries World Index by 2% to 4% over rolling three year periods, net of fees. This is achieved through generating capital growth from a concentrated portfolio of global securities, selected from across world equity markets. The investment process of Neptune means that they will usually generate more volatile returns than the Fund's other Global Equity Managers and are seen as benchmark agnostic.

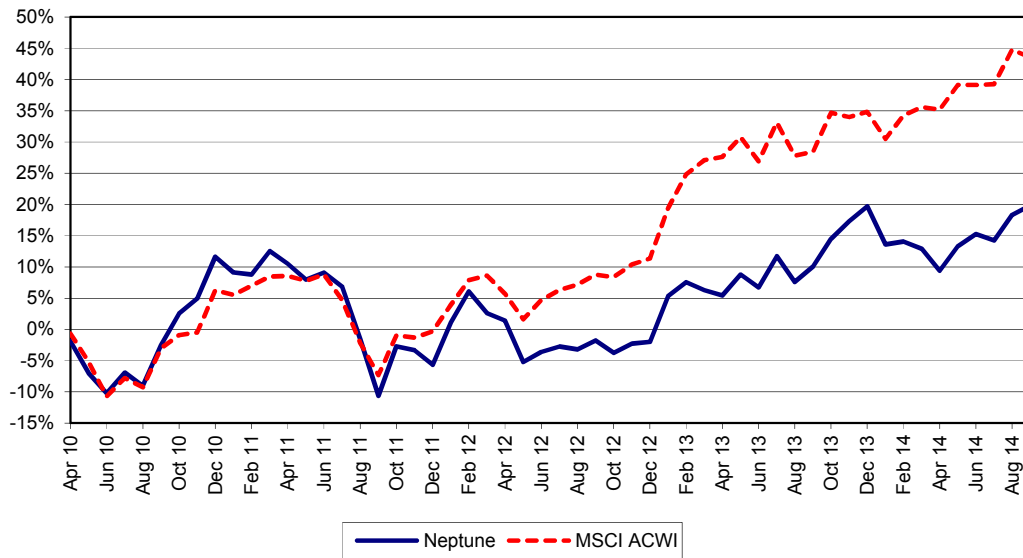
Portfolio Valuation

Value at 30.06.14	Value at 30.09.14
£80,183,778	£83,608,504

Performance

The portfolio returned 4% in the quarter and outperformed the index by 0.8%. The Fund's main overweights were in industrials, information technology and financials. There was notable strength in the information technology sector, especially from Facebook, Apple and Baidu. US financial institutions that the Fund held were also strong positive contributors, although exposure to Japanese property firms was a detractor as they lacked the asset reflationary catalyst of renewed QE. Japanese exposure greatly helped Neptune's continued hedging of yen exposures back into sterling. There was, however, some weakness in Neptune's European holdings, notably the auto manufacturers.

Neptune Performance Since Inception



	Quarter %	1 Year %	3 Year %	5 Year %	Inception*
Neptune	4.0	8.9	10.3	n/a	4.1
MSCI ACWI**	3.2	11.8	15.7	n/a	8.4
Relative Performance	0.8	(2.6)	(4.7)	n/a	(3.9)

* annualised, inception date 16/04/2010

Turnover

Holdings at 30.06.14	Holdings at 30.09.14	Turnover in Quarter %	Turnover in Previous Quarter %
51	47	25.2	25.4

Purchases and Sales

Portfolio transactions undertaken during the quarter did not represent a change in strategy but rather stock-specific switches within sectors (such as selling Sumitomo Mitsui Financial Group for Daiwa Securities) and adding new names, notably within Japanese industrials. The only exception to that was a retrenchment away from Europe, where Neptune sold the underperforming auto stocks, reflecting the risks posed by uncertainty around the ECB's monetary policy versus our confidence elsewhere in the world, notably the US and Japan. Neptune also increased their weighting to India by adding a holding in the Neptune India Fund. This is in addition to the two stocks they bought in India in the second quarter, and offers broader exposure to the market than the direct holdings in ICICI Bank and Larsen & Toubro.

Top 5 Contributions to Return

Facebook Inc	0.7%
Baidu.Com Spon ADR	0.7%
CME Group Inc	0.6%
Morgan Stanley	0.5%
Apple Computer Inc	0.4%

Bottom 5 Contributions to Return

Yum Brands Inc	(0.4%)
Sberbank-Spon ADR	(0.4%)
AGCO Corp	(0.3%)
Daimler Chrysler AG	(0.2%)
Kajima Corp	(0.2%)

Top 10 Holdings

1	CME Group Inc	£3,205,595
2	Facebook Inc	£3,169,108
3	Baidu Inc - ADR	£2,961,244
4	Fanuc Corp	£2,910,949
5	Taisei Corp	£2,876,310

6	Komatsu Ltd	£2,665,788
7	Mitsui Fudosan	£2,649,916
8	Apple Inc	£2,609,925
9	Marsh & Mclennan Cos	£2,582,858
10	Google Inc	£2,541,227

Hymans Robertson View

There was no significant business news from Neptune over the period. Hymans remain unconvinced that Neptune is able to sustain performance following the success of its high allocation to emerging markets in its formative years and they note that assets under management are reducing despite a wide range of investment strategies. Hymans rating remains at 2 – Sell, review options.

Hymans will be meeting with Neptune in early 2015 to gain a better understanding of the investment process that Neptune follows.

