



County Offices  
Newland  
Lincoln  
LN1 1YL

23 November 2022

### LGPS Local Pension Board

A meeting of the LGPS Local Pension Board will be held on **Thursday, 1 December 2022 at 2.00 pm in the Council Chamber, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

#### MEMBERS OF THE BOARD

**Independent Chair** (non-voting): Roger Buttery

**Employer Representatives** (voting): Councillor M A Whittington and Gerry Tawton

**Scheme Member Representatives** (voting): Kim Cammack and David Vickers

### AGENDA

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Interest	
3	Minutes of the previous meeting held on 22 September 2022	5 - 10
4	Pension Fund Update Report <i>(To receive a report by Jo Ray (Head of Pensions) which updates the Board on the fund for the quarter ending 30 September 2022 and any other current issues)</i>	11 - 26

<b>5</b>	<b>Responsible Investment Update Report</b> <i>(To receive a presentation by Claire Machej (Accounting, Investment and Governance Manager) which provides the Board with an update on responsible investment activity during the second quarter of the financial year 2022/23 (July to September inclusive))</i>	27 - 98
<b>6</b>	<b>Pensions Administration Report</b> <i>(To receive a report by West Yorkshire Pension Fund, which offers the Board the quarterly report of the Fund's administrator)</i>	99 - 116
<b>7</b>	<b>Data Quality Report</b> <i>(To receive a report by West Yorkshire Pension Fund, which updates the Board on the data quality scores for the Lincolnshire Pension Fund which is reported to The Pensions Regulator each year in November)</i>	117 - 130
<b>8</b>	<b>Employer Monthly Submissions Update</b> <i>(To receive a report by Claire Machej (Accounting, Investment and Governance Manager), which provides the Board with up-to-date information on Employer Monthly Submissions for the second quarter of the financial year 2022/23, July to September inclusive)</i>	131 - 138
<b>9</b>	<b>Services to members approaching retirement (the retirement process)</b> <i>(To receive a report by West Yorkshire Pension Fund, which provides the Pension Board with information regarding services provided to scheme members at retirement)</i>	139 - 142
<b>10</b>	<b>Pension Board Training – Freedom &amp; Choice, Scams and Transfers</b> <i>(To receive a report by West Yorkshire Pension Fund, which updates the Board on Freedom &amp; Choice, Scams and Transfers)</i>	143 - 144
<b>11</b>	<b>Annual Report and Accounts 2021/22: The External Auditor's Audit Completion Report</b> <i>(To receive a presentation by Claire Machej (Accounting, Investment and Governance Manager) which provides the Board with the Audit Completion Report from Mazars, the Funds External Auditor, on the 2021/22 audit of the financial statements)</i>	145 - 182
<b>12</b>	<b>Meetings and Delegations</b> <i>(To receive a report by Jo Ray (Head of Pensions), which enables the Board to consider and discuss proposed amendments to the meeting timetable, the delegations of the administering authority administration discretions, and delegations for various investment decisions)</i>	183 - 222

- 13 Training Needs** 223 - 238  
*(To allow the Board to discuss any training attended since the last Board meeting and provide feedback to other Board Members on its content)*
- 14 Work Programme** 239 - 244  
*(To receive a report by Claire Machej (Accounting, Investment and Governance Manager) which invites the Board to consider its work programme for the coming meetings)*

Published on Wednesday, 23 November 2022

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing [Agenda for LGPS Local Pension Board on Thursday, 1st December, 2022, 2.00 pm \(modern.gov.co.uk\)](#)

Should you have any queries on the arrangements for this meeting, please contact Thomas Crofts via telephone 07557486687 or alternatively via email at [thomas.crofts@lincolnshire.gov.uk](mailto:thomas.crofts@lincolnshire.gov.uk)

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**LGPS LOCAL PENSION BOARD  
22 SEPTEMBER 2022**

**PRESENT:**

**Independent Chair:** Roger Buttery

**Employer Representatives:** Gerry Tawton

**Scheme Member Representatives:** Kim Cammack and David Vickers

Officers in attendance: Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Thomas Crofts (Democratic Services Officer)

Others in attendance: Kelly Steele and Melanie Durrant (Barnett Waddingham)

71 APOLOGIES FOR ABSENCE

An apology for absence was received from Councillor M Whittington.

72 DECLARATIONS OF INTEREST

Gerry Tawton declared that his spouse was a deferred member of the Pension Fund.

Dave Vickers declared that he was a pensioner member of the Pension Fund.

Kim Cammack declared an interest as a contributing member of the Pension Fund and an employee of Lincolnshire County Council.

73 MINUTES OF THE PREVIOUS MEETING HELD ON 14 JULY 2022

**RESOLVED**

That the minutes of the meeting held on 14 July 2022 be approved as a correct record and signed by the Chairman.

74 PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions, which provided an update on Fund matters for the quarter ending 31 March 2022, including updates on TPR Checklist Dashboard and Code of Practice, Breaches Register Update, Risk register Update, Asset Pooling Update, and the Department of Levelling-Up, Housing and Communities consultation on governance and the reporting of climate change risks.

2

**LGPS LOCAL PENSION BOARD  
22 SEPTEMBER 2022**

Consideration was given to the report and during the discussion it was raised that there were gaps in training for members of the Pensions Committee. It was explained that proposals to change the Committee's terms of reference and structure had been drafted as part of the response to the good governance review and aimed to resolve this issue. It was also explained that the membership of the Committee was subject to rules on political balance and that attendance was reported in the Committee's Annual Report.

RESOLVED

That the report be noted.

75 RESPONSIBLE INVESTMENT UPDATE REPORT

Consideration was given to a report by the Accounting, Investment and Governance Manager, which provided an update on the Responsible Investment activity of the Local Authority Pension Fund Forum, Border to Coast Pensions Partnership, Robeco, and Legal and General Investment Management; an update on voting and an overview of the Border to Coast Environmental, Social and Governance (ESG) Reporting.

RESOLVED

That the report be noted.

76 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report prepared by the Governance and Business Development Manager - West Yorkshire Pension Fund (WYPF), which provided an update on the Fund's current administration issues including performance and benchmarking; scheme information; member and employer contact; the internal dispute and resolution procedure; an administration update; current technical issues; web registrations and the shared service budget.

Consideration was given to the report and during the discussion the following points were noted:

- There were currently 15 vacant posts at WYPF, due to internal promotions and leavers. Six posts had been successfully recruited to.
- Cash alternatives to membership of the pension scheme were not allowed under the regulations for the local government pension scheme.
- The Pensions Dashboard was progressing and updates to the project were provided at monthly meetings between the Fund and WYPF.

The Board requested further detail concerning stage 2 appeals updates.

RESOLVED

1. That the report be noted.
2. That WYPF share further detail concerning stage 2 appeals.

77 TEMPORARY BANK ACCOUNTS

A report prepared by the Head of Governance and Business Development from the West Yorkshire Pension Fund (WYPF) and presented by the Head of Pensions, updated the Board on the number of temporary bank accounts created by the Fund to hold monies due to beneficiaries of the scheme.

Board members supported the use of follow up visits to contact beneficiaries and asking for a response to ensure benefits are claimed.

RESOLVED

1. That the report be noted.

78 SERVICES TO MEMBERS APPROACHING RETIREMENT (THE RETIREMENT PROCESS)

RESOLVED

That the report be deferred to a subsequent meeting of the Lincolnshire Pension Board.

79 EMPLOYER MONTHLY SUBMISSIONS UPDATE

Consideration was given to a report by the Accounting, Investment and Governance Manager, which provided up-to-date information on employer monthly submissions including late contributions and data submissions and late contribution fines.

Consideration was given to the presentation and during the discussions the following points were noted:

- Fines were targeted at employers and not their third-party payroll suppliers, as it was the employers' responsibility even if they chose to use a third-party payroll provider to deliver this service.
- Where an employer was in breach of the statutory deadlines but had kept the Fund informed of current issues and timescales for providing late data, extenuating circumstances may be accepted by the Fund and fines may not be issued. During quarter one of 2022/23 this had been offered to two employers, both were in the process of changing their payroll systems.

RESOLVED

That the Board support the actions taken against employers.

80 ANNUAL REPORT AND ACCOUNTS 2021/22: EXTERNAL AUDIT UPDATE REPORT

Consideration was given to a report by the Accounting, Investment and Governance Manager, which invited the Board to consider the external auditors progress report. It was highlighted that the audit of the Fund Statement of Accounts was largely complete and the external auditor was expected to give an unqualified audit opinion in November.

Consideration was given to the report and during the discussion the following points were noted:

- The audit team continued to undertake audit work remotely.
- The audit of the Council's Statement of Accounts was likely to delay the approval of the Fund's Statement of Accounts, as they currently had to be considered together.

RESOLVED

That the Annual Report and Accounts be noted.

#### 81 2022 VALUATION - DRAFT RESULTS

Consideration was given to a presentation by Barnett Waddingham, which covered the draft whole Fund results of the 2022 triennial valuation to the Committee.

The presentation covered the progress of the valuation to date, the initial results for the whole Fund, the Funding Strategy, and the next steps. The following was also reported:

- Contribution rates were expected to remain stable.
- The need for greater prudence meant that improvements in the funding position were not as good as predicted.
- Work concerning the McCloud ruling were underway.
- Inflation was predicted to be a longer-term issue than previously thought.
- The impact of the pandemic on the Fund was unclear and did not have a significant bearing on base longevity assumptions. However, increases in life expectancy were slowing.
- The proposed assumptions accounted for salary and pension increases and expected investment returns.
- Overall, the Fund was in a good position.

Consideration was given to the report and during the discussion the following points were noted:

- Primary contributions had risen, and secondary contributions had fallen. Where employers had moved into a surplus position, there was no refund on secondary rates already paid.
- There were concerns regarding the sustainability of contributions, as many employers were struggling to manage the increasing cost of inflation.



- Employers had been made aware of the potential primary contribution rises at the annual employer meeting earlier in the year. Further explanation, and the opportunity to discuss their individual rates will be offered to employers by way of online surgeries in November.
- Concerns were raised regarding balancing the Fund – between protecting the Fund and protecting employers, as well as weathering a recession.
- It was noted the increases in life expectancy were slowing and starting to reverse.

RESOLVED

That the report be noted.

## 82 TRAINING NEEDS

Consideration was given to a report by the Accounting, Investment and Governance Manager, which invited the Board to review training needs.

It was reported that the Hymans Robertson online training platform, LGPS Online Learning Academy (LOLA) was now available for all Board members to access and complete. Log on details were shared with the Board earlier in the month. The Committee and Board training meeting, Thursday 13 October, was to include an introduction to the package.

The Board discussed recent training events that they had attended.

RESOLVED

That the updates be noted.

## 83 WORK PROGRAMME

RESOLVED

1. That the work programme be noted.
2. That the Services to members approaching retirement (the retirement process) report on this meeting's agenda be deferred to a subsequent meeting.
3. That the Pensions Regulators Consolidated Code of Practice report be moved to the meeting on 16 March 2023

The meeting closed at 4.25 pm

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**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>1 December 2022</b>
Subject:	<b>Pension Fund Update Report</b>

**Summary:**

This report updates the Board on Fund matters for the quarter ending 30 September 2022 and any other current issues.

The report covers:

1. TPR Checklist Dashboard and Code of Practice
2. Breaches Register Update
3. Risk Register Update
4. Asset Pooling Update
5. Budget and Workplan Update
6. Investment Consultant Change

**Recommendation(s):**

That the Board consider and discuss the report and agree whether any action or additional information is required.

**Background**

**1. TPR Checklist Dashboard and Code of Practice**

1.1 To assist in the governance of the Lincolnshire Fund, it assesses itself against the requirements of the Pension Regulator's (TPR's) code of practice 14 for public service pension schemes, as set out in a check list attached at appendix A. This is presented to the Committee and Board at each quarterly meeting, and any non-compliant or incomplete areas are addressed. This is seen as best practice in open and transparent governance.

1.2 There have been no changes since the last quarter's report. The areas that are not fully completed and/or 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 – As set out in the Fund's Training policy, it is a mandatory requirement that all PC members complete this in addition to the PB members and provide copies of the completion certificate to the Head of Pensions. However, whilst all Board members have completed this training, due to the change in Pensions Committee membership following the May elections, certificates have not yet been received from all the new Committee members. As set out in the training policy, members do have a six month window to complete this mandatory training, which should therefore have been completed by November 2021. At the time of writing this report, one certificate had not been received and the member has been approached to complete it.*

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 submissions and employer training are improving data accuracy, 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.*

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 and employer training are improving this process.*

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 - Training is a standing item on the Pension Board agenda and opportunities are shared with the Board as they arise. Pension Board members all complete a training log annually to record all training undertaken.*

## 2. Breaches Reporting - update

2.1 The Fund and those charged with its governance have a requirement to log and, where necessary, report breaches to the Pensions Regular. The Breaches Register attached at appendix B shows those breaches logged over the last twelve months. Since the last quarter end, one breach has been added, detailed below:

- **Late payment of contributions** – a separate paper is presented to the Board at paper 8, updating the Board on all monthly employer contribution breaches over quarter.


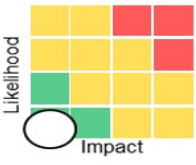
## 3. Risk Register Update

3.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Board to be reviewed to be approved.

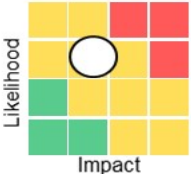
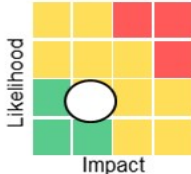
3.2 Consideration was given to how the increasing inflation issue could be reflected in the risk register, and discussion was had with the Principal Risk Officer. It was agreed that from a pension fund perspective, this is an issue rather than a risk so it would not be included on the risk register as an item, however, it might affect some of the existing risks on the register or be captured in a different way.

3.3 Given these discussions, one risk has been added and one risk amended to reflect the current inflation environment.

**Risk 15** added to the investment and funding risks, with substantial assurance, and a static direction of travel:

Description	Current risk score	Target risk score	Actions
<p>Cashflow - not enough income to meet pension payments due, <u>as a result of:</u></p> <ul style="list-style-type: none"> <li>• increasing pension payments due to inflation</li> <li>• reduction in active members and therefore contributions</li> <li>• increase in retirements and therefore pensioners</li> <li>• reduction in employers' secondary contributions due to higher funding levels</li> </ul>			<p><b>Existing</b></p> <ul style="list-style-type: none"> <li>• Asset allocation review to increase income generating assets when required</li> <li>• Cashflow monitoring</li> </ul> <p><b>New &amp; Developing</b></p> <ul style="list-style-type: none"> <li>• expanded cashflow monitoring with Actuary as part of 2022 valuation</li> <li>• work with Border to Coast on income options from their investment vehicles</li> </ul>

**Risk O3** in the operational risks has been expanded and updated, with substantial assurance, and a static direction of travel:

Description	Current risk score	Target risk score	Actions
<p>Increased risk of employers exiting <u>as a result of</u>:</p> <ul style="list-style-type: none"> <li>• reducing employer covenant strength</li> <li>• unaffordability of scheme</li> <li>• reducing membership</li> </ul> <p>Leading to:</p> <ul style="list-style-type: none"> <li>• costly cessation surplus payments</li> <li>• deficit payments not meeting actual long-term liabilities</li> <li>• insolvency of employers</li> </ul>			<p>Existing</p> <ul style="list-style-type: none"> <li>• Admission agreements</li> <li>• Pass through policy</li> <li>• Exit credit policy</li> <li>• Bonds</li> <li>• Employer covenant monitoring</li> <li>• Contribution monitoring</li> <li>• Employer communication</li> <li>• PFR roles</li> </ul> <p>New &amp; Developing</p> <ul style="list-style-type: none"> <li>• Actuaries Employer Database being developed</li> <li>• Developing additional employer monitoring internally</li> </ul>

#### 4. Asset Pooling Update

##### Sub Funds

- 4.1 Work has continued with the development of the real estate funds, with the next expected transition for Lincolnshire expected to be into the Core Global Property fund, due to be launched in 2023.
- 4.2 The transitions to include an Emerging Market ex China manager and a China manager to the Global Equity Alpha Fund, is planned to happen before the calendar year end. Officers have had workshops with the transition managers to understand the transition planning.
- 4.3 Since the last Board meeting, Border to Coast has held workshops and meetings with officers and advisors covering quarterly external and internal funds, property, alternatives, and Responsible Investment.

##### Joint Committee Meetings

- 4.4 The last Joint Committee was held on Thursday 29 September 2022, ahead of the Border to Coast Annual Conference in Leeds, and papers were shared with the Board. The agenda items were:

The following items were included in the agenda:

- Joint Committee Election Results – Cllr Doug McMurdo was elected Chairman and Cllr Patrick Mulligan was elected Vice Chairman.
- Joint Committee Budget
- Responsible Investment Update
- Summary of Investment Performance and Market Returns
- Governance Review – more information is presented in paper 12 on this agenda
- Net Zero Implementation Plan
- TCFD Consultation
- Annual Reviews
  - UK Listed Equity
  - Overseas Developed Equity Sub-Fund
  - Alternatives
- CEO Report
- Performance Report
- Update on Emerging Matters

4.5 The next meeting of the Joint Committee is being held on 30 November, and papers will be shared with this Board once they become available. Any questions or comments on the papers should be directed to Cllr Strengiel, Chairman of the Pensions Committee, who can raise them at the meeting.

### **Shareholder Matters**

4.6 As the Board are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The Pension Committee's role is that of investor and is represented at the Joint Committee by the Chairman of the Pensions Committee. The shareholder role is undertaken by the Executive Director of Resources and fulfils the role as set out in the Shareholder Agreement, which was approved by Full Council in February 2017.

4.7 A review has been undertaken of the key governance documents of Border to Coast: the company Articles of Association, the Inter Authority Agreement and the Shareholder agreement. There have been no fundamental amendments to these documents, but, given that it is five years since the company was first set up, there have been a number of changes since then: the business has matured (as of the end of March 2022 it was responsible for managing c. £38bn of Partner Fund assets), Tyne and Wear and Northumberland pension funds have merged, there has been regulatory change, and best practice with respect to both corporate governance and the governance of arms' length public bodies has evolved.

4.8 The review undertaken of the shareholder governance arrangements was set out in the Joint Committee papers (restricted part), shared with this Board in September. In undertaking the review, consideration was given to:

- The lessons learnt from the first few years of pooling from Border to Coast;

- Lessons learnt from other pools in the UK;
  - Lessons from other Local Authority jointly owned companies; and
  - Lessons learnt from other pools internationally.
- 4.9 The updated Inter-Authority Agreement and Shareholder Agreement were taken to the December meeting of the Pensions Committee to review and feed any comments to the Full Council meeting in February 2023, where they will be tabled for approval.
- 4.10 The updated Articles of Association were also presented to the Committee for review and to feed any comments back to the Executive Director – Resources, in his role as shareholder, to consider in his response to the upcoming resolution from the company to accept them.
- 4.7 Ahead of any shareholder approvals, officers, including S151 officers, work closely with Border to Coast to ensure full understanding of the resolution, the impact of it not being approved and discuss this with the JC ahead of any resolution being sent for approval. An informal shareholder meeting is also held on the date of each Joint Committee meeting.
- 4.8 There has been one shareholder resolutions since the last meeting, which was approved by Lincolnshire:
- The appointment of Cllr David Coupe (Teesside Pension Fund) as a Partner Fund-nominate non-executive director of Border to Coast.

## **5. Budget and Workplan Update**

- 5.1 The Pension Fund budget and business plan were brought to the Board at the March 2022 meeting. The paragraphs below update the Board on the budget position to 30 September, and to highlight any areas on the key tasks from the business plan for 2022/23 where progress is behind expectations.
- 5.2 The budget for operating the Lincolnshire Pension Fund for 2022/23 plus actual costs incurred up to the end of September 2022 are set out in the table below, with additional narrative at 6.3:



	Original Budget 2022/23 £'000	Q2 Actuals 2022/23 £'000	Variance Budget vs. Actuals Q2 £'000
<u>Administration Costs</u>			
- Charge from Shared Services Administrator	1,287	1,398	111
- Other	1	0	-1
<u>Investment Management Expenses</u>			
- Management Fees	9,500	-947	-10,447
- Performance Related Fees	1,500	-1,570	-3,070
- Other Fees	1,000	33	-967
<u>Oversight and Governance Costs</u>			
- Contracted Services	450	136	-314
- Recharge of Actuarial Services	-160	-24	136
- Recharge from Administering Authority (inc. Staffing Costs)	258	128	-130
- Border to Coast Governance Costs	315	304	-11
- Other Costs	30	5	-25
	<b>14,181</b>	<b>-537</b>	<b>-14,718</b>

5.3 Administration Costs: The annual administration charge from West Pension Fund has been received and paid. The actual cost is higher than the budget, as the number of members was higher than originally forecast.

Investment Management Costs: Most of the Fund's investments are made via pooled vehicles. The costs for these investments are mainly accounted for annually in March from the sector wide Cost Transparency Initiative, where investment managers provide information on indirect costs deducted from investments at source. For directly charged fees billing from managers is in arrears. There are six months of costs and the performance fee for one manager from 2021/22 outstanding.

Costs incurred on management fees reflect the size of the portfolio and investment returns. Costs in this area are very difficult to predict, particularly when markets and volatile.

Oversight and Governance Costs: Contracted services, the recharge of actuarial services and the recharge from the admin authority are spread throughout the financial year. It is expected that these budgets will be fully utilised by year end.

### **Pension Fund Business Plan Update**

5.4 The key tasks set out in the Business Plan are set out below, with narrative to explain whether it is on track or otherwise:

<b>Subject</b>	<b>22/23 Actions</b>	<b>Progress</b>
Pensions Committee and Board meetings	Ensure all papers are prepared and presented in a clear and concise manner. Ensure that all relevant matters are reported to the Committee and /or Board. Induction and training for any new Committee members following the election or new Board members following the end of current terms of office.	On-going – all meetings held as expected.  No new Committee members over the period.  One mandatory TPR training outstanding.
Asset Pooling with Border to Coast	Continued partnership with Border to Coast to develop appropriate sub-funds for investment and ensuring appropriate oversight and governance of the company. Expected investment into Overseas Property sub-fund (Q3/4) and further development of the UK property and alternative options.	On-going. Overseas Property now expected to launch later in 2023. Alternative solution agreed.
Alternative Investments	Working with Morgan Stanley, Border to Coast and the Investment Consultant, and the Committee, to agree the optimal solution for the management of the Fund’s alternative investments in the short to medium term.	Agreed to retain Morgan Stanley and amend the mandate to focus on a more concentrated private markets portfolio. Morgan Stanley to continue with full service solution. IMA agreed from 1 October 2023.
Administration Service (including employer data quality)	Continued partnership and oversight of West Yorkshire Pension Fund (WYPF) in the delivery of the administration service and to improve the reporting on data quality and management information.  Work to be undertaken to look at the options for the administration service as the shared service arrangement comes to the end of its term in	On-going – generally a good administration service provided.  Work progressing on the reporting.  Discussions with the limited potential alternative administrators being had, further work to be done in Q1 2023 to

	March 2024. Benchmarking exercise to be carried out in Summer 2022.	bring a recommendation paper to the Committee in March 2023.
Annual Report and Accounting	A detailed project plan has been put in place, built on experience from previous years and updated for new requirements. On-going engagement with the external auditors to ensure all requirements can be met in a timely manner.	Delayed receipt of opinion due to issues with the Council's accounts. Pension Fund accounts ready by deadline with an expected unqualified opinion to be received at the same time as the Councils.
Responsible Investment (RI)	Continued information and training for the Committee and Board to understand RI. Working closely with external managers and Border to Coast to ensure that it is embedded across all investment decisions.	On-going – improved stewardship reporting, close working with Border to Coast and Stewardship Code Statement submitted for 21/22 and awaiting FRC approval.
Work by the Scheme Advisory Board (SAB)	Participate in projects where possible and respond to any actions required – e.g. Good Governance Review, data quality.  Undertake a high-level governance review in Summer 2022 to identify potential gaps against the Good Governance proposed recommendations.	Progress delayed due to other priorities in SAB. Consultation now expected early 2023.  High level review undertaken, awaiting final guidance to do full review and take recommendations to Committee.
Employer Accounting	Work with employers, the Actuary and WYPF to ensure employers understand their choices, accurate and timely data is sent to the Actuary and accounting reports are received and understood by employers.	On-going – all reports issued as required to date.
Staffing and Structure Review	To successfully recruit to the Principal Investment, Accounting	Recruitment unsuccessful. Changing to a career grade post to

	and Governance Officer post and integrate them into the team.	develop within the team. Expecting to recruit in 2023.
Triennial Valuation	Work with the Fund Actuary, Committee, Board, WYPF and employers to ensure good quality data is used for the triennial valuation, employer rates are stable and affordable and that the process is understood and communicated to all stakeholders. Produce an updated Funding Strategy Statement (FSS), after consultation with employers, for the statutory deadline of 31 March 2023.	Data sent to the Actuary in good condition and on time. Draft whole Fund results taken to the Committee's September meeting. Employer results sent out in November and employer meeting organised for 23 November. FSS sent to employers for consultation.

