

County Offices
Newland
Lincoln
LN1 1YL

5 July 2017

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 13 July 2017** 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 E W Strenziel (Chairman), P E Coupland (Vice-Chairman), R D Butroid, Mrs P Cooper, Mrs M J Overton MBE, Mrs S Rawlins, A J Spencer and R H Woolley

Co-Opted Members

Mr A N Antcliff, Employee Representative
Mr J Grant, Non-District Council Employers Representative
Cllr J Summers, District Councils Representative

**PENSIONS COMMITTEE AGENDA
THURSDAY, 13 JULY 2017**

Item	Title	Pages
1	Apologies for Absence/replacement members	
2	Declarations of Members' Interests	
3	Minutes of the previous meeting of the Pensions Committee held on 1 June 2017	5 - 6
4	Independent Investment Advisor's Report <i>(A report by Peter Jones, Independent Investment Advisor, which provides a market commentary on the current state of the global investment markets)</i>	7 - 10
5	Pensions Administration Report <i>(This is the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund. Yunus Gajra, the Business Development Manager from WYPF, will provide an update on current administration issues)</i>	11 - 32
6	Pension Fund Update Report <i>(A report by Jo Ray which provides an update on Fund matters over the quarter ending 31 March 2017 and any current issues)</i>	33 - 48
7	Investment Management Report <i>(A report by Jo Ray which covers the management of the Lincolnshire Pension Fund assets over the period from 1st January to 31st March 2017)</i>	49 - 68
8	Annual Report on the Fund's Property and Infrastructure Investments <i>(A report by Jo Ray which outlines the performance of the Fund's property and infrastructure investments for the year ended 31st March 2017)</i>	69 - 82
9	Lincolnshire Pension Fund Policies Review <i>(A report by Jo Ray which brings the main policies of the Pension Fund for review)</i>	83 - 116
10	Lincolnshire Pension Fund Risk Register <i>(A report by Jo Ray which presents the Pension Fund Risk Register for annual review)</i>	117 - 126
11	Annual Pensions Committee Training Plan and Policy <i>(A report by Jo Ray which sets out the training policy and the annual training plan for the Pensions Committee members for the year to April 2018)</i>	127 - 142

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 1 JUNE 2017

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), Mrs M J Overton MBE, Mrs S Rawlins and A Spencer;

Co-opted Member Mr A N Antcliff (Employee Representative);

Officers in attendance:-

Roger Buttery (Independent Chair, LGPS Pensions Board), David Forbes (County Finance Officer), Peter Jones (Independent Advisor), Paul Potter (Hymans Robertson), Jo Ray (Pension Fund Manager) and Catherine Wilman (Democratic Services Officer)

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R D Butroid, R H Woolley and Co-opted member, Mr Grant (Small Scheduled Body Representative).

2 DECLARATIONS OF MEMBERS' INTERESTS

Councillor E W Strengiel declared a personal interest as a City of Lincoln Councillor.

Councillor A Spencer declared that he was a contributing member of the Fund as a Boston Borough Councillor.

Mr A N Antcliff, Employee Representative declared an interest as an employee of Lincolnshire County Council and a contributing member of the Pension Fund.

3 MINUTES OF THE MEETING HELD ON 8 MARCH 2017

RESOLVED

That the minutes of the meeting held on 8 March 2017 be noted and signed by the Chairman as a correct record.

4 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That in accordance with section 100(A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following items of business on

PENSIONS COMMITTEE
1 JUNE 2017

the grounds that if they were present there could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

5 MANAGER PRESENTATION - INVESCO

The Committee received a presentation from representatives of Invesco Perpetual Asset Management who managed the Global ex UK Equity Portfolio for the Fund. The presentation outlined the performance of the portfolio over the year from May 2016 and the major factors that had influence that performance.

A range of questions were asked by Committee members to clarify various points and enhance their understanding.

RESOLVED

That the report be noted.

6 MANAGER PRESENTATION - MORGAN STANLEY GLOBAL BRANDS

A presentation from representatives from Morgan Stanley who managed the Global Brands Fund was received which outlined performance over the medium term and provided details of that performance.

The Global Brands mandate was designed to deliver consistent results, and specifically to outperform when market returns were low.

RESOLVED

That the report be noted.

7 MANAGER PRESENTATION - MORGAN STANLEY ALTERNATIVES

The Committee received a presentation from Morgan Stanley who managed the Fund's allocation to alternative investments. The presentation covered the performance of the fund over the year and how that performance had been achieved.

Members of the Committee sought certain clarification on certain points.

RESOLVED

That the report be noted.

The meeting closed at 1.00 pm

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

Report to:	Pensions Committee
Date:	13th July 2017
Subject:	Independent Investment Advisor's Report

Summary:

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

Recommendation(s):

That the committee note the report.

Background

Equity markets close to all time “highs”. Are they ready for a fall?

Equity markets continue to trade at or very close to record levels. Many investors are experiencing feelings of “vertigo”. Surely, having risen for the best part of eight years, equity markets must be ready for a sharp correction? And yet, fixed interest markets – the other major asset class in which pension funds are able to invest – are also close to record high prices, i.e. record low yields. This is a dilemma facing every major institutional investor.

The financial crisis of 2008/09

It seems hard to comprehend that the financial and banking crisis - triggered by the Lehman Brothers bankruptcy - hit the world almost nine years ago. In the absence of concerted action from the governments of the major nations of the world, Central Banks around the globe were obliged to step into the breach. They, principally the US Federal Reserve, the Bank of England, the European Central Bank and the Bank of Japan, made dramatic and unprecedented moves: first to lower short term interest rates e.g. UK bank base rate; and second to purchase huge quantities of their own government and related debt, with a view to successfully engineering a fall in long term interest rates. The latter is sometimes referred to as Quantitative Easing – or QE for short.

The financial crisis led to a global economic recession and to inflation falling to very low levels. Central bankers were very fearful that the recession would rapidly turn into a 1930's style depression. Once in train, depressions are very difficult to

reverse as the history of the 1930's shows; that was brought to an end in part because of re-armament ahead of the second world war. So Central Bankers have left few stones unturned, in the past few years, in their combined efforts to stimulate their respective economies and to create a tolerable level of inflation – say 2% per annum.

The result of their actions was to flood the global financial markets with liquidity – the cash acquired by investors that sold government and other bonds to the Central Banks. The aim of the Central Banks was to benefit directly the corporate sector and individual consumers. A consequence – which continues – was that it drove up investment markets, almost without exception.

More buoyant economic news, globally

The economic news of the past few months has been surprisingly good and indicates that Central Banks are moving closer to achieving their objectives. All around the world, growth rates are improving, albeit modestly by historical standards. The USA and the UK have been growing at around 2% per annum for several years. Recently they have been joined by major European economies such as Germany and France. China continues to grow at around 6% annual rate. With the pick-up in growth, have come modest falls in unemployment and a welcome return of inflation. This scenario is a good one for equity markets.

Does this mean that Central Bank objectives have been achieved? Not yet. Central Banks continue to purchase large quantities of their government and other debt. As recently as August 2016, the Bank of England reduced its Base Rate to 0.25%. But the US Federal Reserve has begun to increase its short-term interest rate and did so again in mid-June. At some point there will be tapering off of QE, i.e. the purchase of debt, but this will undoubtedly be modest and undertaken cautiously. There are examples in the past of central banks withdrawing stimulus too hastily and aborting an early stage economic recovery.

Nonetheless, I suspect that commentators will look back on 2017 and conclude that this was the year when a watershed was reached – leading to a very gradual (glacially slow?) return to the financial norms of the past.

Stock market anxieties

There is an old stock market adage that equity markets “climb a wall of worry”. And while there is plenty of good economic news, there are still things to worry about - mainly political, not least the recent UK electoral result. Uppermost in most investors' minds will be the malfunctioning US administration under the erratic Donald Trump; and the Brexit situation, where the chances of a “hard” Brexit appear to be rising in the wake of ever higher demands from both parties. And North Korea. That said, the populist fears surrounding the Dutch and French elections have not transpired.

So, what are the prospects for equity and bond markets? The key, I think, lies in the excess of liquidity referred to earlier. There is no early prospect of it being withdrawn, and when it is, I am sure it will be done only slowly. The Central Banks

have no incentive to engineer sharp market falls – in fact the exact opposite. They want the current high levels of confidence in companies and the private sector to become self-sustaining. So, I doubt that we shall see significant setbacks in either the equity or bond markets. Does that mean that there could not be an attack of the “jitters”? Obviously, not. But once a fall has extended to say 10%, especially in equities, I would expect the buyers to step in once again.

Peter Jones
24th June 2017

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Background Papers

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

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Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection

Report to:	Pensions Committee
Date:	13 July 2017
Subject:	Pensions Administration Report

Summary:

This is the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund.

Yunus Gajra, the Business Development Manager from WYPF, will update the committee on current administration issues.

Recommendation(s):

That the Committee note the report.

Background

1.0 Performance and Benchmarking

1.1 WYPF uses workflow processes developed internally to organise their daily work with target dates and performance measures built into the system. The performance measures ensure tasks are prioritised on a daily basis, however Team Managers have the flexibility to re-schedule work should time pressure demand.

1.2 The table below shows the performance against key areas of work for the period 1 February 2017 to 31 May 2017.

LPF - KPI's for the Period 1.2.17 to 31.5.17					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Transfer In Quote	165	35	162	85	98.18
Transfer In Payment Received	130	35	128	85	98.46
Divorce Quote	215	35	214	85	99.53
Divorce Settlement – Pension Sharing order Implemented	11	80	11	100	100.00
Deferred Benefits Set Up on Leaving	1610	10	1190	85	73.91
Refund Quote	503	35	485	85	96.42
Refund Payment	888	10	885	95	99.66
Transfer Out Quote	137	35	132	85	96.35
Transfer Out Payment	73	35	73	85	100.00
Pension Estimate	2922	10	2784	75	95.28
Retirement Actual	1100	3	1051	90	95.55
Deferred Benefits Into Payment Actual	890	5	861	90	96.74
Death Grant Single Payment	338	5	332	90	98.22
Payment of Beneficiary Pension	384	5	349	85	90.88
Potential Spouse Pension Enquiry	74	10	63	85	85.14
Initial letter acknowledging death	1132	5	1113	85	98.32
Change of Address	3659	20	3650	85	99.75
Life Certificate Received	4957	20	4901	85	98.87
Death Grant Nomination Received	3940	20	3924	65	99.59
Payroll Changes	2284	5	2231	90	97.68
Change to Bank Details	845	5	725	90	85.80
Death Notification	1132	5	1113	90	98.32
AVC In-house (General)	586	10	573	85	97.78
Initial Letter Death in Retirement	685	5	602	85	87.88

LPF - KPI's for the Period 1.2.17 to 31.5.17					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Initial Letter Death in Service	19	5	19	85	100.00
Initial Letter Death in Deferment	39	5	34	85	87.17
Deferred Benefits Into Payment Quote	555	35	502	85	90.45
Retirement Quote	1041	10	927	85	89.05

Reasons for underperforming KPI's:

Transfer in quote	Delays in receiving appropriate documentation.
Deferred Benefits set up on leaving	Given low priority due to volumes. Members are however, informed in writing that they will receive details of their benefits as soon as possible.
Change to Bank Details	120 cases done outside time limit of 5 days, however they were all actioned before payroll was processed so payments were paid to the correct bank account.

2.0 Scheme Information

2.1 Membership numbers as at 28 June 2017 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	24,872	26,737	3,263	19,463	2,025
Councillors	9	34	0	40	-
Totals	24,881	26,771	3,263	19,503	2,025
Change	+62	-144	+144	+350	+101

2.2 Age Profile of the Scheme

Status	Age Groups												
	U 20	20- 25	26- 30	31- 35	36- 40	41- 45	46- 50	51- 55	56- 60	61-65	66- 70	70+	TOTAL
Active	43 6	1745	1643	2198	2600	3484	4351	3887	2850	1399	239	40	24872
Beneficiary Pensioner	88	44	2	1	4	18	42	71	128	237	305	1495	2435
Deferred	1	441	1501	2065	2188	3339	5326	6056	4577	1158	34	9	26695
Deferred Ex Spouse	0	0	0	0	3	1	10	13	10	1	0	0	38
Pensioner	0	0	2	0	6	20	42	109	1086	4383	5027	6336	17011
Pensioner Deferred	0	0	0	0	0	0	1	0	2	1	0	0	4
Pensioner Ex Spouse	0	0	0	0	0	0	0	0	2	8	4	3	17
Preserved Refund	40	153	96	121	162	226	309	322	261	169	116	50	2025
Unecided													3263
Councillors													83
Total													76,443

2.3 Employer Activity

Academies and Prime Account Schools

Between 1 January 2017 to 31 May 2017 no academies but 15 Prime Account Schools became Scheme employers in the Fund.

WYPF are currently working on 8 schools that are in the process of converting to academies or Prime Account Schools.

Town and Parish Councils

Between 1 January 2017 to 31 May 2017 no Town and Parish Council became Scheme employers. Two have not yet decided whether to become Scheme employers in the Fund.

Admission Bodies

Between 1 January 2017 to 31 May 2017 there were two new Admission Bodies in the Fund.

WYPF are currently working on the admissions for four Admission Bodies.

Employers ceasing Participation

Between 1 January 2017 to 31 May 2017 one employer ceased their participation in LPF.

Number of Employers in WYPF

These changes to employers bring the total number of employers in LPF as at 31 May 2017 to 249.

3.0 Praise and Complaints

3.1 Over the quarter January to March we received **three** online customer responses.

Over the quarter January to March **87** Lincolnshire member's sample survey letters were sent out and **12 (13.79%)** returned:

Overall Customer Satisfaction Score;

January to March 2016	April to June 2016	July to September 2016	October to December 2016	January to March 2017
80.34%	80.71%	79.55%	77.22%	87.07%

Appendix 1 shows full responses.

3.2 Employers Survey

WYPF undertake an annual survey amongst the Employers to gauge the level of satisfaction by the service provided by WYPF and also to identify any areas for improvement.

Appendix 2 shows full responses.

3.3 Employer Feedback from workshops

Two workshops were held in the last quarter:

Pensionable Pay

A complete guide to administration

Feedback from participants is shown at Appendix 3.

4.0 Internal Disputes Resolution Procedures

4.1 All occupational pension schemes are required to operate an IDR. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the 'Adjudicator'). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered the Pension Fund Manager. Stage 2 appeals are considered by a solicitor appointed by Lincolnshire County Council. From 1 February 2017 to 31 May 2017 seven Stage 1 appeals were received and there were a total of two Stage 2 appeals, as detailed below:

1 February 17 to 31 May 17	Number of appeals	Outcomes	Details
STAGE 1	7		
AGAINST EMPLOYER	5	2 turned down	
		Turned down	Member appealed against being turned down for payment of deferred benefits on ill health grounds.
		Turned down	Appeal against being refused an ill health pension.
AGAINST LPF	2	1 turned down and 1 upheld.	
		Turned down	Appeal against refusal to offer transfer out of benefits.
		Upheld	Appeal against service used in benefit calculation. Extra service granted.
STAGE 2	2		
AGAINST EMPLOYER	1	Turned down	Appeal against refusal to offer transfer out of benefits.
AGAINST LPF	1	Referred for another medical appointment	Appeal against refusal to pay deferred benefit on ill health grounds.

4.2 The Pensions Ombudsman can consider appeals and allegations of maladministration, once the two stages of the IDR have been exhausted. From 1 February 2017 to 31 May 2017 there was one appeal regarding the

non-payment of a pension to a partner. We are awaiting a decision from the Pensions Ombudsman.

5.0 Administration Update

- 5.1 Life Certificates were issued to 16,671 pensioner members, 16,323 have been returned representing 97.91%. 12 pensions were suspended due to non-return of the life certificates. 49 pensions are currently paid to deposit accounts whilst further enquiries are being made.
- 5.2 Annual Benefit Statements - ABS production has started with 8,252 statements produced and printed (35.4%) to date.

6.0 Current Issues

- 6.1 Publication of new transfer factor suite
Following the updates made to the Club memorandum in February 2017 (effective 1 March 2017), DCLG issued an updated transfer factors suite for the LGPS in England & Wales on 23 March.
- 6.2 Tax on interest for late payment of pension benefits
LGA have advised that although such payments are subject to income tax, administering authorities must not deduct this tax (because section 371 Income Tax (Trading and Other Income) Act 2005 places liability for income tax charged on interest on the person receiving or entitled to the interest). Instead, administering authorities must advise the member that they are responsible for accounting for the tax on the interest payment themselves and, accordingly, they should declare the payment to HMRC.
- 6.3 Annual update bulletin and maximum additional pension
On 22 March, the LGPC Secretariat published the 2017 annual update bulletin (bulletin 155) which sets out the rates and bands applicable from April 2017 for various purposes.

It should be noted that the maximum additional pension that may be bought by, or on behalf of, an individual under regulation 16 of both the LGPS Regulations 2013 and the LGPS (Scotland) Regulations 2014 is not changing in April 2017. This is a consequence of last year's pensions increase applying at a rate of 0%.

The additional pension limit will therefore remain:

- £6,755 for the 2017/18 scheme year for the LGPS in England and Wales, and
- £6,500 for the 2017/18 scheme year for the LGPS in Scotland.

- 6.4 Exit payment cap – Enterprise Act 2016 commencement order
On 24th January, HM Treasury issued SI2017/70, the Enterprise Act 2016 (Commencement No. 2) Regulations 2017, effective from 1st February 2017.

The regulations commence certain parts of the Enterprise Act 2016 including changes to the Small Business, Enterprise and Employment Act 2015, which enable the £95k exit payment cap to be introduced. However, the commencement order does not itself bring the exit payment cap into effect, but merely allows the Government to make regulations providing for the introduction of the cap.

The LGPC Secretariat remain of the understanding that HM Treasury plan to undertake a further consultation on draft regulations covering the cap before this becomes effective.

6.5 Overseas Transfer charge

In the Spring Budget 2017, the Government announced the introduction of an overseas transfer charge. This charge is intended to support the government's objective of promoting fairness in the tax system. It continues to allow overseas transfers from registered pension schemes that have had UK tax relief, that are made when people leave the UK and take their pension savings with them to their new country of residence.

The new measure ensures that transfers to QROPS (Qualifying Recognised Overseas Pension Schemes) requested on or after 9 March 2017 will be subject to a 25% overseas transfers charge unless, from the point of transfer, both the individual and the pension savings are in the same country, both are within the European Economic Area (EEA) or the QROPS is provided by the individual's employer. If this is not the case and/or the individual does not provide the necessary information, the overseas transfers charge will apply.

It also widens the scope of UK taxing provisions so that, following a relevant transfer to a QROPS on or after 9 March 2017, the overseas transfer charge may apply to an onward transfer payment out of those funds (on or after 6 April 2017) in the five full tax years after the date of the original transfer, regardless of where the individual is resident.

6.6 2016 LGPS annual report

The 2016 annual report for the English and Welsh scheme has been published.

The report is foremost a compilation of each of the 91 funds' individual reports. However, the report also includes analysis of scheme trends at a national level and, this year, a summary of the 2016 fund valuations.

Some of the key highlights of the report are listed below:

- The total membership of the LGPS grew by 134,000 (2.5%) to 5.3m members in 2016 from 5.2m in 2015 and number of LGPS employers increased by 2,635 (22%) to 14,435.
- The total assets of the LGPS held at £217bn. These assets were invested in pooled investment vehicles (43.6%), public equities

(34.6%), fixed interest/index linked (7.5%), property (7.8%), as well as other asset classes (6.5%).

- The net return on investment over 2015/2016 was +0.1% compared with +12.1% in 2015. The 2016 figure reflecting less favourable market conditions than in 2015.
- The scheme remained in a cash-flow positive position in 2016, including investment income.
- As at 31 March 2016, the LGPS liabilities were estimated at £254bn indicating an overall funding level of 85%, increased from 79% at 31 March 2013. The increase in the funding level means there was an overall reduction in the cash deficit from £47bn in 2013 to £37bn in 2016.

The full report is available at www.lgpsboard.org under Scheme Annual Report 2016.

6.7 Publication of PwC academies report

The SABEW (Scheme Advisory Board for England and Wales) have published the PwC report, "Options for Academies in the LGPS", on their website. The report was commissioned by the SABEW in 2016 to look into the issues associated with the participation of academies in the LGPS.

Publication of the report will enable the Board to engage with key stakeholders including pension funds, actuarial firms and academy trusts as appropriate on the issues raised by those interviewed by PwC. The Board will continue to gather relevant evidence and then develop specific proposals for change.

6.8 Launch of pensions dashboard prototype

As reported previously, in the 2016 Budget the Government announced that it intended to ensure that the pensions industry would, by April 2019, design, fund and launch a 'pensions dashboard', a tool that would allow individuals to view all their pensions savings in one place.

In Autumn 2016, HM Treasury appointed the Association of British Insurers (ABI) to lead the development of a prototype pensions dashboard by the end of spring 2017. A project group was created to assist the ABI with this.

During April and May, the project group have launched the prototype at a number of events held around the country. A website has also been set up to demonstrate the prototype and how it works - <https://pensionsdashboardproject.uk/>.

Whilst the prototype demonstrates that the Dashboard is possible from an IT perspective, the major questions regarding the Dashboard remain outstanding, including:

- Mandation – will legislation be issued that requires pension schemes to participate?
- Funding – how will the costs of establishing and maintaining the Dashboard be met?

- Data – what data will members be able to find on the Dashboard and what will be the security arrangements to ensure the data is not compromised?
- Governance – who will regulate the Dashboard on an ongoing basis?

On 17 May, the ABI announced an interim phase of the Dashboard project in order that this does not lose momentum whilst the general election is taking place. The interim phase has four main aims:

- To establish a cost benefit analysis for the wider industry.
- To research customer needs and establish what features people are likely to find most useful in a dashboard.
- To establish the requirements and costs for a secure end-to-end service between data providers and data consumers.
- To further develop the technical data standards for all firms and work with PASA (the Pensions Administration Standards Association) on agreeing a Code of Conduct in line with requirements from The Pensions Regulator.

7.0 Finance

7.1 Cost per member

Shared service cost per member 2016/17 £13.76 (£15.45 for 2017/18 initial budget)

The shared service pension admin cost per member of £13.76 has been used to recharge LPF. Our cost target for shared service pension admin is to maintain a cost target of £17. The initial budget for 2017/18 Pension Admin shared services of £8.86m less £0.5m contingency will give us a projected cost of £14.91 per member for 2017/18. Our projected cost per member is below our target cost of £17.

8. News

8.1 Awards

WYPF were winners of the Best DB Scheme Innovation award at the Professional Pensions Pension Scheme of the Year Awards held on 27 June in London. WYPF were also shortlisted in the following categories:

Best Administration
 Best DB Communications
 Public sector Scheme of the Year
 Trustee Development
 Best Administration

Conclusion

WYPF and LPF continue to work closely as shared service partners to provide an efficient and effective service to all stakeholders within the Lincolnshire Pension Fund.