Risk Control

The portfolio may invest up to a maximum of 10% of value in securities outside the benchmark index and, in addition, may hold a maximum of 20% of value in cash, in any currency. The portfolio has no regional constraints but will always maintain exposure to at least seven of the ten MSCI Global Sectors and a broad geographical reach.

**Lincolnshire Pension Fund
Global Equities – Schroders
Quarterly Report September 2014**

Investment Process

This portfolio is mandated to outperform the MSCI All Countries World Daily Net Index by 2% to 4% over rolling three year periods, gross of fees. This is achieved through an investment approach that is designed to add value relative to the benchmark through both stock selection and asset allocation decisions. Schroders believe that stock markets are inefficient and they can exploit this by undertaking fundamental research and taking a long term view.

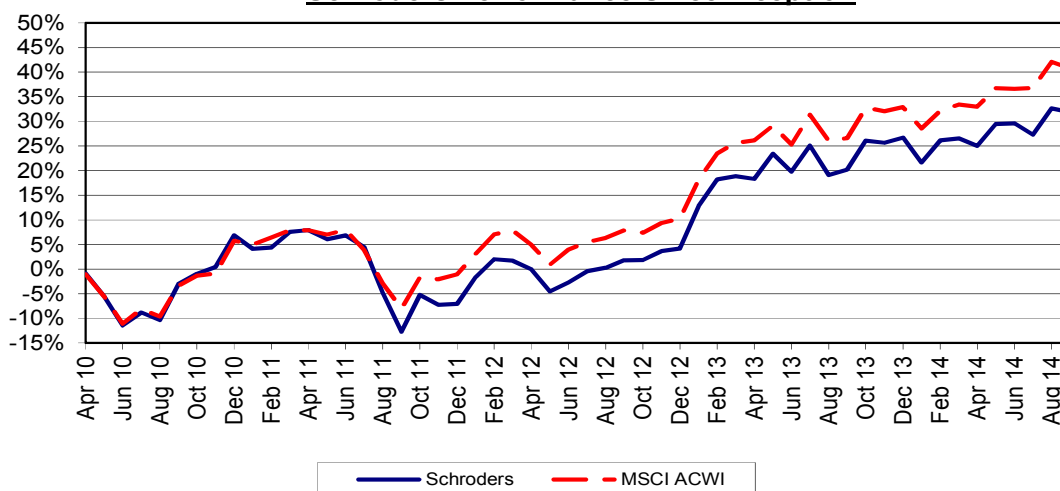
Portfolio Valuation

Value at 30.06.14	Value at 30.09.14
£86,622,173	£88,121,764

Performance

The portfolio underperformed the benchmark over the period despite a positive contribution from stock selection across all regions with the exception of North America. Over all other periods Schroders continue to underperform against their benchmark.

Schroders Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Schroders	1.8	9.7	14.8	n/a	6.3
MSCI ACWI (Net)	3.0	11.2	15.3	n/a	7.9
Relative Performance	(1.2)	(1.2)	(0.4)	n/a	(1.44)

*annualised since Inception April 16 2010

Turnover

Holdings at 30.06.14	Holdings at 30.09.14	Turnover in Quarter %	Turnover in Previous Quarter %
67	67	13.4	10.8

Purchases and Sales

Schroder's have added structural winners Reckitt Benckiser and Nestle to the portfolio and opportunistic stocks Marathon Oil and Hilton. Purchases have been funded by sales of names where the growth gap has closed, limiting Schroder's expectations for further upside (TripAdvisor and Universal Health), and those expected to deliver earnings disappointment (Mondelez).

Top 5 Contributions to Return

Amgen	0.6%
Nokia	0.3%
Kasikombank	0.3%
Citigroup	0.2%
ebay	0.2%

Bottom 5 Contributions to Return

Walgreen	(0.4%)
Heidelbergcement	(0.3%)
Harley-Davidson	(0.3%)
Schneider Electric	(0.3%)
Schlumberger	(0.3%)

Top 10 Holdings

1	Amgen	£2,937,171	6	Google	£2,090,704
2	Citigroup	£2,247,137	7	Nokia	£1,865,678
3	Schlumberger	£2,222,844	8	JPMorgan Chase	£1,765,043
4	Roche Holding	£2,176,292	9	Danaher Corp	£1,759,812
5	SMC	£2,112,431	10	Harley-Davidson	£1,758,224

Hymans Robertson View

The Schroder Global Equity team comprises 13 individuals including Alex Tedder (recently recruited from American Century), Simon Webber and Sue Chan, 8 Global Sectors Specialists ("GSS") and 2 product managers. Tedder indicated that he had implemented a reorganisation which might lead to some changes in team composition. Since the period end Hymans have seen some activity with former lead manager, Virginie Maisonneuve, recruiting 2 GSS's, Giles Money and Lucretia Tam to her new employer, PIMCO. Schroder believes that this is the extent of Maisonneuve's recruitment drive. Schroder may undertake its own recruitment activity in due course and in the meantime another GSS, James Gautrey, has been promoted to portfolio manager. Hyman's view is that the team can absorb the loss of Money and Tam but they are retaining their 'On Watch' rating until there is more clarity on Tedder's initiatives and the long run composition of the team.

Risk Control

The portfolio can have a maximum 10% off-benchmark exposure; any increase in this would require the consent of the Pension Fund.

**Lincolnshire Pension Fund
Global Equities – Threadneedle
Quarterly Report September 2014**

Investment Process

This portfolio is mandated to outperform the MSCI All Countries World Index by 2% per annum, gross of fees over rolling three year periods. This is achieved through investment managers who can draw on their own knowledge and that of other parts of the organisation to implement a thematic approach to stock selection.