5.5 As can be seen from the table above, year-to-date most key tasks are on track or completed, except for work with the Scheme Advisory Board and the year-end accounts sign off, where delays are beyond the control of the Pensions team.

## 6 Investment Consultant Change

6.1 The Fund's current Lead Investment Consultant, David Morton, is leaving Hymans Robertson at the end of the year to move to pastures new. His colleague, Iain Campbell, will remain as our Investment Consultant, with David Morton is being replaced by David Walker, Hymans Robertson's Chief Investment Officer.

6.2 Further information on David's background is set out below:  
David is an actuary and Partner at Hymans and has been there for over 20 years. As Chief Investment Officer (CIO), David is responsible for setting the investment research agenda, developing thought leadership and understanding the investment needs across the firm. Prior to this, David was Head of LGPS Investments for over five years, developing our advice and services for public sector clients.

David currently advises five public sector clients and three private sector clients across the whole range of investment services, including the setting of high-level investment strategy, advice on detailed asset allocation and investment manager structures, managing manager procurement and selection exercises, evaluation and mapping of investment arrangements into LGPS pools, and monitoring investment arrangements. David also supports clients in carrying out reviews of a project basis and is currently helping the South Yorkshire Pension Fund with their strategic review incorporating net zero requirements.

David has significant experience in engaging with key LGPS stakeholders including Treasury and DLUHC, responding to consultations and regulatory change in the interests of our clients. He is a member of the England and Wales Scheme Advisory Board Investment Engagement and Governance Sub-committee.

David is Chair of Hymans Research Oversight Group, ensuring LGPS clients' interests are central to discussions when considering new investment ideas and whether they provide attractive investment opportunities for clients. This includes evolving the approach to responsible investments, developing policy at fund level but also engagement as an investment consultancy having become a founding member of the Investment Consultants Net Zero Initiative in 2021.

David's professional qualifications are:

- Fellow of the Faculty of Actuaries (2009); and
- Certificate in Investment and Finance (Faculty of Actuaries).

- 6.3 David Walker will attend the January meeting of the Pensions Committee with Iain Campbell, to provide the training requested on asset classes.

## **7 Awards**

- 7.1 And finally, Claire Machej, Accounting, Investment and Governance Manager, won the 2022 LGC Rising Star Award for Fund officers. This should have been presented at the LGC conference held at the beginning of September, but the awards were cancelled. There was some stiff competition for this award, and it is a great achievement for Claire.

## **Conclusion**

- 7 The Fund Update report is a quarterly report to the Pension Board, to provide an update on Pension Fund matters and any current issues.

## **Consultation**

### **a) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

## **Appendices**

These are listed below and attached at the back of the report
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Appendix A	TPR Checklist Dashboard
Appendix B	Breaches Register

### **Background Papers**

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

This report was written by Jo Ray, who can be contacted on 01522 553656 or [jo.ray@lincolnshire.gov.uk](mailto:jo.ray@lincolnshire.gov.uk).

## The Pension Regulator's and Scheme Advisory Board Compliance Checklist

### Summary Results Dashboard

No	Completed	Compliant
<b>Reporting Duties</b>		
A1	G	G
A2	G	G
A3	G	G
A4	G	G
<b>Knowledge &amp; Understanding</b>		
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
<b>Conflicts of Interest</b>		
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
<b>Publishing Scheme Information</b>		
D1	G	G
D2	G	G
D3	G	G
D4	G	G
<b>Risk and Internal Controls</b>		
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
<b>Maintaining Accurate Member Data</b>		
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
<b>Maintaining Contributions</b>		
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
<b>Providing Information to Members and Others</b>		
H1	G	G
H2	G	G
H3	G	G
H4	G	G
H5	G	G
H6	G	G
H7	G	A
H8	G	G
H9	G	G
H10	G	G
H11	G	G
H12	G	G
H13	G	G
<b>Internal Dispute Resolution</b>		
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
<b>Reporting Breaches</b>		
J1	G	G
J2	G	G
J3	G	G
<b>Scheme Advisory Board Requirements</b>		
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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## Lincolnshire Pension Board Record of Breaches

<b>Date</b>	<b>Category (e.g. administration, contributions, funding, investment, criminal activity)</b>	<b>Description and cause of breach</b>	<b>Possible effect of breach and wider implications</b>	<b>Reaction of relevant parties to breach</b>	<b>Reported / Not reported (with justification if not reported and dates)</b>	<b>Outcome of report and/or investigations</b>	<b>Outstanding actions</b>
Dec 21	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
March 22	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
Jun 22	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
Sept 22	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process

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**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>LGPS Local Pension Board</b>
Date:	<b>01 December 2022</b>
Subject:	<b>Responsible Investment Update Report</b>

**Summary:**

This paper provides the Board with an update on Responsible Investment activity during the second quarter of the financial year 2022/23 (July to September inclusive).

**Recommendation(s):**

The Board consider the report and discuss the Responsible Investment activity undertaken during the quarter.

**Background**

1.1 This report provides a summary of various Responsible Investment (RI) activities that have been undertaken on behalf of the Fund during the quarter, and updates the Board on any new initiatives relating to good stewardship. This includes work by Local Authority Pension Fund Forum (LAPFF), Border to Coast Pensions Partnership (BCPP), Robeco, who are appointed by Border to Coast to provide voting and engagement services, and Legal and General Investment Management.

**2.0 Local Authority Pension Fund Forum – RI Activity**

2.1 The Fund participates in the Local Authority Pension Fund Forum. LAPFF acts to promote the highest standards of corporate governance to protect the long-term value of local authority pension fund assets. The Forum's current engagement themes include: climate risk, social risk, governance risk and reliable accounting risk. They also act by collaborating with other investors and by responding to governance and industry consultations.

## Outcomes Achieved through LAPFF Engagement

2.2 The latest LAPFF engagement report can be found on their website at [www.lapfforum.org](http://www.lapfforum.org). Some highlights from their work during the quarter include:

- The second quarter of 2022/23 saw the LAPFF Chairman, Cllr Doug McMurdo, visit Brazil as part of LAPFF's broader work on mining and human rights. LAPFF's believe that social and environmental impacts by investee companies are financially material for investors. During his trip, Cllr McMurdo met with communities affected by the 2015 Mariana (owned by BHP and Vale) and 2019 Brumadinho (owned by Vale) dam collapses. He also met with the Chair of Vale and senior executives from the company. At the end of the trip, he met with a number of Brazilian investors at a meeting led by ESG-focused asset manager, JGP Asset Management, with whom LAPFF has been partnering on this project.
- LAPFF engaged with 35 companies on issues ranging from employment standards, climate change, board composition and human rights. Including:
  - National Grid, where a voting alert was issued about concerns with its transition plan. A meeting was held with the Head of Sustainability and Company Secretary ahead of the AGM to discuss concerns. Followed by attendance at the AGM, where progress on Scope 3 targets was challenged.
  - Electric Vehicle Manufacturers about their approach to responsible mineral sourcing and a 'Fair and Just Transition'. LAPFF met with Ford to discuss its approach to human rights and responsible mineral sourcing. The meeting was a short, but was followed up with a range of questions which the company has promised to answer. The company's participation in the Initiative for Responsible Mining Assurance was discussed.
- Collaborative engagement during the quarter included:
  - LAPFF continue to investigate issues with the forced labour of Uyghurs in China;
  - Work with Rathbones' Vote Against Slavery which is engaging with FTSE350 companies that fail to comply with Section 54 of the UK's Modern Slavery Act; and
  - Working with Access to Nutrition Index (ATNI), LAPFF is co-leading an engagement with Kellogg's. A meeting was held with the company in August to discuss progress.
- LAPFF responded to 'A Call for Evidence' on a Sector-Neutral Framework for private sector transition plans in mid-July from the Transition Plan Taskforce (TPT). TPT was set up by the UK government to develop a 'gold standard' for

climate transition plans. The TPT aims to help financial institutions and companies prepare rigorous transition plans.

- 2.3 Further details on their work during the quarter can be found in the quarterly engagement report. Members of the Board should contact the author of this report if they would like further information on the Forum's activities.

### **3.0 Border to Coast Pensions Partnership – RI Activity**

3.1 Border to Coast is the pooling company chosen by Lincolnshire Pension Fund. Border to Coast is a strong advocate of RI and believe that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. As a representative of asset owners, they practice active ownership by holding companies and asset managers to account on Environmental, Social and Governance (ESG) issues that have the potential to impact corporate value. They also use shareholder rights by voting at company meetings, monitoring companies, carrying out engagement and litigation.

3.2 Their approach to RI and stewardship is set out in their [Responsible Investment Policy](#), [Corporate Governance and Voting Guidelines](#) and [Climate Change Policy](#). These documents can be viewed on the Border to Coast website. They also publish a quarterly stewardship newsletter detailing the activity they have undertaken during the quarter. A copy of the report for the latest quarter can be found at on their website ([Quarterly Stewardship Report Q3 2022](#)). Highlights from their work during the quarter include:

- An overview of the quarter's RI activity which included: the publication of their Responsible Investment and Stewardship (RI) Report and Taskforce on Climate-related Financial Disclosures (TCFD) Report for 2021/22; the launch of the Net Zero Implementation Plan which details how they will address the systematic risk of climate change, drive reductions in real world carbon emissions, and reduce their carbon footprint to net zero by 2050 or sooner; and the Border to Coast annual conference which was held at the end of September.
- An industry update providing details of: the rise of anti-ESG sentiment in the US; the UN biodiversity conference (COP15) which will take place in December 2022; publication of a framework to assess banks on how they are transitioning to net zero, published by the Transition Pathway Initiative (TPI), in collaboration with the Institutional Investor Group on Climate Change (IIGCC); and the Principles for Responsible Investment (PRI) global consultation on it's future vision, mission and purpose.
- High level information on voting activity for the quarter across all Border to Coast funds. Border to Coast voted at 134 meetings during the quarter,

covering 1,599 agenda items. In 56% of meetings Border to Coast cast at least one vote against the recommendations of management.

- Engagement activity, which included 248 engagements, carried out by: external managers appointed by Border to Coast; Robeco, as the Pool's engagement and voting manager; internal portfolio managers; and by LAPFF.

3.3 A year after Border to Coast announced their commitment to reach net zero greenhouse gas emissions by 2050 or sooner, they have published their full [Net Zero Implementation Plan](#). This is a target-driven plan detailing how they will address the systemic risk of climate change, drive reductions in real world carbon emissions, and reduce their carbon footprint.

#### **4.0 Robeco – RI Activity**

4.1 In addition to the direct RI work undertaken by Border to Coast they have appointed Robeco to provide voting and engagement services. A copy of their quarterly activity report can be found on the Border to Coast website ([Robeco Quarterly Active Ownership Report Q3 2022](#)).

4.2 During the quarter Robeco have voted at 134 AGM's, the percentage of meetings where they have at least one vote against management is 56%. During the quarter they have engaged with companies on 55 occasions on topics including: the environment, social and corporate governance matters. This quarter's report provides details on the launch of Robeco's Sustainable Investing (SI) Open Access Initiative, which involves sharing their data with clients and academics; two new engagement themes: on diversity and inclusion and on the environmental side a stream on natural resource management, as well as an update on their ongoing engagement activity.

#### **5.0 Legal and General Investment Management – RI Activity**

5.1 Legal and General Investment Management (LGIM) manage 15% of the Fund's portfolio, which is invested in the Future World Fund (global equities). The Future World Fund invests systematically in a globally diversified portfolio of quoted company shares. The index is designed to favour investment in companies which exhibit characteristics that have historically led to higher returns or lower risk than the market as a whole, and companies which are less carbon-intensive or earn green revenues. LGIM also builds ESG factors and responsible investing into all its investment activity. More information on this can be found on their website: [LGIM Responsible Investing](#).

5.2 On a quarterly basis they publish an ESG Impact Report ([LGIM Quarterly ESG Impact Report Q3 2022](#)) detailing their activity during the quarter, across all their investment products. The report covers their ESG activity, significant and summary

voting activity, a global public policy update and information on engagement activity. During the quarter LGIM voted against management 482 times, and engaged 137 times with 114 companies on topics including: remuneration, gender diversity, and climate change.

- 5.3 LGIM also produce an ESG Report specifically for the Future World Fund. This details key ESG metrics including carbon footprint and weighted average carbon intensity data, as well as voting and engagements statistics for the last 12 months. This report is available on the LGIM website ([Future World Fund ESG Report Q3 2022](#)).

## **6.0 Voting**

- 6.1 To enable the Fund to fulfil its stewardship responsibilities as an active shareholder, the active equity managers are required to report on their voting on a quarterly basis.

- 6.2 Border to Coast has produced summary proxy voting reports, which are attached at appendix A (Global Equity Alpha) and B (UK Listed Equities). Full details of the votes cast during the period July to September 2022 can be found on the Border to Coast website: [Integrated Full Details Voting Report Q3 2022](#).

## **7.0 Border to Coast Environmental, Social and Governance (ESG) Reporting**

- 7.1 Border to Coast have worked with MSCI, the investment research company, to provide quarterly ESG and carbon reports. The reports include an ESG rating, weighted score for the quarter and the direction of travel, as well as information on the best and worse companies in the sub-fund. The report also includes details on carbon emissions and intensity.

- 7.2 For the quarter ended 30 September 2022 the ESG reports can be found at:

- Appendix C: Global Equity Alpha Sub-fund;
- Appendix D: UK Listed Equity Sub-fund; and
- Appendix E: Sterling Investment Grade Credit Sub-fund.

- 7.3 *“This disclosure was developed using information from MSCI ESG Research LLC or its affiliates or information providers. Although Lincolnshire County Council Pension Fund information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the “ESG Parties”), obtain information (the “Information”) from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or re-disseminated in any form\**

*and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.”*

*\*In accordance with the Licence Agreement between Border to Coast Pensions Partnership Limited and MSCI ESG Research (UK) Limited.*

#### 7.4 In summary:

- Global Equity Alpha – marginal increases in the weighted ESG score in both the Fund and benchmark saw both increase their rating to ‘AAA’ over the quarter. This was driven primarily by a strong trend of upgrades over recent periods, including several material holdings: Bank of America, Bayer, Booking Holding, Adient and Airbnb.

The fund’s carbon intensity metrics saw mixed changes over the period, with weighted average carbon intensity (WACI) relatively stable, while absolute portfolio emissions increased by c.18% relative to the benchmark. The increase was driven by a greater allocation to Heidelberg Cement over the period, a company that accounts for c.37% of total portfolio emissions alongside an increasing exposure to aviation. Exposure to fossil fuel reserves comes primarily from the Fund’s allocation to diversified mining company, Glencore, which represents c.0 8% of the overall Fund.

- UK Listed Equity – the ESG weighted score remained consistent in the quarter, retaining its ‘AAA’ rating and is slightly above the benchmark. This is due to the fund holding a higher weighting of companies considered to be ‘Leaders’ and no ‘Laggards’. The fund is generally underweight the lowest ESG rated companies relative to the benchmark.

The Fund is currently below the benchmark for carbon emissions, carbon intensity and WACI. Carbon emissions increased in the quarter mainly driven by a slightly increased weighting to Shell and BP, plus BP reporting higher annual emissions. WACI and carbon intensity remained stable in the quarter.

- Sterling Investment Grade Credit – the fund is rated ‘AA’. The ESG weighted score was stable over the quarter, being marginally below that of the benchmark index overall. The lower scoring relative to the benchmark is driven by active positioning, with the fund holding fewer companies considered to be ‘Leaders’. Despite this the fund retains its very high rating of AA, which is classed as ‘Leader’.



It is worth noting that while the availability and quality of ESG data has been improving in recent years, there can still be material gaps across the fixed income market. This is particularly prevalent where a debt-issuing entity does not also issue publicly listed equity, which, in most cases, the fixed income issuer maps to.

The fund is currently above the benchmark for WACI owing to portfolio positioning, while portfolio emissions on an absolute basis remain below the benchmark. No single position dominates the portfolio WACI or carbon emissions metrics. Exposure to companies owning fossil fuel reserves is lower relative to the benchmark. The largest contributors include: Equinor, Centrica and BASF.

## **8.0 Stewardship Code 2022**

8.1 The Financial Reporting Council (FRC) introduced the new UK Stewardship Code in 2020. The Code sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those who support them. The Code comprises twelve 'apply and explain' principles for asset owners, under the headings:

- Purpose and governance;
- Investment approach;
- Engagement; and
- Exercising rights and responsibilities.

8.2 To become a signatory to the Code, organisations must submit a Stewardship Report demonstrating how they have applied the Code's Principles in the previous 12 months to the FRC. The FRC will assess the report, and if it meets their reporting expectations, the organisation will be listed as a signatory to the Code. Once listed, organisations must report annually to remain a signatory.

8.3 The Fund became one of the first Local Authority Pension Fund signatories to the Code, following submission of a report for 2020/21. Appendix F is the Fund's second submission and covers stewardship activities and outcomes for the financial year 2021/22. Feedback from the FRC on the latest submission, and confirmation that the Fund remains a signatory to the Code, is expected in the first quarter of 2023.

## **Conclusion**

9.1 This report brings to the Board information on the various Responsible Investment (RI) activities that have been undertaken on behalf of the Fund during the quarter.

## Consultation

### a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

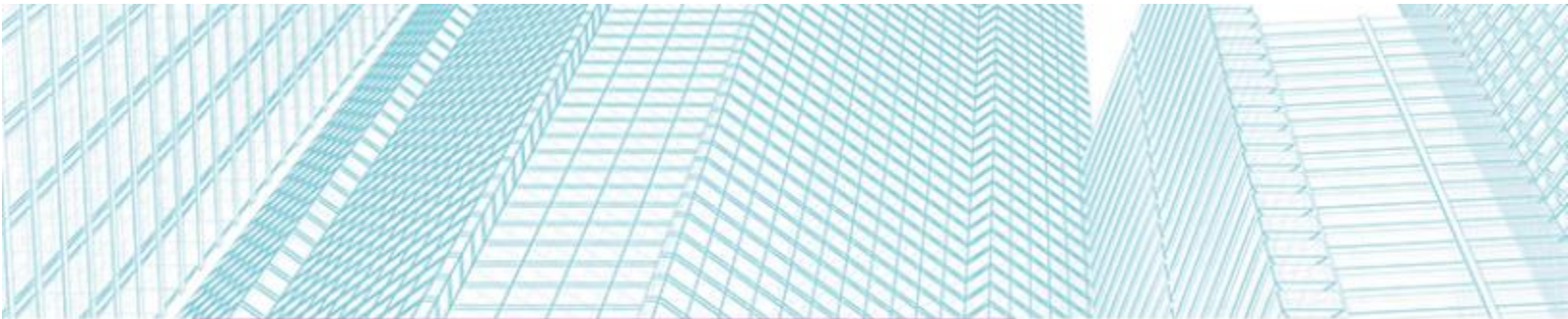
## Appendices

These are listed below and attached at the back of the report	
Appendix A	Border to Coast Global Equity Alpha Voting Activity
Appendix B	Border to Coast UK Listed Equity Voting Activity
Appendix C	Border to Coast Pensions Partnership - ESG Quarterly Report - Global Equity Alpha
Appendix D	Border to Coast Pensions Partnership - ESG Quarterly Report - UK Listed Equity
Appendix E	Border to Coast Pensions Partnership - ESG Quarterly Report - Investment Grade Credit
Appendix F	Lincolnshire Pension Fund Stewardship Code Submission 2021/22

## 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 Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).



# Proxy Voting Report

Period: July 01, 2022 - September 30, 2022

Votes Cast	179	Number of meetings	15
For	156	With management	153
Withhold	0	Against management	26
Abstain	0		
Against	23		
Other	0		
<b>Total</b>	<b>179</b>	<b>Total</b>	<b>179</b>

In 67% of meetings we have cast one or more votes against management recommendation.

# General Highlights

## **Increased scrutiny on Board Elections**

Board elections, the process in which investors have the right to elect directors to the company's Board of Directors during shareholder meetings, have consistently been one of the fundamental aspects of corporate governance. Corporate boards are responsible for sufficient oversight and can act as a sounding board for management by providing insights and foresight on directors' relevant fields of expertise. Good corporate governance is defined by distinct responsibilities between executive and non-executive directors, with board committees delving into specific matters that require more time and resources. Global best practice requires corporate boards to have sufficient independence levels, both overall and within separate board committees, while safeguarding a relevant and diversified set of skills, expertise, and experience amongst directors to reflect all stakeholders' perspectives.

Historically, there has not been much scrutiny around the election of board directors. Especially not in the absence of a proxy contest or dedicated campaign to vote Against certain directors. Often investors went along with management's recommendations as the majority of board elections are considered routine items at companies' annual general meetings (AGMs). However, over the past years we have witnessed a rise in interest from the public as to how investors use their voting rights, which along with other trends resulted in increased scrutiny from shareholders regarding board elections. First of all, this means investors are increasingly demanding the possibility to hold individual directors accountable. This is for instance not possible in the case of a slate election method, where board directors are jointly put forward in one list (a slate). Secondly, investors continue to prefer the ability to re-elect directors on an annual basis, which is not the case when the election frequency is set to more than one year or when a board is staggered, meaning that only a rotating part of the board is eligible for (re-)election.

Besides investor preferences regarding the different election types and frequencies, director opposition by shareholders has increased over the past couple of years. The 2022 proxy voting report by Semler Brossy showed that the percentage of directors from Russel 3000 companies receiving less than 95% support rates from investors has increased from 22% five years ago to 30% in 2022. Insufficient board independence, gender diversity concerns or potential overcommitment, have been standard drivers of voting Against a director's election. However, nowadays shareholders use the election of board directors to signal discontent around broader topics like environmental and social concerns.

# Market Highlights

## **Market developments in the United States**

The US is often cited as a model of good governance characterized by a focus on shareholder rights and robust disclosure requirements. The US corporate governance model is, however, far from being a static system. In the past decades, it has undergone significant changes. These changes were spurred by the accounting scandals of the early 2000s and the 2008 financial crisis, which directed significant scrutiny towards public company boards and raised awareness regarding the far-reaching impacts of poor corporate governance. The Covid-19 pandemic, climate change, and the increase in global wealth and income inequality have again dramatically reshaped the corporate governance landscape. Investors have increased their expectations and are using their rights more than ever to hold companies accountable. Against this backdrop, regulators continued to roll out initiatives to reform the corporate governance system to adapt to these new realities.

One major change that was recently rolled out in the US was the Securities and Exchange Commission's (SEC) adoption of new rules requiring that all companies use 'universal proxy cards' for any meetings involving contested elections. The new rules, which apply to shareholder meetings after August 31, 2022, will overhaul the mechanisms by which proxy contests have been carried out in the US thus far. Prior to the amendments, shareholders voting by proxy were unable to 'mix and match' nominees put forward by the incumbent board and the dissident shareholder, as they could if voting in person. These shareholders were therefore faced with a binary choice - to vote either for one slate or the other, resulting in no or sweeping change. The new rules require both the incumbent board and the dissident shareholder to provide shareholders with a slate including the names of all dissident and registrant nominees, allowing shareholders voting by proxy to choose nominees from either side. We welcome this change as it places investors voting in person and by proxy on equal footing.

In a separate initiative, the SEC proposed certain amendments to Rule 14a-8, which governs the process by which shareholder proposals are included in a company's proxy statement. Under this rule, a company may omit a shareholder proposal from its proxy statement if the proposal falls within one of 13 substantive bases for exclusion. The proposed amendments focus in particular on the substantial implementation, duplication, and resubmission of proposals, aiming to "improve the shareholder proposal process and promote consistency." In recent years, the current rules drew criticism over concerns that the existing standards for exclusion were not consistently implemented, thereby leading to unpredictable outcomes. The new rules address these concerns by ensuring a more transparent framework for the rule's application. We support the changes and expressed our position by participating in the public consultation launched by the SEC on the new rules.

Another development we are closely following is the California Gender Board Diversity Law. In May 2022, the California law requiring increased female representation on public company boards headquartered in the state was struck down. The decision came weeks after a court invalidated a bill requiring California-based publicly listed corporations to

have board members from underrepresented communities. This outcome prompted concerns that the rulings will stifle future efforts to enact diversity regulations in the US. Despite this, companies continue to face mounting pressure from shareholders to increase diversity in the boardroom. At the same time, the Nasdaq Board Diversity Rules, which became effective in August 2022, signal that the focus on diversity remains ongoing and that companies should continue striving to ensure an adequate level of board diversity.

# Voting Highlights

## **Prosus NV - 08/24/2022 - Netherlands**

Proposals: Remuneration Report, Remuneration Policy Executive and Non-Executive Directors & Authority to Repurchase Shares.

Prosus N.V. engages in the e-commerce and internet businesses. It operates internet platforms, such as classifieds, payments and fintech, food delivery, travel, education, retail, health, social, and other internet platforms.