Appendices

These are listed below and attached at the back of the report	
Appendix 1	Customer Survey Results
Appendix 2	Employers Survey
Appendix 3	Feedback Summary

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

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 Yunus Gajra, who can be contacted on 01274 432343 or yunus.gajra@wypf.org.uk.

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Customer Survey Results - Lincolnshire Members (1st January to 31st March 2017)

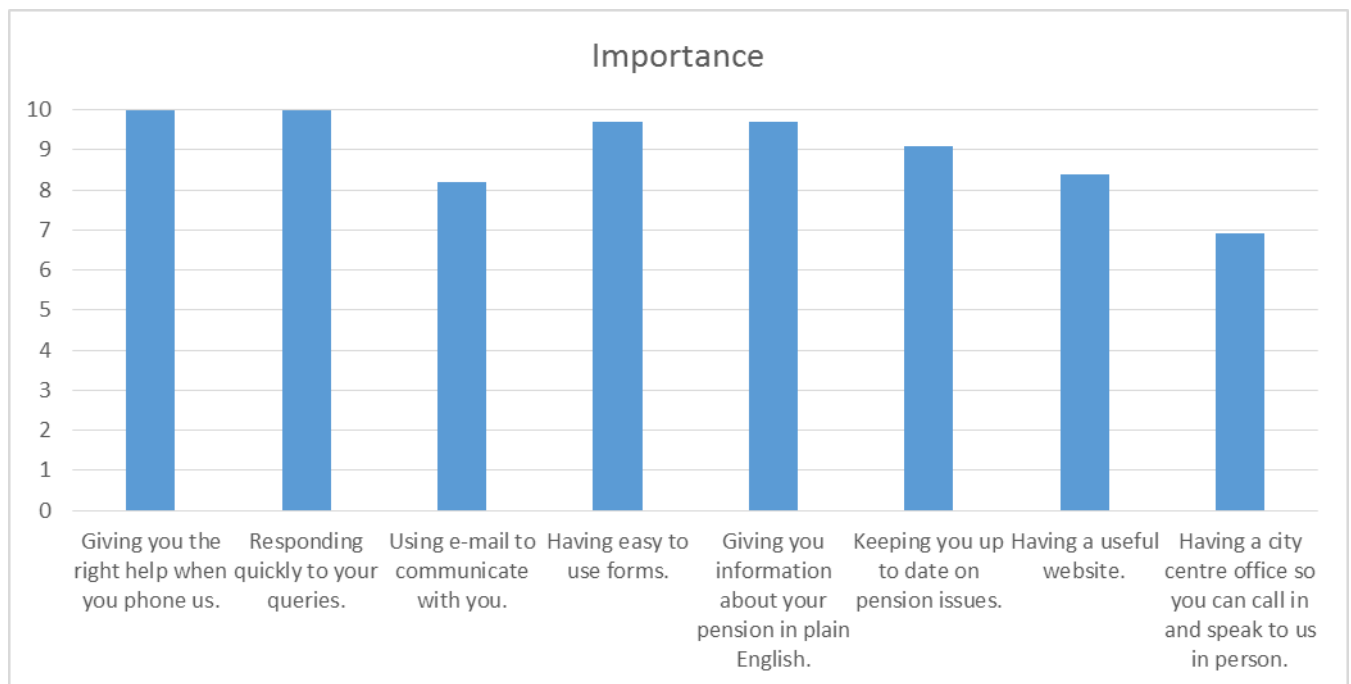
Over the quarter January to March we received **3** online customer responses.

Over the quarter January to March **87** Lincolnshire member's sample survey letters were sent out and **12 (13.79%)** returned:

Overall Customer Satisfaction Score;

January to March 2016	April to June 2016	July to September 2016	October to December 2016	January to March 2017
80.34%	80.71%	79.55%	77.22%	87.07%

The charts below give a picture of the customers overall views about our services;



Sample of positive comments:

Member Number	Comments
8044247	Always a named person to contact-usually same person each time which is very important to me. Very good service, always got answer to any question I have.
815224	Excellent as I would expect from a well trained organisation. Been a boon since having retired to know that I can trust local people to look after the pension and not the thieving magpies of parliament.
8045283	I was very pleased with the outcome. Very good, very helpful

Complaints/Suggestions:

Member Number	Comments	Corrective/ Preventive Actions
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None

LPF employer survey 2017

Priorities for improvement (PFIs)

Purpose

To identify areas of WYPF service with employers that could be improved.

Sample

The survey was emailed, and made available on the employer blog, to all authorised users notified to use by the scheme employers of WYPF.

These are the Finance, Administration and Strategic contacts as well as additional Authorised users of the system.

Results

Replies received: 72

Overall result: 83.42%

A summary of previous year's results are in appendix A

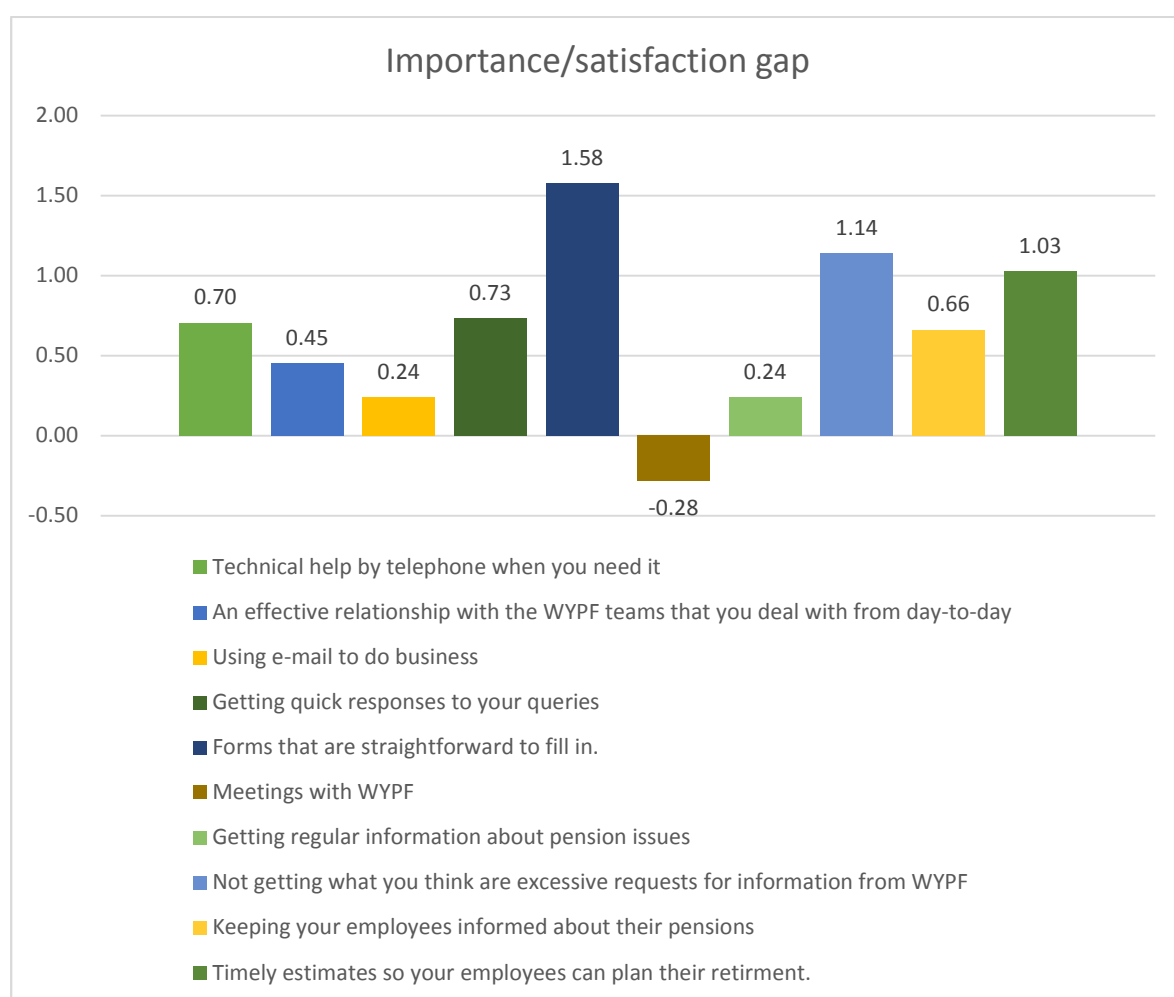


Importance/satisfaction gap

Plotting the gap between the score for how important an area is to the customer against how satisfied they are with our performance allows the identification of the largest gaps quite easily.

Normally a greater gain in customer satisfaction will be achieved by closing a large gap rather than a small gap.

On a 10 point scale any satisfaction gap above 1 is a point of concern and gaps on excess of 2 are serious.



Comments

Any comments you would like to add?

Have rated some highly but have not needed the service.

The one criticism I have is the forms you have. It was a long and laborious process to get myself and my colleagues registered with the right access to the WYPF, seemingly filling the same form in many times. It was a nightmare and you need to look at this. Apart from that the service has been excellent.

Well done, good service

Above taken from employee feedback who recently retired.

It would be good to get acknowledgements of pension estimates that are requested with an estimated timescale for a response.

Generally very pleased with service. Most staff extremely helpful and knowledgeable.

Thank you I am very satisfied with the service from WYPF

I have often rang into the main switchboard for the pension's team and could not get to speak to someone at that time. I left a message for a return call but often this doesn't happen and i have to call again.

WYPF tend to send a lot of emails with queries, when the queries are dealt with, we get another email with another query for the same person. Sometimes when you phone up for advice i.e. refund of APC's not only do WYPF pension officers give the incorrect advice that could've potentially got us into an issue with HMRC. We also have had more employees this year come to our department saying i phoned pensions and they said to contact the employer. We as an employer are not pension experts, we do payroll. Just as WYPF are not payroll professional you advise on Pensions, our link contact is brilliant and always willing to help. Overall the service is good, however, the above issues are some faced in the past tax year. From when WYPF took over and we went to the presentation it was said that everything will be done on a monthly form, admin will be easier, however, we have yet to see advances in this yet.

Please pass on thanks to your 'front line' staff who have to deal with people like me who don't do pensions all day and struggle to cope with what are probably very easy tasks! They are always patient and help with step by step instructions to deal with any queries.

Website not 100% user friendly

We are a very small employer and therefore have little day to day contact with the teams, however it is extra important to know that the service is available readily with the expert knowledge.

Our PFR is not client focused or friendly towards us a HR/payroll providers. They appear to think that the only organisation of importance is WYPF rather than us all working together to make sure staff pensions are paid correctly.

Staff don't seem to know much about their pensions. Kaele has offered to come out and hold a briefing session

Our relationship with WYPF got off to a very rocky start and there are still a number of queries that are outstanding. Recently this has been improving. However, I find the portal hard to use, the forms complex and very difficult to complete and I think that more help in this area would be an excellent idea.

I understand that WYPF have a backlog and this is creating us issues and our staff, when will this be resolved. We have streamlined our processes to make sure we get timely information to WYPF only to understand they are not touching it for months. The employees think this is an issue with us but we have done all we can.

Feedback from employee

Portal can be a little difficult to navigate and can sometimes kick you out/error whilst you are trying to update forms. Believe WYPF are due to come see EPM soon though to resolve this.

I have only been working with the fund for 2 months, so difficult to judge

I'm a new user so have yet to fully experience your service.

In my experience the support of the WYPF has been very helpful. They are always willing and prepared to talk through a complex pension processes as one builds and understanding of the requirements.

Scores of 5 are where I have not made use of the service

How would you sum up WYPF's service in one sentence?

Importance

Excellent

Professional and responsive

Friendly, efficient & informative

Solid performance - just what we need!

Professional and proactive

I think that the service and communication I have experienced has been very good

The WYPF/LFP's service is excellent.

Always putting employer & employees needs first

WYPF/LPF provide an effective service

Good

It seems to work well.

Excellent, efficient people who are nice to work with.

Dealing with staff at WYPF has made my job easier, as they dealt were professional and efficient

Professional

Excellent

User friendly website and help always at the end of the phone

Very efficient service and excellent response times to queries

Very helpful service

Professional, but sometimes there is a delay to queries
Helpful when I have contacted them and workshops useful
It's been a learning curve since the transfer to WYPF, but things are improving.
Very helpful and keep me on track with our responsibilities
Excellent
Excellent!
First class
Could be far more understanding of how schools/providers actually operate.
Whoever I have spoken with at WYPF have been extremely helpful
Very pleased with the customer service however still find the website/portal difficult to navigate
Good
A work in progress.
Work in progress
A very professional service.
Knowledgeable and efficient
Efficient and informative together with being swift to respond to questions
The service from WYPF/LPF's is second to none
Good
Satisfactory
Good
Good.
Adequate
Excellent
Always helpful with efficient and effective guidance
WYPF representatives are always willing to help no matter how incompetent the question!
Good so far.
A user friendly and very helpful service.
Very Good
Excellent
Training sessions this year have been extremely helpful
On the whole accessible and responsive to our needs.
Acceptable but customer service could be better.

Appendix A – Summary of results Lincolnshire Pension Fund

Summary of results Lincolnshire Pension Fund	2016		2017	
	Rank	Score	Rank	Score
Technical help by telephone when you need it	8	-0.08	5	0.70
An effective relationship with the WYPF teams that you deal with from day-to-day	4	0.23	7	0.45
Using e-mail to do business	9	-0.15	8	0.24
Getting quick responses to your queries	3	0.31	4	0.73
Forms that are straightforward to fill in.	<u>1</u>	<u>0.85</u>	<u>1</u>	<u>1.58</u>
Meetings with WYPF	10	-1.00	10	-0.28
Getting regular information about pension issues	2	0.38	8	0.24
Not getting what you think are excessive requests for information from WYPF	5	0.23	2	1.14
Keeping your employees informed about their pensions	7	0.00	6	0.66
Timely estimates so your employees can plan their retirement.	6	0.08	3	1.03
Satisfaction Score (%)	91.47		83.42	
Number of replies	12		71	

**Employer Feedback (LPF)
Quarter 1 January – March 2017**

Pensionable Pay – 18 January 2017

Feedback score: 97.84%

Comment	Action taken
More time on exercises please	Noted with course owner
There is an assumption about level of ability to do calc's	We are trialling an 'introduction to Pensions' session
Remove abbreviations	Passed to course owner
Feedback should be anon	Disagree

A summary of the compliments

- Really good course helped me understand.
- Useful training, well delivered and good materials.
- Course helped clarify subject.

Complete Guide – 16 March 2017

Feedback score: 88.15%

Comment	Action taken
Should perhaps be two examples so you could try a second exercise after seeing the result of the first.	Passed to course owner
Slower delivery would have improved understanding.	Discussed with trainer
Exercises could have been explained in more detail. Abbreviations used should be explained.	Passed to course owner

A summary of the compliments

- A great session, wish I had known about them earlier!
- Engaging course, thanks

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Open Report on behalf of Pete Moore - Executive Director of Finance and Public Protection

Report to:	Pensions Committee
Date:	13 July 2017
Subject:	Pension Fund Update Report

Summary:

This report updates the Committee on Fund matters over the quarter ending 31st March 2017 and any current issues.

Recommendation(s):

That the Committee nominate a new LAPFF Representative for the Fund and note the report.

Background

Fund Summary

- 1.1 Over the period covered by this report, the value of the Fund increased in value by £95m (4.7%) to £2,099.9m on 31st March 2017. Fund performance and individual manager returns are covered in the separate Investment Management report, item 7 on the agenda.
- 1.2 Appendix A shows the Fund's distribution as at 31st March. All asset classes were within the agreed tolerances. The Fund's overall position relative to its benchmark can be described as follows:

Overweight Equities by 2.4%

UK Equities underweight by 1.0%
Global Equities overweight by 3.4%

Underweight Alternatives by 1.1%

Overweight Property by 0.1%

Underweight Infrastructure by 1.0%

Underweight Bonds by 1.0%

Overweight Cash by 0.5%

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 31st March 2016.
- 1.5 The table below shows the Fund's ten largest single company investments (equity only and includes pooled investments) at 31st March, accounting for 10.1% of the Fund, compared to 10.5% last quarter. Direct equity holdings in the Fund are now shown on the Pensions shared website (www.wypf.org.uk), and updated on a quarterly basis.

	Company	Total Value £M	% of Fund
1	ROYAL DUTCH SHELL	31.0	1.5
2	UNILEVER	27.8	1.3
3	BRITISH AMERICAN TOBACCO	27.1	1.3
4	RECKITT BENCKISER	25.4	1.2
5	HSBC	22.4	1.1
6	MICROSOFT	19.2	0.9
7	APPLE	16.8	0.8
8	BP	15.0	0.7
9	GLAXOSMITHKLINE	14.0	0.7
10	JPMORGAN	12.8	0.6
	TOTAL	211.5	10.1

- 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 85 company events and cast votes in respect of 1,301 resolutions. Of these resolutions, the Fund voted 'For' 912, 'Against' 324, abstained on 49 and withheld votes on 16.
- 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 engagement report can be found on their website at www.lapfforum.org. Some of the highlights during the quarter included:

- LAPFF responded to The Department for Business, Energy & Industrial Strategy's Green Paper on Corporate Governance Reform. The response focused on ensuring that executive pay is properly aligned to long-term performance and giving greater voice to employees and consumers in the boardroom.
- Cllr Doug McMurdo (LAPFF Executive member) attended the easyJet AGM and spoke to the Chairman and Senior Independent Director.
- In responding to the Financial Stability Board's Taskforce on Climate Disclosure report, LAPFF supported its recommendations and considered all market participants should be encouraged to aim for full implementation.
- At a follow-up meeting with the Chairman of Rio Tinto, Rodney Barton, of the LAPFF executive, joined other investors in the small coalition that has been meeting with the company since 2013, to improve its response to the anticipated low-carbon transition.
- LAPFF responded to the government-backed Parker Review on Ethnic Diversity of UK Boards' consultation report 'Beyond One by 21'. The interim report highlighted the lack of ethnic diversity and makes several

recommendations. The Forum's response set out the Forum's position on diversity, how it engages on such issues and recommended that the final report could be strengthened by stressing the role that investors can and should play.

- The Forum met with HSBC to discuss the company's sparse human capital management reporting and financial regulation, including reports from the US suggesting that financial regulations implemented after the financial crisis to protect economies from further crises are likely to be rolled back.

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

2.4 Prior to the May elections and Committee changes, Cllr Nev Jackson was the Lincolnshire representative for the LAPFF, attending quarterly business meetings in London and the annual conference. As Cllr Jackson is no longer a County Councillor, the Pension Fund needs a new representative. The authority to appoint individuals to external bodies sits with the Executive Director of Finance and Public Protection, and he has requested that an individual is nominated from amongst the current Committee members.

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 outturn report detailing the performance of the cash balances managed by the Treasury. This shows an average cash balance of £10.4m. The invested cash has outperformed the benchmark from 1st April 2016 by 0.34%, annualised, as shown in the table below, and earned interest of £61k.

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

Pension Fund Balance – Q1 to 31st March 2017				
Pension Fund Average Balance £'000	Interest Earned £'000	Cumulative Average Yield Annualised	Cumulative Weighted Benchmark Annualised	Performance
		%	%	%
10,379.3	61.0	0.65	0.31	0.34

4 TPR Checklist Dashboard

- 4.1 The Pension Regulator's (TPR's) checklist for how Lincolnshire meets the code of practice 14 for public service pension schemes is attached at Appendix E.
- 4.2 The Areas that are not fully completed and compliant are listed below.

B12 – Knowledge and Understanding - Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?

Amber – It is the intention that all PB and PC members carry this out, and provide copies of the completion certificate to the Pension Fund Manager, however completion certificates have not been received for all members.

F1 – Maintaining Accurate Member Data - Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?

Amber - Scheme member records are maintained by WYPF. Therefore much of the information here and in later questions relates to the records they hold on LCC's behalf. However, as the scheme manager, LCC is required to be satisfied the regulations are being adhered to. Data accuracy is checked as part of the valuation process and the annual benefits statement process. Monthly data submission will improve data accuracy going forwards, however there are a number of historical data issues that are in the process of being identified and rectified.

F5 - Maintaining Accurate Member Data - Are records kept of decisions made by the pension board, outside of meetings as required by the Record Keeping Regulations?

Grey – not relevant as we do not expect there to be decisions outside of the PB. This will be monitored.

H1 – Maintaining Contributions - Has an annual benefit statement been provided to all active members within the required timescales?

Amber on compliance - 87.6% of Statements as at the deadline of 31st August 2016 were issued. This compares to 38% across all members at this time last year. Total across all members this year is over 90%. The annual benefit statement process is currently underway for the August 2017 deadline.

H3 - Maintaining Contributions - Has a benefit statement been provided to all active, deferred and pension credit members who have requested one within the required timescales?

Amber - 96.9% of Statements as at the deadline of 31st August 2016 were issued. This compares to 38% across all members at this time last year. Total across all members this year is over 90%. The annual benefit statement process is currently underway for the August 2017 deadline.

H5 - Maintaining Contributions - Has an annual benefit statement been provided to all members with AVCs within the required timescales?

Grey – provided directly by Prudential, with no Pension Fund involvement.

H6 – Maintaining Contributions - Do these meet the legal requirements in relation to format?

Grey – provided directly by Prudential, with no Pension Fund involvement.

H7 - Maintaining Contributions - Is basic scheme information provided to all new and prospective members within the required timescales?

*Amber - New starter information is issued by WYPF, **when they have been notified by employers**. This is done by issuing a notification of joining with a nomination form, transfer form and a link to the website. However, because the SLA relates to when notified, it does not necessarily mean the legal timescale has been met which is within 2 months of joining the scheme. The monthly data returns are improving this process.*

4.3 The areas changed since the last Pensions Committee meeting are:

B10 – Knowledge and Understanding – Is there a process in place for regularly assessing the pension board members' level of knowledge and understanding is sufficient for their role, responsibilities and duties?

From Amber to Green - The Board completed self-assessments ahead of the March '17 meeting, and the results were discussed. Additional information and training has been/will be provided. Training will continue to be a standing item on the agenda, and self-assessment will take place at regular intervals.

K7 – Scheme Advisory Board Guidance - Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.

Remaining Amber - Annual Training Plan of Committee shared with PB and all PB members invited to attend. Self-assessments were carried out in March, however no personal training plans have been put in place, as the assessments have been used to identify training areas required across the Board.

5 Risk Register Update

- 5.1 The risk register is brought to this Committee at agenda item 10, therefore an update is not provided in this report

6 Asset Pooling Update

- 6.1 Work has continued on the creation of Border to Coast Pensions Partnership Ltd (BCPP). The three project workstreams of the Operating Model and Asset Structures, People (incl. Property) and Governance have been very busy, to ensure that the go-live date of June 2018 can be met.