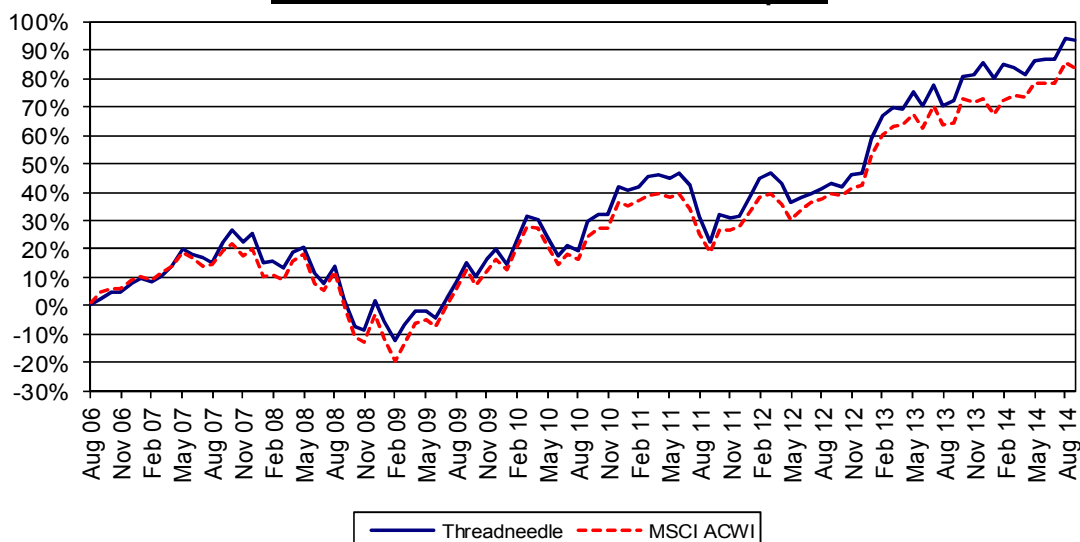
Portfolio Valuation

Value at 30.06.14	Value at 30.09.14
£89,614,986	£92,629,923

Performance

The fund outperformed its benchmark in the third quarter. Regional positioning was favourable, as the US, where Threadneedle are overweight, outperformed Europe and the Far East, where they are underweight. At the stock level, strong performance by their selections in consumer discretionary, healthcare and materials led to a positive return overall.

Threadneedle Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Threadneedle	3.4	12.1	16.4	10.9	8.4
MSCI ACWI	3.2	11.8	15.7	10.3	7.7
Relative Performance	0.2	0.3	0.6	0.5	0.6

* annualised, inception date 01/08/2006

Turnover

Holdings at 30.06.14	Holdings at 30.09.14	Turnover in Quarter %	Turnover in Previous Quarter %
94	93	10.2	19.8

Purchases and Sales

Threadneedle added to an existing position in methanol producer Methanex and opened new positions in car rental firm Hertz and Vertex Pharmaceuticals. They sold semiconductor firm Lam Research, the sector has performed well, and they now think Applied Materials, which they purchased recently, offers more upside as a merger with Tokyo Electron is worked through.

Top 5 Contributions to Return

Gilead Sciences	0.8%
Apple	0.4%
Bank of Ireland	0.3%
Facebook	0.3%
Amgen	0.2%

Bottom 5 Contributions to Return

Copa Holdings	(0.3%)
Suncor Energy	(0.2%)
Continental	(0.2%)
Nomura Holdings	(0.2%)
Samsung Electronics	(0.2%)

Top 10 Holdings

1	Apple Inc	£2,462,899
2	Mazda Motor Corp	£1,967,139
3	Gilead Sciences	£1,885,718
4	Methanex Corp	£1,865,042
5	Disney (Walt) Com	£1,813,056

6	Sekisui Chemical	£1,769,715
7	Union Pacific Corp	£1,755,351
8	Anheuser-Busch	£1,746,584
9	Nestle SA	£1,737,814
10	Suncor Energy	£1,715,130

Hymans Robertson View

In September, Threadneedle announced that its Head of UK Equities, Simon Brazier and co-manager Blake Hutchins along with two European analysts and an investment specialist, were leaving to join Investec. Threadneedle's UK equity desk manages some £18bn of assets. The team will still comprise 9 investment professionals after these departures. Leigh Harrison led the team from 2006 – 2011 before taking on the role of Head of Equities. He continued to run some money directly and will expand that responsibility as well as re-assuming his previous position as Head of UK Equities. It is disappointing to record further changes in the UK team; only 4 team members, including Harrison, have been with the UK team for over 5 years. Hymans are optimistic that the global equity team is now more settled under William Davis but staff turnover in the wider firm is still higher than they would like. Hymans continue to rate the strategy at 4 – Retain.

Risk Control

The portfolio can have a maximum 10% off-benchmark exposure; any increase in this would require the consent of the Pension Fund.

**Lincolnshire Pension Fund
Global Equities – Morgan Stanley Global Brands
Quarterly Report September 2014**

Investment Process

The Global Brands Fund is an open-ended investment company incorporated in the United Kingdom. The aim of the Fund is to provide long term capital appreciation through investing in a concentrated high quality global portfolio of companies with strong “intangible assets”. The Fund is benchmarked against the MSCI World Index. Managers aim to gain an absolute return to the Fund rather than a relative return against their benchmark index.