The company's 2022 Annual General Meeting (AGM) occurred amidst high scrutiny over the continued rise in Prosus' valuation discount. In this context, three resolutions were particularly noteworthy.

First, Prosus asked shareholders to approve a share buyback authority enabling the board to repurchase shares representing up to 50% of the issued share capital over a period of 18 months. We voted For the resolution, having assessed that the proposed buyback is an effective means to address Prosus' steep valuation discount. The proposal was supported by an overwhelming majority (ca. 93%).

Second, Prosus asked for approval on certain changes to the remuneration policy aimed at incentivizing the executive team to focus on reducing the discount to NAV. Specifically, the company proposed to not award any LTI for FY2023 and to instead issue a special discount-linked STI, to be earned based on whether a "material reduction" of the discount to NAV is achieved by the end of FY2023. Per the company's disclosure, the board retains full discretion to assess the materiality of the reduction. We voted Against the resolution based on our concerns that the proposed changes place excessive focus on short-term performance and that the proposed plan lacks sufficient transparency. The resolution was approved with 12% dissent.

Finally, we voted Against Prosus' remuneration report, which was opposed by 14% of the votes cast. In line with our voting policy, we assessed this report based on our proprietary remuneration framework and identified concerns with regards to pay magnitude and transparency.

## **Alibaba Group Holding Ltd - 09/30/2022 - Cayman Islands**

Proposal: Board elections

Alibaba Group Holding Limited, through its subsidiaries, provides technology infrastructure and marketing reach to merchants, brands, retailers, and other businesses to engage with their users and customers in the People's Republic of China and internationally.

At the company's annual general meeting (AGM), the focus was on the election of directors. As in previous years, the Alibaba Partnership, a formal partnership agreement that was initiated by the founders of the Group in 2010, has the exclusive right to nominate or, in limited situations, appoint up to a simple majority of the members of the company's board. Currently, 4 out of the 11 directors on the board are appointed by the Partnership. The Partnership's nomination right is not

fully exercised since its nominees do not currently comprise a majority of the board.

We decided to oppose the re-election of the more respective accountable member of the nomination committee, as the board fails to incorporate the appropriate level of gender diversity. Additionally, we voted Against the Chairman of the board because of his double role also as the CEO and because there is no lead independent director. Compared to previous years, we acknowledge that there have been positive developments regarding the company's corporate governance structure, including an increase in the board's overall independence and a now 100% independent compensation committee.

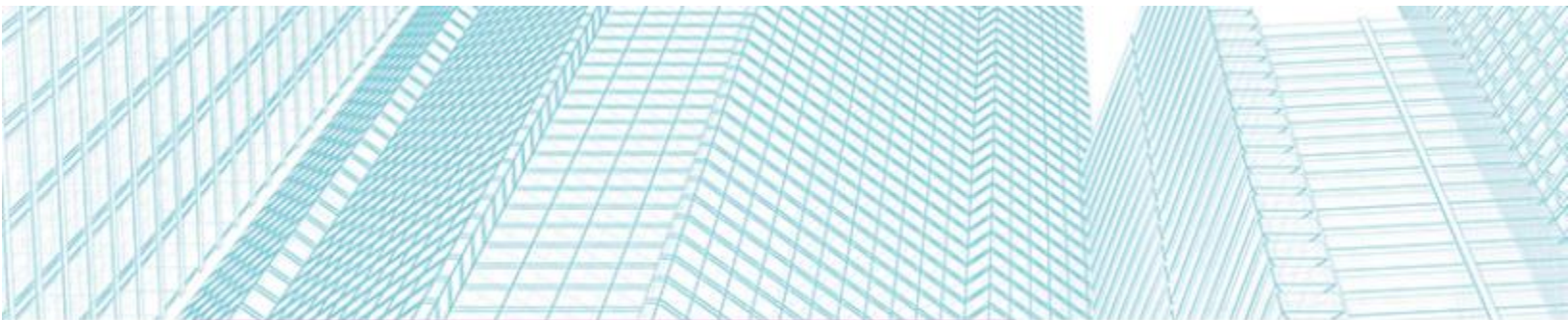
However, we expect these improvements to continue, considering the company's anticipated primary listing on the Hong Kong Stock Exchange. In preparation for this listing, the company will adopt an Employee Stock Ownership Plan (ESOP) to comply with the amended Chapter 17 of the Hong Kong Listing Rules, which will be subject to shareholders' approval at an upcoming EGM. We provided input to the company to help them identify the material issues they should consider when they design their new ESOP.



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# Proxy Voting Report

Period: July 01, 2022 - September 30, 2022

<b>Votes Cast</b>	<b>467</b>	<b>Number of meetings</b>	<b>31</b>
For	435	With management	435
Withhold	0	Against management	32
Abstain	0		
Against	32		
Other	0		
<b>Total</b>	<b>467</b>	<b>Total</b>	<b>467</b>

In 59% of meetings we have cast one or more votes against management recommendation.

# General Highlights

## **Increased scrutiny on Board Elections**

Board elections, the process in which investors have the right to elect directors to the company's Board of Directors during shareholder meetings, have consistently been one of the fundamental aspects of corporate governance. Corporate boards are responsible for sufficient oversight and can act as a sounding board for management by providing insights and foresight on directors' relevant fields of expertise. Good corporate governance is defined by distinct responsibilities between executive and non-executive directors, with board committees delving into specific matters that require more time and resources. Global best practice requires corporate boards to have sufficient independence levels, both overall and within separate board committees, while safeguarding a relevant and diversified set of skills, expertise, and experience amongst directors to reflect all stakeholders' perspectives.

Historically, there has not been much scrutiny around the election of board directors. Especially not in the absence of a proxy contest or dedicated campaign to vote Against certain directors. Often investors went along with management's recommendations as the majority of board elections are considered routine items at companies' annual general meetings (AGMs). However, over the past years we have witnessed a rise in interest from the public as to how investors use their voting rights, which along with other trends resulted in increased scrutiny from shareholders regarding board elections. First of all, this means investors are increasingly demanding the possibility to hold individual directors accountable. This is for instance not possible in the case of a slate election method, where board directors are jointly put forward in one list (a slate). Secondly, investors continue to prefer the ability to re-elect directors on an annual basis, which is not the case when the election frequency is set to more than one year or when a board is staggered, meaning that only a rotating part of the board is eligible for (re-)election.

Besides investor preferences regarding the different election types and frequencies, director opposition by shareholders has increased over the past couple of years. The 2022 proxy voting report by Semler Brossy showed that the percentage of directors from Russel 3000 companies receiving less than 95% support rates from investors has increased from 22% five years ago to 30% in 2022. Insufficient board independence, gender diversity concerns or potential overcommitment, have been standard drivers of voting Against a director's election. However, nowadays shareholders use the election of board directors to signal discontent around broader topics like environmental and social concerns.

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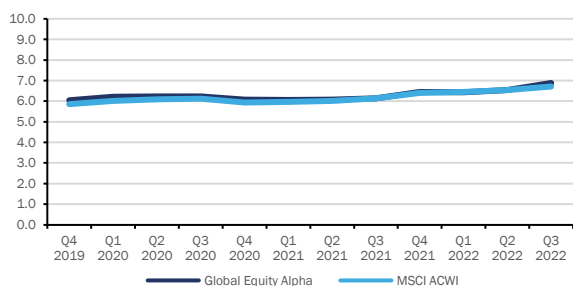
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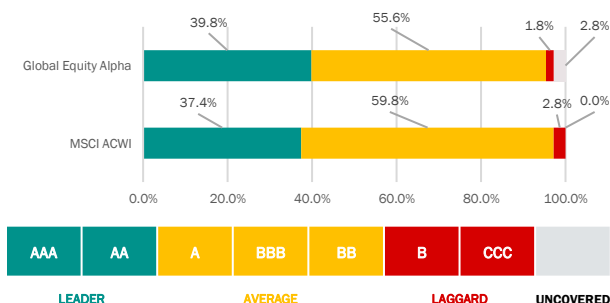


	Q3 2022 Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
<b>Global Equity Alpha</b>	AAA <sup>1</sup>	6.9 <sup>1</sup>		Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>MSCI ACWI</b>	AAA <sup>1</sup>	6.7 <sup>1</sup>		Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
				Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

**MSCI Weighted Score Trend<sup>1</sup>**



**MSCI ESG Weightings Distribution<sup>1</sup>**



Highest ESG Rated Issuers <sup>1</sup>				Lowest ESG Rated Issuers <sup>1</sup>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
ASML Holding	2.0%	+1.6%	AAA <sup>1</sup>	Vitesco Technologies Group	1.3%	+1.3%	B <sup>1</sup>
Microsoft Corporation	1.1%	-2.1%	AAA <sup>1</sup>	META Platforms	0.5%	-0.1%	B <sup>1</sup>
Diageo	0.8%	+0.6%	AAA <sup>1</sup>	Airbnb	0.9%	+0.9%	BB <sup>1</sup>
Allianz SE	0.8%	+0.7%	AAA <sup>1</sup>	Berkshire Hathaway	0.8%	+0.1%	BB <sup>1</sup>
AutoDesk	0.7%	+0.6%	AAA <sup>1</sup>	Adient	0.7%	+0.7%	BB <sup>1</sup>

**Quarterly ESG Commentary**

- Marginal increases in the Weighted ESG score in both the Fund and benchmark saw both increase their rating to 'AAA' over the quarter, this was driven primarily by a strong trend of upgrades over recent periods.
- Upgrades this quarter included several material holdings, including Bank of America, Bayer, Booking Holdings, Adient and Airbnb.

**Feature Stock: Adient**

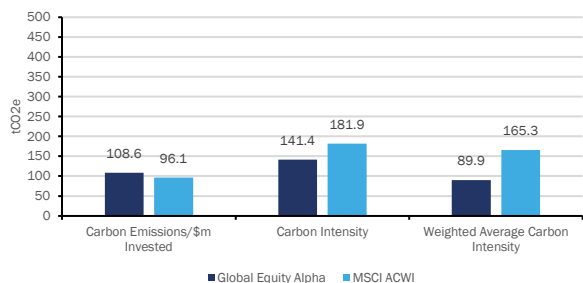
Adient is a global leader in auto seating, a consolidated industry, where it holds around a third of the market share. Its major competitor is Lear Corporation whose seating division has consistently earned higher margins than Adient. The long-term valuation case is based on the belief that Adient should be able to achieve seating margins close to Lear's. It has taken some time for the Company to resolve legacy issues and the balance sheet remains a work in progress.

More recently, the pandemic and subsequent auto industry supply chain constraints have also been a delaying factor. The Fund Manager believes the current CEO, Doug Del Grosso, has however been positive for the Company and the current management are the ones to help realise the value in the investment.

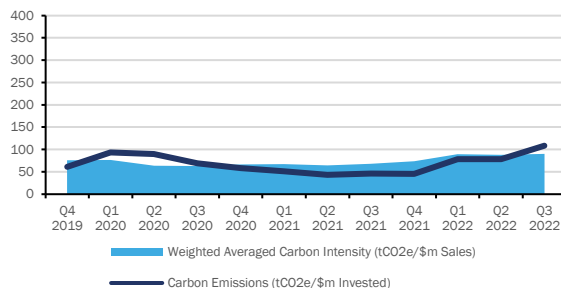
More generally, Adient is well-positioned in the auto sector for the electrification transition. Seating is technology agnostic, and the Company has already won significant contracts for the supply of seats for electric vehicles. On climate change, the company was flagged as a laggard by MSCI, and it has responded with policy improvements, including a Sustainability Report for 2021 with reduction targets across scope 1, 2 and 3 emissions and new product design protocol. The Company received an upgrade in its MSCI rating to BB in Q3 2022.



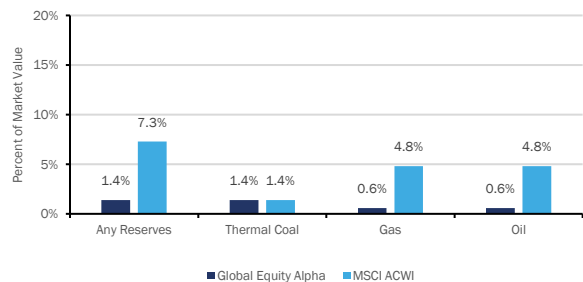
**Carbon Emissions and Intensity<sup>1</sup>**



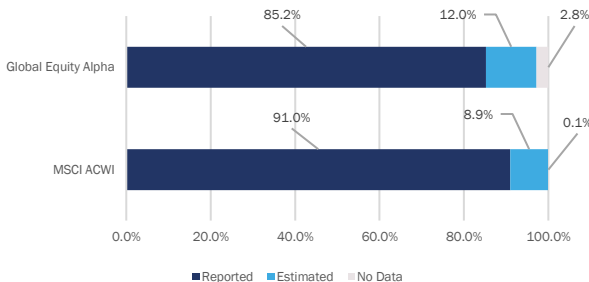
**Weighted Average Carbon Intensity Trend<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



**Largest Contributors to Weighted Average Carbon Intensity<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Holcim	0.6%	+0.5%	26.8% <sup>1</sup>	Yes	4
HeidelbergCement	0.6%	+0.6%	22.6% <sup>1</sup>	Yes	3
Linde	1.0%	+0.7%	14.9% <sup>1</sup>	No	3
EasyJet	0.4%	+0.4%	4.6% <sup>1</sup>	No	3
Jet2	0.5%	+0.5%	3.1% <sup>1</sup>	No	N/A

**Quarterly Carbon Commentary**

- Carbon metrics saw mixed changes over the period, with Weighted Average Carbon Intensity (WACI) relatively stable, while absolute portfolio emissions increased by c.18% relative to the benchmark.
- The increase was driven by a greater allocation to HeidelbergCement over the period, a company that accounts for c.37% of total portfolio emissions alongside an increasing exposure to aviation.
- Exposure to fossil fuel reserves comes primarily from the Fund's allocation to diversified mining company, Glencore, which represents c.0.8% of the overall Fund.

**Feature Stock: Jet2**

Jet2 is one of the UK's largest airlines and tour operators, offering package holidays and low-cost airline flights. The Company has robust growth prospects as we continue to emerge from the pandemic and has a history of disrupting more traditional incumbents (for example, Thomas Cook) and achieving impressive returns in a traditionally difficult industry.

Despite having one of the most modern and efficient airline fleets, Jet2 has historically lagged some of its peers in terms of its net zero and carbon strategy. It has sought to address this in recent years, most notably after it released its Net Zero Sustainability Strategy in September 2021. CO2 per passenger kilometre fell 19% between 2011 and 2020 through measures such as fleet modernisation, aircraft modifications and operational adjustments. The Company is aiming for net zero by 2050 at the latest. Recognising that aviation is a hard-to-abate sector, in 2022 the Company launched a carbon offset scheme, and has committed to reporting annually on its targets. Finally, the Company is lobbying for government measures on support for sustainable aviation fuel and air traffic measures which Jet2 believe could reduce emissions by 10%.

<sup>1</sup>Source: MSCI ESG Research 30/09/2022



**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
company not covered	1.4%	1.4%
Investment Trust/ Funds	1.4%	1.4%

<sup>1</sup>Source: MSCI ESG Research 30/06/2022

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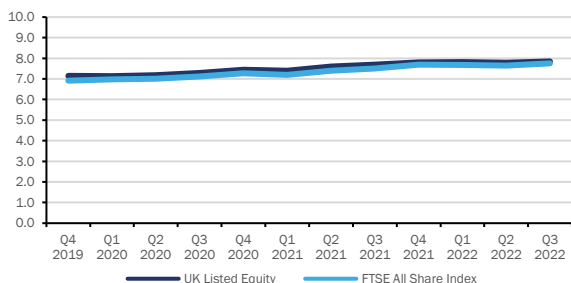
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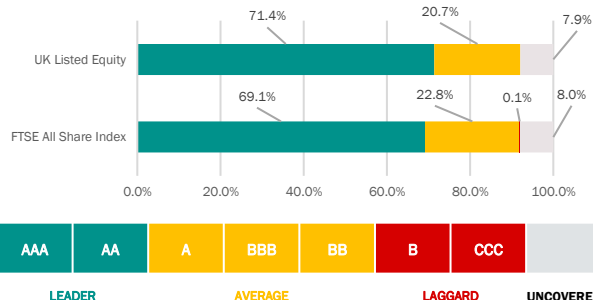


	Q3 2022 Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
<b>UK Listed Equity</b>	AAA <sup>1</sup>	7.9 <sup>1</sup>		Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>FTSE All Share Index</b>	AAA <sup>1</sup>	7.8 <sup>1</sup>		Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
				Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

**MSCI Weighted Score Trend<sup>1</sup>**



**MSCI ESG Weightings Distribution<sup>1</sup>**



Highest ESG Rated Issuers <sup>1</sup>				Lowest ESG Rated Issuers <sup>1</sup>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
Diageo	4.4%	+0.3%	AAA <sup>1</sup>	TP ICAP	0.4%	+0.3%	BB <sup>1</sup>
Relx	2.3%	+0.3%	AAA <sup>1</sup>	British American Tobacco	3.1%	-0.3%	BBB <sup>1</sup>
National Grid	1.9%	+0.3%	AAA <sup>1</sup>	Glencore	2.1%	-0.8%	BBB <sup>1</sup>
CRH	1.2%	+0.2%	AAA <sup>1</sup>	Smith & Nephew	0.6%	+0.2%	BBB <sup>1</sup>
Legal & General Group	0.7%	+0.1%	AAA <sup>1</sup>	Fresnillo	0.3%	+0.3%	BBB <sup>1</sup>

**Quarterly ESG Commentary**

- The ESG Weighted score remained consistent in the quarter, retaining its 'AAA' Rating and slightly above the benchmark. This is due to the Fund holding a higher weighting of companies considered to be 'Leaders' and no 'Laggards'.
- The Fund is generally underweight the lowest ESG rated companies relative to the benchmark.

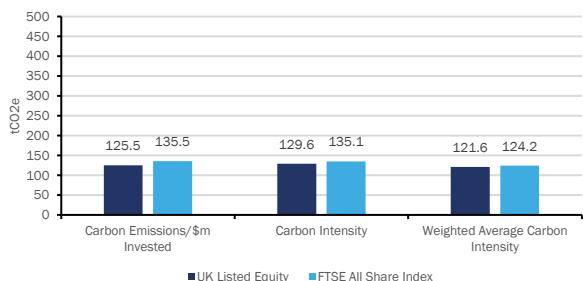
**Feature Stock: TP ICAP**

TP ICAP Group plc is a leading electronic market infrastructure and information provider. It offers intermediary services, contextual insight, trade execution, pre-trade / settlement services, data-led solutions. The Company's main business divisions include Global Broking, Energy & Commodities, Agency Execution and Parameta Solutions. TP ICAP is a market leader in the inter-dealer broker (IDB) market with 40% of the market share and operates in 26 countries with 2,500 brokers. The group strategy is to diversify away from the core money broking business, which is a mature market, by developing digital assets, data solutions, electronic trading and liquidity pools. The Company scores well on 'Governance' with strong ethics controls in place to prevent excessive risk taking and potential malpractice. As the business model moves from voice trading to electronic trading this oversight can be strengthened further.

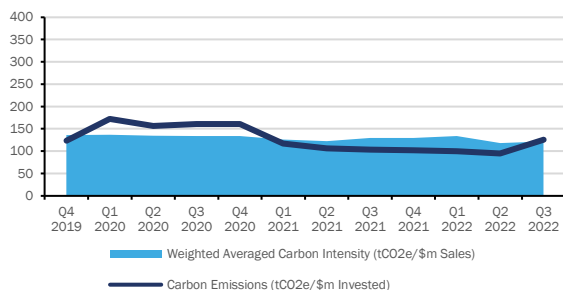
TP ICAP is rated BB ("Average") by MSCI. However, the Company lacks a peer group that is directly comparable. This means that any metric that relies on relative scoring may be misleading. For example, MSCI rates TP ICAP lower on initiatives for ESG / sustainable investing relative to peers. However, many of these initiatives are more applicable to banks and financial institutions. TP ICAP's initiatives in carbon credits, renewable energy certificate markets, climate indices and weather derivatives have grown from a low relative base alongside underlying market development. The Company has benefited from a low attrition and staff turnover rate, this has meant that the Company scores lower on 'diversity' and 'human capital development' relative to its peers. However, the Company has set improvement targets and remains in line to meet them.



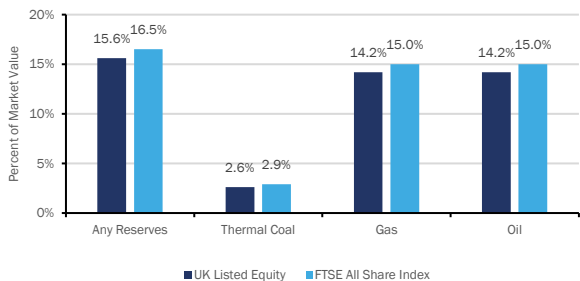
**Carbon Emissions and Intensity<sup>1</sup>**



**Weighted Average Carbon Intensity Trend<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



**Largest Contributors to Weighted Average Carbon Intensity<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
Shell	7.5%	+0.4%	29.1% <sup>1</sup>	Yes	4
CRH	1.2%	+0.2%	12.8% <sup>1</sup>	Yes	4
Rio Tinto	2.1%	-0.3%	9.4% <sup>1</sup>	Yes	4
BP	2.0%	+0.3%	7.7% <sup>1</sup>	Yes	4*
National Grid	2.9%	-0.4%	5.6% <sup>1</sup>	Yes	4

**Quarterly Carbon Commentary**

- The Fund is currently below the benchmark for carbon emissions, carbon intensity and weighted average carbon intensity (WACI).
- Carbon emissions increased in the quarter mainly driven by a slightly increased weighting to Shell and BP, and BP reporting higher annual emissions. WACI and carbon intensity remained stable in the quarter.

**Feature Stock: Rio Tinto**

Rio Tinto plc is an international mining company. The Company has interests in mining for aluminium, borax, coal, copper, gold, iron ore, lead, silver, tin, uranium, zinc, titanium dioxide feedstock, diamonds, talc and zircon.

Rio Tinto is a significant emitter of carbon with scope 1 and 2 emissions of 31.1mt in 2021, the majority of this derived from the Aluminium business. Aluminium is an essential metal for the low-carbon transition used in lowering carbon emissions from vehicles, aircraft and other carbon producers where weight is a factor. Currently the industrial process taking the bauxite raw material and smelting into pure aluminium takes an enormous amount of electricity and thus the carbon footprint of production is poor. However, this is being mitigated by the utilisation of low carbon energy in the smelting process and Rio Tinto now sources 75% of its power from renewable sources such as hydro, wind, and solar.

In 2020, it set a target to reduce scope 1 and 2 carbon emission intensity by 30% by 2030 (using 2018 as a baseline) and this has now been increased to 50%. The company will invest \$7.5bn in carbon reduction between 2022 and 2030 to achieve this goal. Rio Tinto has a net zero target across all operations by 2050.

<sup>1</sup>Source: MSCI ESG Research 30/09/2022

**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	0.8%	0.0%
Investment Trust/ Funds	7.1%	7.1%

<sup>1</sup>Source: MSCI ESG Research 30/09/2022

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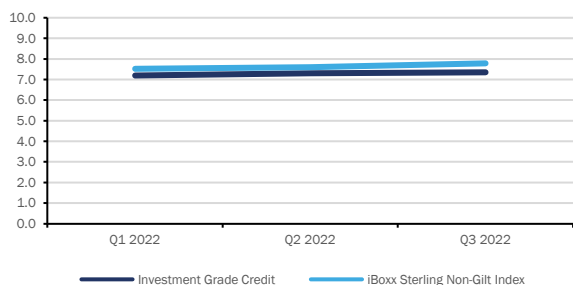
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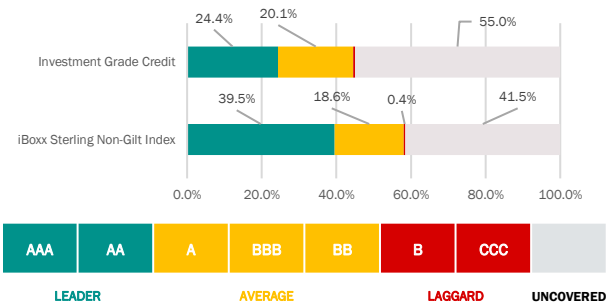


	Q3 2022 Position <sup>1</sup>			Key
	MSCI ESG Rating	Weighted ESG Score	vs. Benchmark	
<b>Investment Grade Credit</b>	AA <sup>1</sup>	7.4 <sup>1</sup>	[Yellow Box]	Fund has an equal or better <i>Weighted ESG Score</i> than the benchmark.
<b>iBoxx Sterling Non Gilt Index</b>	AAA <sup>1</sup>	7.8 <sup>1</sup>		Fund has a <i>Weighted ESG Score</i> within 0.5 of the benchmark.
				Fund has a <i>Weighted ESG Score</i> more than 0.5 below the benchmark.