6.2 The first Joint Committee (JC) took place on 6th June, and Cllr Strenghel attended to represent the Lincolnshire Fund. The appointments of Cllr John Weighell (North Yorkshire Fund) as Chairman and Cllr Sue Ellis (South Yorkshire Fund) as Vice Chairman of the new JC were confirmed. The agenda covered the topics listed below:

- an update on the project delivery and implementation budget;
- feedback from the various national working groups;
- an update on the governance documentation completions and the incorporation of BCPP;
- refinement of the BCPP cost sharing principles;
- progress on the development of the target operating model and asset template;
- an update on the property search;
- consideration on the terms and conditions for BCPP employees;
- BCPP company structures and roles;
- A briefing on the governance requirements as an FCA regulated company; and
- An update on the executive search process.

The papers and minutes from the meeting will be shared with the Committee following this meeting.

6.3 The recruitment of the senior roles (Chairman, Chief Executive Officer, Chief Investment Officer, Chief Operating Officer/Chief Financial Officer, Chief Risk Officer and two Non-Executive Directors) is underway. There has been a delay in the appointment of the Chairman and the CEO as a result of the changes to the Pensions Committee Chairmen from the elections that happened in May. The expectation is that the Chairman and CEO will both be appointed before the summer break, with the additional executive posts appointed in September. The two NED's are expected to be appointed in July.

6.4 A separate pooling update paper will be brought to the next Pensions Committee.

7 **Committee Training**

7.1 The Committee were informed by email (20th June) of a two day training session that has been organised for the members of Pensions Committee and Pension Boards that are part of the Border to Coast Pensions Partnership. The New Member Training is to be delivered in York on the 11th / 12th September, and covers all major activities involved in running a Pensions Fund, focusing on the responsibilities of those charged with Governance of a Fund.

7.2 Places are limited and interest has been shown across all of the partner funds in BCPP. Committee members are asked to contact Jon Haw

(jonathan.haw@lincolnshire.gov.uk) at their earliest opportunity if they wish to attend, to ensure that a place can be secured.

Conclusion

8 This reporting period saw the value of the Fund rise, increasing by £95m to £2,099.9m. At the end of the period the asset allocation, compared to the strategic allocation, was;

- overweight equities and cash; and
- underweight property, fixed interest, and alternatives.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

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
Appendix E	TPR Checklist Dashboard

Background Papers

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

DISTRIBUTION OF INVESTMENTS

INVESTMENT	31 Mar 2017			31 Dec 2016			COMPARATIVE STRATEGIC BENCHMARK	
	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	%	TOLERANCE
UK EQUITIES								
UK Index Tracker	180,858	0%	0%	387,302,456	31.1%	19.3%		
Legal & General	398,285,857	30.4%	19.0%				20.0	+/- 2%
TOTAL UK EQUITIES	398,466,715		19.0%	387,302,456		19.3%	20.0	
GLOBAL EQUITIES								
Invesco	492,283,815	37.6%	23.4%	469,214,863	37.6%	23.4%	22.5	+/- 2.5%
Threadneedle	121,818,723	9.3%	5.8%	113,862,906	9.1%	5.7%	5.0	+/- 1%
Schroder	117,950,863	9.0%	5.6%	111,187,288	8.9%	5.5%	5.0	+/- 1%
Morgan Stanley	179,016,235	13.7%	8.5%	165,210,491	13.3%	8.2%	7.5	+/- 1%
TOTAL GLOBAL EQUITIES	911,069,637		43.4%	859,475,547		42.9%	40.0	
TOTAL EQUITIES	1,309,536,351	100%	62.4%	1,246,778,002	100%	62.2%	60.0	+/- 6%
ALTERNATIVES	291,853,422		13.9%	270,456,752		13.5%	15.0	+/- 1.5%
PROPERTY*	194,605,361		9.3%	209,131,915		10.4%	9.0	+/- 1.5%
INFRASTRUCTURE*	31,380,593		1.5%				2.5	+/- 1.5%
FIXED INTEREST								
Blackrock Interim	136,240,369	52.0%	6.5%	133,944,838	54.9%	6.7%	6.75	+/- 1%
Blackrock	125,927,908	48.0%	6.0%	109,943,995	45.1%	5.5%	6.75	+/- 1%
TOTAL FIXED INTEREST	262,168,278	100%	12.5%	243,888,832	100%	12.2%	13.5%	+/- 1.5%
TOTAL UNALLOCATED CASH	10,394,546		0.5%	34,596,763		1.7%	0.0	+ 0.5%
TOTAL FUND	2,099,938,551		100%	2,004,852,265		100%	100	

* Property and Infrastructure totals were previously combined – split out from January 2017 onwards

APPENDIX B

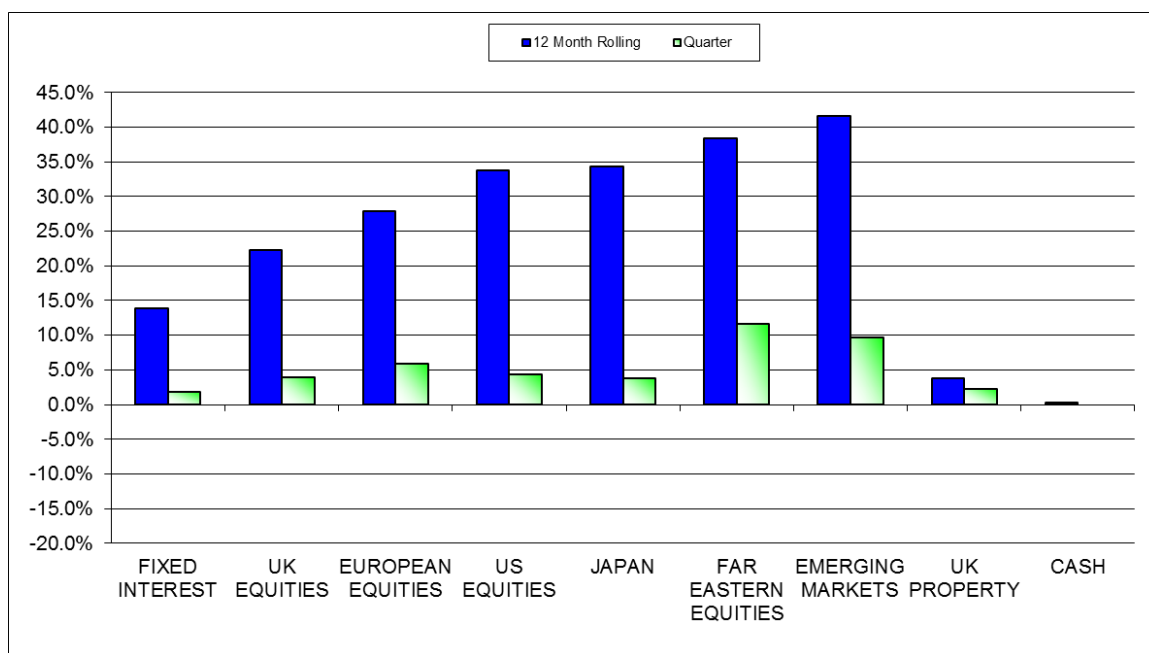
PURCHASES AND SALES OF INVESTMENTS
Quarter Ended 31st March 2017

Investment	Purchases £000's	Sales (£000's)	Net Investment £000's
UK Equities			
In House	0	389,399	(389,399)
Legal & General	392,230	0	392,230
Global Equities			
Invesco	51,023	47,862	3,161
Threadneedle	16,908	17,411	(503)
Schroders	9,986	9,466	520
Morgan Stanley Global Brands	0	0	0
Total Equities	470,147	464,138	6,009
Alternatives			
Morgan Stanley	0	0	0
Total Alternatives	0	0	0
Property	15,000	56	14,944
Infrastructure	32	0	32
Fixed Interest			
BlackRock	0	0	0
Blackrock Interim	0	0	0
Total FI	0	0	0
TOTAL FUND	485,179	464,194	20,985

NB: Blackrock and 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.

APPENDIX C

MARKET RETURNS TO 31st MARCH 2017



INDEX RETURNS	12 Months to Mar 17	Jan-Mar 17
	%	%
FIXED INTEREST	13.9%	1.8%
UK EQUITIES	22.3%	4.0%
EUROPEAN EQUITIES	27.9%	5.9%
US EQUITIES	33.7%	4.4%
JAPANESE EQUITIES	34.3%	3.8%
FAR EASTERN EQUITIES	38.3%	11.7%
EMERGING MARKETS	41.6%	9.7%
UK PROPERTY	3.8%	2.3%
CASH	0.3%	0.0%

APPENDIX D

Votes Summarised by Votes Cast				
Votes Cast at Management Group Level				
Report Period: 01 Jan 2017 to 31 Mar 2017				
Voting Guideline Code	For	Abstain	Against	Total
Adjourn Meeting	4	0	0	4
AGM Date	1	0	0	1
All Employee Share Schemes	1	0	0	1
Annual Incentive Plan Metrics	3	0	0	3
Anti-Takeover Provisions	0	1	0	1
Any Other Business	0	0	2	2
Appoint Audit Committee (Slate)	2	0	0	2
Appoint Audit Committee Member	3	0	0	3
Appoint Chairman	4	0	0	4
Appoint Independent Proxy	4	0	0	4
Appoint Rem Committee (Slate)	2	0	0	2
Appoint Rem Committee Member	14	0	0	14
Approval of Executive's Remuneration Package	1	0	0	1
Approve Majority Vote Standard for Directors	1	0	0	1
Approve Minutes	2	0	0	2
Auditor - Appointment	48	1	18	67
Auditor - Remuneration	17	0	16	33
Auth Board to Issue Shares	27	0	2	29
Auth Board to Issue Shares w/o Pre-emption	15	0	27	42
Authorise Political Donations & Expenditure	13	0	0	13
Authorised Accountants Approval	1	0	0	1
Authorised Capital	0	0	0	0
Authorised Capital [DE/CH/AT]	1	0	0	1
Board Limit (Australia)	1	0	0	1
Board of Directors aggregate remuneration approval	5	0	0	5
Board Rem - Allow Board to Set	4	0	0	4
Board Rem - Approve Bonuses	3	0	0	3
Board Rem - Proposed for Year	1	0	0	1
Board Size for Year	6	0	0	6
Board Size Range	1	0	0	1
Cancel Treasury Shares	8	0	1	9
Chairs Corporate Responsibility Committee	2	0	0	2
Change Financial Reporting Period	1	0	0	1
Convert Type of Company	0	0	0	0
Delegate Powers	4	0	0	4
Director - Discharge from Liability	64	0	0	64
Director Election - All Directors [Single]	496	6	201	703
Director Election - CEO	0	0	1	1

Director Election - Chairman	24	1	38	63
Director Election - Chairs Audit Committee	53	0	10	63
Director Election - Chairs Nomination Com	38	1	15	54
Director Election - Chairs Remuneration Com	45	1	13	59
Director Election - Chairs Risk Com	5	0	3	8
Director Election - Executives	96	0	78	174
Director Election - Lead Ind. Director/DepCH	34	0	5	39
Director Election - Non-executive/Sup Board	384	6	113	503
Director Election - Sits on Audit Committee	151	2	34	187
Director Election - Sits on Nomination Com	161	0	26	187
Director Election - Sits on Risk Com	24	0	5	29
Director Election - Slate	6	0	0	6
Director Election - Sts on Remuneration Com	147	3	22	172
Distribute/Appropriate Profits/Reserves	28	0	0	28
Dividend - Approve Policy	1	0	0	1
Dividends - Ordinary	46	0	2	48
Dividends - Scrip	2	0	0	2
EGM Notice Periods	24	0	0	24
Elect Member Audit & Supervisory Board (JP)	8	0	0	8
Executive aggregate remuneration approval	5	0	0	5
Financial Statements	36	0	11	47
Financial Statements - Environmental Issues	33	0	11	44
Individual Share Award	1	0	0	1
Issue Convertible Bonds	1	0	1	2
Liquidators	1	0	0	1
Long-term Deferral Systems	1	0	1	2
Long-term Incentive Plans	0	0	22	22
LTIP Performance Measures	1	0	0	1
Merger Related Compensation [US]	1	0	0	1
NED Remuneration - Fee Rate/Ceiling	8	0	0	8
NED Remuneration - Fees actually paid	3	0	0	3
NED Remuneration - Fees proposed for year	8	0	0	8
NED Share Plan	3	0	1	4
Other Changes to Governance Arrangements	16	0	0	16
Procedure on Nom Com Appointment	1	0	0	1
Proportional Takeover Provisions	1	0	0	1
Ratification of a Prior Act	0	0	2	2
Reduce Nominal Value	1	0	0	1
Reduce or Reclassify Capital or Reserves	6	0	0	6
Reduce Share Premium Account	0	0	0	0
Reissue (Use) Treasury Shares	1	0	2	3
Related Party Transaction - Specific Transaction	0	0	2	2
Remuneration Policy	9	0	8	17
Remuneration Report	16	0	35	51

Research Pending	0	0	0	0
Resolution Issues	4	0	0	4
Return of Capital	0	0	0	0
Say-on-pay Frequency	17	35	2	54
SH: Adopt Diversity & Equality Policies	0	0	0	0
SH: Change Board Structure	0	0	0	0
SH: Charitable Donations - Improve Disclosure	2	0	0	2
SH: Director Election - All Directors [Single]	0	0	0	0
SH: Disclosure	1	0	0	1
SH: Diversity & Equality Policies	1	0	0	1
SH: Establish Other Board Committee	2	0	0	2
SH: Improve CSR Disclosure	0	0	0	0
SH: Lobbying - Improve Disclosure	4	0	0	4
SH: Other	0	0	0	0
SH: Other Board-related Proposals	0	0	0	0
SH: Other Executive Pay Proposal	0	0	0	0
SH: Other Natural Resource Management Issue	0	0	0	0
SH: Performance Conditions - Add ESG Metrics	1	0	0	1
SH: Remove Multiple Voting Rights	0	0	0	0
SH: Report on Toxics/Chemical Hazards	0	0	0	0
SH: Request Advisory Vote on Remuneration	1	0	0	1
SH: Request Improved Board Diversity	2	0	0	2
SH: Request Say on Severance	1	0	0	1
SH: Right to Nominate Directors - 'Proxy Access'	9	0	0	9
SH: Taxation Strategies	1	0	0	1
SH: Total Remuneration - Restrain	0	0	0	0
Share Buy-back Authority (inc Tender Offer)	30	0	9	39
Share Consolidation	1	0	0	1
Share Issue - Approve Discounted Issue Price	1	0	0	1
Significant Transactions	0	0	1	1
Sits on Corporate Responsibility Committee	5	0	1	6
Stock Exchange Listing.	0	0	0	0
Substitute Member Audit & Sup Board (JP)	2	0	0	2
Treasury Shares - Set Re-issue Price Range	2	0	0	2
Unclassified	0	0	0	0
	2277	57	741	3075

The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

No	Completed	Compliant
Reporting Duties		
A1	G	G
A2	G	G
A3	G	G
A4	G	G
Knowledge & Understanding		
B1	G	G
B2	G	G
B3	G	G
B4	G	G
B5	G	G
B6	G	G
B7	G	G
B8	G	G
B9	G	G
B10	G	G
B11	G	G
B12	A	A
Conflicts of Interest		
C1	G	G
C2	G	G
C3	G	G

No	Completed	Compliant
C4	G	G
C5	G	G
C6	G	G
C7	G	G
C8	G	G
C9	G	G
C10	G	G
C11	G	G
Publishing Scheme Information		
D1	G	G
D2	G	G
D3	G	G
D4	G	G
Risk and Internal Controls		
E1	G	G
E2	G	G
E3	G	G
E4	G	G
E5	G	G
E6	G	G
E7	G	G
E8	G	G

No	Completed	Compliant
Maintaining Accurate Member Data		
F1	A	A
F2	G	G
F3	G	G
F4	G	G
F5		
F6	G	G
F7	G	G
F8	G	G
F9	G	G
F10	G	G
F11	G	G
Maintaining Contributions		
G1	G	G
G2	G	G
G3	G	G
G4	G	G
G5	G	G
G6	G	G
G7	G	G
G8	G	G
G9	G	G

No	Completed	Compliant
Providing Information to Members and Others		
H1	G	A
H2	G	G
H3	G	A
H4	G	G
H5		
H6		
H7	G	A
H8	G	G
H9	G	G
H10	G	G
H11	G	G
H12	G	G
H13	G	G
Internal Dispute Resolution		
I1	G	G
I2	G	G
I3	G	G
I4	G	G
I5	G	G
I6	G	G
I7	G	G

No	Completed	Compliant
I8	G	G
I9	G	G
Reporting Breaches		
J1	G	G
J2	G	G
J3	G	G
Scheme Advisory Board Requirements		
K1	G	G
K2	G	G
K3	G	G
K4	G	G
K5	G	G
K6	G	G
K7	A	A
K8	G	G
K9	G	G
K10	G	G
K11	G	G
K12	G	G
K13	G	G
K14	G	G
K15	G	G

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

Report to:	Pensions Committee
Date:	13 July 2017
Subject:	Investment Management Report

Summary:

This report covers the management of the Lincolnshire Pension Fund assets over the period from 1st January to 31st March 2017.

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

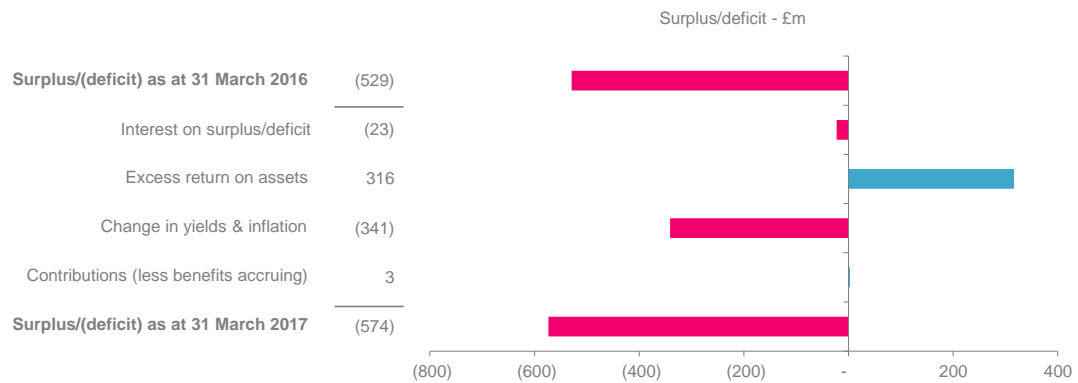
1. Funding Level Update

- 1.1 The funding update is provided to illustrate the estimated development of the funding position of the Lincolnshire Pension Fund from the latest formal valuation, 31st March 2016, to the current quarter end, 31st March 2017. The accuracy of this type of funding update is expected to decline over time, as the period since the last valuation increases. This is because the funding update does not allow for changes in individual members' data since the last valuation. It is, however, a useful tool to assist the Committee to identify whether the time is right to reduce the overall risk in the asset allocation of the Fund, as it approaches a 100% funding level.
- 1.2 The graph below shows the funding level at the latest formal valuation, at 76.9%, and its movement to 31st March 2017, where the funding level has increased to 78.9%.

Change in funding level since last valuation



- 1.3 Over that same time period the deficit, in real money, has increased from £529m to £574m. The chart below shows the main impactors on the deficit, with the excess return in assets being more than offset by the negative changes in yields and inflation.



- 1.4 On a shorter term time horizon, looking at the last quarter, the funding level increased from 77.3% to 78.9% between 31st December 2016 and 31st March 2017, and the deficit reduced from £602m to 574m.

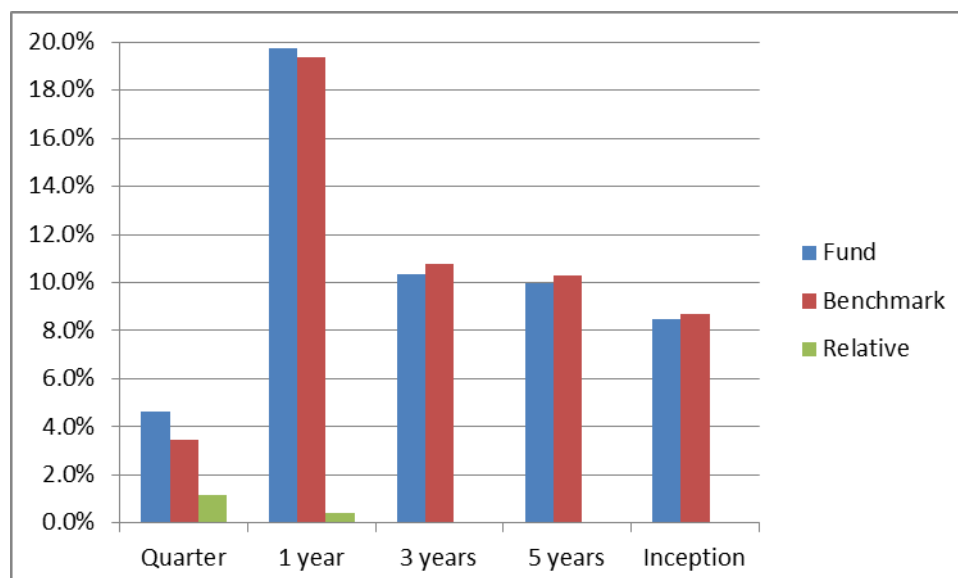
2. Fund Performance & Asset Allocation

- 2.1 The Fund increased in value by £95.0m during the quarter from £2,004.9m to £2,099.9, as the table below shows.

Asset Class	Q1 2017 £m	Q4 2016 £m	Asset Allocation %	Strategic Asset Allocation %	Difference %
UK Equities	398.5	387.3	19.0	20.0	(1.0)
Global Equities	911.1	859.5	43.4	40.0	3.4
Alternatives	291.9	270.5	13.9	15.0	(1.1)
Property*	194.6	209.1	9.3	9.0	0.3
Infrastructure*	31.4	N/A	1.5	2.5	(1.0)
Fixed Interest	262.2	243.9	12.5	13.5	(1.0)
Cash	10.4	34.6	0.5	0.0	0.5
Total	2,099.9	2,004.9	100.0	100.0	

*Property and Infrastructure were previously combined. An additional £15m was invested in Blackrock Property in Feb 17

2.2 The graph and table 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 0.75% per annum.



	Fund	Benchmark	Relative Performance
Quarter	4.6	3.5	1.2
1 year	19.8	19.3	0.4
3 years	10.4	10.8	(0.4)
5 years	10.0	10.3	(0.4)
Inception	8.5	8.7	(0.2)

* Since Inception figures are from March 1987

2.3 Over the quarter, the Fund produced a positive return of 4.64% (as measured by JPMorgan), outperforming the benchmark by 1.17%, which returned 3.47%. The Fund was ahead of the benchmark over the quarter and one year period, but behind its benchmark over three and five years, and since inception.