Portfolio Valuation

Value at 30.06.14	Value at 30.09.14
£76,514,346	£78,896,781

Performance

During the quarter the fund returned 3.1% marginally lagging the index which returned 3.2%. In the quarter stock selection in consumer staples and the portfolio's underweight in healthcare were negative contributors. The zero weight in energy and materials, stock selection and allocation to consumer discretionary and industrials, stock selection in financials, zero weight in utilities and allocation to information technology were positive contributors.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Morgan Stanley Global Brands	3.1	9.2	N/A	N/A	13.3
MSCI World Index	3.2	12.1	N/A	N/A	18.3
Relative Performance	(0.1)	(2.6)	N/A	N/A	(4.2)

*annualised, inception date 18/06/2012

Purchases and Sales

During the quarter Morgan Stanley bought Japan Tobacco and added to their positions in Diageo and Publicis. They reduced their positions in Swedish Match, Kraft, Moody's and Time Warner.

Top 3 Contributions to Return

Microsoft	0.8%
Sanofi	0.7%
Procter & Gamble	0.6%

Bottom 3 Contribution to Return

LVMH	(0.3%)
Publicis	(0.2%)
Mondelez	(0.1%)

Top Ten Holdings

Company	Industry	% Weighting
British American Tobacco	Tobacco	9.3
Nestle	Food Products	8.9
Unilever	Food Products	7.6
Reckitt Benckiser	Household Products	7.1
Sanofi-Aventis	Pharmaceuticals	6.0
Procter & Gamble	Household Products	4.9
Microsoft	Software	4.9
Diageo	Beverages	4.7
Accenture	IT Services	4.7
Philip Morris	Tobacco	4.6

Hymans Robertson View

There was no significant business news from Morgan Stanley over the period. The Global Brands strategy has moderately reduced exposure to its core consumer staples holdings which have underperformed over the last year or so but has otherwise retained its defensive profile. The newly launched sister strategy, Global Quality, has fared slightly better over its first 12 months but it is far too early to draw any conclusions from that. Global Quality has grown steadily to assets of £1.3bn over that period. Global Brands has assets of c.£9.5bn and remains closed to segregated accounts though new clients for the pooled fund are considered on a case by case basis. At this stage Hymans do not see capacity across the two strategies as a problem and retain their rating on Global Brands at 5 – Preferred strategy.

**Lincolnshire Pension Fund
Passive Bonds – Blackrock
Quarterly Report September 2014**

Investment Process

Blackrock manage a passive bond mandate for the Pension Fund. Their portfolio is made up of three pooled funds; an index-linked bond fund, a corporate bond fund and an overseas bond fund. All three funds are designed to match the return of their relevant benchmarks. The manager uses two methods to manage index-tracking funds; full replication and stratified sampling.

Full replication involves holding each of an index's constituent bonds in exactly the same proportion as the index. This method is used where the number of constituents in an index is relatively low and liquidity is above a certain level.

Stratified sampling is the method used when full replication is not possible or appropriate. This approach subdivides the benchmark index according to various risk characteristics, such as currency/country, maturity, credit rating, sector of issuer etc. Each subset of bonds is then sampled to select bonds for inclusion within the pooled fund.

The table below shows the indexing method for each of the three pooled funds in which the Fund invests.

Pooled Fund	Indexing Method
Aquila Life Corporate Bond All Stocks Index Fund	Sampled
Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund	Full Replication
Aquila Life Overseas Bond Index Fund	Sampled

Portfolio Valuation at 30th June 2014

Portfolio	30.06.14 £	30.09.14 £
Corporate Bond All Stocks Index Fund	50,369,749	51,833,986
Over 5 Years UK Index-Linked Gilt Index Fund	29,959,128	31,735,392
Overseas Bond Index Fund	18,902,402	19,256,038
Total	99,231,279	102,825,416

Performance

Over all periods the portfolio has matched the benchmark.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Blackrock	3.6	6.7	6.0	n/a	6.8
Composite Benchmark	3.6	6.7	6.0	n/a	6.7
Relative Performance	0.0	0.0	0.0	n/a	0.0

*annualised since inception 28/07/10

Hymans Robertson View

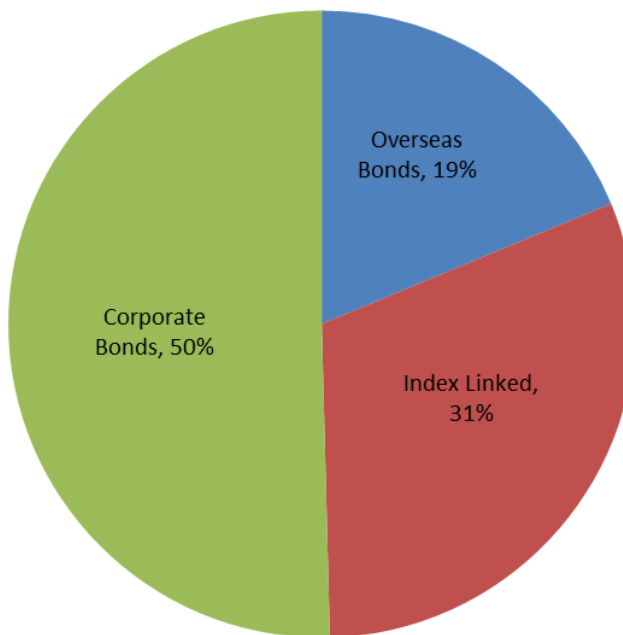
There were no significant developments within the Index Fixed Income team over the quarter; as such Hymans continue to rate Blackrock as one of their preferred passive fixed income managers.