**MSCI Weighted Score Trend<sup>1</sup>**



**MSCI ESG Weightings Distribution<sup>1</sup>**



Highest ESG Rated Issuers <sup>1</sup>				Lowest ESG Rated Issuers <sup>1</sup>			
	% Portfolio Weight	% Relative Weight	MSCI Rating		% Portfolio Weight	% Relative Weight	MSCI Rating
European Investment Bank	1.6%	-2.9%	AAA <sup>1</sup>	America Movil	0.5%	+0.1%	B <sup>1</sup>
Orsted	0.6%	+0.2%	AAA <sup>1</sup>	Wells Fargo & Company	0.6%	-0.2%	BB <sup>1</sup>
Legal & General Group	0.6%	+0.1%	AAA <sup>1</sup>	Estados Unidos Mexicanos	0.3%	+0.1%	BB <sup>1</sup>
Yorkshire Building Society	0.5%	+0.2%	AAA <sup>1</sup>	TP ICAP	0.2%	+0.1%	BB <sup>1</sup>
The Bank of Nova Scotia	0.5%	+0.3%	AAA <sup>1</sup>	Dexia Credit Local	0.1%	-0.5%	BB <sup>1</sup>

**Quarterly ESG Commentary**

- The ESG Weighted score was stable over the quarter, remaining below that of the benchmark index overall.
- The lower scoring relative to the benchmark is driven by active positioning, with the Fund holding fewer companies considered to be 'Leaders'. Despite this the Fund retains its very high rating of AA, which is classed as a 'Leader'.
- While the availability and quality of ESG data has been improving in recent years, there can still be material gaps across the fixed income market. This is particularly prevalent where a debt-issuing entity does not also issue publicly-listed equity, which, in most cases, the fixed income issuer maps to.

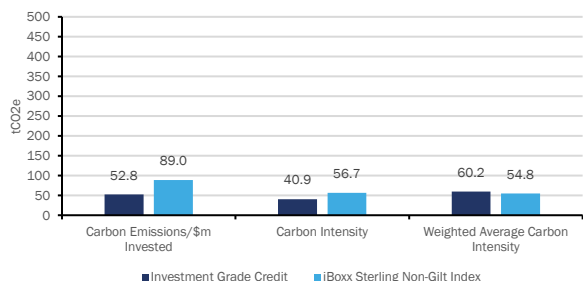
**Feature Stock: Wells Fargo**

Wells Fargo & Company, a diversified financial services company, provides banking, investment, mortgage, and consumer and commercial finance products and services in the United States and internationally. The Company's performance has been stable, with relatively solid fundamentals and strong returns making it an attractive inclusion in a high-quality credit portfolio.

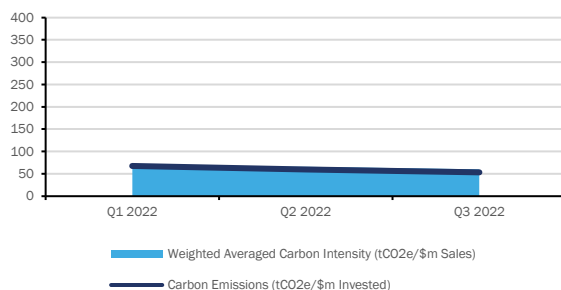
ESG performance is weak relative to peers with particularly poor governance performance alongside lower than average performance on social factors such as the development of human capital. Engagement has been undertaken with ESG rating improvements and the development of ESG initiatives being discussed, including the net zero commitments. The Company has been addressing its most prominent legal and regulatory issues in recent years, this triggered an outlook update to stable from negative by Moody's earlier this year. Wells Fargo are part of the Fund Manager's wider counterparty engagement programme, which involves an ESG questionnaire and subsequent detailed ESG deep dive meetings to discuss the outcomes; these meetings will commence once the Manager receives the completed survey.



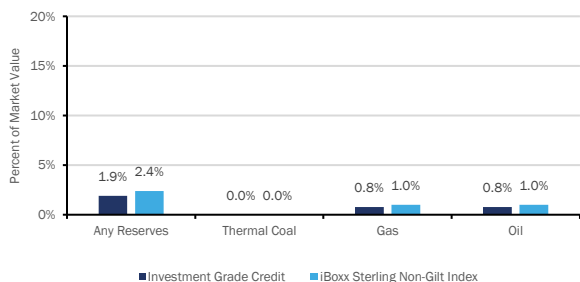
**Carbon Emissions and Intensity<sup>1</sup>**



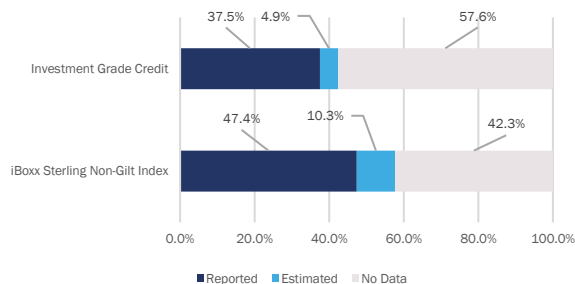
**Weighted Average Carbon Intensity Trend<sup>1</sup>**



**Weight of Holdings Owning Fossil Fuel Reserves<sup>1</sup>**



**Availability of Carbon Emissions Data (% of Market Value)<sup>1</sup>**



**Largest Contributors to Weighted Average Carbon Intensity<sup>1</sup>**

Company	% Portfolio Weight	% Relative Weight	Contribution	CA100+	TPI Level
EDF	1.0%	-0.2%	13.4% <sup>1</sup>	Yes	4
London Power Networks	0.5%	+0.4%	10.2% <sup>1</sup>	No	N/A
Duke Energy Corporation	0.1%	+0.1%	8.4% <sup>1</sup>	Yes	3
Transport for London	0.8%	+0.4%	8.3% <sup>1</sup>	No	N/A
South Eastern Power Networks	0.1%	+0.1%	7.2% <sup>1</sup>	No	N/A

**Quarterly Carbon Commentary**

- The Fund is currently above the benchmark for weighted average carbon intensity (WACI) owing to portfolio positioning, while portfolio emissions on an absolute basis remain below the benchmark. No single position dominates the portfolio WACI or carbon emissions metrics.
- Exposure to companies owning fossil fuel reserves is lower relative to the benchmark. The largest contributors include Equinor, Centrica and BASF.

**Feature Stock: South Eastern Power Networks**

South Eastern Power Networks owns, operates and manages the electricity distribution network in the south-east of England, and is one of the 14 electricity distribution networks in Great Britain. The Company is one of the three distribution networks owned by UK Power Networks, which also owns London Power Networks.

South Eastern Power Networks are a solid company and one of the top picks in the sector in terms of balance sheet robustness, with low leverage and a simple capital structure. Being primarily involved in the distribution of electricity results in a relatively low emissions footprint pertaining to carbon within the energy sector, however clearly emissions do remain. The Company has set a target to reduce its business carbon footprint by 2% each year for the 2023-2028 Ofgem price control period, following which this will be reviewed. In line with the UK government's move to a low carbon economy, UK Power Networks plans to connect renewables to the grid. Apart from asset replacement arising from the rollout of smart meters, the Company is also developing an electric vehicle charging network.

<sup>1</sup>Source: MSCI ESG Research 30/09/2022



**Issuers Not Covered <sup>1</sup>**

Reason	ESG (%)	Carbon (%)
Company not covered	49.6%	52.2%
Investment Trust/ Funds	5.4%	5.4%

<sup>1</sup>Source: MSCI ESG Research 30/06/2022

**Important Information**

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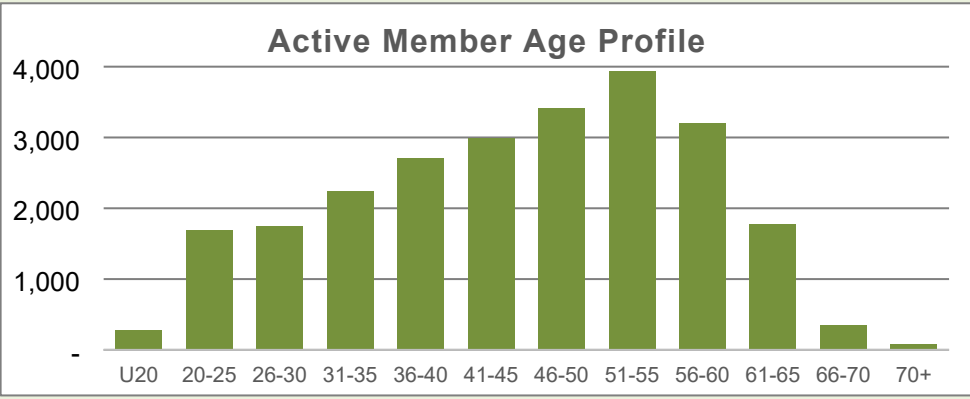
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## LINCOLNSHIRE COUNTY COUNCIL PENSION FUND

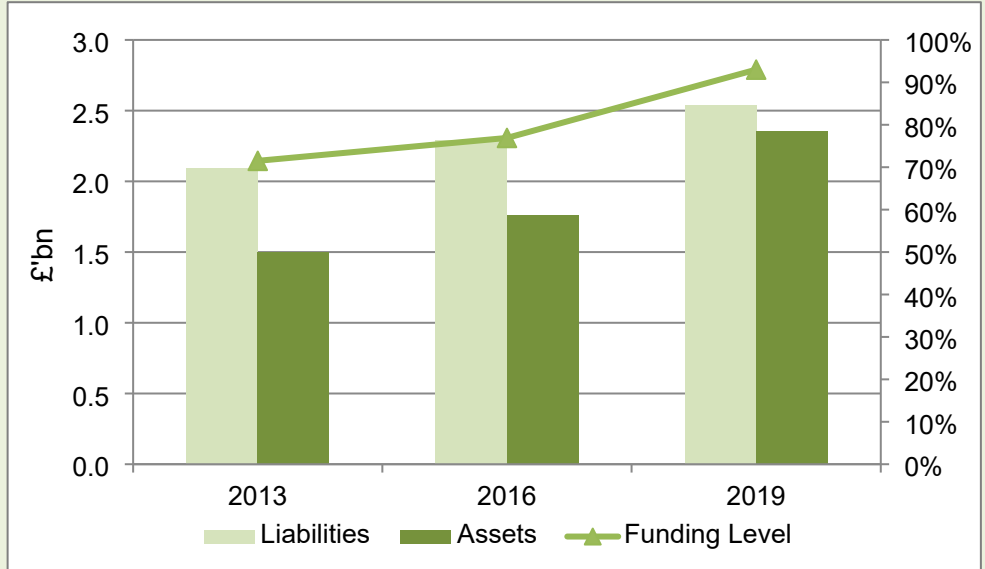
## STEWARDSHIP CODE 2021/22

“Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society”

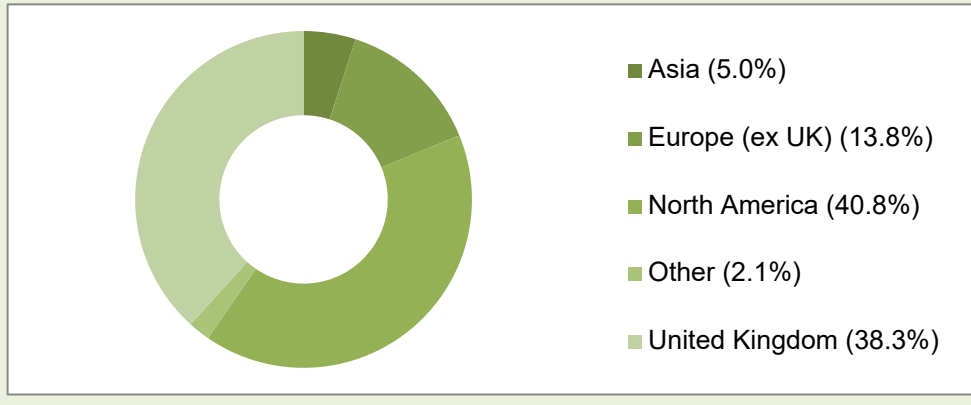
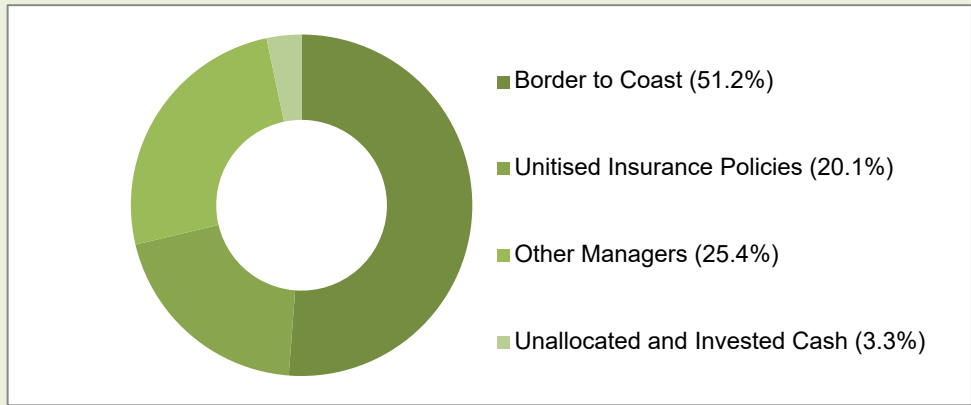
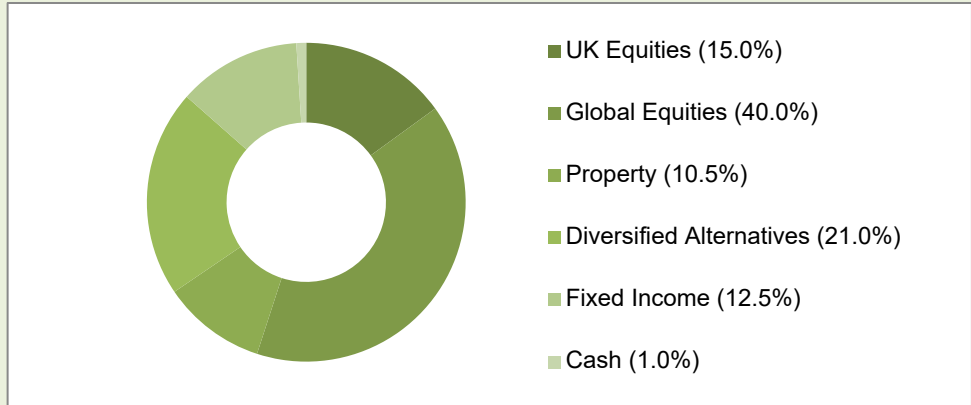
## Background and Context

Fund Facts (as at 31 March 2022)																																			
<b>Membership</b> <b>73,608</b>	 <table border="1"> <caption>Membership Counts</caption> <thead> <tr> <th>Category</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Pensioner Members</td> <td>23,500</td> </tr> <tr> <td>Deferred Members</td> <td>25,500</td> </tr> <tr> <td>Contributing Members</td> <td>24,608</td> </tr> </tbody> </table>  <table border="1"> <caption>Active Member Age Profile</caption> <thead> <tr> <th>Age Group</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>U20</td> <td>400</td> </tr> <tr> <td>20-25</td> <td>1,700</td> </tr> <tr> <td>26-30</td> <td>1,800</td> </tr> <tr> <td>31-35</td> <td>2,300</td> </tr> <tr> <td>36-40</td> <td>2,800</td> </tr> <tr> <td>41-45</td> <td>3,000</td> </tr> <tr> <td>46-50</td> <td>3,400</td> </tr> <tr> <td>51-55</td> <td>3,900</td> </tr> <tr> <td>56-60</td> <td>3,200</td> </tr> <tr> <td>61-65</td> <td>1,800</td> </tr> <tr> <td>66-70</td> <td>500</td> </tr> <tr> <td>70+</td> <td>100</td> </tr> </tbody> </table>	Category	Count	Pensioner Members	23,500	Deferred Members	25,500	Contributing Members	24,608	Age Group	Count	U20	400	20-25	1,700	26-30	1,800	31-35	2,300	36-40	2,800	41-45	3,000	46-50	3,400	51-55	3,900	56-60	3,200	61-65	1,800	66-70	500	70+	100
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<b>Employers</b> <b>260</b>	<p>Contributing employers, either in Lincolnshire, or providing services to these employers, include:</p> <table border="1"> <thead> <tr> <th>Employer Type</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Councils and Police</td> <td>10</td> </tr> <tr> <td>Academies</td> <td>175</td> </tr> <tr> <td>Community Admission Bodies</td> <td>4</td> </tr> <tr> <td>Further Education Bodies</td> <td>4</td> </tr> <tr> <td>Internal Drainage Boards</td> <td>9</td> </tr> <tr> <td>Resolution Bodies</td> <td>2</td> </tr> <tr> <td>Small Scheduled Bodies</td> <td>30</td> </tr> <tr> <td>Transferee Admission Bodies</td> <td>26</td> </tr> </tbody> </table>	Employer Type	Number	Councils and Police	10	Academies	175	Community Admission Bodies	4	Further Education Bodies	4	Internal Drainage Boards	9	Resolution Bodies	2	Small Scheduled Bodies	30	Transferee Admission Bodies	26																
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**Funding Position**



**Invested Assets  
£3.1bn**



## Lincolnshire Pension Fund

Lincolnshire Pension Fund (the "Fund") is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme established by an Act of Parliament and governed by the Public Services Pensions Act 2013 (PSPA 2013). It is a contributory defined benefit scheme to provide pensions and other related benefits for all eligible employees of local government and other participating employers. The LGPS is a multi-employer scheme which is open to new membership. The LGPS operates on a 'funded' basis, this means that contributions from employees and employers are paid into a fund which is invested, and from which pensions are paid.

As the scheme is well funded and open to new members, with the majority of its employers being secure, tax-backed employers, the Fund is able to take a long-term view on investments and generally looks over a twenty year plus period when assessing its investment strategy. A young scheme member joining today may not be entitled to take their pension for another 50 years, so all investment decisions are made with a long-term focus.

Scheme regulations are set on a national basis, but individual Funds are managed by designated administering authorities at a local level. The LGPS, unlike private pension schemes, does not have Trustees but has a committee made up of elected Councillors and other interested parties, representing other employers in the Fund and scheme members. The Fund's Pensions Committee performs similar duties to Trustees, under the administering authority of Lincolnshire County Council, and is the decision-making body responsible for the investments and the administration of benefits under the scheme.

The Fund has oversight and scrutiny from a Local Pension Board, established under the PSPA 2013. The Board's role is to assist the Committee in securing good governance and administration of benefits for the scheme members and employers.

The purpose of the Fund is to provide pensions and other associated benefits to Lincolnshire's LGPS members when they fall due. In order to do this, it seeks to achieve sustainable, risk-adjusted performance of its investments over the long-term. More information on the Fund can be found in its [Annual Report and Accounts](#).

### Fund Governance Structure

Lincolnshire County Council, as Administering Authority for the Fund, has delegated the investment arrangements of the Pension Fund to the Pensions Committee (the "Committee"), who decide on the investment policy most suitable to meet the liabilities of the Fund. Terms of Reference for the Committee are set out in the [Council's Constitution](#) (on page 48).

The Committee is made up of County Councillors, and employer and scheme member representatives as detailed in the table below. This ensures that both employers, who bear the financial risk of the Fund, and scheme members who will be, or are, receiving benefits from the scheme, are involved in the decision-making process. All members of the Committee have full voting rights. All councillors are required to follow the code of conduct set out within the constitution.

<b>Body/category of bodies represented:</b>	<b>Membership</b>
Lincolnshire County Council (elected Councillors)	8
District Council Representative (West Lindsey District Council)	1
Small Scheduled Body Representative (Witham Internal Drainage Boards)	1
Scheme Member Representative (Unison)	1
<b>Total:</b>	<b>11</b>

The Committee meet quarterly to provide oversight and challenge across all areas of the Fund. In addition to this, a further two meetings are held for manager presentations and there are two training meetings each year.

The Committee has a fiduciary duty to its employers and members and is required to take account of financially material considerations, whatever their source, and this includes environmental, social and governance considerations, including climate change. It recognises the vital role of being a responsible asset owner to meet its requirements to be a long-term sustainable investor.

In order to effectively carry out their role, the Committee obtain professional advice as and when required, from suitably qualified persons, including external advisers, investment managers and officers of the Council. The Fund's principle professional advisors are summarised in the table below:

<b>Investment Consultant:</b>	Hymans Robertson
<b>Independent Advisor:</b>	Peter Jones
<b>Main Asset Managers (managing over 5% of assets):</b>	Border to Coast Pension Partnership (Border to Coast) Legal and General Investment Management BlackRock Investment Management Morgan Stanley
<b>Voting and Engagement Advisor:</b>	Local Authority Pension Fund Forum (LAPFF)

Internally, the Committee is supported by Officers of the Council including the Executive Director of Resources (S151 Officer to the Fund), Assistant Director – Finance, Head of Legal Services (Monitoring Officer), Head of Pensions, and Accounting, Investment and Governance Manager. The key officers involved in the day-to-day management of the Fund, are set out below, with relevant qualifications and experience:

Name and title	Experience	Relevant Qualifications	Years Relevant Experience
Jo Ray Head of Pensions	Jo started in the Pensions team in 1999, as an Investment Officer, and has worked through positions of Assistant Investment Manager, Investment Manager and has been Head of Pensions since 2008. She has covered every aspect including internal portfolio management, fund accounting and governance.  Prior to the pensions team Jo working in the accountancy and financial systems teams at the Council.	IMC	23
Claire Machej Accounting, Investment and Governance Manager	Claire joined the team in 2018, having previously worked as a Head of Finance for the Council in the Corporate team. She is a fully qualified accountant and has completed stage one of the IMC qualification and expects to complete the second stage in early 2023.	CPFA (studying IMC)	4

Additionally, the County Council established a Local Pension Board (the "Board") under Regulations 105 to 109 of the Local Government Pension Scheme Regulations 2013 (as amended) which operates independently of the Pension Fund Committee. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager, as set out in the Board's [Terms of Reference](#). Such assistance is to:

- a) Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme, and;
- b) Ensure the effective and efficient governance and administration of the Scheme.

The Board consists of four voting members; two representing Scheme Members and two representing Scheme Employers, and an Independent Chairman.

### **Pooling – Border to Coast Pensions Partnership**

To meet the government's requirement to pool assets, the Fund joined Border to Coast Pensions Partnership ('Border to Coast') with eleven other like-minded Funds. Border to Coast was created in 2018 as a wholly owned private limited company registered in England and Wales, authorised and regulated by the Financial Conduct Authority (FCA) as an alternative investment fund manager (AIFM).

It is the Fund's intention to invest its assets via Border to Coast as and when suitable sub-funds become available. To date, the Fund has transitioned assets into four Border to Coast sub-funds: Global Equity Alpha, UK Listed Equity, Investment Grade Credit and Multi Asset Credit. This represented 51.2% of the Fund assets as at 31 March 2022. As Border to Coast will, overtime, be the main asset manager for the Fund's investments, a strong oversight and governance structure has been created.

The governance structure has been developed to allow Border to Coast to function efficiently and for Funds to control and hold it to account. Each member Fund has two roles with Border to Coast: that of shareholder and owner of the Company (at Lincolnshire this role is carried out by the Executive Director of Resources, the S151 Officer for the Council), and as an investor in the products managed by Border to Coast, which is the responsibility of the Pensions Committee. Oversight of the Company is undertaken through a Joint Committee, made up of the Chairs of the Partner Fund Pensions Committees. On a day-to-day basis, Fund Officers and Border to Coast work together to develop policies, sub-funds and provide continuous feedback to Border to Coast. The roles and responsibilities of Border to Coast, the Fund and its other stakeholders can be found in the Border to Coast [Governance Charter](#).

### **Employers and Scheme Members**

The Fund, as a participant in the LGPS, is a defined benefit scheme. The Lincolnshire Fund has around 74,000 members who will or do receive benefits from the scheme. The Fund also has 260 active employers contributing to the scheme at 31 March 2022.

As a defined benefit scheme, the benefits received by members are set out in statute, as are contribution rates for active members. Unlike a defined contribution scheme, employers, rather than scheme members, bear the investment risk and are responsible for making up any funding shortfall that arises because of poorly performing investments. Contribution rates for employers are calculated at the triennial valuation, alongside the overall funding position.

The Fund regularly engages with both employers and members to ensure they are aware of developments which may have an impact on them.

### **Funding Strategy Statement and Investment Strategy Statement**

Within LGPS regulations, the Fund is required to have and publish a Funding Strategy Statement and an Investment Strategy Statement.



## Funding Strategy Statement (FSS)

This document is prepared in collaboration with the Fund's actuary and, after consultation with the Fund's employers and investment adviser, it is approved by the Pensions Committee. It sets out the process for the setting of employer contribution rates. The FSS is reviewed in detail at least every three years as part of the triennial valuation process.

The FSS sets out the objectives of the Fund's funding strategy:

- To ensure the long-term solvency of the Fund, using a prudent long-term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- To ensure that employer contribution rates are reasonably stable where appropriate;
- To minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return;
- To reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- To use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

## Investment Strategy Statement (ISS)

This document sets out the primary objective of the Fund, which is to provide pension benefits for members and their dependents, as and when they fall due. It states how the Committee aims to fund the benefits in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets.