3. Hymans Robertson Manager Ratings

- 3.1 Hymans Robertson, as the Fund's Investment Consultant, regularly meet managers to discuss current issues, management changes and performance. Each 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 eighteen managers and during the quarter there was one rating change where Aviva Pooled Property Fund has been moved from "on watch" to "retain". Seventeen managers remained rated as "retain", and one manager, Rreef Ventures Fund 3, as "on watch". Officers continue to monitor managers closely and arrange meetings to discuss any potential issues

Manager	Rating				
	Replace		On Watch		Retain
Invesco Global Equities (Ex-UK)				X	
Columbia Threadneedle Global Equity				X	
Schroders Global Equity				X	
Morgan Stanley Global Brands					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 good quarter for the Fund with all managers producing a positive absolute return. Only two managers underperformed their benchmark over that period, Invesco and Blackrock. Over the 12 month period, all managers have produced a positive absolute return, with only Columbia Threadneedle and Morgan Stanley Global Brands having underperformed their benchmark.

	3 months ended 31/03/17			Previous 12 months			
Manager	Manager Return %	Index Return %	Relative Variance %	Manager Return %	Index Return %	Relative Variance %	Target p.a. %
Legal & General (UK Equities)* *From February 17	2.0	1.7	0.3	N/A	N/A	N/A	Match Index
Invesco (Global Equities (ex UK))	4.9	5.2	(0.3)	34.3	32.5	1.3	+1.0
Columbia Threadneedle (Global Equities)	7.0	5.8	1.2	29.4	33.0	(2.6)	+2.0
Schroder's (Global Equities)	6.1	5.6	0.4	32.7	32.2	0.3	+3.0
Morgan Stanley Global Brands	8.4	5.1	3.1	28.6	31.9	(2.5)	n/a
Blackrock (Fixed Interest)	1.7	1.8	(0.1)	13.9	13.9	0.0	Match Index
Blackrock Interim (Fixed Interest) *From Sept 2016	0.7	0.7	0.0	N/A	N/A	N/A	Match Index
Morgan Stanley (Alternative Investments)	1.8	1.1	0.7	9.1	4.5	4.4	3M LIBOR + 4%

Lincolnshire Pension Fund
Global Equities – Invesco (Global Ex UK Enhanced)
Quarterly Report March 2017

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.

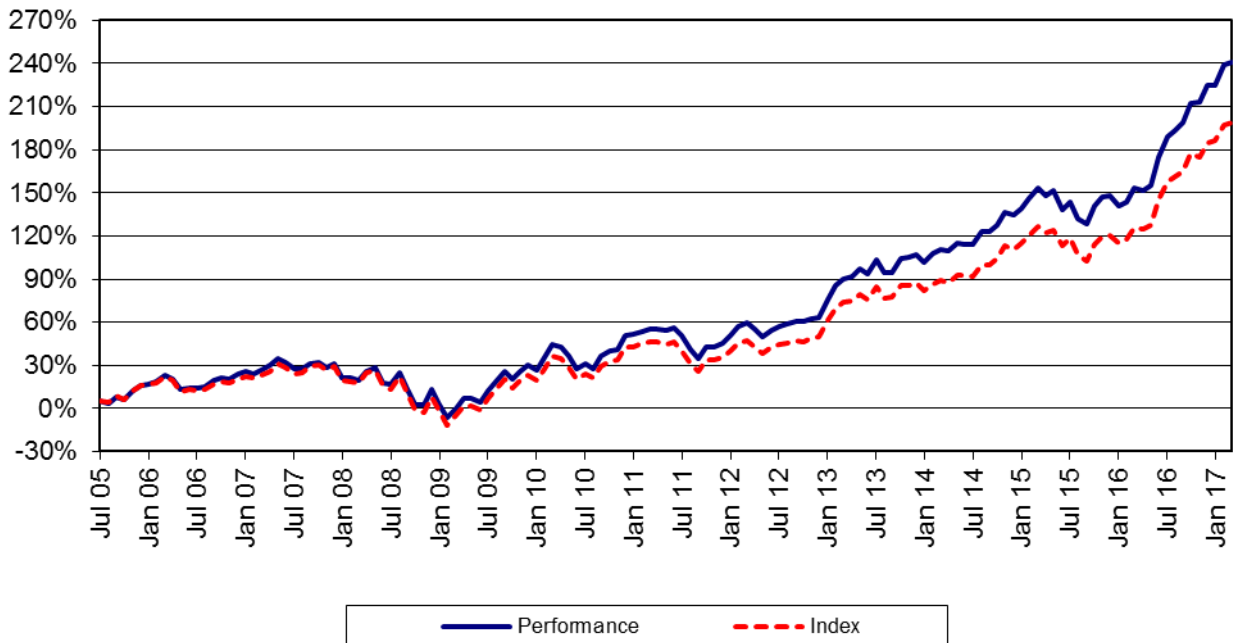
Portfolio Valuation

Value at 31.12.16	Value at 31.03.17
£468,673,452	£492,283,815

Performance

During the quarter Invesco's strategy underperformed its benchmark. Stock selection caused a drag on performance over the quarter, whilst style factors, sectors, countries and currencies were near neutral as expected. Within stock selection, the overweight positions in stocks with attractive Management and Quality scores were the main detractors. Performance over the longer term continues to be above the target return of +1%.

Invesco Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Invesco	4.9	34.3	17.3	16.3	11.0
MSCI World ex UK	5.2	32.5	16.6	15.2	9.8
Relative Performance	(0.3)	1.3	0.6	1.0	1.1

* annualised, inception date 1st July 2005

Turnover

Holdings at 31.12.16	Holdings at 31.03.17	Turnover in Qtr %	Turnover in Previous Qtr %
529	506	8.7	11.4

Purchases and Sales

During the quarter, Invesco made a number of stock adjustments to the portfolio. Top purchases over the quarter included adding Piedmont Reality Trust and LVMH Moët Hennessy into the portfolio, and increasing their positions in Walmart, Apple and HRG Group. Top sales over the quarter were in selling out of their positions in International Paper and Adidas, and decreasing their positions in Altria and Ahold Delhaize.

Largest Overweights

Walmart	0.84%
Boeing Co	0.66%
Citigroup	0.65%
Intel	0.62%
JP Morgan Chase	0.60%

Largest Underweights

Alphabet	(0.71%)
Exxon Mobil	(0.64%)
Chevron	(0.61%)
Visa	(0.50%)
Amazon	(0.45%)

* Measured against MSCI World ex UK (NDR)

Top 10 Holdings

1	Apple	£13,948,439	6	Walmart	£5,732,070
2	JP Morgan Chase	£7,499,469	7	Verizon	£5,718,150
3	Microsoft	£7,086,619	8	Citigroup	£5,620,913
4	Johnson & Johnson	£6,997,334	9	Intel	£5,488,830
5	AT&T	£6,458,102	10	Proctor & Gamble	£5,467,453

Hymans Robertson View

There were no relevant business issues reported over the period.

Risk Control

The predicted tracking error of the portfolio was 1.06%, compared to a target of 1%, with 93% of the active risk associated with Stock Selection Factors.

**Lincolnshire Pension Fund
Global Equities – Schroders
Quarterly Report March 2017**

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.

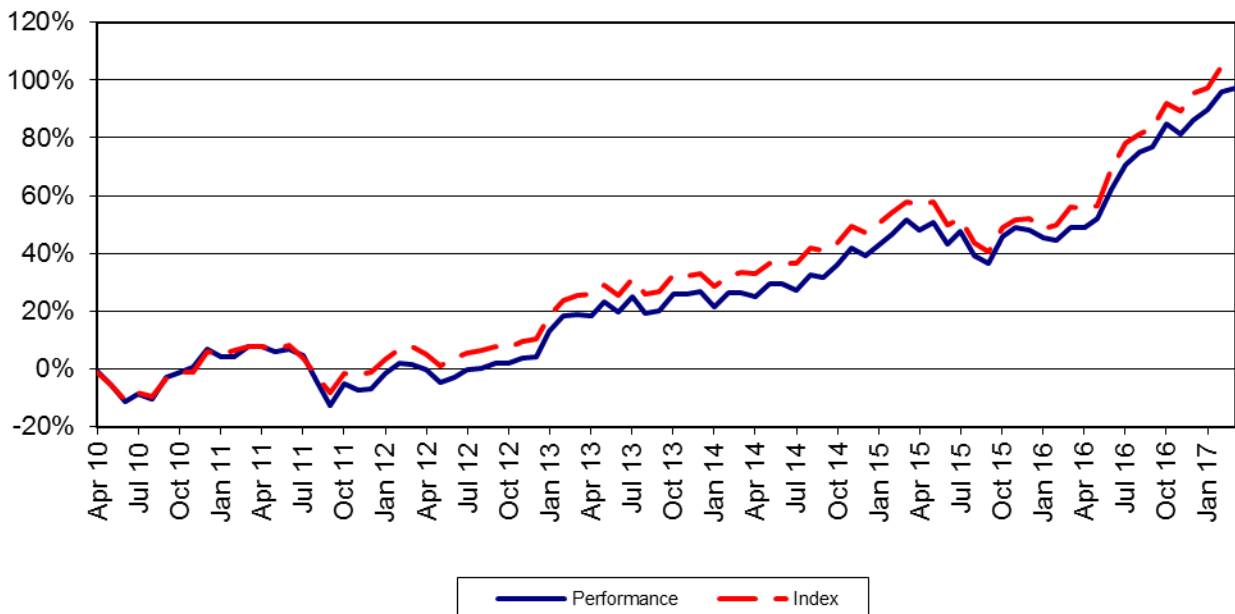
Portfolio Valuation

Value at 31.12.16	Value at 31.03.17
£111,053,310	£117,950,863

Performance

The portfolio outperformed over the quarter, with stock selection the dominant contributor to relative performance. The acute movement in style factors witnessed late last year has dissipated amidst declining stock correlations and a less macro-driven market environment. Investors appear to be refocusing their attention on fundamentals and earnings. Any transition to a new phase in the market cycle will inexorably introduce short-term volatility, as consensus expectations re-adjust to the new environment, but Schroders believe that their portfolio is well positioned to exploit opportunities as they develop through 2017.

Schroders Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Schroders	6.1	32.7	16.0	14.2	10.2
MSCI ACWI (Net)	5.6	32.2	15.7	13.9	10.9
Relative Performance	0.4	0.3	0.3	0.3	(0.6)

*annualised since Inception April 16 2010

Turnover

Holdings at 31.12.16	Holdings at 31.03.17	Turnover in Qtr %	Turnover in Previous Qtr %
80	78	7.2	5.3

Purchases and Sales

Overall, portfolio activity this quarter was focused on streamlining; sales slightly outweighed new purchases. Aviva was bought ahead of its positive earnings release and the company has already had a positive effect on performance. Other purchases included Rockwell Automation, a high quality industrial with a strong brand, and Bayer and Synchrony Financial. Numerous sales were made to raise funds, from stocks either having reached their targets or deviated from their original investment thesis.

Top 5 Contributions to Return

HDFC Bank	0.2%
Jardine Strategic	0.2%
Exxon Mobil	0.1%
SMC	0.1%
Check Point	0.1%

Bottom 5 Contributions to Return

Cimarex	(0.3%)
Occidental Petroleum	(0.2%)
Statoil ASA	(0.2%)
Schlumberger	(0.2%)
Citigroup	(0.2%)

Top 10 Holdings

1	Citigroup	£3,768,021	6	Amazon	£2,713,254
2	Alphabet	£3,470,661	7	Taiwan Semicond.	£2,679,948
3	Comcast	£3,283,643	8	US Bancorp	£2,638,078
4	JP Morgan	£2,978,531	9	United Health	£2,531,033
5	Apple	£2,814,114	10	Nestle	£2,516,829

Hymans Robertson View

There were no significant developments over the quarter.

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 – Columbia Threadneedle
Quarterly Report March 2017**

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

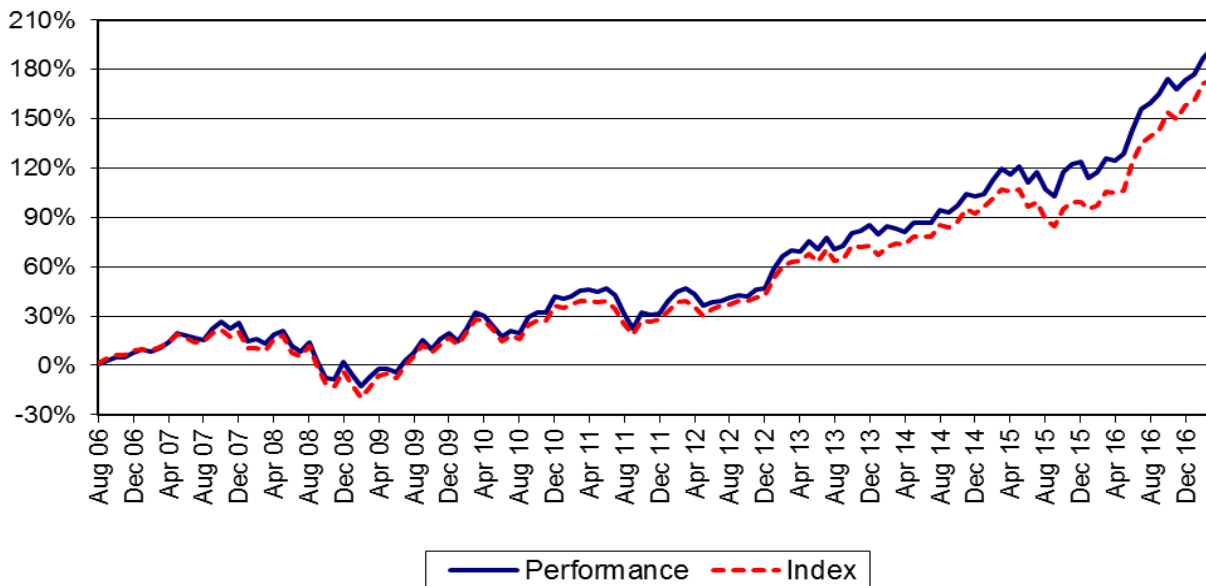
Value at 31.12.16	Value at 31.03.17
£113,866,498	£121,818,723

Performance

Columbia Threadneedle outperformed its benchmark over the quarter. Regional allocation effects detracted in aggregate, but stock selection proved beneficial, with their picks in emerging markets and the US the top performers. Asset allocation and stock selection were both beneficial in sector terms: the overweight in technology added value, as did stock selection in technology and the consumer sectors.

Columbia Threadneedle expect their focus on quality growth stocks to be rewarded over the coming year, and have, where appropriate, been adding to companies that stand to benefit from the shift in economic sentiment, particularly in the US, but without compromising their focus on quality. They also continue to like defensive and secular growth companies, which frequently have the ability to deliver consistent levels of growth despite the economic outlook.

Columbia Threadneedle Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Columbia Threadneedle	7.0	29.4	16.8	14.7	10.6
MSCI ACWI	5.8	33.0	16.3	14.4	9.9
Relative Performance	1.1	(2.6)	0.4	0.3	0.6

* annualised, inception date 01/08/2006

Turnover

Holdings at 31.12.16	Holdings at 31.03.17	Turnover in Qtr %	Turnover in Previous Qtr %
88	85	12.5	6.4

Purchases and Sales

During the quarter Threadneedle initiated new positions in Bank of America, Bridgestone, Centene and Kubota Corp, and added to their holdings of Goldman Sachs. Positions in Willis Towers Watson, ASML Holding, UPS, Cellnex and Sabre Corp were fully sold.

Top 5 Contributions to Return

Activision Blizzard	0.74%
Micron Technology	0.42%
Facebook	0.41%
Unilever	0.41%
Amazon	0.39%

Bottom 5 Contributions to Return

Spirit Airlines	(0.14%)
Occidental Petroleum	(0.13%)
Sabre Corp	(0.13%)
United Parcel Service	(0.13%)
BT Group	(0.10%)

Top 10 Holdings

1	Alphabet	£4,040,856	6	Anheuser-Busch	£2,473,624
2	Amazon	£3,132,269	7	Activision Blizzard	£2,433,686
3	Facebook	£3,049,909	8	Unilever	£2,405,734
4	Visa	£2,550,791	9	Mastercard	£2,358,052
5	Schwab Corp	£2,543,340	10	Pfizer	£2,340,271

Hymans Robertson View

There were no significant developments over the quarter.

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 March 2017

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.

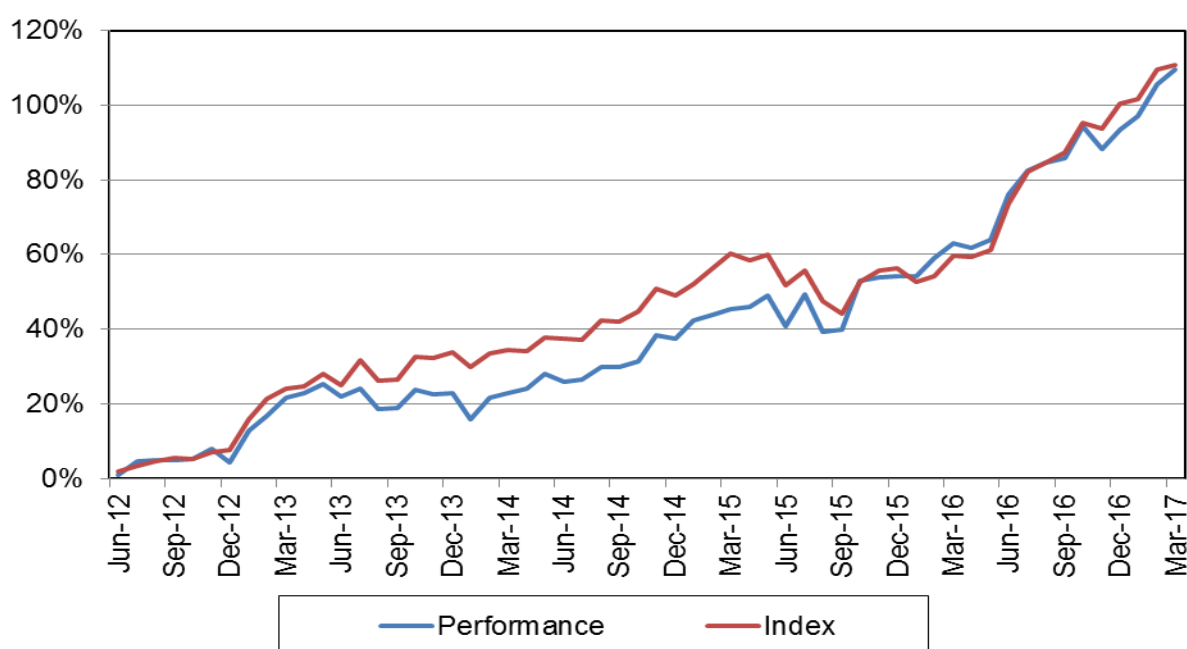
Portfolio Valuation

Value at 31.12.16	Value at 31.03.17
£165,210,491	£179,016,235

Performance

During the quarter, the Morgan Stanley Global Brands Fund performed strongly. Sector allocation was positive, as it was a good time to be zero weight Energy stocks and overweight Information Technology and Consumer Staples. Stock selection was distinctly positive. Strong performance in Consumer Staples, where the portfolio's stocks were 5% ahead of the sector index, and to an extent from Consumer Discretionary, outweighed the relative hit in Information Technology. The portfolio's positions in Information Technology did okay in the quarter (up 5%) but couldn't match the sector index, which was boosted by a very strong quarter for two heavyweights the portfolio does not own, namely Facebook and Apple.

Morgan Stanley Global Brands Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception * %
Morgan Stanley Global Brands	8.4	28.6	19.5	N/A	16.5
MSCI World Index	5.1	31.9	16.1	N/A	16.7
Relative Performance	3.1	(2.5)	2.9	N/A	(0.1)

*annualised, inception date 18/06/2012

Purchases and Sales

During the quarter a position was initiated in Zoetis, the world's leading animal health company. Its sales are roughly 60% livestock and 40% companion animals (i.e. pets), and are well diversified by both geography and product. The animal health business has many of the attractions of the Pharmaceutical industry, notably the high returns on capital and defensiveness, but is less threatened by generic risk and politics. The customer base is highly fragmented and brand loyal, while the direct sales force provides an extra barrier to entry. During the period the manager also added to and reduced select Consumer Staples, Consumer Discretionary and Information Technology names for quality or valuation reasons.

Top Contributors to Return

Unilever	156 bps
Philip Morris	82 bps
Brit American Tobacco	80 bps

Bottom Contributors to Return

Zoetis	(5 bps)
ADP	(3 bps)

Top Ten Holdings

Company	Industry	% Weighting
Unilever	Personal Products	9.60
Reckitt Benckiser	Household Products	8.43
Microsoft	Software	6.77
L'Oreal	Personal Products	5.61
Altria	Tobacco	5.32
British American Tobacco	Tobacco	4.93
Twenty-First Century	Media	4.75
Philip Morris	Tobacco	4.59
Accenture	IT Services	4.50
Reynolds American	Tobacco	4.45

Hymans Robertson View

There were no relevant business issues reported over the period.

**Lincolnshire Pension Fund
Passive Bonds – Blackrock
Quarterly Report March 2017**

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 All Stocks UK Gilt Index Fund	Sampled

Portfolio Valuation at 31st March 2017

Portfolio	31.12.16 £	31.03.17 £
Corporate Bond All Stocks Index Fund	66,383,698	67,580,423
Over 5 Years UK Index-Linked Gilt Index Fund	41,083,739	41,896,507
All Stocks UK Gilts*	26,477,489*	26,763,537
Cash (residual)	10	1
Total	133,944,936	136,240,468

*Switched from Overseas Bond Index Fund in February 17

Performance

Over all periods the portfolio has performed as expected.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Blackrock	1.7	13.9	10.3	7.7	8.2
Composite Benchmark	1.8	13.9	10.2	7.6	8.1
Relative Performance	(0.1)	0.0	0.1	0.1	0.1

*annualised since inception 28/07/10

Hymans Robertson View

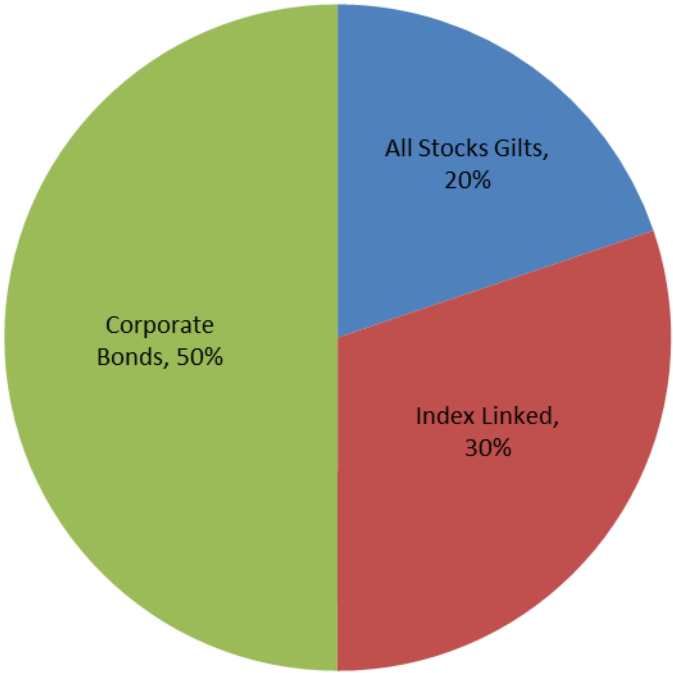
There were no significant developments within the Index Fixed Income team over the quarter.