Allocation

The target allocation between the three funds is:

Aquila Life Corporate Bond All Stocks Index Fund	50%
Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund	30%
Aquila Life Overseas Bond Index Fund	20%

The pie chart below shows the allocation as at 30th September 2014



**Lincolnshire Pension Fund
Absolute Return Bonds – F&C
Quarterly Report September 2014**

Investment Process

F&C manage an absolute return bond mandate for the Fund. The Pension Fund is invested in their multi-manager target return fund, with an investment objective to achieve a low level of return in excess of anticipated money market returns, within a multi-manager structure. The managers are selected to exploit various investment opportunities, including the money market, interest rate, equity, commodity, currency and credit markets. The manager has a target to beat the return of 3 month LIBOR +3%.

Portfolio Valuation

Value at 30.06.14	Value at 30.09.14
£102,127,622	£99,549,520

Performance

During the quarter the fund fell by 2.5% and underperformed the target return by 3.4%. All three strategies in the portfolio generated a negative return over the quarter. F&C are not concerned that the portfolio construction is amplifying similar bets and they remain happy with the overall portfolio, in spite of a few disappointing months. The overall credit quality of the portfolio remains good, and F&C are comfortable with the exposures within the Fund.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
F&C	(2.5)	2.4	2.7	n/a	2.2
3 Month LIBOR + 3%	0.9	3.6	3.7	n/a	3.8
Relative Performance	(3.4)	(1.1)	(1.0)	n/a	(1.5)

* annualised since inception date 19/07/2010

Allocation

The target return fund is currently split between three managers, listed below with their speciality investment areas:

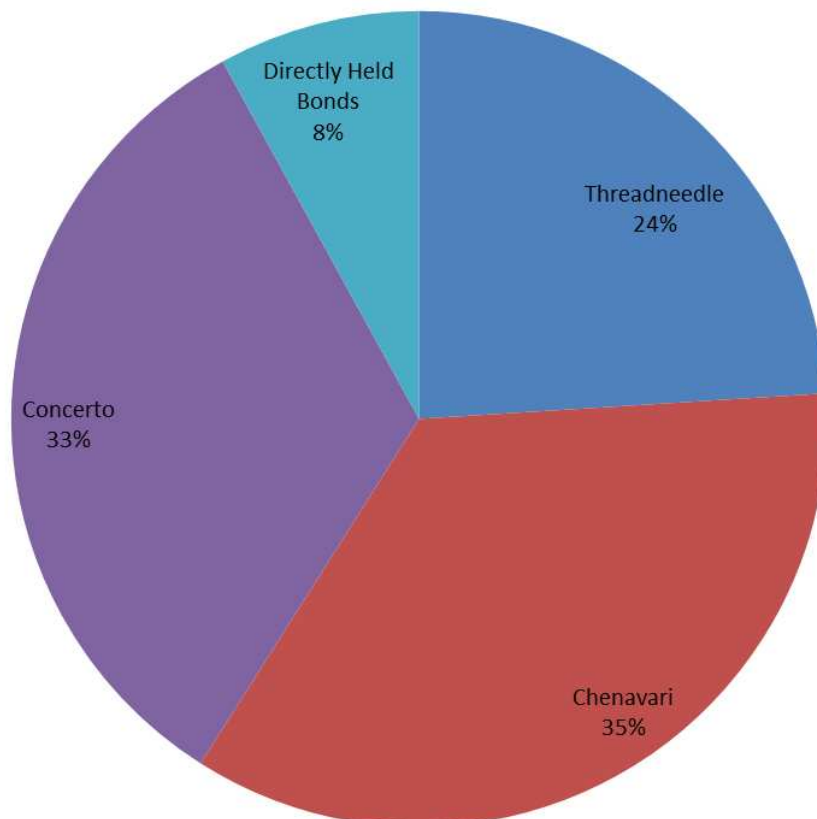
Threadneedle	Interest rates, currency
Chenavari	Credit
Concerto	Credit

Hymans Robertson View

As Hymans indicated in the Q2 report, there has been little change to the management of the Absolute Return Fund due to the new ownership of F&C by Bank of Montreal (BMO). Ben Fox continues to manage the Fund, and is supported by a significant team of macro, quant and multi strategy specialists. Hymans had a research meeting with Fox in September 2014 which raised no concerns over the

management of the Fund, or F&C's continued commitment to the Fund, despite the other large investor liquidating their holding. Two future developments which were discussed included potentially increasing the existing return target for the Fund and re-branding the Fund under the F&C banner. Hymans maintain their "4 –Retain" rating but will continue to monitor the manager closely.

The pie chart below shows the allocation as at 30th September 2014



**Lincolnshire Pension Fund
Alternative Investments – Morgan Stanley
Quarterly Report September 2014**

Investment Process

Morgan Stanley manages a bespoke absolute return alternative investment mandate for the Fund. The portfolio is invested in alternatives only, with no exposure to traditional equities or bonds. Investments are made to complement our existing portfolio and in future will include our Private Equity portfolio. The manager has a target to beat the return of 3 Month LIBOR + 4%.