The ISS sets out the agreed investment beliefs, responsible investment beliefs, investment strategy, the approach to risk and how it will pool investments.

## **Round Up of the Year**

The Covid-19 pandemic continued to impact markets during 2021, and the investment and administration teams slowly moved back to the office to work in a hybrid style, as much of the UK was moving to. Communication with employers and scheme members remained mainly virtual. The invasion of Ukraine by Russia in early 2022 caused much concern across the globe, and markets reacted accordingly. However, as an open defined benefit scheme, our focus is on the long term and the Funds investment strategy and approach were reviewed but unchanged. During the year meetings with the Committee and Board gradually moved back to in-person, as did some meetings with Border to Coast, Fund managers and other partners.

Key stewardship activity undertaken across the year:

- Working with the alternatives manager to increase the focus on private markets and include a specific bias towards investments in clean and renewable assets;
- Workshops with Border to Coast on Responsible Investment (RI) policies;
- Workshops with Border to Coast on achieving net zero within the investment vehicles;
- Approving the Border to Coast RI policies and aligning our own policies;
- Expansion of the standalone stewardship report, part of the quarterly suite of Committee reports; and
- Voting and engaging on key issues with a wide range of global companies, through our asset pool and LAPFF.

Areas for improvement in the stewardship activities undertaken by the Fund are highlighted in the action plan at appendix A.

## **PRINCIPLE 1: Purpose, investment beliefs, strategy & culture enable stewardship that creates long-term value for employers & beneficiaries leading to sustainable benefits for the economy, the environment and society**

### **Activity:**

The Fund's policies are the mechanism through which it expresses and implements its investment beliefs, strategy, and culture. They provide the framework for effective governance and stewardship – both of Fund assets and of the Fund as a whole. The Fund considers that having investment beliefs clearly defined assists it to choose managers and other service providers whose approach is most closely aligned to our own. These beliefs were developed through facilitated decision-making which challenged Committee members to consider investment and RI beliefs, to develop a strategy for the long-term benefit of the Funds employers and members.

The Fund formally reviews its Investment Strategy Statement and other policies annually in March to ensure that they remain fit for purpose (i.e. continue to reflect the Fund's purpose and investment beliefs as well as meeting regulatory requirements), and to provide an opportunity for the Committee to discuss and reflect on the current policy and consider if any changes are required. Details of the review of the policies in March 2021, in preparation for the year ended 31 March 2022, can be found at agenda item 12 in the [Committee Papers](#).

As a number of the Committee were newly appointed in May 2021, following Council elections, all new Committee members undertook induction training to ensure beliefs and culture are understood and embedded.

In addition, the investment beliefs and the responsible investment beliefs were reviewed in a training session held in February 2022. This involved a three-hour session facilitated by the Investment Consultant, exploring in depth whether the current sets of beliefs were still representative of the Committee's views, and challenging them to ensure that they could be translated into investment strategy.

Following this session, a paper was brought to the March 22 Committee to agree the final beliefs, which can be found at item 10 in the [Committee Papers](#).

The Pensions Committee, whilst being a political Committee under Local Government Regulations, is regularly reminded of its fiduciary duty to the scheme beneficiaries rather than to the Council or the elected members' constituents. The Committee monitors the responses to the members satisfaction surveys carried out by the administration provider, which are reported to each quarterly Committee meeting.

## Outcome:

The five new members of the Pension Committee all received one-to-one training from the Head of Pensions before their first Committee meeting in July 2021. The training pack covered all aspects of managing the pension fund, including their fiduciary duty responsibilities. The training pack is attached here:



Committee and  
Board intro - June 2021

The Committee reviewed and updated its Investment Beliefs that are detailed in our ISS and, as part of the review, added an overarching statement across the investment beliefs stating:

*It is recognised that environmental, social and governance (ESG) issues are important to the long-term success of the Fund, and the Committee aims to integrate consideration of these issues into all aspects of the Fund's investment arrangements.*

The full detail on the beliefs can be found at item 10 in the [Committee Papers](#), however after much discussion and debate, only one amendment was made to the RI Beliefs which is set out below with reasoning:

**Belief 2: The Committee considers that company engagement, rather than disinvestment, is the better approach to fulfilling their responsible investment objectives. However, should a company not respond to engagement, disinvestment should be considered.**

Disinvestment on a whole sector basis is not within the Committee's beliefs. Disinvestment is a blunt tool that is not believed to provide the best outcomes over the medium to long term. The Fund will, through its managers and other organisations, engage with companies to bring change, but will consider company disinvestment if engagement fails. While disinvestment on a whole sector basis is not considered appropriate, the Fund will not invest in companies whose products do not comply with the Geneva Convention.

*This has been amended to change "could" to "should" on the consideration of disinvestment in companies not responding to engagement. In addition, the line in the narrative on companies not complying with the Geneva convention has been added.*

The Pensions administration service reports show that generally scheme members are happy with the service received. The 2021/22 Fund Annual report showed the satisfaction levels across the four previous survey periods, and is shown below:

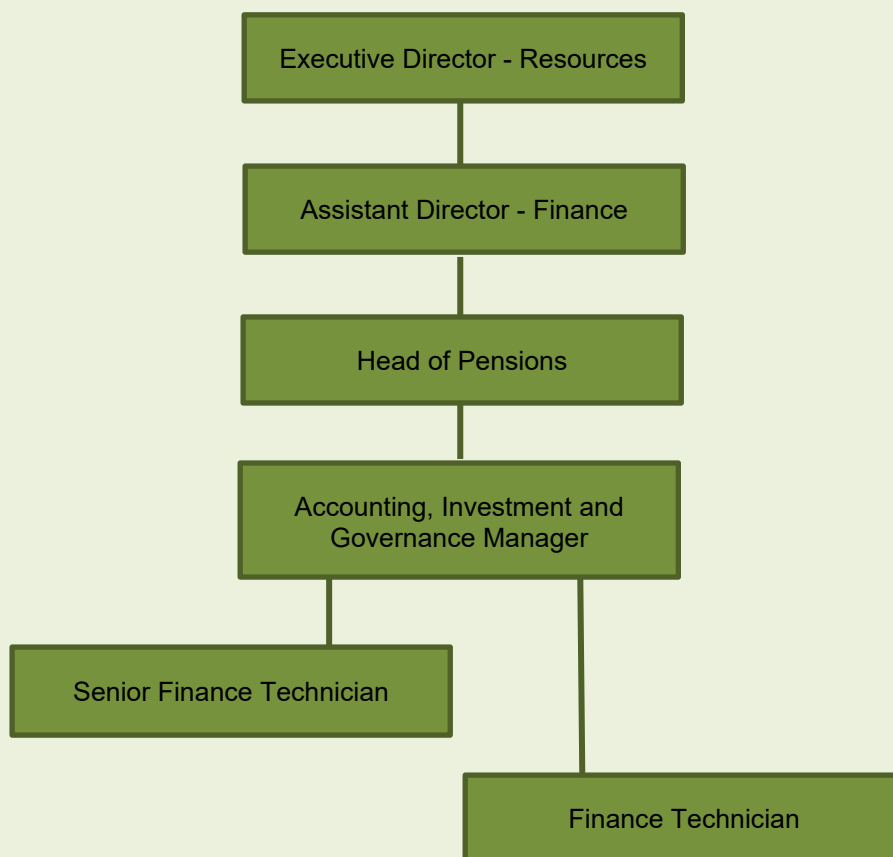
April – June 2021	July – Sept 2021	Oct – Dec 2021	Jan – March 2022
81.7%	96.9%	91.5%	95.3%

## PRINCIPLE 2: Signatories' governance, resources and incentives support stewardship

### Activity:

As is fully detailed in the background, Fund governance is the responsibility of the Pensions Committee, as set out within statute. To assist the Committee in discharging their responsibilities, quarterly meetings are held which provide various reports to enable them to have oversight and challenge across all areas of the Fund, including investments and responsible investment.

The structure of the internal team responsible for the management of the Pension Fund is shown below:



The Head of Pensions is responsible for the day-to-day management of the Fund, and the Accounting, Investment and Governance Manager works closely with her and is responsible for the stewardship monitoring and reporting. Details of the experience of the key personnel are shown in the background, under Fund Governance. There is no performance management or reward system in place at the Council.

The structure was reviewed in early 2022, and a new post was established to enable more time to be spent on monitoring managers and their stewardship activities, in addition to providing other support in the team.

As the internal team is very small, the Fund operates an external manager structure, with all assets managed externally and with the Fund using expert professional services to support its stewardship activities:

- Border to Coast, the Fund's asset pool which invests on its behalf, who have a dedicated and growing team working on RI matters for all pooled investments, from tendering and selecting managers, to ongoing monitoring once a manager is selected and supporting industry wide initiatives. Border to Coast's Stewardship report can be found on its website at [Responsible Investment - Border To Coast - Sustainable Pension Investments](#);
- Robeco, who are the pool's appointed voting and engagement specialist, provide professional stewardship services to the Fund for the investments held with Border to Coast; and
- The final source of support in this area for the Fund is provided by the Local Authority Pension Fund Forum (LAPFF). LAPFF is a sector wide group with membership from 86 local authority pension funds (with assets valued at £350bn) and six LGPS pooling companies. LAPFF acts for its members on engagement with companies, providing voting alerts, collaborating with others to increase the voice of shareholders and responds to consultations on behalf of its members.

The Fund has established annual RI processes which allow the Committee to have the opportunity to contribute to the direction of RI work for the Fund. Quarterly activity then allows the Committee oversight of activities undertaken. This starts in December with the review and approval of RI and Voting policies. The policies relate to all Fund investments and are aligned with Border to Coast policies to ensure a consistent application across all Fund assets. The Committee also reviews key policy documents in March to ensure they reflect the current views of the Fund. The fund then reports RI activity to the Committee on a quarterly basis to highlight the stewardship activity undertaken over that period, to provide assurance and give them the opportunity to review and challenge the work undertaken on the Fund's behalf.

The Pensions team within the Council is very small, made up of just four employees. These have all been appointed through the Council's recruitment process, which monitors diversity across the Council. The Council has a [diversity and inclusion policy](#) and encourages a supportive and inclusive culture. People from different backgrounds, cultures and experiences bring value to the workplace and we believe that diversity and inclusion bring benefits. We work better and improve services if we have a supportive environment. By respecting these differences, colleagues, customers, communities, and other stakeholders can feel valued.

Within the Pensions team, there are two females and two males. The make-up of the Pensions Committee, as set out in the background, is taken from elected members, scheme employers and a scheme member representative. Diversity of backgrounds and opinions is brought into the Committee as Councillor members come from different political groups, with wide-ranging life and career experience. In addition, the co-opted members come from various backgrounds reflecting the views of employers and scheme members.

The Council encourages diversity across the Councillor members; however the Pension Fund has no influence over council candidates and committee members.

## Outcome:

The Fund has a clearly defined and documented set of [RI policies](#) that it works to, which are published and available to all stakeholders. They are aligned with Border to Coast's policies so that we are all working towards the same aims and objectives. They were last approved by the Committee in December 2021.

The quarterly [Stewardship Report](#) has continued to be developed to allow members of the Committee greater opportunity to review stewardship activity undertaken on its behalf and influence the work of the Fund. The reports from LGIM, an external manager covering 15% of the Fund's assets, is now included in the stewardship report. This is a public report to allow the Fund's stakeholders to be aware of what we are doing. In addition, carbon exposure, as reported by Border to Coast, is included in the quarterly Investment Management report, which is a private report. Work has been underway on 2021/22 to enable these reports to be included in the public stewardship report for 2022/23.

The governance approach to support stewardship by using external professionals and the group weight of either Border to Coast partners or LAPFF ensures that maximum impact is achieved through the engagement and research done by professional experts. The Fund operates with a small internal team covering all Fund matters from investments to administration to governance. It believes that the use of external experts in this field provides the best use of resources for the Fund. It also allows the Fund to have a greater impact, as by working with others the Fund has a larger profile when approaching the market and individual companies.

The Committee meeting structure is currently being reviewed to enable greater time for the Committee to discuss stewardship issues and actions and it is expected to be approved and implemented for the 2022/23 Council year.

Recruitment to the new post identified as part of the structure review, a Principal Investment, Governance and Accounting Officer, was unsuccessful. A further review is being undertaken to create a career grade to grow someone into the role. It is expected that this will be recruited in 2023.

### PRINCIPLE 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

#### Activity:

The make-up of the Pensions Committee is mainly County Councillors, who are elected to serve their constituents within Lincolnshire; however their role in managing the Pension Fund is to serve the beneficiaries and employers of the Fund.

All members of the Committee undertake initial training when they join the Committee (see the training slides included in Principle 1). This training covers the [Code of Conduct and Conflicts of Interest Policy](#) and explains the role of the Committee to serve beneficiaries and employers. While making decisions for the Pensions Committee other political and county council considerations should be disregarded. This message is reinforced throughout the year at Committee meetings and as and when investment opportunities are discussed.

#### Outcome:

The Code of Conduct and Conflicts of Interest Policy is reviewed annually by the Committee and is published on the Fund's website.

The policy explains what a conflict of interest is and provides examples for Committee Members of potential conflicts. The policy stipulates that all potential conflicts of interest must be declared initially on appointment and then at each meeting of the Committee as matters arise in the normal course of business. The policy also explains how conflicts will be dealt with and resolved. The Fund also maintains a register which captures potential and actual conflicts.

Within the Conflicts of Interests Policy, Committee members are specifically required to have consideration of their stewardship responsibilities in managing the Pension Fund.

There were five new members of the Committee during the year, and all undertook the training mentioned above.

There may be a conflict of interest when making investment decisions if an opportunity arose in the local area. The investment might be beneficial to the local electorate, but not for the Fund. To avoid any potential conflict of interest, the Fund does not have any strategic commitment to local investment, and no local investments have been made in the 2021/22 financial year.



## PRINCIPLE 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

### Activity:

The Fund conducts a full risk assessment of its activities which is reviewed annually by the Committee and Board, and is published as part of the Fund's Annual Report. The risk register includes the risk to the Fund's investments from market fluctuations, interest rates, currency, credit and failure by its investment managers or custodian. In addition, the Fund recognises the risk to investments from ESG factors including the impact of Climate Change that could materially impact long-term investment returns.

The Fund's foremost mitigation against market-wide and systemic risk is a well-diversified investment strategy. Therefore, it is important the Committee receives the appropriate training and that it commissions advice to be able to select from and monitor a wide variety of investments. The Fund has an appointed investment consultant for its strategic asset allocation, investment strategy and manager monitoring.

Part of the work undertaken by LAPFF on behalf of Lincolnshire Pension Fund and other members, is at a market-wide level. During the year LAPFF continued its focus in this area on failure in the audit and accounting regime, where regulation is 'consumer' based, rather than offering protection to shareholders. They also addressed the concept of "Paris-aligned" accounts, to assist in emphasising the disclosure of climate change risks. One of the key market-wide risks they have been concentrating on is that of a just transition to a low carbon economy.

With the Russian invasion of Ukraine, minds were concentrated on the geopolitical risks and the widespread impacts across the globe. The speed at which it happened and the shockwaves throughout global economies heightened the need to better understand and assess these risks. The Fund increased its communications with managers and requested regular reporting on Russian investments and activity in companies with high exposures to Russia. In addition, consideration has been given to where similar events could occur, and wider reporting of how geopolitical risks are considered by managers in their investment decision making process has been requested.

### Outcome:

The Russian invasion brought geopolitical risks to the fore, and the Fund reported on a weekly basis initially to the Committee on direct and in-direct investment exposure to Russia, then moved to monthly reporting as markets stabilised. Communication with managers was increased to fully understand the impact on the Fund and any potential wider impact due to the sanctions or price moves as a result of the situation.

The Fund relies heavily on its managers to identify and respond to market-wide and systemic risks but plays a key role in challenging and questioning what they are doing, to seek assurance on their processes and procedures.

Border to Coast, the manager with the largest exposure to Russia, held a meeting with partner funds to explain the impact of the situation and what the options were, to enable discussion and involvement in the decisions to be made on those investments. It was agreed that as and when markets normalised, further discussion would be had about the actions to be taken. The Fund sought and obtained clarity on the wider risk framework around geopolitical issues and was content that it was effectively managed across all asset classes.

The identification and management of risk is a key part of the discussions and monitoring that the Pension Fund undertakes on a quarterly basis as a minimum. An example is from the January 2022 Committee, where the Committee challenged Border to Coast on their investments in China and other countries with poor human rights records, and how they monitored countries and companies across all risks.

LAPFF continues to make and support recommendations for improving company reporting to highlight market wide risks, particularly around climate change. As part of their ongoing engagement with companies, they encourage them to lead by example in how they respond to market and systemic risks.

## PRINCIPLE 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities

### Activity:

The Fund has a number of relevant policies that are reviewed as detailed below:

- The Investment Strategy Statement is reviewed annually or immediately after any significant change in investment policy and contains the Fund's RI beliefs. See principle 1 above.
- The Responsible Investment Policy and Corporate and Voting Policy is reviewed annually. This is reviewed and approved by the Committee in January in advance of the start of the voting season. It is aligned with the Border to Coast policies to ensure consistency of our policies across all holdings.
- The Conflicts of Interest Policy is reviewed annually. See principle 3 above
- The Training Policy is reviewed annually, and a training plan approved each year in July.
- The Risk Management Policy and Risk Register are approved annually and any changes to the risk register are reported to the Committee on a quarterly basis.

The Fund receives quarterly reports on stewardship activities undertaken by Border to Coast, Robeco and LAPFF, including voting activity, which are brought together in a report and presented to the Pensions Committee for discussion.

The Fund has been working with Border to Coast, in its advisory role, to provide an oversight report of the responsible investment and stewardship activity undertaken by LGIM, to provide an independent view.

The Fund sought assurance from the reporting it received from managers on their stewardship activity.

### Outcome:

Policies have been reviewed at least annually. This ensures that they are kept up to date and are regularly considered by the Committee, which ensures that the policies continue to reflect their views on the direction of the Fund.

The Pension Board, as part of its regular consideration of the risk register at its September 2021 meeting, made recommendations to the Committee's December 2021 meeting, through the Board's [quarterly report](#), to introduce a new risk to the risk register. The Committee considered the recommendations and approved the additions.

Work on RI and Stewardship policies starts in advance of their review and approval by the Committee in December. During the year Fund officers work with Border to Coast to identify what is important to each Fund and how this should shape the direction of the Pool and Fund RI policies. In addition to this, work is undertaken with the Joint Committee to identify their priorities. This information is important to ensure all Funds

can support and will approve aligned RI policies. This streamlines the activities undertaken by Border to Coast.

Following the work the Fund had done with Border to Coast in their advisory role, the Committee received a report from Border to Coast in their oversight role of LGIM's stewardship activity for the year to March 2022. The report covered the areas of:

- Firm-level Policies and Resourcing;
- Investment Process and Research;
- Stewardship and Collaboration; and
- Climate Change

The oversight summary provided was that overall, LGIM was considered to meet the standards expected of an asset manager considered to be a leader in the responsible investment space.

The Fund has reviewed the Stewardship Code Statements from its key asset managers, Border to Coast and LGIM, to receive assurance that their reporting is fair, balanced, and understandable, which in turn enables the Fund to report that way. Both managers were successful in their submissions to the FRC for 2020/21.

## PRINCIPLE 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

### Activity:

Communication and feedback from scheme members and employers are undertaken in a variety of ways:

- Annual employers meeting;
- Scheme member newsletters;
- Consultation with employers on key policy documents;
- All Committee and Board Meetings are open to members of the public and papers are published and available for review;
- The Fund publishes an Annual Report containing up to date details of investments and stewardship;
- Key policy documents are published on the Pension Fund website;
- Contact details for the Fund are also published for any comments from scheme members or employers;
- Direct contact with scheme members and employers; and
- Direct representation, with full voting rights, on the Committee and Board of scheme members and employers other than the County Council.

The Autumn 2021 Scheme member newsletter invited all our scheme members to contact us with their views, as set out in the extract below:

*Stewardship and responsible investment are an integral part of the Fund's investment strategy and decision making, and the Fund works closely with Border to Coast to ensure that it invests in a sustainable way. Through Border to Coast, and also in its membership with the Local Authority Pension Fund Forum (LAPFF), the Fund engages with companies on key environmental, social and governance issues, such as carbon reduction, executive pay, human rights, and fair accounting. The Fund is always keen to hear its members' views on stewardship, so please contact us at [pensions@lincolnshire.gov.uk](mailto:pensions@lincolnshire.gov.uk) with any comments you may have.*

This was considered to be the most economical way of reaching out to all the 74,000 scheme members.

As detailed in the background, the investment time horizon is 20 plus years, and that is on a rolling basis, as the Fund is open to new members who may not be receiving their pension for another 50 years or more. Given the long-term relationship that scheme members have with the Fund, the Fund tries to ensure that members are aware of how their pension is invested and managed. As is also stated, the risk of investment decisions sits solely with the employers, in that their contribution rates will rise if returns are below that required. Scheme members' benefits are set out in statute and fully guaranteed, so whilst consideration of their investment preferences is given, and the Fund communicates how it manages its stewardship responsibilities, the main

objective is to ensure returns are sufficient to meet the long-term liabilities without large increases in employer contribution rates.

### **Outcome:**

The annual employer meeting was held virtually on 2 March 2022. One of the presentations covered Stewardship and Responsible Investment specifically covering the Lincolnshire Fund and activities undertaken during that year. These are interactive meetings where all employers can question, challenge and input into the direction and activities of the Fund.

Over the year the Fund has responded to a number of requests from scheme employers on RI related matters proposals. An example of this was as part of a presentation to all district council employers held in March 2022, which covered the Fund's position on investments in Russia, updates on the Fund's RI related policies and sharing the quarterly stewardship reports with them. This included follow-up conversations as to how these employers could respond to queries from their employees on these areas.

Membership of the Committee and Board includes employer and scheme member representatives. Through the Committee and Board meetings held over the year, these representatives have had the opportunity to input into and comment on the fund's stewardship and investment approach.

The Fund is happy to engage with employers and scheme members on an ad hoc basis to provide additional information on Stewardship matters. Such responses are reflected on and used to consider the development of wider future communications.

Unfortunately, the request set out within the Autumn 2021 newsletter for views from scheme members received no responses, despite it being sent to all 74,000 scheme members. This has therefore not proved to be an effective method to encourage feedback. The Fund is working with its administrators to see what methods might encourage more engagement.

## **PRINCIPLE 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities**

### **Activity:**

The Fund's responsible investment beliefs and approach to assessing investments are included within the Investment Strategy Statement. This core policy document explains how the Fund seeks to systematically integrate stewardship and investment to fulfil its responsibilities. The Committee believe that, as long-term investors, integrating environmental, social, and corporate governance considerations into the investment management process improves risk adjusted returns and creates long term sustainable investments.

To support this, the Committee reviewed its Investment and RI Investment beliefs, as set out in principle one. As part of this process the Committee undertook an in-depth consideration of its general investment beliefs and its RI beliefs, receiving training and completing a comprehensive survey to develop these principles.

The Fund invests in a wide variety of asset classes across a number of investment managers, but predominately with Border to Coast who currently manage all actively managed equities and bonds. The Fund has worked with Border to Coast and other partner funds to formulate the company's approach to responsible investment and to ensure that it is aligned to the policies of the partner funds (including Lincolnshire). The Fund's RI Policy states that when analysing potential investments (across all funds, asset classes and geographies), they expect investment managers to consider ESG factors, including climate change, as an integral part of the investment decision-making process. Of particular relevance are factors which could cause environmental and reputational risk ultimately leading to a reduction in long-term value.

The Fund considers the ESG credentials, policies, and procedures as part of the appointment process for all prospective managers with the aim of ensuring that ESG is well established in the managers appointed.

The monitoring of appointed managers by Border to Coast includes assessing stewardship and ESG integration into the investment process and on-going management of the investments held in accordance with the approved policies. The Committee requires that all asset managers report on stewardship and ESG matters on a regular basis and be responsive to any queries. The Fund monitors the asset manager's stewardship activities, including their involvement in collaborative engagement activities, such as supporting the Transition Pathway Initiative, and Climate Action 100+.

The Fund monitors Border to Coast to ensure that it is fully integrated through quarterly reporting, quarterly meetings, and the annual report. In addition partner funds are heavily involved in the development of new funds having sight of the appointment process for managers and the due diligence undertaken.

## Outcome:

Border to Coast's work during the year included improving their process of ESG integration and investment stewardship alongside training for the Border to Coast Board, the Joint Committee and Partner Fund pension committees and officers on a range of RI and stewardship-related topics. More detail can be found in their [RI and Stewardship Report](#) for 2021/22.

Following the investment into LGIM's Future World Fund, the Fund appointed Border to Coast to provide an oversight service to monitor the effectiveness of the stewardship of LGIM and provided a report to the Fund as mentioned in principle 5.