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 All Stocks UK Gilt Index Fund	20%

The pie chart below shows the allocation as at 31st March 2017.



**Lincolnshire Pension Fund
Alternative Investments – Morgan Stanley
Quarterly Report March 2017**

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 Fund allocation. The manager has a target to beat the return of 3 Month LIBOR + 4%. Morgan Stanley also manages the legacy private equity investments, however they are excluded from this report.

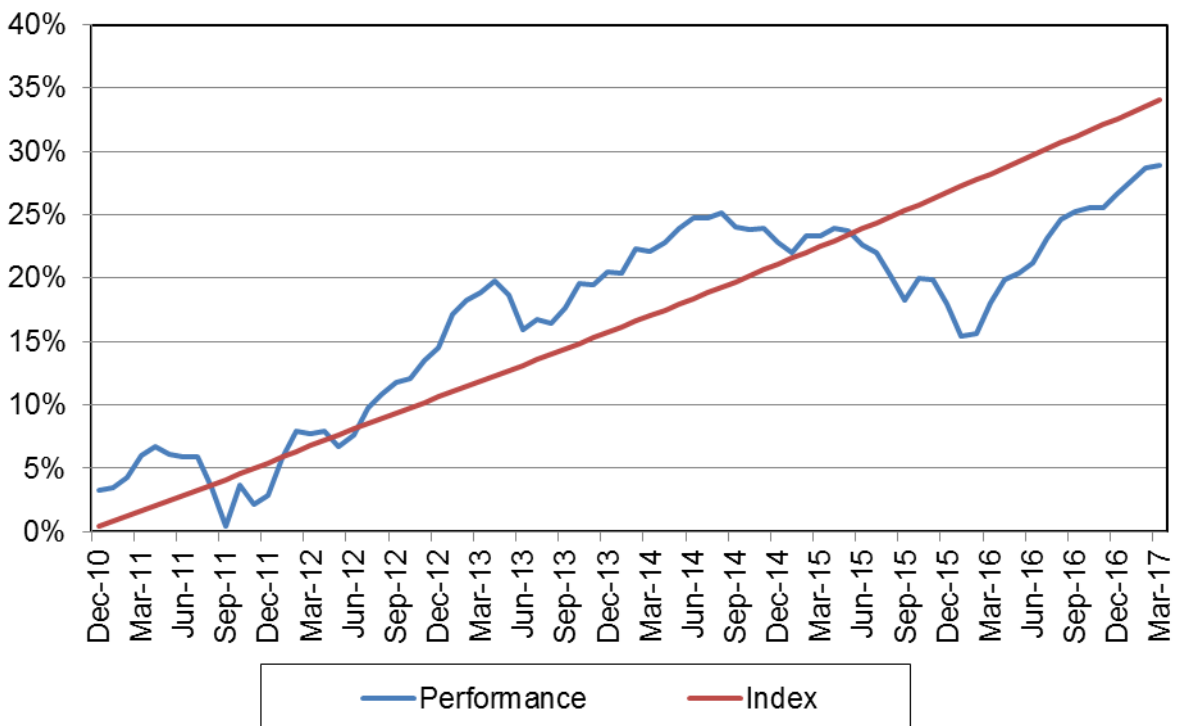
Portfolio Valuation

Value at 31.12.16	Value at 31.03.17
£219,318,494	£246,459,818

Performance

The portfolio returned 1.18% during the first quarter. Hedge funds drove absolute returns, followed by frontier equity and infrastructure. Lagged and negative marks in private equity and real estate dragged on returns. Manager selection also modestly detracted from relative returns, while tactical decisions were muted. Within manager selection, commodities and frontier equity particularly lagged.

Morgan Stanley AIP Performance Since Inception



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Morgan Stanley	1.8	9.1	1.8	3.7	4.1
3 Month LIBOR + 4%	1.1	4.5	4.6	4.7	4.7
Relative Performance	0.7	4.4	(2.7)	(1.0)	(0.6)

* 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;

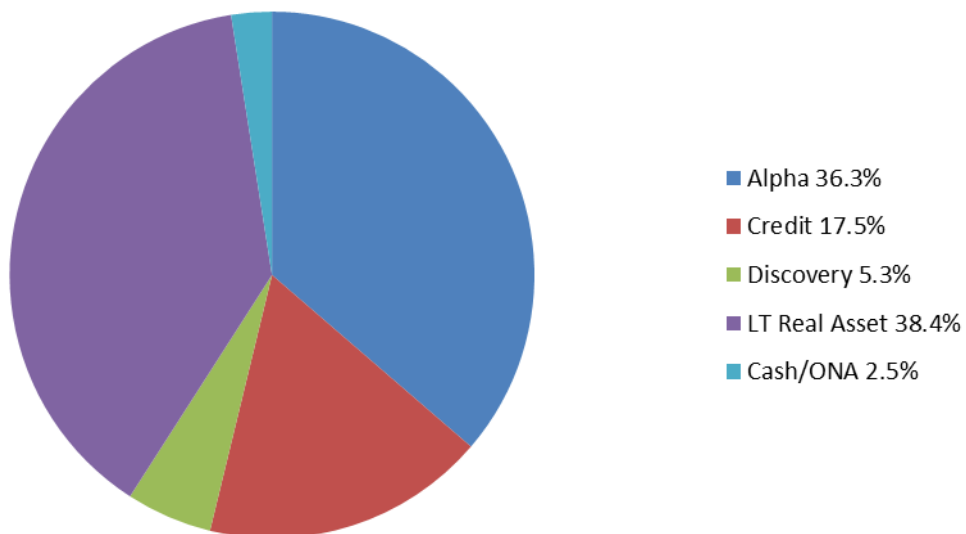
Alpha – These are pure return seeking products based on Manager skill. The Alpha investments include Hedge Funds, Global Tactical Asset Allocation (GTAA) and Active Currency.

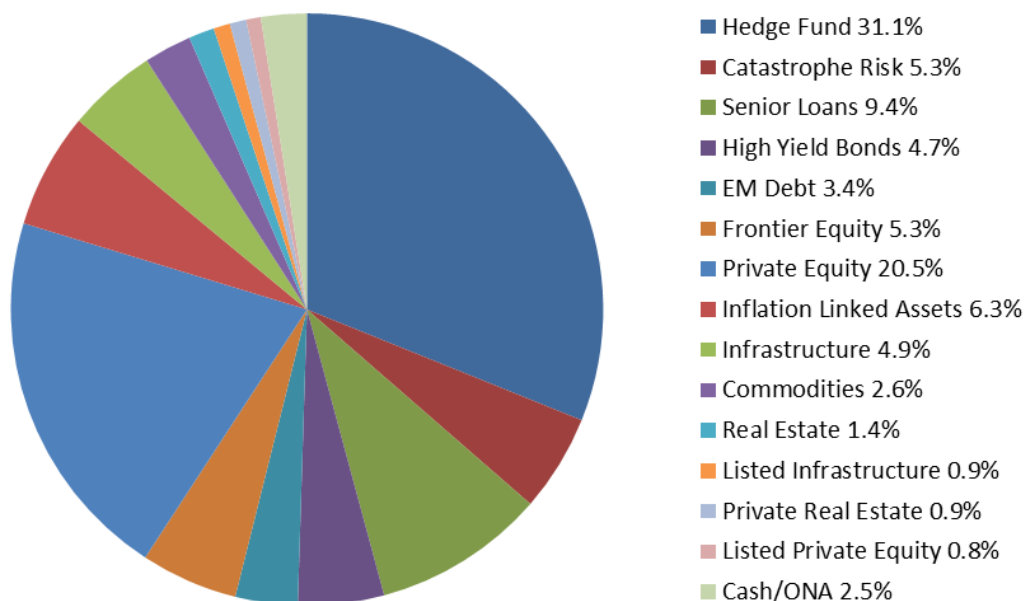
Long Term Real Asset – These are long term investments that seek to access illiquidity premium. Investments include Private Equity, Infrastructure, Real Estate, Commodities and Inflation – linked strategies.

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.

The pie charts below shows the strategy and asset class positions of the Morgan Stanley portfolio as at 31st March 2017.





Portfolio Positioning

Hedge funds continue to be the largest allocation within the portfolio. Many of the conditions that hurt hedge funds over the last few years have, to a large extent, dissipated, e.g. ultra-accommodative monetary policy, volatility suppression tactics and crowding into limited pockets of opportunity during a prolonged low rate low growth environment. Correlations across asset classes, sectors and stocks have dropped while dispersion has increased, auguring an increase in alpha. MS believe that a well selected hedge fund portfolio across the different strategies can provide both return potential and differentiated risks to a portfolio without too much dependency on the interest rates, credit or equity markets.

On the liquid side, the credit allocation is comprised of senior loans, high yield and EM debt, where MS continue to favour senior loans and keep a relatively low duration exposure. As it relates to liquid real assets, we maintain a significant tactical underweight - we remain cautious on REITs and listed private equity based on valuation levels and aim to minimize energy equity exposure (through listed infrastructure) alongside our broader energy investment theme.

MS continue to build out the private markets portfolio. During the previous quarter they focused on natural resources opportunities and made a commitment to a private fund dedicated to investing in farmland assets in the U.S. During the first quarter of 2017, they continued this research and are currently evaluating opportunities to add complementary southern hemisphere exposure.

Hymans Robertson View

There were no significant developments over the quarter.

Risk Control

Portfolio volatility since inception is 3.85%, within the guidelines specified by the mandate.

Conclusion

Over the quarter, the Fund produced a positive return of 4.64%, outperforming the benchmark which returned 3.47%.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a Risk Register which can be obtained by contacting the author of this report.

Background Papers

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

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

Report to:	Pensions Committee
Date:	13th July 2017
Subject:	Annual Report on the Fund's Property and Infrastructure Investments

Summary:

This report outlines the performance of the Fund's property and infrastructure investments for the year ended 31st March 2017.

Recommendation(s):

That the committee note the report.

Background

1 Introduction

1.1 Investment exposure to property and infrastructure is achieved via holdings in pooled vehicles. The Fund's strategic allocation of 9% to property is slightly higher than the average local authority pension fund, currently at 8%. The market value of holdings in property pooled vehicles at 31st March 2017 was £187m (8.9% of the Fund). Whilst the majority of exposure is to UK commercial property, to diversify the property allocation the Fund made commitments to European commercial property, property venture type funds and Asian commercial property. The Fund has a 2.5% strategic allocation to infrastructure and has made commitments to Private Finance Infrastructure schemes. The market value of holdings in infrastructure pooled vehicles at 31st March 2017 was £31.4m (1.5% of the Fund).

Market value of property and other holdings at 31 March 2017

Property Pooled Investment Vehicle	Undrawn Commitments 31/3/17 £m	Market value of LCC holdings 31/3/17 £m
BALANCED UK PROPERTY		
Aviva Pooled Property Fund	n/a	41.7
Royal London Exempt Unit Trust	n/a	22.0

Blackrock – UK Property Unit Trust	n/a	39.0
Standard Life - Trustee Investment Plan	n/a	58.8
Total UK Commercial Property		161.5
PROPERTY VENTURES		
RREEF – Property Ventures Fund III	0	2.4
Franklin Templeton European Fund of Funds	0.3	1.5
Franklin Templeton Asian Fund of Funds	3.3	6.5
Igloo Regeneration partnership	0	4.0
Total Property Ventures	3.6	14.4
EUROPEAN COMMERCIAL PROPERTY		
Standard Life European Growth Fund	0	11.1
INFRASTRUCTURE		
Innisfree PFI Continuation Fund II	0.3	8.2
Innisfree PFI Secondary Fund	0.3	16.3
Innisfree PFI Secondary Fund 2	2.4	6.9
Total Infrastructure	3.0	31.4
Property/Infrastructure Cash		7.6
TOTAL PROPERTY AND INFRASTRUCTURE	6.6	226.0

2 Balanced UK Commercial Property

- 2.1 During the year income from the holdings was reinvested and an additional £15m was invested in Blackrock's Fund. No redemptions were made.
- 2.2 The pooled investment vehicles have been selected by officers to provide diversified exposure to the UK Commercial Property asset class with the intention of achieving broad market returns. Officers are in regular contact with the various managers to monitor performance.
- 2.3 Appendix A illustrates the overall UK property sector and regional weightings of the individual pooled vehicles. Overall, the Fund's property allocation, when compared to an index of similar property funds, is overweight Shopping Centres, Retail Warehouses, Industrials in the South East, Offices in London and cash. The Fund is underweight Standard Retail, Offices in the South East and the rest of the UK, the Industrial sector in the rest of the UK and the "Other" sector (this includes properties such as leisure and residential and listed assets).

Overall UK property sector asset weightings at 31st March 2017

Property Sector	LCC Fund %	IPD %	Difference %
Retail	33.3	30.9	2.4
Offices	31.6	30.6	1.0
Industrial	50.5	22.2	(1.7)
Other	14.6	16.3	(1.7)
Total	100	100	

2.4 At an individual fund level:

- Royal London has a significant relative allocation to standard retail, offices in London and the industrial sector in the rest of the UK, and no allocation to shopping centres. Property sizes are generally smaller when compared to the other managers.
- Aviva also has no allocation to shopping centres but is overweight standard retail, retail warehouses, offices in London and the south east and industrials in the south east. They are underweight in offices in the rest of south east and industrials in the rest of the UK and "other" properties.
- Blackrock is overweight retail warehouses and heavily overweight other properties. They are underweight in standard retail and offices in the south east and the rest of the UK.
- Standard Life is overweight shopping centres and significantly so in offices in London, and underweight other property, industrials in the rest of the UK and offices in the south east and rest of UK.

3 Market Environment in the Period Reported

- Property produced total returns of 3.8% (IPD index), over the twelve months to 31st March 2017, compared to UK equity returns of 22% (FTSE All Share) and UK index-linked bond returns of 19.9%.
- Quarter 2 2016 – The result of the referendum on EU membership on June 24th created considerable uncertainty, particularly in relation to the role of London once it is outside of the EU. In the UK, Sterling fell sharply in value and sovereign bond yields fell as markets expect weaker economic growth both in the UK and across Europe. A key driver of lower economic growth for the future is expected to be a reduction in business investment as companies hold off making large investment decisions until the impact of Brexit becomes clear. The impact of this uncertainty fell disproportionately

on banks and listed real estate companies that had a large proportion of their assets in London.

- Quarter 3 2016 - The third quarter of 2016 was a turbulent one for UK real estate after the surprise referendum result. Sharp falls in listed real estate company prices were followed by the suspension of redemptions from a number of daily priced open ended property funds. However, over the course of the quarter the impact on the listed market moderated and many of the funds which had suspended opened once again trading normally. Overall values were down by 4.0% over the third quarter, however the impact was not uniform. City of London offices were hit hardest, with values down by 7.4%. The strongest performing sectors were industrial properties and alternatives (a mix of various property types including student accommodation, healthcare, leisure, hotels and residential). Transaction activity weakened further in the third quarter despite a spike in activity from open ended funds generating liquidity to pay redemptions.
- Quarter 4 2016 - The UK property market proved to be far more resilient than many commentators expected in the fourth quarter of 2016. Partly this was the result of the economy performing better than expected, but also continued strong investor demand for real estate assets, driven by the relatively attractive yield offered and the decline in Sterling attracting international capital. Across the market as a whole values rose by just over 1%, in large part due to the health of the industrial investment and occupational market where values rose by just under 4%. In Central London, where many expected the impact of the vote to leave the EU would be greatest, resurgent overseas investor demand underpinned the value of prime office and retail assets. However, outside of prime assets, there were signs that the performance of Central London properties were beginning to falter; retail occupiers in particular are having to absorb the impact of significant rises in business rates. Since the vote to leave the EU, industrial and alternative real estate investments (such as student accommodation, healthcare and hotels) continued to prove to be more robust than those in the retail and office sectors.
- Quarter 1 2017 - The UK commercial property market remained resilient in the first quarter of 2017. In the Central London office market, weak occupier demand was offset by strong demand from overseas investors, particularly Chinese buyers seeking to get Yuan denominated capital invested in a perceived safe haven, where the decline in Sterling offers an upfront effective c.15% discount, in Sterling depreciation alone. These buyers dominated investment activity in the first quarter with a small number of large deals. Outside of these large prime transactions to overseas investors, activity in the Central London office market remained relatively muted and the pricing of these smaller generally older and shorter leased buildings less certain. Domestic institutional investors were also returning to the market, although their activity focused with industrial/logistics properties and alternatives particularly in demand. The retail sector, as a whole, continued to face significant headwinds as higher import costs, rising wages and local taxes together with the continued growth of internet sales impact on

profitability. Alternative investments continued to see strong investor appetite especially those with long leases and fixed or inflation linked rents reviews.

4 Outlook

- After surprising on the upside in the latter half of last year, the UK economy appears to be showing some signs of slowing momentum. The economy is still expanding though, with most output indicators pointing towards GDP growth of around 0.5% for the quarter. In simplistic terms, a resilient economy should be supportive for the fundamentals of the property market. Firstly by reinforcing investor sentiment towards the asset class and crucially by underpinning the demand of business occupiers, thus sustaining rental levels. However, a number of risks remain and cannot be overlooked.
- To date, the most prevalent and lasting effect of Brexit has been the devaluation of sterling. For example, in US dollar terms, the pound is around 12% cheaper than it was 12 months ago. This movement has helped support the UK property values by attracting overseas capital and investors back into the market. Pricing across the entire market, which suffered downward pressure last year, has recovered in the main, with six consecutive months of positive capital growth. There has been a shortage of prime quality stock and renewed confidence from both domestic and foreign investors has led to some very competitive recent bidding.
- Uncertainty surrounding the UK government's negotiating position with the EU remains a significant risk to the medium term outlook, but occupier demand for space is not expected to collapse in the near term. On the whole, the occupier market remains relatively stable, albeit with some divergence beginning to show across the main sectors. There has been an expected softening in headline rents in City and West End office markets, but vacancy rates are still low by historic standards. Conversely, the South East industrial market, aided by constrained supply, continues to see evidence of strong rental growth.
- In summary, it is expected that income will be the main component of total returns over next few years. Global allocations to real estate as at asset class continue to increase. Continuing demand from overseas investors for "safe haven" status, coupled with a low interest rate environment should sustain UK property yields around their current levels.

5 Investment Performance

- 5.1 The table below sets out the annualised performance of the Fund's current UK Commercial Property Investments over one, three, five and ten years. The IPD UK All Balanced Property Funds Index is used to compare the managers' performance. This index was developed for all the leading managers of balanced property funds. The returns reported are taken from the published performance data. The five and ten years annualised figures

for Blackrock relate to the pooled fund and are not specific to Lincolnshire Pension Fund.

UK Commercial Property Investment returns to 31st March 2017

	2016/2017	3 years Annualised	5 years Annualised	10 years Annualised
	%	%	%	%
Aviva	(0.3)	7.9	6.5	1.8
Royal London	3.7	8.7	7.6	3.9
Blackrock	3.5	9.2	8.1	2.1
Standard Life	1.6	9.0	7.8	2.1
IPD UK PFI All Balanced Median return	3.7	10.2	8.5	2.1

- 5.2 Aviva underperformed the benchmark over one year having fallen by 0.3% against a benchmark return of +3.7%. The Fund has had a disappointing return over all periods. The manager changes in September sought to address this, however performance is still lagging the benchmark as managers reposition the portfolio. The Fund has been profitably disposing of non-core assets and focusing investment into sectors and locations where they have conviction in the long term performance prospects. They remain value focused, investing in assets where they see opportunities to unlock or create value, where market pricing is attractive relative to intrinsic value and where returns adequately compensate for the risks being taken. In addition, the Fund continues to dispose of assets they have identified as non-performing properties not aligned with the Fund's investment strategy.
- 5.3 RLAM returns matched the benchmark return over the year, and is well ahead over the ten year period. Void levels have been reduced over the year, from 12% to 6.9%, below the benchmark rate of 7.7%. This has positively impacted on performance. RLAM's aim is to balance the income from the core holdings with more active management on those properties that will benefit from refurbishment or development. They consider the location of a property as the primary consideration. Once the fund manager is satisfied on this aspect, they then incorporate economic factors and determine the overall sector allocation to retail, industrial or office sectors.
- 5.4 The Standard Life Fund is behind the benchmark over all periods, other than ten years, where it has matched the benchmark. The key factors in the underperformance were the overweight position in Central London offices, which were impacted the most by the uncertainty surrounding the EU referendum result, and the larger asset sizes which are predominant within the Fund, which had generally been marked down more significantly than smaller assets. This was as a result of reduced levels of liquidity for these properties in the post-Brexit environment. This was particularly true in the retail and Central London holdings, where the Fund is significantly overweight. The Standard Life Fund is one of the largest pooled funds in the UK and is well diversified across sectors and geographic regions. The fund

aims to provide long term growth from a combination of income and capital growth by investing predominantly in prime quality UK properties.

- 5.5 The Blackrock Fund is slightly behind the benchmark performance over all periods other than ten years, where it is matching the benchmark. The repositioning that has been undertaken over the last two years, causing a drag on performance, has now been completed. The team will now be focussing on successfully delivering the current development projects within the Fund, and engineering capital value growth and income security through a focus on asset management. The Fund's core investment strategies are in primary healthcare, student accommodation, multi-let industrials and logistics warehouse development. The manager is confident that the assets the Fund holds are high quality and offer significant opportunity to drive additional income and performance through the delivery of asset management initiatives.
- 5.6 The UK Commercial Property Unit Trusts have a benchmark of the IPD UK All Balanced Median Return and the Property Venture holdings benchmark is set at 7% per year. The overall return in the year, for the combined property and infrastructure allocation, was 4.95% against a benchmark return of 4.8%, therefore the under performance of the core UK commercial Funds was offset by the venture and infrastructure returns.