Portfolio Valuation

Value at 30.06.14	Value at 30.09.14
£143,833,989	£154,652,811

Performance

The portfolio declined 0.6% during the third quarter. Manager selection was the largest driver of returns while strategic allocation modestly detracted. Tactical decisions were additive to relative returns.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Morgan Stanley	(0.6)	5.4	7.3	n/a	5.8
3 Month LIBOR + 4%	1.2	4.6	4.8	n/a	4.8
Relative Performance	(1.7)	0.8	2.4	n/a	0.9

* annualised since inception date 24/11/2010

Allocation

Morgan Stanley has split out investments into a bespoke portfolio of alternatives comprising five different asset allocations;

Alpha – These are pure return seeking products based on Manager skill. The Alpha investments include Hedge Funds, Global Tactical Asset Allocation (GTAA) and Active Currency.

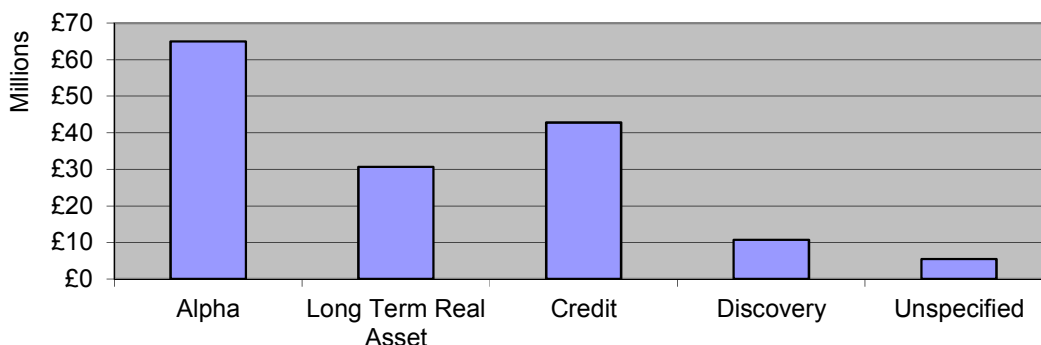
Long Term Real Asset – These are long term investments that seek to access illiquidity premium. Investments include Private Equity, Infrastructure, Real Estate, Commodities and Inflation – linked strategies.

Credit – These are the purchase of the lower rated bonds where higher default is more likely. Manager selection is important to ensure the correct bonds are purchased that will appreciate following rating upgrades and merger and acquisition activity. Credit opportunities include Emerging Market Debt, High Yield Bonds, Senior Loans and Convertibles.

Discovery – These are new opportunities of investments and can include Frontier Markets, Distressed Opportunities and Volatility.

Unspecified – These are cash balances held with Morgan Stanley.

Allocation as at 30th September 2014



Portfolio Positioning

During the quarter, Morgan Stanley continued to moderate their overall exposure to credit through reductions in high yield and EM debt. Additionally, they reduced their exposure to interest rate sensitive assets in light of the potential for interest rates increases and broadened their exposure to hedge funds to include more alpha and opportunistic strategies. Morgan Stanley also initiated positions in private renewable energy infrastructure. They also committed to a specialist European manager which focuses on onshore wind, solar photovoltaic (PV) and biomass and have a second commitment to a niche UK solar PV opportunity.

Hymans Robertson View

Morgan Stanley remain one of their favoured managers for diversified alternatives mandates and this team now manage £2.7bn across its segregated portfolios and pooled fund. This portfolio offers exposure to a broad range of alternative assets that typically offer diversification from traditional asset classes, equities, fixed income and bonds. Morgan Stanley adopts a typical multi-asset framework and over the long-term the portfolio is expected to generate 50% of performance from the strategic asset allocation, 25% from manager selection and 25% from medium-term asset allocation. Morgan Stanley employs an open architecture approach, investing through both internal and external fund managers. The team responsible for this portfolio has been highly stable and the three portfolio managers, Joe McDonnell in London, Ryan Meredith and Rui de Figueiredo in New York, have many years' experience in the management of alternative investments. Hedge Funds continue to be a core strategic allocation within the portfolio due to what Morgan Stanley believes to be their attractive characteristics. Manager selection is critical to success when investing in hedge funds and Morgan Stanley therefore gains exposure through investing in its own in-house multi-strategy fund of hedge fund which currently represents approximately 25% of the portfolio.

Risk Control

Portfolio volatility since inception is 3.99% within the guidelines specified by the mandate.

Conclusion

Over the quarter the Fund has produced a positive return of 1.77% which is slightly behind the benchmark. Managers have had mixed returns with six of the nine managers producing a positive return.

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Nick Rouse, who can be contacted on 01522 553641 or nick.rouse@lincolnshire.gov.uk.

Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	Pension Committee
Date:	08 January 2015
Subject:	PENSION ADMINISTRATION REPORT

Summary:

This is the quartely report by the pension administrator Mouchel.

Stuart Duncombe, the Communications Coordinator, will update the committee on current administration issues.

Recommendation(s):

That the committee note the report.

Background

1. Performance and Benchmarking

- 1.1 Local Performance Indicators (LPI's) are routinely reported to Lincolnshire County Council at monthly partnership meetings. The purpose is to provide greater clarity to the Pension Fund of the Mouchel Pension Units' overall performance compared against industry standards. The service delivery team use the task management module to organise their daily work flow with target dates and performance measures hard wired into the system. The performance measures ensure tasks are prioritised on a daily basis and although the work flow is in the main automated, the service delivery co-ordinator has the flexibility to re-schedule work should time pressure demand. The intention of the locally agreed indicators is to enhance the visibility of Mouchel's overall service standards and similarly assist the Committee in its role of monitoring the overall performance of the Mouchel Pension Unit. The locally agreed indicators compliment the rather narrow set of CIPFA national benchmarking measures already reported through established Service Level Agreements and the benchmarking club.