Below are some examples of the outcomes from manager engagement with the companies in which they are invested on our behalf, showing how incorporating ESG factors into investment decisions and on-going monitoring can achieve positive benefits for the Fund and therefore its clients and beneficiaries:

### **Border to Coast – Engagement with a European Investment Bank (listed equity)**

**Reason for engagement:** The company was involved in separate client-related incidents, suggesting risk management oversight failures. Losses were incurred, and some personnel changes were made as a result. Many investors were concerned about the strength of risk management processes, governance structures and board competence.

**Objectives:** The aim of the engagement was to ensure that appropriate changes were made to restore confidence in the bank's risk management capabilities.

**Scope and process:** Meetings were held with the bank's CEO, CFO, and board members to address perceived failures of risk management and responses. The company did not immediately address the chairmanship of the board's risk committee. Engagement expectations were not met, and several investors publicly stated that they would vote against this board member's re-election. Prior to the annual shareholder meeting, the risk committee chair announced his retirement from the board. Engagement continued as the bank further addressed its risk oversight processes.

**Outcome:** The departure of the risk committee chair represented a significant change in leadership in this area. Additional engagements also focused on the operational integration of risk management, with executives taking on key roles demonstrating relevant experience in the field. Engagement and voting played a significant role in the bank's risk management improvements.

### **Border to Coast – Engagement with BP plc (listed equity and fixed income)**

**Reason for engagement:** Carbon data of portfolios is monitored on an ongoing basis; this helps understand the climate-related risks inherent in our portfolios. Adequate disclosure by companies is, therefore, an important part of this process. The Carbon Disclosure Project ('CDP') is a leading initiative for climate data management and as such BP, as a major emitter of greenhouse gas emissions, would be a welcome addition to the CDP carbon database.



**Objectives:** To seek enhanced carbon data and emissions disclosure from BP.

**Scope and process:** Engagement with the Company took place over a number of months, instigated initially by letter, with follow up meetings also held with the Company's Investor Relations team.

**Outcomes:** BP was open to engagement and emphasised that it aimed to be recognised as an industry leader in reporting transparency. The Company has made good progress in this space and is listening to feedback. Following increasing investor focus in this area, BP confirmed it would be responding to the CDP disclosure questionnaire.

## PRINCIPLE 8: Signatories monitor and hold to account managers and/or service providers

### Activities:

The Fund monitors its investment managers and service providers, to hold them to account in the following ways:

- Asset managers provide monthly and quarterly performance reports which are received and reviewed by fund officers. Review here includes compliance with investment management agreements.
- Quarterly investment performance is reported to the Pensions Committee, highlighting any concerns. Where a manager's performance raises concern more frequent information is shared with the Committee.
- Annual presentations to the Pensions Committee and a three-year review period from all asset managers managing significant allocations in the fund, including an update of stewardship activities undertaken.
- Quarterly stewardship report to the Committee combining information from managers' quarterly stewardship and voting reports, highlighting engagement activities and where investment managers have voted against company recommendations. In addition this report updates the Committee on work undertaken by LAPFF on our behalf.
- Investment Consultant and Investment Advisor are monitored regularly against an agreed set of objectives.
- Border to Coast provide an advisory service to monitor the engagement and voting activity of LGIM, as one of the Fund's investment managers.

In addition to the above, as a partner fund within Border to Coast, further work is undertaken on our behalf in monitoring service providers to the pool. This includes:

- Provision of responsible investment and engagement support across all pooled investments (for example review of carbon content within portfolios).
- Analysis of voting records on a monthly basis and reporting of any variances to agreed policies by a third-party voting advisor.

Border to Coast provide an advisory service on the investment with LGIM to ensure that they are meeting the requirements of the Fund's and Border to Coast's RI policies, as detailed in Principle 5.

On a quarterly basis Border to Coast provide portfolios analysed against MSCI ESG Weighted Score and the MSCI ESG rating along with the ESG Rating Distribution (AAA to CCC). In its commentary, Border to Coast feature an investment each quarter to describe its nature, ESG rating risk, ESG impacts and direction of travel. This is presented to the Committee for discussion and challenge, where appropriate.

## Outcomes:

The Committee were content that the service being delivered by the Independent Investment Advisor met their needs, and no changes to the objectives were required.

The advisory agreement with LGIM was completed in 2021/22, with the first annual report received as of 31 March 2022. Border to Coast provided reassurance to the Committee that they were content with the quality of the processes and activity undertaken.

The Committee has a better understanding of the ESG risks within the portfolios and how these are managed by Border to Coast and the underlying managers and can challenge the rationale of any investments that it deems a high risk. An example of this is from the January 2022 Pensions Committee, where Border to Coast Equity managers presented, and there was much discussion and questioning from the Committee on the investment case for China.

## PRINCIPLE 9: Signatories engage with issuers to maintain or enhance the value of assets

### Activity:

All investment management activity is delegated to external investment managers. The Fund's RI policy sets out its expectations of managers, as shown below:

- Assess their portfolios in relation to climate change risk where practicable.
- Incorporate climate considerations into the investment decision making process.
- Engage with companies in relation to business sustainability and disclosure of climate risk in line with the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD) recommendations.
- Encourage companies to adapt their business strategy in alignment with a low carbon economy.
- Support climate related resolutions at company meetings where they reflect our RI policy.
- Encourage companies to publish targets and report on steps taken to reduce greenhouse gas emissions.
- Use the Transition Pathway Initiative (TPI) toolkit to assess companies and inform company engagement and voting.
- Vote against company Chairs in high emitting sectors where the climate change policy does not meet minimum standards, and/or rated Level 0 or 1 by the TPI, where there is no evidence of a positive direction of travel.
- Co-file shareholder resolutions at company AGMs on climate risk disclosure after due diligence, that are deemed to be institutional quality shareholder resolutions consistent with our RI policies.
- Monitor and review their fund managers in relation to climate change approach and policies.
- Participate in collective initiatives collaborating with other investors including other pools and groups such as LAPFF.
- Engage with policy makers with regard to climate change through membership of the Institutional Investor Group on Climate Change (IIGCC).
- Report on the actions undertaken with regards to climate change on an annual basis.

Engagement activities are a regular feature of the monitoring of the Fund's investment managers by the Fund's officers, and by the Committee through the quarterly RI Update report.

## Outcome:

Examples of stewardship activities that have been published and reported to the Committee are:

- During the quarter ended 31 December 2021, LAPFF undertook engagements with companies across the topics of environmental risk, audit practices, social risk, employment standards, governance, human rights, and climate change. The outcomes of these engagements are shown in the company progress report, included in their [quarterly engagement report](#), and examples are:

- **Mining and Human Rights Report**

**Objective:** Over the last couple of years, LAPFF has engaged intensively with mining companies on their human rights practices. The engagement has focused on the participation of affected stakeholders in mining company activities and decision-making. Based on these engagements, LAPFF aimed to produce a report on its views regarding mining companies and human rights.

**Achieved:** LAPFF engaged business and human rights expert, Professor Robert McCorquodale, to lead on drafting the report. As sections of the report were drafted, they went to the LAPFF Executive and Business meetings for approval. Although the reports were written from an investor perspective, they have been presented through a human rights lens.

The five sections were as set out below:

- the first covered the basics of the international human rights law framework.
- the second followed with an explanation of how this framework applies to the mining sector, with examples of how human rights can be violated by mining companies and case studies based on human rights related litigation in the mining sector.
- The third presented LAPFF's views on engagements with top holdings – Anglo American, BHP, Glencore, Rio Tinto, and Vale – including how LAPFF understands these companies to be engaging with affected stakeholders.
- The fourth set out examples of where LAPFF believes that the five companies mentioned have not met their human rights responsibilities.
- The fifth contains a conclusion and recommendations for LAPFF members and other investors, for companies, and for public officials.

**In Progress:** These five reports have also been consolidated into a single draft report that LAPFF has circulated for comment to the five companies addressed and to affected communities whose accounts have been included in the report. After comments have been received, they will be assessed and integrated as appropriate before the report is released publicly.

- **Standard Chartered**

**Objective:** A meeting was held with Standard Chartered chair, José Viñals, to determine how the bank is progressing working with clients to reduce

carbon emissions and align with the bank's net zero by 2050 policy. Member concerns had been relayed to the chair about the bank's funding of Adaro, a major coal supplier which Standard Chartered's own analysis shows its activities to be aligned with an increase of 5-6°C in global warming.

**Achieved:** The company issued a roadmap for its progress to net zero in October which included 2030 targets to reduce financed emissions for thermal coal mining and oil and gas power, as well as plans to mobilise US\$300 billion in green and transition finance by 2030. There was further engagement in November, which confirmed an absolute target for coal, and that no investments would support any project expanding capacity.

**In Progress:** We have remained in touch with NGO contacts who have considered filing a resolution to the 2022 AGM asking for commitments not yet evident in the company's current transition plans. The company confirmed it will put a Say on Climate/Transition plan to the vote at the 2022 AGM.

- Border to Coast publish a [quarterly stewardship report](#) detailing the activity undertaken on our behalf, and examples are:

- **Engagement Theme Update: Global Controversy**

Events such as the war in Ukraine, the military regime in Myanmar, and the climate crisis have driven a renewed focus on the social responsibility of companies and their operations. In response to this, our voting and engagement partner, Robeco, has recently updated its approach to assessing the behaviour of companies through their enhanced engagement program. This new approach aims to ensure robust governance around oversight, alongside strengthened assessment of a company's behaviour with respect to commonly accepted international norms and ethical standards, such as the UN Global Compact (UNGC) and Organisation for Economic Co-operation and Development (OECD) Guidelines. Specifically, the updated approach includes:

- A strengthened oversight through a newly established Controversial Behaviour Committee, focusing on assessment of company behaviour and implications.
- The sourcing of robust data on UN Global Compact and OECD Guidelines breaches
- Onboarding a dedicated controversy engagement specialist to lead the renewed process and enhanced engagements with companies.

- **Engagement Theme Closure: Single-Use Plastics**

In 2019, Robeco launched an engagement program with a focus on achieving a material shift towards a more circular plastic packaging model, with a view to addressing the waste issue of single-use plastics.

Active dialogue was held with several companies, encouraging collaboration with each other, governments, NGOs, and other stakeholders along the plastic value chain on topics such as innovation, recycling and lobbying for regulatory change.

Five of our portfolio companies were included in the scope of the engagement (Danone, Henkel, Nestle, PepsiCo, and Proctor & Gamble) and

after three years of engagement, positive progress was seen in all five companies in a variety of areas, examples include:

- Nestle: Made progress in its roadmap to eliminate harmful plastics and deforestation mitigation. The process is expected to complete in 2024 through fully eliminating products made up of a mix of plastics and papers, including laminates, caps, and PVC liners.
- PepsiCo: Has established best practice in avoiding waste via its SodaStream platform. The platform enables users to track their intake, set goals and measure their positive environmental contribution via plastic bottles avoided.

Fund Officers have also received and monitored activity from other managers, examples are:

- LGIM, who manage approximately 15% of the Fund's assets in their Future World Fund, provide an annual [active ownership report](#), highlighting their approach to active engagement and what they have done over the year.

In 2021, LGIM, on our behalf, had 312 meetings or calls with companies, had 461 written engagements, with the top four engagement topics being climate change, remuneration, LGIM ESG score and company disclosure and transparency.

## **PRINCIPLE 10: Signatories, where necessary, participate in collaborative engagement to influence issuers**

### **Activity:**

As explained above and in the Fund's RI policy, all investment management activity is delegated to external investment managers. As part of this delegation the Fund's investment managers are able to decide if collaboration with other investors will benefit the engagement activities they carry out of the Fund's behalf.

Furthermore, through Lincolnshire's membership of the Border to Coast pool, the eleven partner funds have collectively pooled around £60bn of assets. Border to Coast is collaborating on RI activities through a unified RI policy and Corporate Governance and Voting guidelines which set the framework for the investment managers and enable them to utilise the combined weight of capital of the Border to Coast partner funds, to positively engage with the companies they invest with. Beyond the partner funds, Border to Coast collaborates with other investor groups to increase their influence.

In addition, the Fund's membership of LAPFF, representing around £350bn in assets under management, provides an effective means of collaboration. LAPFF itself is open to discussing any other forms of collective action with other investors and groups, expanding their reach.

### **Outcome:**

The Fund monitors its investment managers' engagement activities through regular reports and discussions and welcomes instances where it sees its investment managers working with other investors. Examples include:

- Border to Coast coordinates quarterly Responsible Investment workshops with partner funds which work collaboratively to consider RI issues and coordinate responses to maximise the impact of the Partner Funds. At these workshops current RI issues and engagements are discussed and proposed responses to consultations and initiatives shared. There are opportunities to share resources to maximise the impact of partner funds and BCPP through a collaborative approach to our shared interests.
- Border to Coast, on behalf of the partner funds, is partnered with a number of organisations including: LAPFF, on a range of issues; Climate Action 100+, the 30% Club which promotes board and senior management diversity; the Workforce Disclosure Initiative; the LGPS Scheme Advisory Board Code of Transparency; the Institutional Investor Group on Climate Change; and the Investor Mining and Tailings Safety Initiative.
- Border to Coast collaborated in the support for net zero aligned audits campaign. In November 2021, along with 22 other investors, they co-signed a letter to the 'Big 4' auditors: PwC, Deloitte, EY, and KPMG. The letter set out expectations for auditors to provide net zero aligned audits of financial



statements and associated disclosures. This reflects the growing importance for investors to be able to understand whether companies are considering the material financial implications of the transition and providing appropriate disclosures. They also supported the equivalent letter to the French 'Big 4' auditors, sent in February 2022.

- Border to Coast have continued as a supporter of the Workforce Disclosure Initiative ('WDI'), and this year they have engaged with twelve companies as part of the annual survey to collect human capital management data, emphasising the importance of this type of data for investors and encouraged companies to respond. In Q2 2021, the WDI launched its findings report for its 2020 survey results. The survey covered topics including wage levels, staff turnover and workers' rights. 141 companies responded, up 20% from the previous year, with every economic sector covered.
- LAPFF joined the Asia Collaborative Engagement Platform for Energy Transition. Co-ordinated by Asia Research and Engagement (ARE), this initiative has brought about engagement with the region's largest listed financial institutions, as well as buyers and producers of fossil fuels.

The first AGM of note was that of Mitsubishi UFJ Financial Group, where members were advised to vote in favour of a resolution for disclosure of the group's strategy to align financing and investments with the goals of the Paris Agreement. LAPFF joined a collaborative investor call organised by ARE which sought further information on the strategy, and particularly on how the bank would address concerns over its provision of finance to fossil fuel expansion and deforestation. In May, the bank made a net zero declaration and joined the net zero banking alliance.

- LAPFF has also worked in collaboration with the Institutional Investor Group on Climate Change as part of its participation in Climate Action 100+ (CA100+) an investor collaboration to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

LAPFF is joint lead investor on ArcelorMittal and National Grid under this initiative, as well as being part of wider collaborative groups with several other companies. One such company is Lyondell Basell, where LAPFF participated in the AGM, asking the chair to put the company climate strategy to a vote at the 2022 AGM and annually thereafter.

- LAPFF joined a collaborative engagement effort headed by the Access to Nutrition Index. Alongside a host of other investors, LAPFF has written to key companies in the food and beverage sector which featured on the Index. These engagements seek to provide better levels of governance and accountability by introducing remuneration metrics linked to nutrition targets and what marketing companies are doing to encourage better eating habits.

## PRINCIPLE 11: Signatories, where necessary, escalate stewardship activities to influence issuers

### Activity:

The Fund sets out in its RI Policy how it expects its investment managers to take the appropriate action when operating on its behalf engaging in stewardship activities, this includes actions to escalate their approach when appropriate.

### Outcome:

The Fund monitors its investment managers' engagement activities through regular reports and discussions and expects its investment managers to take the appropriate action when operating on its behalf engaging in stewardship activities, this includes actions to escalate their approach when appropriate.

The Fund has clear escalation expectations of its managers, should engagement not lead to the desired result. This is set out in its RI policy, which is aligned to that of Border to Coast. The Funds policy on escalation is:

*The Fund (LPF) believes that engagement and constructive dialogue with companies is more effective than excluding companies from the investment universe. However, if engagement does not lead to the desired result, escalation may be necessary. LPF expects its appointed investment managers to monitor engagement activities and where progress is not made within a reasonable timeframe, then to escalate the process. This could be addressed in a number of ways: by conducting collaborative engagement with other institutional shareholders; registering concern by voting on related agenda items at shareholder meetings; attending a shareholder meeting in person and filing/co-filing a shareholder resolution. Where the investment case has been fundamentally weakened, LPF expects its appointed investment managers to sell the company's shares.*

Examples of escalation from the Fund's managers are set out below.

- During 2021/22 Border to Coast engaged with an integrated mining company, which was highlighted for enhanced engagement due to several high profile environmental and health and safety issues. During the engagement, objectives were set for the company around their policies, transparency, mitigation, and risk management systems. Unfortunately, insufficient progress was made against the objectives and significant concern remained regarding the lack of oversight and lapses in risk management at the company. In response, Border to Coast:
  - assessed the materiality of the holding;
  - held internal meetings with the Portfolio Manager, research team, and RI team;
  - contacted other large shareholders, to understand their stewardship approach to monitoring and mitigating associated ESG risks to increase knowledge;

- held a meeting with the company and finally discussed the findings at the Investment Strategy Committee meeting to determine the appropriate action.

Following conclusion of the above escalation process, they recognised the company's progress whilst acknowledging there was further work required. The decision was taken by the Portfolio Manager to reduce the position in the company.

- At Border to Coast, during the annual review of an external manager, the RI team downgraded a manager due to the identification of perceived weaknesses across both integration of ESG and stewardship. The outcome of the review was reported to their Investment Committee and escalated with the manager, with whom they held further calls to discuss the improvements needed. Following this, there has been a material increase in the quality of the manager's disclosures and Border to Coast have greater confidence in the integration of ESG factors.
- Where LGIM's concerns are severe, or repeatedly ignored by the company, they will escalate their vote to address directors' accountability for such failures by opposing their re-election. They have done so at Informa, where their concerns over inappropriately structured and generous pay were not addressed over the years, and at Cineworld, which introduced highly geared share incentives for directors while staff were laid off or furloughed. The rationale for any votes against management are disclosed on their website and at times may also be pre-declared as was the case for Informa and Cineworld.

## PRINCIPLE 12: Signatories actively exercise their rights and responsibilities

### Activity:

Exercising rights and responsibilities is fundamental to improving investment outcomes. Rights exist primarily through shareholdings but can be derived through other means. When making an investment, the associated rights and responsibilities are clearly understood by the Fund and its investment managers from the outset.

As an indirect asset owner the Fund requires external managers to make best use of these rights so that its responsibilities are fulfilled to the greatest effect. As mentioned in previous principles, external managers are required to report on how they have actively exercised their rights and responsibilities.

The Border to Coast voting policy is reviewed each year considering developing corporate governance standards and evolving best practice. This review is led by Border to Coast with the eleven partner funds being heavily involved. The policy is also reviewed by Robeco, using the International Corporate Governance Network Global Principles, the UK Stewardship Code, and the UN Principles for Responsible Investment as benchmarks.

As the Fund has aligned its policy to that of Border to Coast, the approaches are identical.

The Fund's [Corporate Governance and Voting Guidelines](#) sets out how it expects managers to approach supporting or opposing company management, depending upon the circumstances. This also sets out the expectations that the Fund has of its managers:

*The Fund requires all appointed investment managers to vote on its behalf, in line with best practice guidelines. As both a shareholder and a client of Border to Coast, the Fund continues to monitor their voting policy and guidelines to ensure that they are aligned with the Fund's principles and reflect current best practice. Managers are required to report their voting and engagement activity on a quarterly basis.*

Voting records where votes are cast against management, and additional wider voting activity provided by Border to Coast on the Fund's investments, is included in the quarterly RI Update Report to the Committee.

The managers of the Fund's equity holdings are Border to Coast and LGIM, and the Fund seeks assurance from them on the process of managing the voting rights for shares held. Border to Coast has a dedicated Responsible Investment team which sits within the Investment Team and acts as a centre of expertise and helps manage and co-ordinate our activities. This team is supported by Robeco, the voting and engagement provider and other strategic partners. This team is responsible for ensuring that all voting rights are actively managed across the equity investments. LGIM believes voting is a fundamental tool used by investors to signal support for, or concern with, management actions to promote good corporate governance in the marketplace. The Investment Stewardship team exercises LGIM's voting rights globally, holding directors and companies to account.

The Fund's active fixed income investments are managed by Border to Coast through its externally managed vehicles. Voting decisions relating to bondholder meetings has been outsourced to the relevant external managers as this is an investment decision.

Where investments are made directly by the Fund, officers seek to gain a place on the advisory committee to oversee and influence investment and stewardship decisions.

**Outcome:**

A number of changes were made to the Corporate Governance and Voting policy as a result of the review in 2021. They include:

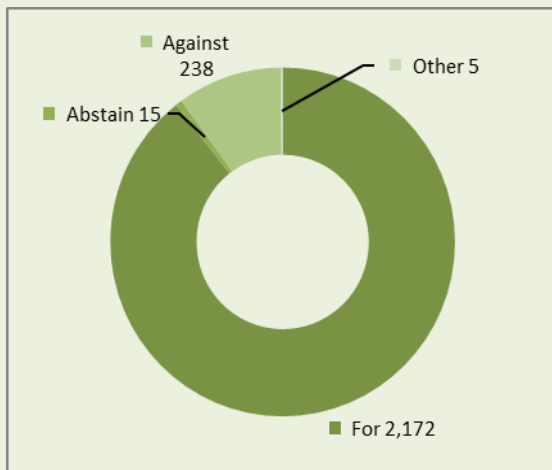
- strengthening the position on ethnic diversity at FTSE100 companies;
- splitting out executives' long-term incentives from other employees; and
- strengthening voting stance to include CA100+ net zero benchmark indicators.

Details of all the changes are available in the December 2021 [meeting papers](#) of the Committee.

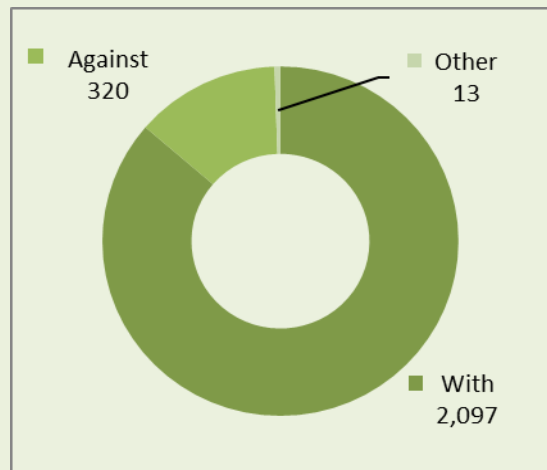
Examples of some manager's voting records for 2021/22 are shown below:

**Votes cast for Border to Coast's Global Equity Alpha Fund (165 meetings)**

Votes Cast

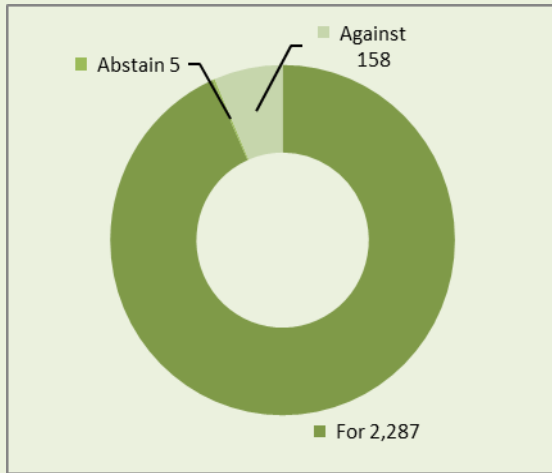


With or Against Management

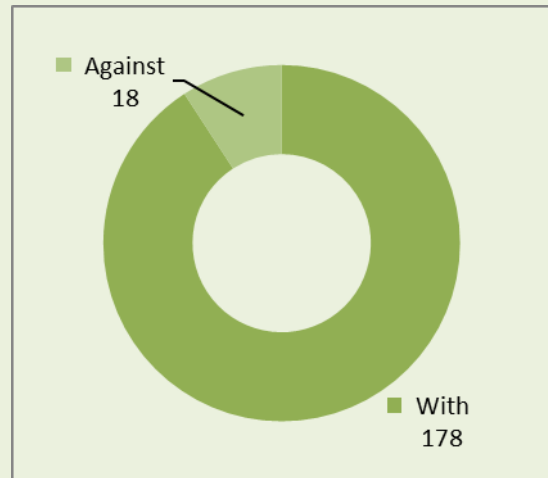


### Votes cast for Border to Coast's UK Listed Equity Fund (141 meetings)

Votes Cast



With or Against Management



During 2021/22 the Head of Pensions has been appointed to the advisory committee for two residential property funds that the Fund invested in, and these meet on a quarterly basis.