6 PROPERTY VENTURES

- 6.1 To diversify from the UK core property market, investments have been made in a number of different types of property funds aiming, over the long term, to exceed conventional market returns through specialist and active involvement in different parts of the property market. The four Funds have limited lives of between seven and ten years (before extensions), over which time they will try to invest in specific projects to improve their value and then realise the profits through sales and the return of capital to investors. The commitments for these funds are generally drawn down over three to five years, and for some investments, it is too early to report meaningfully on performance. Comments on the initial activity are set out below.

6.2 RREEF Ventures III Unit Trust

The Committee approved the commitment of £10m in January 2006 and this has now been fully drawn down to fund a number of projects, most of which have now been realised. The value of the Fund's units at 31st March 2017 was £2.4m. Unfortunately this investment was made before the financial crisis of 2008, and all property purchases were made in 2006 and 2007, ahead of the large fall in property asset values. The Fund continues to be wound up and the management continue to work through the asset management plans of the final two properties, and as these are completed the properties will be sold. Total distributions since inception to 31st March 2017 are £850k, with an additional £2.3m distributed in May this year. The

year end investment multiple (the value plus the distributions received, divided by the total capital committed) is 0.3.

6.3 Franklin Templeton European Real Estate Fund of Funds – Luxembourg public limited company

The Committee approved the investment in October 2005 of €15m. So far this Fund of Funds has commitments to eleven underlying funds, including a portfolio of German nursing homes, a specialist French property investor, a UK real estate partnership, a pan European real estate fund and a German commercial property investor. During the year, the Fund continued the disposition of its investments. On a cumulative basis, 64.0% of the aggregated invested capital has been returned by the underlying Real Estate Funds. At this stage the Fund's investment is valued at the £1.5m, but the valuation of the underlying funds is as at a terminal valuation, and therefore very prudent. Since inception £6.3m has been distributed, and the year end investment multiple was 0.6%, with an internal rate of return of -6.7%.

6.4 Franklin Templeton Asian Real Estate Fund of Funds – Luxembourg public limited company

The Committee approved the investment in October 2007 of \$25m, with \$4m left to be drawn down as at 31st March 2017. The Fund made a total of sixteen investments, and at this stage five Funds have fully completed the disposition of their assets, and another three are close to full realisation. The value of the Pension Funds investment is £6.5m at 31st March 2017, but the valuation of the underlying funds is as at a terminal valuation, and therefore very prudent. Since inception £10.1m has been distributed, and the year end investment multiple was 1.1%, with an internal rate of return of 1.3%. Managers are pleased with the portfolio assembled and the progress that has been achieved to date.

6.5 Igloo Regeneration Partnership

The Committee approved the commitment of £10m in April 2006 to a partnership with a pipeline of early stage regeneration projects in the UK. The Fund is focused on the regeneration and repositioning of ten key locations across the UK, delivering developments with market leading levels of high quality, sustainable design. The partnership produced a return of -11.2% over the twelve months ended March 2017, ahead of its benchmark of 5.5%. This performance figure includes the impact of a negative adjustment for the potential termination value of the investments, and an accrual of anticipated termination costs. The Pension Fund's investment value is £3.9m at 31st March 2017, having distributed £3.9m since inception, resulting in an investment multiple of 0.8. The Fund has a significant cash balance and proposals for the distribution of uncommitted elements will be detailed as part of the updated Fund Business Plan. Following engagement with all of the Fund's investors on the options for Fund over its remaining

term to end-2018 an updated Business Plan and investment strategy is being finalised for distribution in Q3 2017.

In May this year, the Fund Manager circulated an "end of life initial proposal" to investors, offering two choices –

- Option 1 - Wind Up of the Partnership (whether by a sale of the Partnership/whole portfolio or a break up and sale of portfolio interests) as envisaged by the Partnership's constitutional documents; or
- Option 2 - Continuation / Extension

Investors holding approximately 98% of the issued units in the Partnership have confirmed their preference for the Partnership to be wound up. In the absence of all investors confirming that they are interested to pursue the continuation/extension Option 2, the Fund Manager is intending to proceed with the winding up of the Partnership when the Fund's term expires on 30 June 2017, in accordance with the Partnership's constitutional documents in its additional role as liquidating trustee. The Fund Manager is taking advice on the best way to maximise returns to investors in the Partnership's winding up and will keep investors informed on progress.

7 EUROPEAN BALANCED PROPERTY FUND

7.1 Standard Life European Property Growth Fund – Unit Trust

To diversify the Fund's balanced property exposure, a commitment of €5m was made in November 2002 to a new pooled investment vehicle created by Standard Life to invest in Continental European property. A further commitment of €10m was approved to the European Property Growth Fund in July 2005. The Fund owns office, retail and distribution properties in France, Spain, Belgium, Portugal, Hungary, Germany, Poland, Sweden and the Czech Republic. As at the 31st March 2017, this commitment had been fully drawn and the investment in the Fund was valued at £11.1m. Distributions of £4.4m have been received, producing an investment multiple of 1.1. The Fund continues to monitor the market for any transactions that could boost performance, increase exposure to either the strongest or recovering markets, increase income security with strong covenant tenants, or improve portfolio quality. Managers are currently reviewing transactions across all sectors, with a main focus on income in the Netherlands, France, Germany, Spain and Central and Eastern Europe.

8 INFRASTRUCTURE

The Fund has made commitments to funds managed by a specialist investor in Private Finance Initiative and similar projects, both in the UK and overseas. The investments offer prospective long term indexed returns in

excess of those available from bonds. There is potential for improved returns from refinancing opportunities and contract variations. Whilst the investments hold equity stakes in the ownership and operation of large capital projects, they are not property investments in the strictest sense. The long-term nature of these investments fits well with the investment perspective of a pension fund. Officers are currently undertaking due diligence on a number of Infrastructure Funds, to increase the investment in this asset class.

8.2 Innisfree Continuation Fund II – partnership

The Committee approved a commitment of £8m to the Innisfree Continuation Fund II in January 2006. Following the Fund's acquisition of assets from an earlier Innisfree primary fund, and the subsequent follow on investments in Arrow Light Rail (2008), Sheffield Schools and MOD Main Building (2009), the Dutch High Speed Rail Link and West Berks Hospital (2011), Derby Hospital and Walsgrave Hospital (2012), and Stoke and Rotherham Schools (2013); and the disposal of the Arrow Light Rail in December 2011. Fund 2C now has a total of £337m committed to 12 project investments, all of which are operational. From inception, the Fund's portfolio of investments has generated returns that are over 30% higher than was anticipated in the base case acquisition model, and investors have received an average net yield of 9.1%.

During 2015/16, the Pension Fund and two other existing investors purchased the investor commitment of BAE Systems Pension Fund. The total sale price was £21.8m with the proportion Lincolnshire Pension Fund being able to purchase was £539,000.

The investment is currently valued at £8.2m, having distributed £5.3m to 31st March 2017. The current investment multiple is 1.7, with an internal rate of return of 11.2%, and returns being 32% higher than the original estimated base case.

8.3 Innisfree Secondary Fund (ISF) - partnership

The Committee approved a commitment of £15m to the Innisfree Secondary Fund in July 2007. Secondary Funds are long term holders of PPP (public/private partnerships) and PFI projects which have typically reached their operating stage. Returns to investors are principally by way of cash generated by the projects during the remainder of their concession lives. ISF had its final closing on 30 June 2008, taking aggregate commitments to £600.5m, with 18 limited partners. As at 31st March 2017, the Fund had total commitments of £575.7m to 33 projects, and around 95% of investor commitments have been cash drawn. Projects include schools, hospitals and MOD buildings.

During 2015/16, the Pension Fund and two other existing investors purchased the investor commitment of BAE Systems Pension Fund. The

total sale price was £59.4m with the proportion Lincolnshire Pension Fund being able to purchase was £1,500,000.

The investment is currently valued at £16.3m, having distributed £4.7m to 31st March 2017. The current investment multiple is 1.4, with an internal rate of return of 12.0%, and returns being 14% higher than the original estimated base case.

8.4 Innisfree Secondary Fund 2 (ISF2) - partnership

The Committee approved a commitment of £10m to the Innisfree Secondary Fund 2 in January 2013. ISF2 had its final closing on 31st March 2013, taking aggregate commitments to £544m, with 11 limited partners. The Fund was 68% committed to investments and 67% of investor commitment had been cash drawn at 31st March 2016. The Fund is similar to ISF and is invested in projects including schools, hospitals and Thameslink,

ISF2 bought the assets of Innisfree Fund III, acquiring 68% of each Fund III investment. This portfolio is forecast to provide a gross to fund purchase IRR of 10.8% and a ten year average yield of 10.3%.

The investment is currently valued at £6.9m, with outstanding commitments of £2.4m, and having distributed £1.8m to 31st March 2017. Although still early on in the investment cycle, the current investment multiple is 1.2, with an internal rate of return of 11.0%.

Conclusion

9.1 Overall, the Pension Fund's investment in property and infrastructure generated a good absolute return of 4.95%, which was behind the benchmark (as measured by JPMorgan) return of 4.8%. The property allocation, at 9.3%, is slightly overweight its benchmark allocation, with 3.6% in undrawn commitments, and Infrastructure, at 1.5%, is underweight its benchmark allocation, with a further £3m in undrawn commitments.

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	UK Balanced Property Allocation – March 2017

Background Papers

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

APPENDIX A

UK BALANCED PROPERTY ALLOCATION AT 31st MARCH 2017

	Retail %			Offices %			Industrial %		Other %		Total %
	Standard Retail	Shopping Centres	Retail Ware House	London	Rest SE	Rest UK	SE	Rest UK	Other Prop.	Cash	
Aviva	12.2	0.0	17.6	17.5	18.6	2.7	16.1	2.6	5.5	7.2	100
Royal London	18.2	0.0	14.9	18.3	8.0	3.0	11.1	9.2	11.0	6.3	100
Blackrock	3.5	5.4	19.1	12.1	7.9	5.7	13.7	9.5	16.9	6.2	100
Standard Life	11.2	11.9	16.4	21.8	2.8	6.6	17.9	2.2	0.2	9.0	100
Weighted Average	10.6	5.6	17.2	17.9	8.8	4.9	15.5	5.0	7.1	7.5	100
IPD UK Pooled Property Fund Indices	10.9	4.2	15.8	12.8	11.0	6.8	13.3	8.9	9.1	7.2	100
Difference (absolute)	(0.3)	1.4	1.4	5.1	(2.2)	(1.9)	2.2	(3.9)	(2.0)	0.3	

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

Report to:	Pensions Committee
Date:	13th July 2017
Subject:	Lincolnshire Pension Fund Policies Review

Summary:

This report brings to the Committee the main policies of the Pension Fund for review.

Recommendation(s):

That the committee note the report and approve:

- 1) the Fund's Communications Policy;
- 2) the Fund's Governance Compliance Statement;
- 3) the Fund's Stewardship Code Statement; and
- 4) the Fund's Breaches Reporting Policy.

Background

1. Under the various Local Government Pension Scheme Regulations, the Pensions Committee, as the Administering Authority of the Lincolnshire Pension Scheme, is required to produce and maintain a number of key policy documents. Policies are brought to the Committee annually, and the last comprehensive review of all such policies was in July 2016. This report presents the latest version of these policies for them to be formally endorsed by the Committee.

Policies for Approval

2. The key policies to be reviewed and approved are set out as Annexes to this report. Any significant changes will be brought to the Committee's attention and explained during the meeting.

Appendix A – Communications Policy

3. The Communications Policy sets out how the Fund intends to communicate with members, prospective members and employers, including the format, frequency and method of distributing any information or publicity. The Lincolnshire Pension Fund works with West Yorkshire Pension Fund to deliver the administration service to the scheme members and employers.

Appendix B - Governance Policy and Compliance Statement

4. The Governance Policy sets out the arrangements for the management of the Pension Fund, and the Compliance Statement sets out the extent that this policy complies with best practice, on a comply or explain basis.
5. Within the compliance statement, the areas where the Fund is only partially compliant are detailed below:
 - Principle A – Structure – (b) – the Committee does not include representatives for pensioner or deferred members.
 - Principle B – Representation – (a) - the Committee does not include representatives for pensioner or deferred members.
 - Principle E – Training/Facility Time/Expenses – (c) – the Committee has an annual training plan at Committee level, but not for individual members.
 - Principle H – Scope – (a) – The Committee does not have an independent observer for administration and governance issues.

Appendix C - Stewardship Code Statement

6. The Stewardship Code Statement sets out how the Lincolnshire Pension Fund complies with the Financial Reporting Council's (FRC) UK Stewardship Code. The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Code sets out good practice on engagement with investee companies to which the FRC believes institutional investors should aspire and operates on a 'comply or explain' basis. Since September 2016 the FRC has rated all statements as either Tier 1 – fully meets the requirements of the Code, or Tier 2 – does not fully meet the requirements. Lincolnshire's statement has been rated as Tier 1.

Appendix D – Breaches Reporting Procedure

7. The Pension Regulator's Code of Practice requires all LGPS Funds to have a published procedure as to how breaches of the code will be dealt with and reported. The procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoiding placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

8. Two important policies are not being reviewed at this time; the Funding Strategy Statement (FSS) and the Investment Strategy Statement (ISS). The FSS sets out the Fund's approach to managing its solvency and is generally updated every three years, in line with the Triennial Valuation. It is the framework that guides the Fund Actuary. The ISS (replacement of the Statement of Investment Principles) sets out the Committee's approach to the investment of the Fund's assets, in accordance with the guidance issued by the Secretary of State. Both strategies were approved at the March 2017 meeting of this Committee, to meet regulatory deadlines.

Conclusion

9. In accordance with the various Local Government Pension Scheme Regulations, the Fund has prepared a number of key policy documents. The Communications Policy, Governance Policy and Compliance Statement, Stewardship Code Statement and Breaches Reporting Procedure have been appended to this report for review and approval by the Pensions Committee.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	LPF - Communications Policy
Appendix B	LPF – Governance Compliance Statement
Appendix C	LPF – Stewardship Code Statement
Appendix D	LPF – Breaches Reporting Procedure

Background Papers

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

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COMMUNICATION POLICY STATEMENT

LINCOLNSHIRE COUNTY COUNCIL

LOCAL GOVERNMENT PENSION SCHEME

Lincolnshire County Council, as administering authority for the Local Government Pension Scheme, is required by statute to publish a communications policy statement. The Fund communicates with over 200 employers and over 70,000 scheme members, in addition to a large number of other interested parties.

The Regulations governing the Local Government Pension Scheme are laid before parliament by the Department of Communities and Local Government. One of the key requirements they make on all Administering Authorities is to prepare, maintain and publish a written statement setting out the information below:-

- a) The Fund must now prepare, maintain and publish a written statement setting out its policy concerning communications with
 - members;
 - representatives of members;
 - prospective members; and
 - employing authorities.

- b) In particular, the statement must set out the Fund's policy on
 - i. the provision of information and publicity about the Scheme to members, representatives of members and employing authorities (including non-Scheme Employers);
 - ii. the format, frequency and method of distributing such information or publicity; and
 - iii. the promotion of the Scheme to prospective members and their employing authorities.

The day-to-day administration of the Local Government Pension Scheme is carried out on behalf of the County Council by West Yorkshire Pension Fund (WYPF), in a shared service arrangement. Communication material is produced by WYPF in collaboration with the Pensions Team in Lincolnshire. All arrangements for forums, workshops and meetings covered within this statement are made in partnership with WYPF.

The Fund communicates with all stakeholders, as defined in specific legislation, and listed above.

Communication is increasingly distributed via electronic means, with all documents available on a dedicated Pensions website (www.wypf.org.uk).

WYPF provide a dedicated enquiry phone numbers and emails for both scheme members and employers for pension related enquiries. For scheme members it is 01274 434999 and pensions@wypf.org.uk, and for employers it is 01274 434900 and wypf.pfr@wypf.org.uk.

The appropriately qualified staff from the County Council, WYPF or external advisers will deliver presentations to groups of stakeholders and conduct individual meetings.

The Fund's objective in respect of communication is to comply with relevant legislation and ensure relevant individuals and employers receive accurate and timely information about their pension arrangements. Methods of communication are set out in the table below.

Communications events - Scheme Members

Communication	Format	Frequency	Method of Distribution
LGPS active members (including representatives of retired members)	Newsletter	2 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Telephone E-mail Face to face
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face
	Social media	Constant	Web
	Newsletter	2 per year	Mail
	Annual benefit statement	1 per year	Mail
LGPS deferred members (including representatives of deferred members)	Pre-retirement course	Monthly	Face to face
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	Contact Centre	8.45 to 4.30 Monday to Friday	Telephone E-mail Face to face
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face
	Social media	Constant	Web
	Newsletter	1 per year	Mail
LGPS pensioner members (including representatives of retired members)	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face

Pension advice slips	As and when net pension varies by 25p or more	Mail
P60	1 per year	Mail
Social media	Constant	Web
Newsletter	1 per year	Mail
Annual meeting	1 per year	Meeting

Communications events - Employers

Communication	Format	Frequency	Method of Distribution
Employers	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	<i>Ad hoc</i> training	As and when required	Face to face
	Update sessions	2 per year	Meeting
	Annual meeting	1 per year	Meeting
	Manuals/toolkits	Constant	Web/electronic document
	Pension Matters and Xtra	12 per year and as and when required	E-mail
	Social media	Constant	Web
	<i>Ad hoc</i> meetings	As and when required	Face to face
	Workshops	10 per year	Face to face
	Introduction to Pensions	Bi-monthly	Face to face
Online training video	Constant	Web	

Reviewed 13th July 2017 by the Pensions Committee

GOVERNANCE POLICY AND COMPLIANCE STATEMENT

LINCOLNSHIRE COUNTY COUNCIL

LOCAL GOVERNMENT PENSION SCHEME

Lincolnshire County Council, as administering authority (and Scheme Manager) for the Local Government Pension Scheme, is required by statute to publish a governance compliance statement. The Council has elected to do this by publishing a concise Governance Policy Statement and then to outline, as required by legislation, the extent to which that statement and the underlying practices demonstrate compliance with best practice guidance as published by the Department for Communities and Local Government. This latter aspect constitutes the Governance Compliance Statement.

The Governance Policy and Compliance Statements are set out in turn below.

GOVERNANCE POLICY STATEMENT

The County Council has delegated its pension fund administering authority functions to a Pensions Committee and the Executive Director of Finance and Public Protection. The Public Service Pensions Act (2013) required all administering authorities to introduce a local Pension Board to assist the Scheme Manager.

Pensions Committee

The Pensions Committee has 11 members in total, 8 of which are County Councillors and 3 co-opted members. All the members have full voting rights.

The 8 County Councillors represent the political balance of the Council.

The 3 co-opted members comprise:

- 1 representative from the other local authorities within the County,
- 1 representative for non Local Authority employers, and
- 1 Trade Union representative, reflecting the interests of scheme members.

Under the County Council's Constitution, the Pensions Committee exercises the following functions, to;

- set investment policies for the Fund, including the establishment and maintenance of a strategic benchmark for asset allocation, drawing upon appropriate professional advice,

- appoint and review the performance of all Fund Managers and associated professional service providers,
- approve the Annual Report and Statement of Accounts of the Fund,
- consider any other matters relevant to the operation and management of the fund, and
- respond to any relevant consultation impacting upon the Local Government Pension Scheme.

The Pensions Committee has four regular meetings, two manager monitoring meetings and two training meetings each year. In addition, one or more special meetings may be held to appoint new investment managers or other professional advisers.

The Pensions Committee's regular quarterly meetings are open to the public and agendas, reports and minutes are made available through the County Council's website. An annual report on the management of the fund is provided to all scheme employers with an abbreviated version distributed to scheme members.

Executive Director of Finance and Public Protection

The Executive Director of Finance and Public Protection is responsible for the day-to-day administration of the benefits and assets of the pension scheme, specifically to:

- authorise payment of statutory pensions and allowances,
- undertake or arrange for all necessary transactions associated with the management of the assets of the Pension Fund, and
- agree appropriate means of securing external representation on the Pensions Committee, in consultation with relevant external bodies.

Lincolnshire Pension Board

The Lincolnshire Pension Board will ensure the Scheme Manager effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator. The Board will also ensure that it complies with the knowledge and understanding requirements in the Pensions Regulator's Code of Practice.

In addition to the local structure, the Lincolnshire Pension Board is accountable to the Pensions Regulator and the National Scheme Advisory Board.

The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti-fraud and

corruption policy operated by the administering authority, which operate to include all of the functions of the Council and its advisers).

The role of the Lincolnshire Pension Board is set out below:

- Assist Lincolnshire County Council as Scheme Manager;
- To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- To secure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- In such other matters as the scheme regulations may specify.

The terms of reference for the Board are available on the Funds shared website with WYPF at www.wypf.org.uk.

The Lincolnshire Pension Board consists of five members:

- two employer representatives (to represent all employers within the Scheme)
- two scheme members representatives (to represent all members of the Scheme (active, deferred and pensioner))
- an independent member (to act as Chairman)

The employer and scheme member representatives can vote. The Independent Chairman cannot vote.

The Lincolnshire Pension Board has a minimum of four meetings each year. In addition, Board members must attend regular training events.

The Lincolnshire Pension Board meetings are open to the public and agendas, reports and minutes are made available through the Funds shared website with WYPF at www.wypf.org.uk. An annual report on the work of the Board is included in the Fund's annual report, which is published on the Council's website and provided to all scheme employers with an abbreviated version distributed to scheme members.

Any complaint or allegation of breach of due process brought to the attention of the Lincolnshire Pension Board shall be dealt with in accordance with the Code of Practice as published by the Pensions Regulator.

Any questions about the governance of the Lincolnshire Local Government Pension Fund should be addressed to Jo Ray, Pension Fund Manager (email: jo.ray@lincolnshire.gov.uk or telephone 01522 553656).