1.2 The 13 LPI groups have been selected as they represent work areas that generate the highest volumes of enquiries and queries. The minimum days (time taken) and performance targets (as a minimum target) are set purposely to ensure that the Mouchel Pension Unit can provide a quality service to all our customers.

1.3 The Task Management reports show the Units performance as measured against both the local indicators and the national CIPFA benchmarks. The results for the period September 2014 to November 2014 extracted from the Task Management module (Altair) are shown below.

Service	Days	Minimum Target	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target	Actual Performance
Processing new entrants	18	98.5	4.5	1828	0	1828	1828	100.0%
Transfers – in (Calculation)	30	98.5	37.4	45	23	45	22	48.9%
Transfers – in (Payment received)	30	98.5	6.6	19	0	19	19	100.0%
Transfers – Out (Calculation)	30	98.5	5.8	110	0	110	110	100.0%
Transfers – Out (Payment)	30	98.5	4	15	0	15	15	100.0%
Retirement Actual	5	98.75	4.3	144	0	144	144	100.0%
Deferred into payment	20	98.5	4.6	188	0	188	188	100.0%
Deferred Benefits	10	98.5	7.7	504	18	504	486	96.4%
Estimates	10	98.25	4.1	300	0	300	300	100.0%
Death in Service	5	98.5	4.8	4	0	4	4	100.0%
Death of a pensioner	5	98.5	4.6	65	0	65	65	100.0%
Refunds	5	98.75	4.8	137	2	137	135	98.5%
Pension Calculations	10	98.5	3.6	131	0	131	131	100.0%

Service	Days	Minimum Target	Average Case Time (days)	Number of Cases	Over target	TOTAL (cases)	Within Target	Actual Performance
Transfer in quotes	10		37.4	45	23	45	22	48.9%
Transfer out quotes	10		5.8	110	0	110	110	100.0%
Actual retirements	5		4.3	144	0	144	144	100.0%
Deferred calculation	10		7.7	504	18	504	486	96.4%
Estimates	10		4.1	300	0	300	300	100.0%
Death -initial letter to next of kin	5		0.1	90	1	90	89	98.9%
Death - notification of spouses pension (LLTP)	5		4.9	34	0	34	34	100.0%
Refund payments	5		4.8	137	2	137	135	98.5%

Some cases have again exceeded the target days as expected and warned in the previous report to the committee, primarily as a result of the continued ripple effect of the new scheme regulations. This has been particularly true of the Transfer In and Deferred procedures.

Please note, the Deferred procedure relates to those who had the option, following the move to the 2014 Scheme, of a refund or deferred benefit.

The current membership of the Lincolnshire Pension Fund is set out in the following table. Employer numbers continue to remain relatively static as the flow of LCC schools to Academy status continue to remain low when compared to the initial uptake in previous years. The ongoing creation of Free Schools however means that numbers do continue to rise.

Volumes as @ 30/11/2014 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	20,479	27,300	1,235	17,180	1,638
Councillors	48	10	-	24	-
Totals nos	20,527	27,310	1,235	17,204	1,638

2. Praise and Complaints

- 2.1 As part of the continued monitoring of the sections overall performance the Service Delivery Manager maintains an issues log that records all instances of praise and complaints received in the Unit either through general correspondence (including e-mail) and routine telephone calls. During the period 1st June* to 30th November 2014 there were 13 logged instances of praise and no complaints to report.

*previous report did not show any though there were 6 for the quarter to 31st August 2014

3 Administration Update

- 3.1 Annual Benefit Statements were issued to all active and deferred members during October and November 2014.
- 3.2 Stuart Duncombe continues to assist the transition project to West Yorkshire for 1 day per week. There is scope within this agreement to increase the time allocation should circumstances require it.
- 3.3 There have now been two data extracts provided to West Yorkshire Pension Fund and the Lincoln Pensions Unit is assisting in answering any queries that are raised.
- 3.4 The Pensions Technical Officer (Kaele Pilcher) has continued to provide training sessions to employers in order to support them to meet the obligations required of them by the Scheme. Formal evaluation feedback on these sessions has remained very positive.
- 3.5 Following the announcement that Contracting Out will cease in 2016, HMRC have arranged for Pension Schemes to reconcile the Guaranteed Minimum Pensions (GMPs) to those held by DWP. The Pensions Unit has registered their interest with HMRC and have now received initial data.

Potential issues that the reconciliation will highlight incorrect contracting out periods held by DWP, DWP not holding that a GMP has been transferred to another Scheme, and incorrect GMPs being held. This may lead to benefits having been paid incorrectly (due to pensions increase) or, where a refund has been paid and the DWP have no record of receiving the Contributions Equivalent Premium (ie contribution to put a member back in to State Second Pension), additional benefits payable to the member/DWP.

Due to the size and complexity of this project, it is proposed that WYPF will undertake the reconciliation so that the process is managed in a common way throughout.

4 Current Issues

- 4.1** As advised in the previous report, following the introduction of the 2013 regulations there remains outstanding further miscellaneous regulations (2014) required to clarify certain rules and policy intentions. This was expected early in the Autumn, however at the time of writing, they are yet to be released. Mouchel will update the committee once they have been released with any relevant changes to the scheme.