## Appendix A – Action Plan

Principle:	Action:	Target Date
<b>PRINCIPLE 1:</b> Purpose, investment beliefs, strategy & culture enable stewardship that creates long-term value for employers & beneficiaries leading to sustainable benefits for the economy, the environment and society	Consideration of any stewardship implications in the Investment Strategy Review.	October 2022
	To include a session on stewardship of investments and responsible investment beliefs at the Annual Employers Meeting in February and include a poll to better understand their views.	February 2023
<b>PRINCIPLE 2:</b> Signatories' governance, resources and incentives support stewardship	Continue quarterly reports and enhance where opportunities arise. Ensure that carbon reporting and ESG Statements can be moved from private into the public papers.	July 2023
	Provide more training to the Committee to better understand current issues and to clarify the Fund's strategy – e.g. net zero, work on reviewing the Investment Strategy.	On-going
	Change to the Committee structure to include more diversity by introducing a representative from the Academy Sector.	December 2022
	Following the unsuccessful appointment of a new post to provide additional resource for stewardship monitoring, develop a career grade post, who will come with different experience and will develop pensions/investment skills.	March 2023
<b>PRINCIPLE 3:</b> Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first	Annual review of policy.	March 2023
	Provide any new members with training on conflicts as part of their induction training.	As required

<b>Principle:</b>	<b>Action:</b>	<b>Target Date</b>
<b>PRINCIPLE 4:</b> Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	Continue working with Border to Coast and LAPFF.	On-going
	To identify any opportunities for further collaborative work with other organisations.	On-going
	The Fund will further develop its risk assessment of the impact of Climate Change on its investments and plans to undertake an assessment with its investment managers of the impact of Climate Change on its investments.	On-going
	Respond to the DLUCH consultation on climate reporting and any other investment related consultations.	On-going
<b>PRINCIPLE 5:</b> Signatories review their policies, assure their processes and assess the effectiveness of their activities	Expansion of Stewardship reporting to include significant private market managers.	March 2023
	To include stewardship within the overall external governance review of the Fund.	Awaiting Good Governance Review Outcome
<b>PRINCIPLE 6:</b> Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	Continue to include information on stewardship in the Member Newsletter and request direct feedback.	October 2022
	Explore with the administrator how we might engage with scheme members on Investment and Stewardship matters for feedback and input.	March 2023
	Develop a Stewardship page on the LPF website - providing key information to any interested parties.	December 2022
	Explore with employers (via the Annual Employers Meeting) how we could engage further with them on investment and Stewardship matters.	March 2023
	Employer meeting will provide an update on stewardship.	March 2023



Principle:	Action:	Target Date
<p><b>PRINCIPLE 7:</b> Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities</p>	<p>The Fund will continue to work with Investment Managers to make improvements in asset classes that are less developed in this area, for example: Morgan Stanley on Alternatives.</p>	<p>On-going</p>
<p><b>PRINCIPLE 8:</b> Signatories monitor and hold to account managers and/or service providers</p>	<p>Increase information required from other managers (non-Border to Coast) to provide enhanced monitoring.</p>	<p>On-going</p>
	<p>Discussion with Border to Coast on changes to Global Equity Alpha fund with the addition of Emerging Markets and China Managers.</p>	<p>July 2022</p>
<p><b>PRINCIPLE 9:</b> Signatories engage with issuers to maintain or enhance the value of assets</p>	<p>Expand the quarterly RI Update report to include more examples of engagement to provide more information to the Committee and Board, to assist them to challenge activity undertaken on our behalf. Include reference to the FWF ESG Report published quarterly.</p>	<p>On-going</p>
	<p>Work with Border to Coast and Morgan Stanley, the Fund's main alternatives manager, to expand the coverage of engagement across other asset classes.</p>	<p>On-going</p>
<p><b>PRINCIPLE 10:</b> Signatories, where necessary, participate in collaborative engagement to influence issuers</p>	<p>Continue to work closely with Border to Coast and LAPFF to ensure that any collaboration is effective.</p>	<p>On-going</p>

Principle:	Action:	Target Date
<b>PRINCIPLE 11:</b> Signatories, where necessary, escalate stewardship activities to influence issuers	Where LAPFF issue voting alerts - share with managers and follow up to understand how they are voting on these issues and challenge where voted differently.	On-going
	Continue to challenge managers and request reporting of escalations, to ensure that they are fulfilling their responsibilities.	On-going
<b>PRINCIPLE 12:</b> Signatories actively exercise their rights and responsibilities	To work with managers other than Border to Coast to understand how and where they are able to actively influence investment and stewardship decisions outside of the equity space, on our behalf.	On-going



**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>LGPS Local Pension Board</b>
Date:	<b>1 December 2022</b>
Subject:	<b>Pensions Administration Report</b>

**Summary:**

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

Matt Mott, Governance and Business Development Manager from WYPF, will update the Board on current administration issues.

**Recommendation(s):**

That the Board discuss the activity and performance of the administration service during the last quarter.

## **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 over the page shows the performance against key areas of work for the period 1 July 2022 to 30 September 2022.

<b>KPI's for the period 01.07.22 to 30.09.22</b>						
<b>WORKTYPE</b>	<b>TOTAL CASES</b>	<b>TARGET DAYS FOR EACH CASE</b>	<b>TARGET MET CASES</b>	<b>MINIMUM TARGET PERCENT</b>	<b>TARGET MET PERCENT</b>	<b>AVERAGE TIME TAKEN</b>
Age 55 Increase to Pension	1	20	1	85	100	1
AVC In-house (General)	53	20	52	85	98.11	3.28
Change of Address	277	10	260	85	93.86	2.32
Change of Bank Details	84	10	75	85	89.29	7.12
Death Grant Nomination Form Received	391	20	373	85	95.4	4.36
Death Grant to Set Up	33	10	32	85	96.97	3.97
Death In Retirement	137	10	120	85	87.59	4.65
Death In Service	3	10	2	85	66.67	12
Death on Deferred	21	10	18	85	85.71	8.33
Deferred Benefits Into Payment Actual	259	5	256	90	98.84	1.14
Deferred Benefits Into Payment Quote	344	35	289	85	84.01	20.37
Deferred Benefits Set Up on Leaving	397	20	196	85	49.37	35.97
Divorce Quote	44	20	41	85	93.18	12.98
Divorce Settlement Pension Sharing order Implemented	3	80	3	100	100	9.67
DWP request for Information	1	20	1	85	100	1
Estimates for Deferred Benefits into Payment	2	10	1	90	50	26.5
General Payroll Changes	94	10	94	85	100	1
Initial letter Death in Retirement	137	10	137	85	100	1
Initial Letter Death in Service	3	10	3	85	100	1

Initial letter Death on Deferred	21	10	21	85	100	1.43
Interfund Linking In Actual	39	35	25	85	64.1	44.21
Interfund Linking In Quote	55	35	28	85	50.91	48.45
Interfund Out Actual	78	35	41	85	52.56	78.06
Interfund Out Quote	78	35	66	85	85	18.42
Monthly Posting	926	10	881	95	95.14	2.5
NI adjustment to Pension at State Pension Age	14	20	14	85	100	10.71
Payment of Spouses _Child Benefits	73	5	66	90	90.41	2.38
Pension Estimate	151	10	86	90	56.95	14.03
Phone Call Received	1311	3	1268	95	96.72	1
Refund Actual	82	10	82	95	100	1
Refund Quote	154	35	150	85	97.4	4.84
Retirement Actual	168	3	166	90	98.81	1
Spouse Potential	10	20	8	85	80	8.8
Transfer In Actual	56	35	56	85	100	8.25
Transfer In Quote	73	35	73	85	100	2.33
Transfer Out Payment	11	35	10	85	90.91	19.73
Transfer Out Quote	135	35	129	85	95.56	8.79
Update Member Details	363	20	363	100	100	1

**Comment** – The KPI for Death In Service was not met this quarter due to one case in September not being processed within the target days. There was a delay in getting pay information from the employer.

**Comment** – The KPI for Deferred Benefits Into Payment Quote was not met this quarter due to a significant increase in the requests for quotes from members. There has also been a significant increase in retirements across all funds and these have been prioritised. This area of work is also under review to be automated and a significant amount of testing has already been done.

**Comment** – The KPI for Deferred Benefits Set Up On Leaving was not met this quarter due to staff working on older cases to reduce outstanding numbers.

**Comment** – The KPI for Estimates for Deferred Benefits into Payment was not met this quarter due to one case which was not completed within the target days. There has been a significant increase in the number of estimates requested for both active and deferred members. The date for this estimate was 3 months or more in the future and other estimates with dates within 3 months were prioritised.

**Comment** – The KPI’s for some of the Interfund areas of work has not been met this quarter due to historic cases being processed for ABS production. Employers across all funds are currently sending in leaver notifications that have been outstanding. This has had an impact on the levels of work and has increased the numbers of linkings and interfunds out.

**Comment** – The KPI for Pension Estimate has not been met this quarter due to a number of cases not being checked within the target days. The reason for the estimates not being done in time was they had dates 3 months or more in the future and other estimates with dates within 3 months were prioritised over them. Team Early Leavers have been working hard to reduce the number of outstanding estimates and have significantly reduced the numbers over the last 6 weeks from 350 to 130 estimates (across all funds). This has been helped by members of the Team being trained to check estimates due to the increase in numbers received.

**Comment** – The KPI for Spouse Potential was not met this quarter due to other areas of work being prioritised within the Pensioner Services Team. Although all work is important this area of work does not impact on the payment of benefits, however, all members that have notified WYPF of their marital status should be referred to their ABS/original retirement documents in the first instance.

## 2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Pensioner	Frozen	Undecided
LGPS	25,212	25,826	26,599	2,497	1,051
Percentage of Membership	31.06	31.81	32.76	3.08	1.30
Change from Last Quarter	+40	-118	+261	-9	+371

2.2 Age Profile of the Scheme

Status	Age Groups												Total
	U20	20 - 25	26 - 30	31- 35	36 - 40	41- 45	46 - 50	51- 55	56 - 60	61- 65	66 - 70	70 +	
Active	279	1774	1888	2328	2795	3046	3406	4084	3322	1858	356	76	<b>25,212</b>

## 2.3 Employer Activity - During 1 July 2022 to 30 September 2022

New Academies and Education Trusts	3
New Town and Parish Council	0
New Admission Bodies	1
<b>Total of New Employer</b>	<b>4</b>
Employers Exited	0
<b>Total Numbers of employers</b>	<b>279</b>

## 3.0 Member and Employer Contact

3.1 Over the quarter July to September 2022 we received **1** online customer responses.

Over the quarter July to September 2022, **153** Lincolnshire member's sample survey letters were sent out and **21 (13.8%)** returned:

Overall Customer Satisfaction Score:

<b>July to September 2021</b>	<b>October to December 2021</b>	<b>January to March 2022</b>	<b>April to June 2022</b>	<b>July to September 2022</b>
96.9%	91.5%	95.3%	80.2%	90.4%

Appendix A – Customer Surveys

## 3.2 Employer Training

Over the quarter 1 July 2022 to 30 September 2022 we held the following webinars which were attended by employers across all four Funds that WYPF administer:

- Final pay
- Final pay – the deep dive
- Understanding cumulative pension pay (CPP)
- The ill health process
- Information needed for HMRC checks

All previous webinars have been recorded and are available to employers on the employer website.

## 4.0 Internal Dispute Resolution Procedure (IDRP)

4.1 All occupational pension schemes are required to operate an IDRP. 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 by the Head of Pensions. Stage 2 appeals are considered by WYPF.

**Stage 1 appeals against the fund**

One appeal is currently outstanding.

<b>Date of appeal</b>	<b>Reason for appeal</b>	<b>Current position /Outcome</b>	<b>Date decision letter sent</b>
24/05/2022	Appeal against pay figures used in pension estimate.	Appeal upheld as the assessment of final pay had not taken into account the provisions of the 1997 Regulations. Referred back to Service Centre (WYPF) who have requested the employer (LCC) to undertake a further assessment.	25/07/2022
03/08/2022	Appeal against delays in providing a retirement quote.	The appeal was turned down. However, in view of the delays in providing a retirement quote and the lack of response when the member was chasing this, Jo Ray requested a further response from WYPF with regard to what actions were being taken to prevent this from re-occurring. A response has since been provided.	12/09/2022
16/08/2022	Appeal against notification that in the event of her death her partner is not eligible for a survivors pension.	The appeal was turned down. The member left in 1985 and therefore there is no survivor's benefit entitlement in the event of death. We did make reference to the Goodwin Ruling in the Teachers Scheme and that, whilst this may have some impact on LGPS, we did not know yet what this might be.	06/10/2022
06/09/2022	Appeal against being refused a refund of contributions.	Acknowledgement sent to the member – 20/09/2022. A report has been requested from the Member Services Manager – 29/09/2022. Draft decision letter sent to Jo Ray – 02/11/2022.	



### **Stage 1 appeals against scheme employers**

One appeal is currently outstanding.

<b>Date of appeal</b>	<b>Reason for appeal</b>	<b>Current position /Outcome</b>	<b>Date decision letter sent</b>
22/09/2022	Appeal against being turned down for ill health pension.	Acknowledgement sent to member and referred to LCC as the scheme employer – 23/09/2022. LCC have confirmed that they are currently working on this appeal – 20/10/2022.	

### **Stage 2 appeals**

One appeal is currently outstanding.

<b>Date application received</b>	<b>Reason for appeal</b>	<b>Current position/outcome</b>	<b>Date decision letter sent</b>
11/07/2022	Appeal against refusal of employer to award an ill health pension.	Consent form received from member – 12/08/2022. Information requested from LCC as scheme employer – 26/08/2022. Response not received from LCC. A reminder has been sent and a holding letter has been sent to the member – 21/09/2022. Information received from LCC- 06/10/2022. Decision letter being drafted – 27/10/2022.	

#### **4.2 Ombudsman**

There are currently no appeals outstanding.

#### **5.0 Administration Update**

##### **5.1 Employer Work**

During this period WYPF worked on three new Academies/Prime location schools and ten new admission bodies.

#### Academies/Prime location schools

- Two of the academies joined the Fund from 1 September 2022 with a further new academy forming from a merger of two existing academies and a further new academy is due to join from 1 November 2022.

#### Admission bodies

- Three admissions relate to outsourcings which are due to take place in 2023
- Seven admissions relate to transfers that have taken place, but the admission is still being concluded.

### 5.2 Staffing

**Finance** - There are currently no vacancies in the Finance Team.

**Service Centre** - There are currently 13 Pension Officer vacancies in the Service Centre and after the recent round of recruitment, 6 candidates were offered a post and references and qualifications are currently being requested. Once these are received contracts will be issued. The next round of interviews began on 06/10/2022 to fill the other vacancies.

**Technical Team** - There are currently no vacancies in the Technical Team.

**Employer Relations Team** - Two Additional Employer Pension Fund Representative (EPFR) posts have been created in the Employer Relations Team. One of these posts will be an EPFR for Fire Clients and the other an additional post for LG Clients. After the recent round of interviews, they recruited to one of the posts and the new EPFR will start on 24/10/2022. The other post will be re-advertised but there is no date at the present time when this will be.

### 5.3 Shared Service (**Budget point 8.1 – e. employees**)

Since setting the budget in January 2022, we have increased the number of staff across the service. The vacancies being filled are extra to the original budget which is why there has been an overspend. However, the overspend on salaries is being managed within the total WYPF service budget.

### 5.4 Audits undertaken by Bradford Councils Internal Audit:

#### a) **Annual Benefits Statement**

It is audit's opinion that the standard of control of identified risks in the system is **excellent**.

The audit review has determined that the identified risks are being effectively managed. The control environment is as expected and supports the achievement of key business objectives.

Internal Audit made **0** recommendations for improvement.

## 5.5 Pension Scams Pledge

WYPF are currently in the process of making the pledge to combat pension scams. All WYPF staff who are required to take the TPR training have done so. The Pension Board have also been asked to undertake the TPR training and we are waiting for the last one or two to confirm this has been completed. Once we have this confirmation, we will make the pledge.

## 5.6 Data improvement

We have now received the proposal from Civica for access to the image server for the intelligent character recognition software and they have quoted a cost of £140,000. We are now looking at alternatives to the Civica proposal. We are also developing a data quality programme through February/March 2023 as a pre-cursor to the pensions dashboard matching requirements.

## 5.7 MyPension

WYPF have requested Civica for a change to the functionality on MyPension which will allow WYPF to see how many members have viewed their Annual Benefit Statement. We are currently waiting for Civica to confirm when this will be released. We have not yet received confirmation from Civica when this will happen and a request for an update has been sent.

## 5.8 Annual Benefit Statements (ABS) and Deferred Benefit Statements (DBS)

This year's statements have been issued electronically. Members have been asked to sign up to the secure 'MyPension' portal to access their statements. However, members who still prefer a paper version will be able to opt out and receive one.

As at 31 August 2022 97.4% of ABS's and 99.9% of DBS's have been produced for Lincolnshire members who are eligible to receive one. The remaining ABS's are due to queries on records with Employers and outstanding transfers and linkings which are being worked on.

It is our intention to review the ABS process over the next 12 months to ensure going forward more statements are produced for members.

## 6.0 Current Technical Issues

See Appendix B.

## 7.0 Web Registrations

The number of members registered for online member web are:

Status	April to June 22	% of membership	July to September 22	% of membership
Active	9,819	39.01%	10,334	40.99%
Deferred	7,524	29.00%	8,004	30.99%
Pensioner	9,328	35.42%	9,710	36.51%

## 8.0 Shared service Budget

### 8.1 WYPF Shared Service cost monitoring September 2022

WYPF SHARED SERVICE	2021/22	2021/22	2022/23	2022/23	2022/23	2022/23	2022/23	2023/24	2023/24
	OUTTURN	COST PER	BUDGET	ACTUAL	FORECAST	VAR BGT -	COST PER	FORECAST	COST
	PD13	MBR		PD06 SEP	PD06 SEP	PD06	MBR PD6	YR1	PER
	£000		£000	£000	£000	FAV (ADV)	COST PER	£000	MBR
						£000			
Accommodation	203	£0.42	125	39	179	-54	£0.36	334	£0.67
Actuary	0	£0.00	0	0	0	0	£0.00	0	£0.00
CBMDC Support Services	210	£0.44	215	0	231	-16	£0.47	251	£0.50
Computer	439	£0.91	216	645	756	-540	£1.54	614	£1.22
Contingency - Invest to save	0	£0.00	500	0	306	194	£0.62	500	£1.00
Employees	3,820	£7.94	4,224	2,063	4,392	-168	£9.04	4,337	£8.65
Other Running Costs	180	£0.38	191	124	196	-5	£0.40	259	£0.52
Printing & stationery	371	£0.77	295	221	388	-93	£0.79	438	£0.87
Transaction Costs	0	£0.00	0	0	0	0	£0.00	0	£0.00
WYPF Support Services	1,582	£3.29	2,275	0	2,016	259	£4.10	2,517	£5.02
<b>WYPF SHARED SERVICE EXPENDITURE</b>	<b>6,805</b>	<b>£14.15</b>	<b>8,041</b>	<b>3,092</b>	<b>8,464</b>	<b>-423</b>	<b>£17.32</b>	<b>9,250</b>	<b>£18.45</b>
			<b>£17.67</b>				<b>-£0.34</b>		<b>£0.78</b>
<b>MEMBER NUMBER</b>	<b>480,970</b>		<b>482,400</b>				<b>492,360</b>		<b>501,432</b>
<b>PARTNERS ARE CHARGED</b>	<b>2,450,447</b>	<b>173,174</b>		<b>177,797</b>	<b>3,084,725</b>				
<b>TOTAL (in 2223 £1 was added to £16.67 for McCloud).</b>	<b>6,805,822</b>	<b>480,970</b>	<b>£17.67</b>	<b>490,899</b>	<b>8,516,950</b>		<b>£17.35</b>		

Net overspend of £0.42m projected. Overspend projected on accommodation, computer – due to McCloud remedy system costs provisions, increased staffing resources for Pension Admin, printing and stationery. Underspend – transfer of funds from investments to save and support increased staffing resources, computing and IT, increased spend for computer supplies will be funded by the extra £1 charge per member across shared services.

Current indication of cost per member 2023/24 is £18.45, increase mainly due to inflation on service contracts and general cost pressures.

Planned cost per member was £17.67 (£16.67 + £1 for McCloud), latest is £17.32 (£16.32 + £1 for McCloud).

- a. **Accommodation** overspend of £0.05m – planned repairs and cost of utilities, however, there is reduced foot fall in the building, with resulting reduction in cleaning and general maintenance.
- b. **CBMDC support service cost** - projecting an overspend of £0.02m, we have been informed of a review of central support charges, with our increased number of staff in recent years, we are expecting a small increase.
- c. **Computer costs / IT** – overspend of £0.54m, mainly due to service suppliers cost inflation pressure averaging 10% and provisions being made for McCloud system development. This is being funded by increase charges per member of £1.00 for total shared members of 490,899 (WYPF 313,102; partners 177,797).
- d. **Invest to save** – out of a provision of £0.5m, £0.31m is left. £0.19m is being used to fund staffing resources mainly within Pension Admin, and additional spend for computing cost and IT across WYPF (network, servers, equipment etc. separate from McCloud).
- e. **Employees** – overspend of £0.17m, mainly due to increased staffing resources in pension admin. Whilst, salary increment and increased staffing resources is needed in all areas to address constant shifting regulations, the good news is we have seen more success in recruiting more staff in the Pension Admin area.
- f. **Printing and stationery** overspend of £0.10m, increased printed communications for new shared service partners’ members. We expect this forecast to go down from increased uptake of digital services.
- g. **WYPF support services** cost is fully recharged to Pension Admin and Investment Management proportional to service provided, this is reviewed annually. Currently projecting underspend, due to vacancies and we also have a number of projects that are being delivered using internal resources resulting in efficiency savings.

h.

Lincolnshire LGPS	MBR NO MAR22	2021/22 REVISED BUDGET	2021/22 ACTUAL	VAR BDGT- ACT PD12	2021/22 COST PER MBR	2022/23 BUDGET	MBR NO AUG22	2022/23 COST PER MBR PD06	2022/23 FORECAST PD06
CHARGE ACTUAL / FORECAST	79,131	£1,141,570	£1,122,078	£19,492	14.18	£1,398,245	81,101	£17.32	£1,404,669

2021/22 EST PER MBR MAY2021	MBR NO ESTIMATE MAR24	EST CST PER MBR 23/24	EST 2023/24
CHARGE ACTUAL / FORECAST	82,595	£18.45	£1,523,880

## 9.0 Awards

WYPF has not been shortlisted for any awards at the current time.

## 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 A	Customer Surveys
Appendix B	Current Technical Issues

## Consultation

### a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

## 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 Matt Mott, who can be contacted at [matt.mott@wypf.org.uk](mailto:matt.mott@wypf.org.uk)

## Customer Survey Results - Lincolnshire Members (1<sup>st</sup> July to 30<sup>th</sup> September 2022)

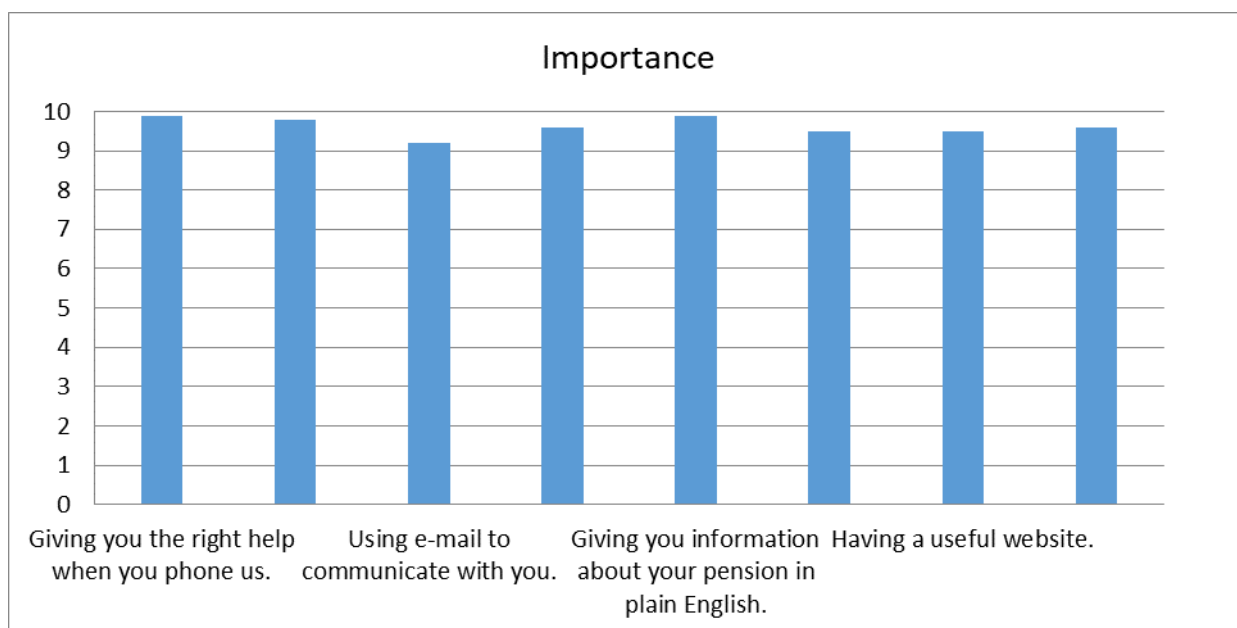
Over the quarter July to September we received **1** online customer response.