Reviewed 13th July 2017 by the Pensions Committee

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
A - Structure	a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Yes	See terms of reference for the Pensions Committee in the Policy Statement above.
	b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Partial	The Council has not, to date, seen the need to establish a secondary committee/panel. It will, however, keep this aspect under review and does establish working groups from the Committee to deal with specific issues. Pensioner and deferred beneficiaries are not presently represented directly on the Committee – see B a. below.
	c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Relevant	As discussed above, no such forum has been established as yet.
	d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Relevant	As discussed above, no such forum has been established as yet.
B - Representation	a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-	Partial	The Committee has 11 members, all with voting rights, of which 8 are County Council Councillors. Other members include one representing other local authorities (district

	<ul style="list-style-type: none"> • Employing authorities (including non-scheme employers, e.g. admitted bodies); • Scheme members (including deferred and pensioner scheme members), • Where appropriate, Independent professional observers, and • Expert advisors (on an ad hoc basis) 		councils) and one representing small scheduled bodies, currently from an Internal Drainage Board. Member related issues are dealt with by having a trade union representative on the Committee. Given the statutory guarantee that exists in respect of member benefits, this is felt to be sufficient representation. The Council will review this aspect periodically. The Committee have appointed an independent investment advisor who attends all Committees.
	b. That where lay members sit on the main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	All members of the Committee have full voting rights and equal access to information, training, etc.
C – Selection and Role of Lay Members	a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes	Nationally customised training is available to all members and this is supplemented by locally provided induction sessions for new members of the Committee. In addition, the Committee agrees an annual training plan with specific topics covered on set dates.
	b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Yes	The declaration of member's interests is a standard item on the agenda of the Pensions Committee.
D - Voting	a. That the policy of individual administering authorities on voting	Yes	Full voting rights are given to all members of the Committee.

	rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.		
E – Training/Facility Time/Expenses	a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	Yes	See C a. above. All expenses incurred by members of the Pensions Committee are either met by the body they represent or directly by the Fund itself.
	b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	All members are treated equally in every respect.
	c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The Committee agrees an annual training plan with specific topics covered on set dates. All training undertaken by members of the Pensions Committee is recorded and additional training opportunities are regularly brought to the attention of the Committee, either in monthly update letters or in reports taken to Committee.
F – Meetings - Frequency	a. That an administering authority’s main committee meet at least quarterly.	Yes	See Compliance Policy Statement above.
	b. That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised	Not Relevant	As discussed above, no such forum has been established as yet.

	with the dates when the main committee sits.		
	c. That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Relevant	Three added members exist and have equal rights with all mainstream members in all respects.
G – Access	a. That, subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes	All members are treated equally in every respect.
H – Scope	a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Partial	The terms of reference of the Pensions Committee were changed a few years ago to include benefit related matters which up until that time had been dealt with elsewhere within the governance arrangements of the Council. A report on the administration of the scheme is taken to each quarterly committee meeting. At present the Council does not believe there is a strong argument in favour of appointing an independent professional observer on administration/governance issues in addition to the independent advisor already in place in respect of investment matters.
I - Publicity	a. That administering authorities have published details of their governance	Yes	The County Council publishes the many governance documents and communicates

	arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.		regularly with employers and scheme members.
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Lincolnshire Pension Fund Stewardship Code Statement

Lincolnshire Pension Fund (LPF) is fully committed to responsible investment (RI) to improve the long term value for shareholders. LPF believe that well governed companies produce better and more sustainable returns than poorly governed companies. LPF also believe that asset owners, either directly (where resources allow) or through their external managers and membership of collaborative shareholder engagement groups (such as LAPFF), could influence the Board/Directors of underperforming companies to improve the management and financial performance of those companies.

As global investors we expect the principles of good stewardship to apply globally, whilst recognising the need for local market considerations in its application. Reflecting on this we have summarised our compliance with the UK Stewardship code and principles relating to good stewardship below.

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Whilst the Lincolnshire Pension Fund takes its responsibilities as a shareholder seriously, it does not have a specific policy on Stewardship, other than that stated in the Statement of Investment Principles. It seeks to adhere to the Stewardship Code where possible, and expects its appointed asset managers to do so too. Resources do not currently allow for a dedicated role to oversee LPF's RI responsibilities at a Fund level, however the asset pooling arrangements currently being implemented will enable a more active role in the future.

In practice the Fund applies the Code in two ways; through arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum, a collaborative shareholder engagement group for Local Authority Pension Funds. Through these channels, LPF seeks to improve long term share performance through investment in better governed companies, therefore improving the funding level of the LPF and reducing the cost to stakeholders in the Local Government Pension Scheme.

As part of the manager appointment process, the Fund selects managers who show how their stewardship responsibilities are built in as an integral part of their investment process. Managers are asked to include information on stewardship and engagement activity in their quarterly reports to LPF, so that activity can be monitored. The Fund has regular meetings with its external managers where their stewardship activities are on the agenda. This assists the Fund in understanding the impact of any such activities undertaken and ensures that they are aligned with the engagement work done by LAPFF.

The Fund reports quarterly to the Pensions Committee on the engagement work undertaken by LAPFF and a member of the Pensions Committee regularly attends the LAPFF meetings. The Fund also attends the LAPFF Annual Conference to ensure a full understanding and input into the work programme of LAPFF.

Voting is carried out at Fund level, rather than by appointed managers, using a third party voting agency, Manifest. A general global voting template is agreed by the Pensions Committee using the best practice principles advised by Manifest. Voting decisions for non-standard items are made on a case-by-case basis using the analysis produced by Manifest and take into account any voting alerts provided by LAPFF, or where needed, additional information is requested from managers. The Fund reports quarterly to the Pensions Committee on all voting activity undertaken.

Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Fund expects the asset managers it employs to have effective policies addressing potential conflicts of interest, and that these are all publically available on their respective websites. These are discussed prior to the appointment of a manager, and reviewed as part of the standard manager monitoring process.

In respect of conflicts of interest within the Fund, Pensions Committee and the Pension Board review the Pension Fund Code of Conduct and Conflicts of Interest Policy annually and all members are required to sign an annual declaration form in line with the published policy. The policy can be found on the shared LPF website at www.wypf.org.uk. In addition, Committee members are required to make declarations of interest prior to committee meetings which are documented in the minutes of each meeting and available on the Council's website at www.lincolnshire.gov.uk.

Principle 3 - Institutional investors should monitor their investee companies.

As investors we own a portion of the companies we invest in. With our voting policies and working through our external managers and LAPFF we can use our rights as owners to encourage companies to act more responsibly and improve their practices. All our managers are required to consider how environmental, social and governance factors might impact companies sustainability, and therefore their long term share performance.

Day-to-day responsibility for managing our externally managed equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor their investee companies and engage where necessary. Managers are asked to include information on stewardship and engagement activity in their quarterly reports to LPF, so that activity and impact can be monitored. The Fund has regular meetings with its external managers where their stewardship activities are on the agenda. This assists the Fund in understanding the impact and effectiveness of any such activities undertaken and ensures that they are aligned with the engagement work done by LAPFF. Reports on the Funds voting and engagement activity through LAPFF are received by the Pensions Committee on a quarterly basis.

In addition, the Fund receives an 'Alerts' service from the Local Authority Pension Fund Forum, which highlights corporate governance issues of concern at investee companies, and is used when making voting decisions.

Resources do not currently allow for a dedicated role to monitor investee companies at a Fund level, however the asset pooling arrangements currently being implemented will enable a more active role in the future.

Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their activities.

As highlighted above, responsibility for day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code. We review each manager's policy on engagement and escalation prior to appointment and we review their engagement activity during regular review meetings with them, and support it when required. Escalation routes across our managers involve meetings with company management, meetings with Non-Executive Directors, collaborating with other institutional shareholders, submitting resolutions at general meetings and in the most extreme instances divestment of shares. The outcome of any engagement is reported to the Fund through the normal reporting routine.

On occasion, the Fund may itself choose to escalate activity through its participation in the Local Authority Pension Fund Forum. The areas where escalation might occur would be aligned with the LAPFF work programme. Fund involvement would be by either co-signing a shareholder resolution or publically supporting a shareholder resolution. This would happen following a request from LAPFF explaining the engagement activity taken so far and the reasons why a shareholder resolution is required. The Fund had an agreed process for this internally which requires a paper taken to our Pensions Committee (time allowing) or through delegation to the Council's Executive Director of Finance and Public Protection in consultation with the Chair and Vice Chair of the Pensions Committee to agree. Examples of escalation activity from LAPFF that the Fund has supported are shown below:

- Supporting the Human Rights Capital shareholder resolution at Sports Direct
- Part of the 'Aiming for A' investor coalition – successfully co-filing at BP, Shell, Anglo American, Rio Tinto and Glencore on strategic resilience resolutions
- Supported shareholder resolutions at National Express on workplace rights

The Fund monitors and participates in shareholder litigation through its contracts with IPS (Institutional Protection Services) and US law firm SRKW. In addition, supplementary monitoring is provided by BLBG.

Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund achieves this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members. The LAPFF agree planned work programmes each year which are discussed and approved at LAPFF meetings. This plan sets out the engagement areas for activity for the coming year. Lincolnshire Pensions Committee member Cllr Nev Jackson is the named representative responsible for attending these meetings and actively participates in any discussions and setting of the work programme. He raises any concerns that the Fund may have and feeds back to the Pensions Committee on a quarterly basis.

The contact for any potential collective action with the Fund is the Pension Fund Manager, Jo Ray, at jo.ray@lincolnshire.gov.uk.

Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.

Responsibility for the exercise of voting rights is maintained at Fund level, and not delegated to the Fund's appointed asset managers. The Fund exercises all votes for its UK, developed Europe, US, Canada and Japanese equity holdings. Votes are cast in accordance with a template that represents best practice corporate governance standards, that is agreed by the Pensions Committee. Advice on best practice is supplied by the voting agency Manifest. This includes consideration of company explanations of compliance with the Corporate Governance Code. Reports are presented to the Pensions Committee on a quarterly basis on how votes have been cast, and controversial issues are often discussed at committee meetings.

The Fund will only support the Board when the recommendations meet the best practice requirements in the guidance supplied by the Fund's voting advisor, Manifest. All votes cast by the Fund are logged in Manifest's on-line system, which also identifies where the Fund has voted against the Board and reasons why. The Fund always responds to requests from companies to explain voting outcomes, and will, wherever possible, explain in advance of the actual vote being cast.

The quarterly reports presented to the Pensions Committee include high level voting activity and are available on the Council's website, alongside all committee reports.

The Fund participates in stock lending through its Custodian, JPMorgan. Stock is not recalled ahead of company meetings to allow voting on the holdings participating in the stock lending programme, due to the restricted resources within the internal team.

Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.

The Fund reports quarterly to the Pensions Committee on stewardship activity through a specific section on voting undertaken each quarter, in the Fund Update. This includes details of engagement activity undertaken through the Local Authority Pension Fund Forum. On an annual basis the Fund includes a section on Stewardship Responsibilities in its Annual Report and Accounts, detailing voting activity and highlighting the key engagements over the year through its membership of LAPFF. These are available on the Council's website.

Data to produce these reports is taken from the Councils voting service provider's online system, which records all votes undertaken, and from reports produced by LAPFF.

Although voting is not delegated to managers, they are required to share their engagement activity with the Fund on a regular basis.

Reviewed 6th October 2016 by the Pensions Committee

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LINCOLNSHIRE PENSION FUND

Reporting Breaches Procedure

1. Introduction

- 1.1 This document sets out the procedures to be followed by certain persons involved with the Lincolnshire Pension Fund, the Local Government Pension Scheme managed and administered by Lincolnshire County Council, in relation to reporting breaches of the law to the Pensions Regulator.
- 1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This Procedure document applies, in the main, to:
 - all members of the Lincolnshire Pension Board and Pensions Committee;
 - all officers involved in the management of the Pension Fund ;
 - personnel of the shared service pensions administrator providing day to day administration services to the Fund, and any professional advisers including auditors, actuaries, legal advisers and fund managers; and
 - officers of employers participating in the Lincolnshire Pension Fund who are responsible for pension matters.

2. Requirements

- 2.1 This section clarifies the full extent of the legal requirements and to whom they apply.
- 2.2 **Pensions Act 2004**
Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:
 - a trustee or manager of an occupational or personal pension scheme;
 - a member of the pension board of a public service pension scheme;
 - a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
 - the employer in relation to an occupational pension scheme;
 - a professional adviser in relation to such a scheme; and
 - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 **The Pension Regulator's Code of Practice**

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

2.4 **Application to the Lincolnshire Pension Fund**

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Lincolnshire Pension Fund and this document sets out how the Board and Committee will strive to achieve best practice through use of a formal reporting breaches procedure.

3 **The Lincolnshire Pension Fund Reporting Breaches Procedure**

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoiding placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 **Clarification of the law**

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made

- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator's Code of Practice:
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx>
In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the County Finance Officer and the Executive Director of Finance and Public Protection, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 **Clarification when a breach is suspected**

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the County Finance Officer, the Executive Director of Finance and Public Protection, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 **Determining whether the breach is likely to be of material significance**

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

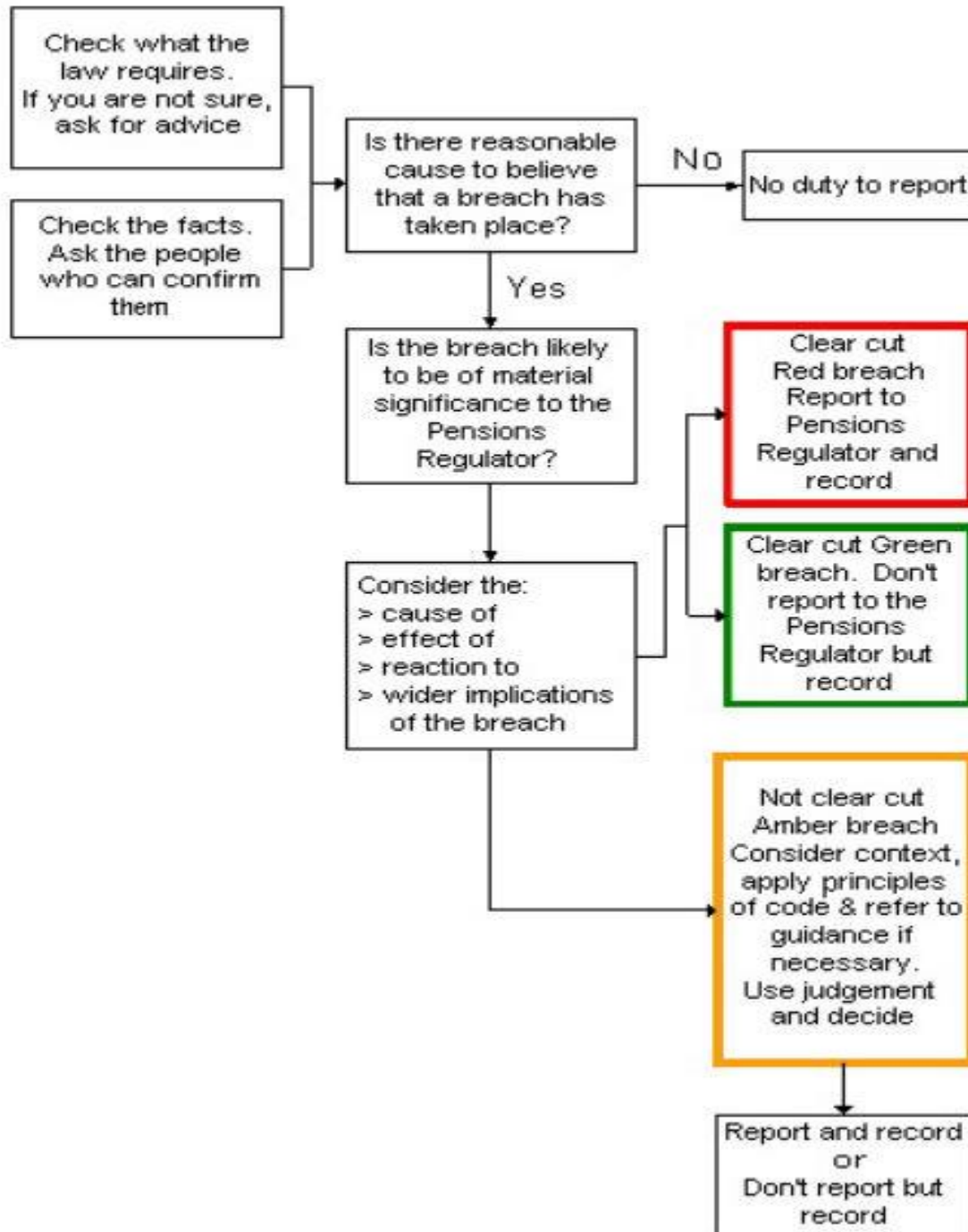
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

3.4 A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



3.5 **Referral to a level of seniority for a decision to be made on whether to report**

Lincolnshire County Council has a designated Monitoring Officer to ensure the County Council acts and operates within the law. They are considered to

have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the County Finance Officer or the Executive Director of Finance and Public Protection at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 Dealing with complex cases

The County Finance Officer or the Executive Director of Finance and Public Protection may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

3.7. Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might

alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 **Recording all breaches even if they are not reported**

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Lincolnshire County Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the County Finance Officer or the Executive Director of Finance and Public Protection. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

3.10 **Reporting a breach**

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Lincolnshire Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Lincolnshire County Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (PSR – 10051252); and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 **Confidentiality**

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 **Reporting to Pensions Committee and Pension Board**

A report will be presented to the Pensions Committee and the Pension Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 **Review**

This Reporting Breaches Procedure was originally developed in June 2015. It will be kept under review and updated as considered appropriate by the County Finance Officer or the Executive Director of Finance and Public Protection. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Jo Ray - Pension Fund Manager

Email: jo.ray@lincolnshire.gov.uk

Telephone: 01522 553656

Lincolnshire Pension Fund, Lincolnshire County Council, Newland, Lincoln, LN1 1YL

Designated officer contact details:

1) County Finance Officer – David Forbes

Email: david.forbes@lincolnshire.gov.uk

Telephone: 01522 553642

2) Executive Director of Finance and Public Protection – Pete Moore

Email: pete.moore@lincolnshire.gov.uk

Telephone: 01522 553602

3) Monitoring Officer – Richard Wills

Email: richard.wills@lincolnshire.gov.uk

Telephone: 01522 553000

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being

properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

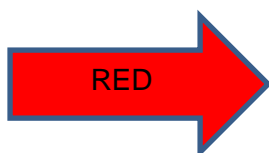
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:

[http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)

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

Report to:	Pensions Committee
Date:	13th July 2017
Subject:	Lincolnshire Pension Fund Risk Register

Summary:

This report presents the Pension Fund Risk Register to the Committee for annual review.

Recommendation(s):

That the committee approve the risk register.

Background

1. Committee members will understand the importance of looking at risk as part of the normal Member training that the Council provides. Given the size and importance of the Pension Fund, it is best practice to have a separate risk register considering the key risks that can impact the Fund and how they can be mitigated, if at all possible.
2. The risk register is reviewed annually at this Committee, and any additional changes or updates are reported in the quarterly Fund Update report. Officers have taken the opportunity to refresh the risk register fully, given the ceasing of the internally managed portfolio and the Committee changes following the recent elections.
3. Appendix A is the current Pension Fund risk register. 26 risks have been identified, along with the controls in place to mitigate them.
4. The risk register follows the standard format of the Council's risk registers. To assist in understanding the risk register, the first risk on the register and the associated columns are described below:
 - ID – an identifying number
 - Linked to objective – the Fund's objectives are detailed at the top of the register
 - Source – what the risk is

- Consequences – the potential outcomes
- Risk owner – person responsible overall
- Existing controls – what is already in place to reduce either the impact or the likelihood
- Status – the effect that the controls in place have, either good, fair or poor
- Owner – who is responsible for the controls
- Current Risk score – L – Likelihood and I – Impact (explained in the table below)
- Overall current risk score – explained in the table below

5. The risk scores are calculated using the risk matrix below:

LIKELIHOOD	4				
	3				
	2				
	1				
		1	2	3	4
		IMPACT			

For the **likelihood**, there are four possible scores:

1 HARDLY EVER	2 POSSIBLE	3 PROBABLE	4 ALMOST CERTAIN
Has never happened No more than once in ten years Extremely unlikely to ever happen	Has happened a couple of times in last 10 years Has happened in last 3 years Could happen again in next year	Has happened numerous times in last 10 years Has happened in last year Is likely to happen again in next year	Has happened often in last 10 years Has happened more than once in last year Is expected to happen again in next year

For the **impact**, there are four possible scores, but considered across four areas:

	SERVICE DELIVERY Core business, Objectives, Targets	FINANCE Funding streams, Financial loss, Cost	REPUTATION Statutory duty, Publicity, Embarrassment	PEOPLE Loss of life, Physical injury, Emotional distress
4 CRITICAL Disastrous impact, Catastrophic failure	Prolonged interruption to core service. Failure of key strategic project.	Severe costs incurred Budgetary impact on whole Council Impact on other services Statutory intervention triggered	National media interest seriously affecting public opinion	Loss of life Multiple casualties
3 MAJOR Significant impact, Disruption to core services	Key targets missed. Some services compromised	Significant costs incurred Re-jig of budgets required Service level budgets exceeded	Local media interest Comment from external inspection agencies Noticeable impact on public opinion	Serious injuries Traumatic / stressful experience Exposure to dangerous conditions

<p style="text-align: center;">2 MINOR</p> <p>Minor impact, Some degradation of non-core services</p>	<p>Management action required to overcome short-term difficulties</p>	<p>Some costs incurred</p> <p>Minor impact on budgets</p> <p>Handled within management responsibilities</p>	<p>Limited local publicity</p> <p>Mainly within local government community</p> <p>Causes staff concern</p>	<p>Minor injuries or discomfort</p> <p>Feelings of unease.</p>
<p style="text-align: center;">1 NEGLIGIBLE</p> <p>No noticeable impact</p>	<p>Handled within normal day-to-day routines</p>	<p>Little loss anticipated</p>	<p>Little or no publicity</p> <p>Little staff comment</p>	

6. Once the likelihood and the impact are assessed, this produces the overall risk score e.g. likelihood = 3, impact = 2 then the risk score is 6. This means that it would fall into the blue area of the matrix, and is a higher concern than if it were in the green area. The Committee would need to be satisfied that they were comfortable with this level of risk, and that no further controls were required. There will always be some risks that cannot be fully mitigated.

Conclusion

7. It is considered best practice to have identified the high level risks associated with managing a Pension Fund and to have put appropriate controls in place. The risk register is brought annually before the Pensions Committee for review and approval.