Conclusion

The Mouchel Pensions Administration team continues to work closely with Lincolnshire County Council to provide an efficient and effective service to all stakeholders within the Lincolnshire Pension Fund.

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Stuart Duncombe, who can be contacted on 01522 836463 or stuart.duncombe@mouchel.com.

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Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	Pensions Committee
Date:	08 January 2015
Subject:	Pensions Administration Transition Update

Summary:

This report updates the Committee on progress with the transition of the pensions' administration service from Mouchel to West Yorkshire Pension Fund (WYPF). In addition it highlights areas where we will look to streamline processes between the two Funds.

Recommendation(s):

That the Committee note this report and agree the recommendations to amend the Lincolnshire policies to WYPF's where stated.

Background

- 1.1 The contract with Mouchel to provide Pensions Administration services to the Fund ends on 31st March 2015. Committee members were notified in May that West Yorkshire Pension Fund (WYPF) was the preferred provider for pensions administration services from 1st April 2015.
- 1.2 The change in Pensions Administration provider is part of the Future Delivery of Support Services programme (FDSS). A project board and team have been set up to work with WYPF and manage the transition and the collaboration agreement was signed in August.
- 1.3 The partnership is governed through a collaboration board, comprising of officers from both Funds. The first meeting of the collaboration board was held in September, agreeing the terms of reference, and a subsequent meeting was held in December. Meetings will generally be held quarterly. The Board will report back to the Pensions Committee on a regular basis, once the shared service is fully operational.

- 1.4 WYPF will base a satellite office in Lincoln, co-locating with the LCC Pensions Team in County Offices. All staff at Mouchel transferring to WYPF will be based here.

2 Transition Update

- 2.1 Transition work is progressing and meeting its milestones, with the second data cuts from the administration and payroll systems having been completed in December, and the first sample of parallel pensioner payroll data run. January will see the commencement of the staff consultation process, where WYPF managers will be able to talk on a one-to-one basis with the transferring staff.
- 2.2 Fund employers were introduced to the members of the team from WYPF at the administration employer meeting held in the Council Chamber in November. A training program for all employers is being rolled out by WYPF to ensure that data can be submitted correctly to the new administration system from April. Regular updates are sent to employers to keep them informed of the coming changes.
- 2.3 Active and deferred scheme members received an update about the change of provider in their annual benefit statements that were distributed in October and November, and all members, including Pensioners, will receive a further communication in March to provide more information and new contact details.
- 2.4 The project support officer, Heather Smith, has left LCC to take up a new job elsewhere. Her support and management of the project has been invaluable and will be missed. Her replacement, Jay Parkin, had a handover with Heather in December and is now supporting the project. The replacement process was fast tracked to ensure that there is no additional risk to the project with Heather's departure.

3 Discretions and Practices

- 3.1 The project team have had a number of discussions around discretions and current practice in order to streamline processes for the two Funds and create efficiencies. WYPF adhere to the Quality Management System (ISO 9001:2008) and therefore their procedures and processes are well documented and applied consistently. Areas identified below are shown as either for information or for decision. There may be more that will be highlighted as the transition progresses and also once the service is fully operational within WYPF, where required, these will be brought to this Committee for decision.
- 3.2 **For information:** Life Certificates - this provides written evidence that a pension beneficiary is still alive and that the conditions on which their pension was granted are still satisfied. Mouchel have not sent out Life Certificates for a number of years. WYPF will be sending Life Certificates to

all Lincolnshire Pensioners over the first year and then move to a rolling 12 month cycle for high risk pensioners (these are defined in WYPF documentation).

- 3.3 **For decision:** Additional Pension Contributions (APC's) and Shared Cost Additional Pension Contributions (SCAPC's) – there are two differences here with our current discretions:
- 1) Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment) – Lincolnshire currently apply this on a case by case basis, WYPF will only accept a request to pay an APC/SCAPC over a period of time where the regular monthly contribution is at least £10.
Recommendation – to amend our policy to WYPF's.
 - 2) Whether to require a satisfactory medical before agreeing to an application to pay an APC/SCAPC and whether to turn down an application to pay an APC/SCAPC if not satisfied that the member is in reasonably good health – Lincolnshire require any scheme member to complete a medical questionnaire and that they are in reasonably good health, WYPF require completion of a GP declaration unless it is to cover lost pension due to absence of up to 36 months or they have already reached their state retirement age.
Recommendation – to amend our policy to WYPF's.
- 3.4 **For decision** – Charges in relation to the supply of information – currently Lincolnshire only charge members in two instances; for requests for cash equivalent values in divorce cases or where a second transfer value request is received within a twelve month period. WYPF have a set of charges for third party information requests. These cover calculation requests, printing and supply of information, FOI requests, and also recharge any 3rd party costs incurred.
Recommendation – to amend our policy to WYPF's.
- 3.5 **For decision** – 100th birthday flowers – WYPF send a bouquet of flowers to pensioners reaching 100 years of age. This is not something that Lincolnshire currently does. The Committee's decision on whether to adopt this practice is required.
- 3.6 WYPF have a number of additional policies that provide clear and well documented guidelines in areas such as Death Grant nomination, recovery of overpayments and Children's pensions – breaks in education. Post transition, officers at Lincolnshire will look to review these alongside our own procedures to ensure that we follow a robust process in all these areas.

Conclusion

- 4.1 The transition is progressing and meeting the milestones in the project plan.

Consultation

a) Policy Proofing Actions Required

n/a

Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.