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Pension Fund Risk Register July 2017

Background Papers

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

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**Pension Fund
RISK REGISTER
Jo Ray**

Areas covered

Pension Fund Governance & Strategy
Pensions Administration
Pension Fund Investments

Service Objectives

- 1 Ensure there are enough assets to cover liabilities in the long term
- 2 To prepare the final accounts for the Pension Fund to the agreed timetable
- 3 To monitor all investments to ensure they are fit for purpose and within the targeted risk and return levels
- 4 To monitor the external investment managers and service providers to ensure they are acting within their IMA and/or SLA
- 5 To work in partnership with WYPF to ensure an effective and efficient Pensions Administration Service is provided
- 6 To ensure that there is sufficient liquidity available to pay drawdowns on the Funds commitments and pensions due

Sort by Risk ID

Refreshed July 2017

Sort by Current Overall Risk Score

ID	Date added	Linked to Objective	Description of Risk		Risk Owner	Existing Controls	Status	Owner	1:Low...4:High		Overall Current Risk Score
			Source (Lack of....Failure to)	Consequences (Results inLeads to)					L	I	
1		5	Contributions of payments of pensions • Non-collection • Miscoding • Non-payment	If it doesn't get discovered it effects employers accounting report and Valuation,final accounts and cashflow in pension fund	Jo Ray	Employer contribution monitoring Additional monitoring at specific times Reconciliations Improved employer contribution data Monthly returns checks UPM employer module Ongoing employer training	Good	Jo Ray	1	3	3
2		5	Inability to deliver the service either resource or finance in accordance with the agreement	Members of the pension scheme not serviced Statutory deadlines not met	Jo Ray	Performance Indicators General management indicators Bi-monthly meetings with WYPF Horizon Scanning Internal Audit Service Level Agreement Response to Audit Reports in the form of action plans Benchmarking & performance data Process management Error reporting Complaint reporting Customer Surveys	Good	Jo Ray	2	3	6
3		2,3,4,5	Loss of key staff and loss of knowledge & skills	Inability to deliver service Statutory requirements not met Damaged reputation Pensioners not paid	Jo Ray	Diversified staff / team Look at other authorities with best practices to ensure LCC positions still desirable Attendance at pensions user groups, both WYPF and LCC Procedural notes which includes new systems as and when (LCC & WYPF) Section meetings / appraisals (LCC & WYPF) Regular team building (LCC & WYPF)	Fair	Jo Ray	2	2	4
4		5	Calculating and paying pensions correctly	Damaged reputation Financial loss	Jo Ray	Internal control through audit process Constant monitoring / checking Quality standard at WYPF Process management NFI and Tracing services Data Cleansing	Good	Jo Ray	2	2	4
5		4	Custodian bank (J P Morgan) goes bust	Inability to settle trades No reconciliation, accounting or performance service Loss of access to cash accounts	Jo Ray	Service level agreement with termination clause Regular Meetings Regular control reports Other Custodian options review markets	Good	Jo Ray	1	3	3

6		1,3,4	Poor investment performance from managers	Lower funding level Increase in employer contributions	Jo Ray	Performance measurement Managers report monthly Reporting to pensions committee Diversification across managers Manager meetings	Good	Jo Ray	2	3	6
7		1	Assets not enough to meet liabilities	Lower funding level Increase in employer contributions		Valuation Asset Liability Study Quarterly reporting of funding level Professional advice	Good	Jo Ray	2	3	6
8		1	Required returns not met due to poor strategic allocation	Damaged reputation Increase in employer contribution	Jo Ray	Professional advice Triennial review Performance monitoring Monthly Members letter Reporting to Pensions Committee	Good	Jo Ray	2	3	6
9		4	Non compliance of external managers	Damaged reputation Financial loss	Jo Ray	FSA regulated Manager due diligence Investment Management Agreements Manager monitoring Report quarterly to team Review every 3 years Qualified officers Additional managers meetings Termination clause	Good	Jo Ray	1	2	2
10		1,3,4	Financial regulations (e.g LCC / CIPFA) and statutory requirements not adhered to / legal guidelines not followed	LCC may incur penalties Damaged reputation Intervention from Secretary of State Intervention from the Pensions Regulator	Jo Ray	Underlying regulation of Fund Managers FM control reports Contracts in place setting out parameters LCC staff appropriately qualified and aware of policies and procedures Pension Fund managed in line with statutory regulations Membership of CIPFA Pensions Network, PLSA etc. Pension Board	Good	Jo Ray	1	2	2
11		1,3,4,5	Financial or administration decisions challenged	Ombudsman report reported to TPR	Jo Ray	Performance monitoring and reporting Monthly and quarterly reporting Admin processes and procedures	Good	Jo Ray	1	1	1
12		3,4	Personal gain (internal or external) through: • Personal dealing • Fraud or misappropriation of funds • Manipulating share price	Financial loss Damaged reputation	Jo Ray	Protocol regarding personal dealing Declaration of interests Investment Management Agreements with Fund Managers Vetting of new Fund Managers through tender process Access restricted regarding transfer of funds - authorised signatories required Regulation of Fund Managers Insurance arrangements Code of Conduct Separation of duties	Good	Jo Ray	1	1	1
13		2	Financial Statements of Pension Fund incorrect or late	Damaged reputation Qualified accounts	Jo Ray	Agreed timetable Externally audited Qualified and trained staff Closedown procedures	Good	Jo Ray	1	2	2
14		1,3,4,5	Fraud risk not managed	Financial loss Damaged reputation	Jo Ray	Separation of duties Internal & external audit Monthly reporting Reconciliation procedures	Good	Jo Ray	1	3	3

15		1,2,3,4,5	Governance requirements not met	Financial loss Damaged reputation Legal issues	Jo Ray	Governance compliance statement Pension Committee reporting Monthly member letter Investment Strategy Statement Funding Strategy Statement Trained Committee members and officers Pension Board	Good	Jo Ray	1	2	2
16		2,5	Increasing employer numbers and/or reducing covenant strengths	Increased workload Incorrect rates paid	Jo Ray	Admission agreements Bonds Employer covenant monitoring Contribution monitoring Employer communication and PFR roles	Good	Jo Ray	3	2	6
17		1,6	Maturing Fund	Cashflow issues to pay pensions or commitments Increasing employer rates	Jo Ray	Investment strategy Cashflow monitoring Discourage opt outs New scheme 50/50 option Communication	Fair	Jo Ray	3	2	6
18		1,5	New Pension Freedom and Choice rules	Impact on cashflow Process not followed Reduction in funding level	Jo Ray	Value of transfers monitored	Fair	Jo Ray	2	2	4
19		1,3,4,6	Asset pooling - creation of BCPP within Governments timetable	Uncertainty and inability to make investment decisions Increased costs Intervention by Government	Jo Ray	Officer operations group Cross pool working group Communicate to Committee regularly S151 meetings Regular contact and meetings with DCLG/HMT	Fair	Jo Ray	2	3	6
20		1,3,4,6	Asset pooling - management of relationship with BCPP	Inability to implement asset allocation decisions Increased costs Reduced returns	Jo Ray	Joint Committee Officer operation group Senior officer group	Fair	Jo Ray	2	3	6
21		5	Employer breaches	Reporting to TPR Fines to employers Reputational risk to LCC and WYPF	Jo Ray	Make employers aware of responsibilities through Admin Strategy and training Reporting breaches procedure Contribution monitoring	Good	Jo Ray	1	2	2
22		1,2,3,4,5,6	LCC team - workloads and resources - additional work of asset pooling along with team losses, means resources will be very stretched for the coming months	Statutory requirements not met Reputational risk Increase in key man risk	Jo Ray	Monthly meetings with County Finance Officer Concerns reported to Pensions Committee and Pension Board Ability to recruit	Fair	Jo Ray	2	3	6
23		5	Data issues with LCC	Data not submitted on time or accurately Statutory deadlines missed Members missing starter/leaver information Incorrect pensions paid/accrued to members Incorrect contribution rate for LCC calculated	Jo Ray	Monthly meetings with County Finance Officer Concerns reported to Pensions Committee and Pension Board Concerns raised directly to employer	Fair	Jo Ray	3	2	6
24		1,6	Economic uncertainty due to UK leaving the EU	Volatility of market Lower gilt yields leading to higher liabilities Inflation increasing liabilities Uncertainty of political direction re pooling	Jo Ray	Increased monitoring of managers Review investment strategy Regular communications with Committee and Board	Poor	Jo Ray	4	3	12

25		4,5	Cyber security breach	Systems hacked Loss of Admin system leading to being unable to calculate and pay pensions Loss of data from third party service providers and managers	Jo Ray	WYPF and Bradford Council policies LCC policies External provider control reports	Good	Jo Ray	2	3	6
26		4,5	Non-compliant in Information Governance - incl. GDPR compliance	Risk of fines Reputational risk Personal/sensitive data in the wrong hands	Jo Ray	WYPF policies Reporting to Committee LCC policies	Fair	Jo Ray	2	3	6

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

Report to:	Pensions Committee
Date:	13 July 2017
Subject:	Annual Pensions Committee Training Plan and Policy

Summary:

This report sets out the training policy and the annual training plan for the Pensions Committee members for the year to April 2018.

Recommendation(s):

That the committee:

- 1) agree the training policy;
- 2) identify areas for training at the September and February meetings; and
- 3) agree the annual training plan.

Background

1. There is a high level of risk involved in managing and making decisions relating to the Local Government Pension Scheme (LGPS). It is therefore essential that those involved with these tasks have the appropriate knowledge and skills to do so. The need for appropriate knowledge and skills in the management of pension schemes has been a key topic in recent years in both the public and private sector.
2. Members and Officers are required to undertake training to satisfy the obligations placed upon them by the following:
 - Lord Hutton, in his review of Public Sector Pensions, included a key recommendation referring to the need for all Pension Committees and Boards to be properly trained.
 - The Public Service Pensions Act 2013 included a requirement for members of Pensions Boards in the public sector to have an appropriate level of knowledge, and included a provision that required the Pensions Regulator to issue a Code of Practice relating to this for both Pension Board members and Scheme Managers (the Administering Authority).

- The Chartered Institute of Public Finance and Accountancy (CIPFA) launched a technical guidance for Representatives on Pensions Committees and non-executives (i.e. officers) in the public sector within a Knowledge and Skills Framework (KSF) in January 2010. The framework identifies the skill set for those responsible for pension scheme financial management and decision making. CIPFA followed this up with a Code of Practice which LGPS funds are expected to adhere to, reporting on how their Pension Committee members and officers are meeting the requirements of their Framework in the Annual Report and Accounts. The Pension Committee members' KSF is attached at appendix B.
 - Myners Principles – Scheme Administering Authorities have been required for some time to report on a 'comply or explain' basis their adoption of, and compliance with, the principles. This is set out in the Governance Compliance Statement. The CIPFA document Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012) also details the expectations that the Administering Authority should meet.
3. The Pensions Committee has adopted the key recommendations and principles of the CIPFA Code of Practice, detailed below:
- Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision making and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
 - Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme financial knowledge and skills for those in the organisation responsible for financial administration and decision-making.
 - The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Knowledge and Skills Frameworks.
 - The organisation has designated a named individual to be responsible for ensuring that policies are implemented.
4. For the Lincolnshire Pension Fund, the County Finance Officer (and delegated Section 151 Officer) David Forbes is the designated officer in this regard.
5. To ensure that the Fund complies with the requirements above, a training policy and annual training plan is produced (attached at appendix A) and agreed by the Committee. Evaluation of knowledge and skills is periodically

undertaken to ensure any emerging knowledge gaps, (due to either regulatory/market change or change in members or key officers) are addressed.

6. The CIPFA KSF (attached at appendix B for reference) covers six areas:
 - i. Pensions Legislative and Governance Context
 - ii. Pensions Auditing and Accounting Standards
 - iii. Financial Services Procurement and Relationship Management
 - iv. Investment Performance and Risk Management
 - v. Financial Markets and Products Knowledge
 - vi. Actuarial Methods, Standards and Practices
7. It is acknowledged that these areas are very wide; however, the framework requires an awareness or understanding in most areas, rather than detailed knowledge. There are also a number of different ways in which this information can be gained by members, such as during normal Committee meetings, training sessions or attendance at conferences or seminars. It is not expected for members of the Committee to have knowledge in all areas of the framework but a collective understanding by the Committee as a whole.
8. The training policy was last agreed at the April 2016 meeting of this Committee. It sets out the policy concerning the training and development of:
 - the members of the Pensions Committee and
 - officers of Lincolnshire County Council responsible for the management of the LGPS.

The training policy is established to aid members of the Pensions Committee in performing and developing their individual roles in achievement of the collective responsibility of the Committee. The requirement of the Committee is to ensure that members be able to demonstrate that, collectively, they have the required knowledge and skills to make appropriate decisions and offer challenge, and that officers are adequately trained and experienced to undertake the day to day operation and management of the Scheme.

9. Following elections every four years, all new members to the Committee are expected to attend the new member induction training, and anyone unable to attend that is offered one-to-one training by the Pension Fund Manager. In addition, all Committee members are expected to attend a basic training course (LGA Fundamentals or equivalent) designed for new members to the Pensions Committee, or as a refresher when required.

10. The Committee training plan presents the topics that will be covered in the normal Committee meetings and also the additional training sessions for the coming year. This will be updated for additional areas that are covered in Committee throughout the year, and will be used to assist in disclosure requirements for training in the 2017/18 Annual Report. The statement of compliance also requires Officers to keep a record of attendance at training courses and conferences by Members. Members are requested to inform Officers should they attend any meetings that are relevant to the Knowledge and Skills Framework.
11. Committee members are asked to agree topics for training for the sessions in September and February. A date of 21st September has provisionally been set aside for training.
12. Committee members that attend external training events, including conferences, will be asked to provide a brief update to the next meeting of the Pensions Committee, covering the following points.
 - Their view on the value of the event and the merit, if any, of attendance;
 - A summary of the key learning points gained from attending the event; and
 - Recommendations of any subject matters at the event in relation to which training would be beneficial to all Committee Members.
13. Furthermore, the Pensions Regulator has an online education portal for public sector pension schemes, which can be accessed through the following link: <https://education.thepensionregulator.gov.uk/login/index.php>. It is expected that all Committee members will complete this within six months of becoming a member of the Committee, and they are asked to send their certificates of completion to the Pension Fund Manager to record.

Conclusion

14. The training policy has been developed to respond to the various requirements laid down in regulations and guidance to ensure that both Committee members and officers are suitably knowledgeable to perform their duties within the Pension Fund. The Committee training plan sets out the areas of training covered for the coming year, and a new plan will be brought each year to the April Committee.
15. Committee members are asked to suggest topics for training sessions to add to the plan.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Training Policy and Annual Plan
Appendix B	CIPFA Knowledge and Skills Framework

Background Papers

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

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PENSIONS COMMITTEE TRAINING POLICY AND COMMITTEE TRAINING PLAN JULY 2017 TO APRIL 2018

Policy Objectives

The Fund's objectives relating to knowledge and skills are:

- The Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise, and that the knowledge and expertise is maintained in a changing environment.
- Those persons responsible for governing the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage conflicts of interest.
- The Pension Fund and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Scheme.

To assist in achieving these objectives, the Fund will aim for compliance with the CIPFA Knowledge and Skills Framework and Code of Practice, and take on board the guidance within the Pension Regulator's Code of Practice for public sector pension schemes.

Application of the Policy

The training policy will apply to all members of the Pensions Committee and Council officers that have involvement in managing the Pension Fund, at any level.

Review and maintenance

This training policy is expected to be appropriate for the long-term but to ensure good governance it will be formally reviewed at least annually by the Committee, to ensure it remains accurate and relevant.

The Fund's Training Plan will be updated each year, taking account of the result from any training needs evaluations and any emerging issues. The Committee will be updated with events and training opportunities as and when they become available, or relevant to on-going business.

CIPFA Knowledge and Skills Framework and Code of Practice

In January 2010, CIPFA launched technical guidance for Representatives on Pension Committees and non-executives in the public sector within a

knowledge and skills framework. The framework sets the skill set for those responsible for pension scheme financial management and decision making.

The Framework covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context
- Pension Accounting and auditing standards
- Financial services procurement and relationship development
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practice

CIPFA's Code of Practice recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework (or an alternative training programme);
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme); and
- publicly report how these arrangements have been put into practice each year.

The Lincolnshire Pension Committee fully supports the CIPFA Code of Practice and adopts its principles.

Training Provision, Measurement and Assessment

In order to identify and meet training needs and assess whether we are meeting the CIPFA Framework requirements we will:

Members:

- Upon appointment to the Pensions Committee, undertake a one-to-one training session with the Pension Fund Manager, as a minimum.
- Attend a basic training course (LGA Fundamentals or equivalent) designed for new members to the Pensions Committee, or as a refresher when required.
- Complete the on-line training of the Pensions Regulator at <https://education.thepensionregulator.gov.uk/login/index.php>

- Undertake, as a Committee, regular training as set out in the annual training plan.
- Highlight to officers any areas where further training would be desirable or required, following subjects covered in Committee meetings or following attendance at any external training events or conferences.
- Obtain a satisfactory collective level of knowledge and skills in relation to all modules of the CIPFA Framework. Support from officers and the Fund's Advisors will be available as and when required, but always in advance of any decision being taken.
- Report as appropriate in external documentation our compliance with knowledge and skills requirements e.g. progress in the Fund's Annual Report and Accounts, and Governance Statement compliance with the CIPFA Knowledge and Skills Framework and the Myners Principles.

Officers:

All Lincolnshire LGPS officers with responsibility for managing the LGPS will be expected to have a detailed understanding of the CIPFA Knowledge and Skills Framework requirements for LGPS Practitioners, taking account of the requirements of their roles. Any specific targets will be determined and updated as necessary from time to time in joint agreement by the Pension Fund Manager and the County Finance Officer, in liaison with the Chairman of the Pensions Committee.

The Council's appraisal process will also identify any knowledge gaps and address training requirements.

Delivery of Training

Consideration will be given to various training resources available in delivering training to members of the Pensions Committee and officers.

Evaluation will be given to the mode and content of training in order to ensure it is targeted to needs and on-going requirements and emerging events. It is to be delivered in a manner that balances both demands on members' time and costs. These may include but are not restricted to:

Pension Committee Members	Officers
In-house delivered training	Desktop / work base training
Using an Online Knowledge Library or other e-training facilities	Using an Online Knowledge Library or other e-training facilities
Attending courses, seminars and external events	Attending courses, seminars and external events

Pension Committee Members	Officers
<p>Internally developed training days and Committee meetings</p> <p>Shared training with other Schemes or Frameworks</p> <p>Regular updates from officers and/or advisers</p>	<p>Training for qualifications from recognised professional bodies (e.g. CIPFA, IMC)</p> <p>Internally developed sessions</p> <p>Shared training with other Schemes or Frameworks</p>

External Events

All relevant external events will be emailed to members as and when they become available. Officers will maintain a log of all events attended for compliance with reporting and monitoring requirements.

After attendance at an external event, Committee Members will be asked to provide verbal feedback at the next Committee covering the following points:

- Their view on the value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to all Committee Members.

Officers attending external events will also be expected to report to their direct line manager with feedback and to make recommendations of any subject matters at the event in relation to which training would be beneficial to other officers or the Committee.

Officers attending events will also be expected to provide knowledge sharing with the wider Pensions team.

PENSIONS COMMITTEE TRAINING PLAN MAY 2017 TO APRIL 2018

The six areas covered within the CIPFA Knowledge and Skills Framework (KSF) are:

1. **Pensions Legislative and Governance Context**
2. **Pensions Auditing and Accounting Standards**
3. **Financial Services Procurement and Relationship Management**
4. **Investment Performance and Risk Management**
5. **Financial Markets and Products Knowledge**
6. **Actuarial Methods, Standards and Practices**

It is acknowledged that these areas are very wide; however, the framework requires an awareness or understanding in most areas, rather than detailed knowledge. There are also a number of different ways in which this information can be gained, such as during normal Committee meetings, training sessions or attendance at conferences or seminars. It is not expected for members of the Committee to have detailed knowledge in all areas of the framework but a collective understanding by the Committee as a whole.

The table below details the training plan for the year, with the areas of the KSF that will be covered in each report or training session referenced in the final column.

Date	Topic	KSF area(s)
May 2017 Committee Induction Training	Basic overview of the Lincolnshire Pension Fund and Committee member responsibilities	1,4,5
Committee topics	External Manager Presentations	4,5
Jul 2017 Committee papers	Independent Advisor Market Update	4,5
	Fund Update	1,3,4
	Investment Management Report	4,5
	Pensions Administration Report	1
	Annual Property Report	4,5
	Policies Review Report	1
	Risk Register Annual Review	1,4

	Annual Training Report	1
Sep 2017 Training and Committee paper	Topics to be agreed Annual Report and Accounts	tba 2
Oct 2017 Committee papers	Independent Advisor Market Update Fund Update Investment Management Report Pensions Administration Report External Manager Presentation Audit Governance Report Annual Fund Performance Report Asset Pooling Update	4,5 1,3,4 4,5 1 4 2 4 1,3,4,5
Dec 2017 Committee papers	External Manager Presentations	4,5
Jan 2018 Committee papers	Independent Advisor Market Update Fund Update Investment Management Report Pensions Administration Report Asset Pooling Update	4,5 1,3,4 4,5 1 1,3,4,5
Feb 2018 Training	Topics to be agreed	tba
Apr 2018 Committee papers	Independent Advisor Market Update Fund Update Investment Management Report Pensions Administration Report Annual Training Paper Asset Pooling Update	4,5 1,3,4 4,5 1 1 1,3,4,5

Committee papers and training may be subject to change.

Pensions Knowledge and Skills Framework for Elected Representatives and Non-executives

Pensions legislative and governance context	Pensions accounting and auditing standards	Financial services procurement and relationship management	Investment performance and risk management	Financial markets and products knowledge	Actuarial methods, standards and practices
<p>General pensions framework</p> <p>A general awareness of the pensions legislative framework in the UK.</p> <p>Scheme-specific legislation</p> <p>An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment.</p> <p>An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension Scheme (Administration) Regulations 2008 and their main features.</p> <p>An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.</p>	<p>Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report.</p> <p>Awareness of the role of both internal and external audit in the governance and assurance process.</p>	<p>Understanding public procurement</p> <p>Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations.</p> <p>A general understanding of the main public procurement requirements of UK and EU legislation.</p> <p>Supplier risk management</p> <p>Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.</p>	<p>Total fund</p> <p>Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.</p> <p>Performance of advisors</p> <p>Awareness of the Myners principles of performance management and the approach adopted by the committee.</p> <p>Performance of the committee</p> <p>Awareness of the Myners principles and the need to set targets for the committee and to report against them.</p> <p>Performance of support services</p> <p>Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.</p>	<p>Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property). Understanding of the role of these asset classes in long-term pension fund investing.</p> <p>Financial markets</p> <p>Understanding of the primary importance of the investment strategy decision.</p> <p>A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.</p> <p>An awareness of the limits placed by regulation on the investment activities of local government pension funds.</p>	<p>Valuations</p> <p>Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.</p> <p>Awareness of the importance of monitoring early and ill health retirement strain costs.</p> <p>A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.</p> <p>Outsourcing</p> <p>A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.</p>

Pensions legislative and governance context Pensions accounting and auditing standards Financial services procurement and relationship management Investment performance and risk management Financial markets and products knowledge Actuarial methods, standards and practices

A regularly updated appreciation of the latest changes to the scheme rules. Knowledge of the role of the administering authority in relation to the LGPS.

Pensions regulators and advisors

An understanding of how the roles and powers of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.

General constitutional framework

Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.

Pensions legislative and governance context	Pensions accounting and auditing standards	Financial services procurement and relationship management	Investment performance and risk management	Financial markets and products knowledge	Actuarial methods, standards and practices
<p>Pension scheme governance</p> <p>An awareness of the LGPS main features.</p> <p>Knowledge of the Myerns principles and associated CIPFA and SOLACE guidance.</p> <p>A detailed knowledge of the duties and responsibilities of committee members.</p> <p>Knowledge of the stakeholders of the pension fund and the nature of their interests.</p> <p>Knowledge of consultation, communication and involvement options relevant to the stakeholders.</p>					