Over the quarter July to September **153** Lincolnshire member's sample survey letters were sent out and **21 (13.8%)** returned:

Overall Customer Satisfaction Score;

July to September 2021	October to December 2021	January to March 2022	April to June 2022	July to September 2022
96.9%	91.5%	95.3%	80.2%	90.4%

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



**Sample of positive comments:**

<b>Member Number</b>	<b>Comments</b>
8056174 Email	<p>Hello</p> <p>I would like to say thank you for all your help over the past 8 months. Kirsten has been particularly patient and helpful and David.</p> <p>I had a pleasant surprise when checking my bank account today.</p> <p>Again thank you, your customer service as a company is excellent and all staff have been so helpful and pleasant.</p> <p>take care</p> <p>Sandy Burns</p>
8126602	Very helpful and dealt with quickly. Excellent service, polite and professional staff, thank you.
8069064	I prefer written communication rather than online services. Generally, I have very good service.
8126763	Friendly and helpful, sorted out issues.

**Complaints/Suggestions:**

<b>Member Number</b>	<b>Comments</b>	<b>Summary of Acknowledgement Letter Sent to Member</b>
8139697	<p>My queries have been answered. I have recently transferred in 2 previous pensions, the transfer value although sent by letter cannot be found anywhere on my online record. The two transfers showing on my record don't mean anything to me, apart from the company name, what do the headings mean, no information to explain.</p>	<p>Response sent by Lucy - Letter sent to member 11/08/2022 to acknowledge survey comments and respond to member's query regarding her transfer in values.</p> <p>Raised with Stuart D who confirmed that the TV IN page on MPO was in development to include CARE benefits as well as per 14 service.</p>



**Appendix B****Current Technical Issues****HMT**

HMT consultation on public sector exit payments

On 8 August 2022, HM Treasury (HMT) launched a [consultation on public sector exit payments](#). The Government is proposing to introduce:

- an expanded approval process for employee exits and special severance payments
- additional reporting requirements.

The guidance is intended to apply to all bodies that are classified as 'Central Government'. This **does not** include local authorities or bodies under devolved administrations. The guidance **will apply** to academies.

The new approvals requirement would apply to decisions made by employers to agree to an exit where the total payment to be made would be more than £95,000. This includes relevant statutory, contractual or discretionary payments. This would include any strain cost where an LGPS member aged over 55 leaves due to redundancy or efficiency. A further approval will be needed if special severance payments – payments in excess of contractual obligations – are to be offered.

Employers will need to report any exit to HMT if the total payments made in relation to it exceed £95,000.

You can find more information about the proposals in the [draft HMT guidance on public sector exits](#) draft HMT guidance on public sector exits.

The consultation closes on 17 October 2022.

**TPO****TPO publishes corporate plan**

[The Pensions Ombudsman's \(TPO\) corporate plan for 2022 to 2025](#) has been published. The corporate plan outlines TPO's key performance indicators, strategic goals and priorities for the period, along with the actions required to deliver those priorities.

New Pensions Ombudsman On 31 August 2022, [Dominic Harris was confirmed](#) as the new Pensions Ombudsman (TPO). See [bulletin 227](#) for more information.

He will start his appointment from 16 January 2023. The current Pensions Ombudsman, Anthony Arter, will remain in post until 15 January 2023.

**News – September 2022**

On 6 September 2022, [TPO published its September 2022 news](#).

It contains information about September's events, TPO resources and the latest determinations.

### **TPR warns employers about auto-enrolment duties**

On 26 September 2022, the Pensions Regulator (TPR) published [a press release](#) warning employers to ensure they are complying with their automatic enrolment duties.

The warning follows a series of in-depth compliance inspections with more than 20 large employers earlier this year. The employers are from the transport, hospitality, finance and retail sectors. TPR found several common errors in respect of calculating pension contributions and communications to staff.

## **Scheme Advisory Board (SAB)**

You can use the links below to find out about the latest updates on the work of the SAB and its committees:

- the latest [SAB meeting and agenda papers](#)
- the latest [committee meetings and agenda papers](#)
- the latest [Responsible Investment Advisory Group meetings and agenda papers](#)
- the [latest news items](#)

### **Letter about discrimination in the LGPS sent to minister**

On 26 August 2022, Cllr Roger Phillips, Chair of the SAB, wrote to the Local Government Minister, Paul Scully. [The letter to the minister](#) recommends amending the regulations on death grants and survivor benefits.

The SAB expressed concern about continuing to restrict death grants to cases where the member died before age 75. It considers the restriction may be at risk of legal challenge and should be removed.

The SAB reminded the minister that the LGPS rules on survivor benefits have not yet been amended to reflect the Goodwin judgment. It has previously recommended the Government investigate the feasibility of removing all differences in the survivor benefit rules.

## **Pension Dashboards**

### **DWP confirms frozen refunds are out of scope for initial dashboards**

On 3 August 2022, the Department for Work and Pensions (DWP) confirmed that frozen refunds will be out of scope for initial dashboards because they are not considered to be member benefits

We expressed our disappointment and informed DWP that we will keep them updated about any issues this creates for the LGPS when we first start receiving find requests.

### **Guidance on Value Data for pensions dashboards**

The Pensions Administration Standards Association (PASA) has published [Guidance on Value Data for pensions dashboards](#). PASA recognises that the regulations are yet to be finalised and that some uncertainty remains. The guidance includes a checklist of steps administrators can take now, despite these uncertainties. These steps will help administrators to:

- gain an understanding of what the Value Data requirements mean for their scheme
- identify where gaps exist, what the options are for filling those gaps and whether they should wait to see DWP's final regulations before making a decision
- decide if there is work they can do in advance of the designated staging date.

As reported in [Bulletin 227](#), public service pension schemes will have to provide Value Data to pensions dashboards by 1 April 2025, although they can supply it earlier if they choose to.

You can read more about the launch in the [PASA press release – Value Data guidance](#).

### **Data matching guidance updated**

PASA has updated its guidance on dashboards data matching conventions. The [PASA dashboards data matching conventions guidance](#) was originally issued in December 2021. It has been updated to include a call to action, set out the next steps being worked on and provide links to other industry guidance.

You can read more about the updates and the reasons for them in the [PASA press release - DMC guidance](#).

### **LGA response to PDP's consultation and call for input on standards and guidance**

LGA responded to this consultation on 31 August 2022. The Pensions Dashboards Programme (PDP) launched the consultation on 19 July 2022. LGA covered this in [Bulletin 227](#).

In the LGA response, they call on PDP to:

- include a flow chart and checklist to assist pension schemes understand their responsibilities when they use a third-party Integrated Service Provider (ISP) to connect to the dashboard ecosystem
- make it mandatory for users to input their national insurance number in the find data

- be mindful that the LGPS has a different McCloud remedy to the unfunded public service schemes. Any McCloud warnings or wording will need to cover the unfunded schemes and the LGPS
- make it clear to users that frozen refunds are not included on pensions dashboards
- provide more information on how the complaints procedure will work.

They also expressed concern about the proposed timeframe of 30 days for connecting via a third-party connection because of the number of funds and other public service schemes that use the same pension software providers.

The LGA response can be found on the:

- [non-scheme consultations](#) page of <http://www.lgpsregs.org/>

### **LGPS Governance Conference 2023**

Booking is now open for the LGPS Governance Conference 2023.

The conference will take place on 19 and 20 January 2023 at the Cardiff Marriott Hotel. You can attend the conference in person or join us online.

The conference is aimed at elected members and others who attend pension committees/panels and local pension boards. Past delegates include elected members, trades union representatives, member and employer representatives, as well as a variety of officers who attend and support committees.

You can book and view the programme using the links below. An updated programme with confirmed speakers will be published shortly. We are unable to take manual bookings.

- [book to attend in person](#)
- [book to attend virtually](#).

The booking page for all LGA events is [www.local.go.uk/events](http://www.local.go.uk/events).



**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>LGPS Local Pension Board</b>
Date:	<b>1 December 2022</b>
Subject:	<b>Data Quality Report</b>

**Summary:**

This report updates the Board on the data quality scores for Lincolnshire Pension Fund which is reported to The Pensions Regulator each year in November.

**Actions Required:**

That the Board discuss the report and consider whether they wish to take any further actions.

## 1. Background

1.1 Pension schemes are required by the TPR to report their common and scheme specific data scores in the annual scheme returns in November.

1.2 The current Data Scores for LPF are:

Common	95.97%
Scheme Specific	86.04%

## 2.0 Data Issues

2.1 Missing Addresses

There are 2,420 addresses' missing for deferred members. This is an increase of 121.

WYPF have a programme of tracing lost contact members on a rolling programme, but it is inevitable that as we trace some members, we lose track of others.

## 2.2 Missing Earnings

There are 793 records with missing earnings. This is a decrease of 76. The majority of cases are awaiting leaver/pensioner benefits to be calculated.

## 2.3 Missing CARE Benefits

There are 271 records with missing Career Average Revalued Earnings (CARE). This is a decrease of 3. These are cases where leaver forms are outstanding from the Employers or where they have been received by WYPF but benefits not yet calculated.

## 2.4 Start Date Inconsistency

There are 4,696 records where the start date on the record is inconsistent with start date held on other record types. This is a decrease of 73.

## 2.5 No National Insurance Contributions or GMP

There are 5,416 records with missing National Insurance contributions or GMP. This is a decrease of 50.

## 2.6 Missing Benefit Crystallisation Details (LTA pension value missing – Lump sum element)

There are 736 records with missing benefit crystallisation details. This is an increase of 35. However, the report includes records for members who have not received a tax free lump sum. Under the 2014 scheme regulations there is no longer an automatic entitlement to a tax free lump sum, which increasingly means pensions are paid without a tax free lump sum.

Some development work needs to be undertaken to amend the information the report is pulling. Once this has been done the number of records showing missing benefit crystallisation details should greatly reduce.

## 2.7 Missing Annual Allowance Calculation

There are 874 records with missing annual allowance calculation. This is an increase of 768.

## 2.8 No Total Exit Guaranteed Minimum Pension (GMP) (Deferred)

There are 3977 records with missing National Insurance contributions or GMP. This is a decrease of 18.

## 2.9 No Post 88 GMP on record

There are 3511 records with missing National Insurance contributions or GMP. This is a decrease of 20.

**Please Note** (for points 2.5, 2.8 & 2.9)

These are deferred or pensioner records inherited from the previous administration. At the time there was not a requirement to input the GMP data into a separate field as there is today.

The GMP amount is held on the original paperwork that has been stored on the member's record as a scanned document. The GMP has never been populated in a separate field on the record and cannot be identified in the digital data scores.

The value of deferred pensions and the value of pensions already in payment are and have always been correct.

We have looked at purchasing an optical reader which would be able to search the documents on the record, find the information in the scanned paperwork, enabling WYPF to populate the GMP field on the member's record. A request was sent to Civica to request access to their image server.

Civica agreed to send us a proposal for access to the image server and routes to make this development happen. We have now received the proposal from Civica for access to the image server and they have quoted a cost of £140,000. We are now looking at alternatives to the Civica proposal.

We are also developing a data quality programme through February/March 2023 as a pre-cursor to the pensions dashboard matching requirements.

**3.0 Data Improvement Plan**

- 3.1 As a result of the data scores WYPF has devised a Data Improvement Plan (Appendix A) which identifies the issues with the data and the resolutions required to resolve those issues.
- 3.2 The reports to measure the data scores will be run on a half yearly basis to measure the improvements in data scores and identify any new issues.
- 3.3 It should be noted that TPR do not expect scores to be 100%, as long as there is a Data Improvement Plan to address the data issues. For example, as we trace members, others are identified as lost contact through returned mail. WYPF also takes every opportunity to remind members to tell us when they move house.
- 3.4 The scores continue to increase and as we continue to make improvements to the reporting and engage with technology to find missing information on member's records this will see the scores continue to improve:

<b>June 2022</b>		<b>November 2022</b>	
Common	96.06%	Common	95.97 %
Scheme Specific	86.54%	Scheme Specific	86.04%

## **4.0 Conclusion**

- 4.1 Data quality is important to the Fund as, as well as being a requirement of the Pensions Regulator. It may affect the employer contributions at the next valuation and can impact on the reputation of the Fund.
- 4.2 The Fund continually reviews the quality of data held throughout the year and strives to keep this as complete, accurate and up to date as possible. The Pensions Regulator requires Funds to undertake a review of data quality at least annually and this report consolidates the work undertaken in compliance with this requirement.
- 4.3 This report concludes that, whilst data quality is considered to be good within the Fund, there are improvements that can be made and as a result a data improvement plan has been developed.

## **5. Consultation**

### **a) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the Pensions Manager.

## **6. Appendices**

These are listed below and attached at the back of the report	
Appendix A	Data Improvement Plan

## **7. 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 Matt Mott, who can be contacted at [Matt.Mott@wypf.org.uk](mailto:Matt.Mott@wypf.org.uk).



## **Lincolnshire Pension Fund**

### **Data Improvement Plan**

#### **1. Introduction**

- 1.1 This document defines the data improvement plan for Lincolnshire Pension Fund which is administered by West Yorkshire Pension Fund (WYPF) under a shared service arrangement.
- 1.2 WYPF collects and holds large amounts of digital and paper based data and is heavily reliant on the timely receipt of quality data from employers, in order to effectively administer the Local Government Pension Scheme (LGPS).
- 1.3 Fundamentally, the purpose of the LGPS is to pay the correct pension benefits to its members when they become due. It is therefore imperative that the highest possible data quality standards are maintained, to comply with this core function and to ensure the cost effective use of resources.
- 1.4 The LGPS continues to face ongoing legislative change with oversight of administration and governance now falling under the remit of the Pension Regulator, with a heightened responsibility on scheme managers and local pension boards to ensure data is readily available and fit for purpose at all times.
- 1.5 The legal requirements relating to scheme record keeping are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.
- 1.6 The Pension Regulators (tPR) guidance requires that schemes should:
  - Continually review their data and carry out a data review exercise at least annually
  - Where a review of the scheme's data identifies poor or missing data a data improvement plan should be put in place to address these issues

#### **2. The Pension Regulator Annual Scheme Return**

- 2.1 Annually the Pensions Regulator (tPR) issues a scheme return which should be completed and returned. From 2018 each Pension Fund is required to include in the return a Data Quality Score which has two types of data:
  - **Common data** – used to identify scheme members and includes name, address, national insurance number and date of birth.
  - **Scheme-specific data** – essential to calculate benefit entitlement such as pensionable pay and service history. It also encompasses data relating to events that occur during an individual's membership, for example transfers etc.

2.2 TPR has issued a quick guide on measuring scheme data which states that one piece of missing data, such as a current address on a deferred member's record should be reported to them as a failed record.

### 3. Key Objectives

The key objectives of this plan are to:

- Ensure member, pensioner, deferred and beneficiary records are maintained as accurately as possible to ensure benefits are paid correctly on time, members receive a high standard of service and the fund is able to meet legal obligations.
- Ensure Investment and Administration costs are reliable/correct.
- Ensure data supplied to the Fund's actuary for the valuation is as accurate as possible so the correct liabilities can be calculated.
- Ensure the Fund complies with tPR's Code of Practice.

### 4. Outcomes

Outcomes of an improvement in the data held by the administrator are:

- Improvement of tPR data score for Common and Scheme Specific (also known as conditional) data.
- Increase in the number of Annual Benefit Statements (ABS) issued by 31 August each year/members aware of the value of their benefits.
- Reduction in the number of Internal Dispute Resolutions (IDRPs) received for incorrect calculation of benefits or delays in paying benefits.
- Reduction in the number of queries from the Fund's Actuary at valuation time.
- Reduction in the number of queries received when ABS are sent out.
- Reduction in administration costs due to increased efficiency.
- Reduces the likelihood of the Government Actuary Department rejecting data for the scheme valuation.
- Improves accuracy for IAS19 valuations.
- Reduction in delays for calculating and paying retirement benefits, death benefits, transfers out.
- Reduction in the queries between WYPF and Employers
- Reduction of breaches recorded on the Breaches Register (e.g. due to ABS being issued late).

## **5. Additional general responsibilities relating to Data Improvement as follows:**

### **5.1 WYPF Officers**

- WYPF officers continually review and ensure data collected is fit-for-purpose and processes are in place to monitor accuracy and timeliness. All processes have working instructions in place to assist with staff training, understanding and compliance.
- Team Managers are responsible for ensuring that staff have the appropriate level of UPM access to fulfil their duties and access is withdrawn upon the member of staff leaving WYPF. This minimises the risk of accidental loss, errors and unauthorised activity.

### **5.2 Scheme Employers**

- WYPF is reliant upon the accuracy, completeness and timeliness of data submitted by scheme employers and any third party agencies that they may utilise e.g. outsourced payroll providers.
- WYPF will work with scheme employers throughout the year to support the provision of data to the required standard.
- Details of the information employers are required to provide and the financial penalties should they fail to do so are detailed in the Fund's Pensions Administration Strategy.

## **6. Ongoing Data Cleansing**

### **6.1 Monthly Returns data quality checks**

WYPF embraced monthly contribution postings several years ago with the aim of simplification, systems integration, increased data accuracy and complete up to date member records. The benefits include ensuring that employee's contributions, member's personal details, and financial records are up to date, accurate and complete.

### **6.2 LGPS National Insurance Database**

Administered by South Yorkshire Pension Fund Authority on behalf of the Local Government Association (LGA), the secure National Insurance Database was developed for Local Government Pension Scheme (LGPS) administering authorities to share data to prevent duplicate payment of death grants. This follows changes to Scheme Regulations in 2014 where payment of a death grant in respect of a member with entitlement across multiple membership categories is restricted to an aggregate payment value in relation to any active or pensioner/deferred membership. When processing the death of a scheme member, officers will check the LGPS National Insurance Database for the existence of membership at other LGPS Funds. (Please note not all LGPS administrators are part of this database).

### **6.3 'Tell Us Once' Service**

The secure LGPS National Insurance Database also facilitates the integration of the Fund's membership profile into the Department of Work and Pensions (DWP) 'Tell Us Once' service (TUO). The service allows a person registering a death to request that the

DWP pass on the deceased's information to other government services and council services. If the deceased is a member of the Fund, as determined by the LGPS National Insurance Database, an email notification is received informing the designated officers that a copy of the death certificate is accessible on the secure government gateway.

#### **6.4 National Fraud Initiative**

The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. WYPF submit data to National Fraud Initiative on a regular basis to identify deceased members and members who are no longer entitled to receive a pension.

#### **6.5 Mortality screening and tracing service**

WYPF engage with a Tracing Bureau for both monthly mortality screening and for members we don't have a current address for. For deferred members, where a current address for a lost contact cannot be found by the Tracing Bureau, a more detailed check is carried out 3 months before payment of pension is due.

#### **6.6 Annual Benefits Statement (ABS) checks**

Before producing an ABS each year certain checks are applied to active records to ensure accurate data is used in the production of the ABS. These checks include:

- Ensuring contributions are received for every month during the year
- Checks to make sure there are no spikes in care pensionable pay
- Checks to ensure the final pay has not increased by 20% or decreased by 10%
- Checks to ensure there aren't any outstanding processes
- Address check to compare the address held on the record and that supplied on the monthly return
- Identifying casual workers

If these checks identify further information is required from an employer the ABS production for this case will be blocked and a query will be referred back to the employer. Upon receipt of the appropriate information the record will be updated and the ABS will be released for production.

#### **6.7 Deferred pensions increase**

As part of the annual deferred pensions increase process certain data errors are identified and pensions increase is blocked until they are resolved. These errors include:

- Incorrect elements present

- Spouse elements that don't match member elements
- Incorrect dates for the first entry after the member is deferred
- Data errors are corrected to allow deferred pensions increase to run on to individual deferred folders

## 6.8 Annual deferred benefit statements

Before producing the annual deferred benefit statements data errors that would result in potentially incorrect statements being produced are identified. These include:

- Deferred pensions increase not updated
- Multiple 'normal payment' dates being held on the deferred folder
- Multiple entries for the same date shown on the pension history screen
- Initial entries on the pension history missing
- Service start date mismatches

Once these errors are resolved and the records is updated the deferred ABS will be released for production.

## 7. Data errors

When tackling data errors, the following considerations will be used when making the decision on the priority of errors to be resolved:

- Priority identified on the error report
- Data improvement plans objectives

## 8. Frequency

Data Quality reports will be run on a quarterly basis to measure the data quality scores and identify any further action that may be required

## 9. Appendices

- Appendix 1 - Data Quality scores and errors
- Appendix 2 - Work planned to deal with the data errors identified

**Appendix 1 - Lincolnshire Pension Fund results at November 2022**

	Nov 20	Jun 21	Nov 21	Jun 22	Nov 22
TPR Score - Common	95.66%	95.86%	95.78%	96.06%	95.97%
TPR Score - Conditional	84.03%	84.32%	84.38%	86.54%	86.04%

**Breakdown of activities for improvement**

	Nov 20	Jun 21	Nov 21	Jun 22	Nov 22	Direction of travel
Count of Missing, Bad or Temp NI Number	81	77	70	67	73	
Count of Bad Date of Birth	1	1	1	1	1	
Count of Address Missing	3205	3051	3164	3055	3164	
Count of Postcode Missing	26	26	0	0	0	
Count of No Date Joined Scheme	0	0	0	0	1	
Count of No Folder Status History	0	0	0	0	1	
Count of Folder Status/ Status History Mismatch	30	20	15	18	34	
Count of Multi Folder Status History Entries on Same Day	54	49	62	65	61	
Count of Missing or Bad Expected Retirement Date	4	4	1	1	1	
Count of No Folder Scheme History	61	61	61	59	59	
Count of no NI contributions or GMP	6560	6434	6381	5466	5416	
Count of no Date of Leaving	1	1	1	1	1	
Count of missing benefit crystallisation record	38	37	36	35	35	
Count of missing benefit crystallisation details	564	605	642	701	736	
Count of Missing Date Joined Employer	0	0	0	0	0	
Count of Missing Earnings	1057	849	672	869	793	
Count of Invalid Transfer In Present	145	138	152	168	172	
Count of Invalid AVC Data for member	1	0	0	0	0	
Count of Invalid Part Time Service Present	63	63	63	63	63	
Count of Missing CARE Benefit	274	299	275	274	271	
Count of Missing CARE Revaluation Rate	4	17	30	27	30	
Count of Invalid Contracted Out Date	21	21	20	20	20	
Count of Missing Initial Pension (Def)	47	50	45	50	49	
Count of Missing Initial Care Pension (Def)	138	139	130	128	127	
Count of Missing current Pension	1844	1804	1753	1340	1323	
Count of Missing CARE Initial Pension	30	30	33	34	34	
Count of missing annual allowance calculation	199	122	321	106	874	
Count of start date inconsistent	5015	4902	4838	4769	4696	
Count of deferred – No total exit GMP	5001	4958	4975	3995	3977	
Count of No post 88 exit GMP	4061	4019	4006	3531	3511	

Appendix 2

Data Category	Category	Priority	Resolution required	Responsibility	Progress	Deadline
Missing Ni Number	Common	Low	Ni number to be identified where possible	Service Centre /Comms	Ongoing	Ongoing
Date of Birth	Common	Medium	Interrogate record	Service Centre		Nov 24
Address and postcode	Common	Medium	Actives – Contact employer	Comms		Nov 24
			Deferreds and preserved refunds use tracing agency	Service Centre	Rolling program	Rolling program
Folder Status/ Status History mismatch	Common	Medium	Review cases as it appears they might be changes to folder status from monthly postings?	Finance		Nov 24
Multi folder Status history entries on Same day	Common	Low	Need to look at each case as it appears they might have moved onto 2 status on the same day	Service Centre		Nov 24
Missing or bad expected retirement date	Common	Low	Bulk Update	IT		Nov 24
No folder scheme history	Common	Medium	Interrogate records	Service Centre		Nov 24
Missing earnings	Scheme specific	High	Majority Awaiting leaver/pensioner benefits to be calculated in Service Centre	Service Centre	Ongoing	Deal with in accordance with KPI targets
Invalid part time service present	Scheme specific	Low	Interrogate record	Service Centre		Nov 24
Missing CARE benefit	Scheme specific	High	Majority Awaiting leaver/pensioner benefits to be calculated in Service Centre	Service Centre	Ongoing	Deal with in accordance with KPI targets

Missing CARE revaluation rates	Scheme specific	High	Majority awaiting leaver/pensioner benefits to be calculated in Service Centre	Service Centre	Ongoing	Deal with in accordance with KPI targets
Invalid contracted Out date	Scheme specific	Low	Interrogate record	Service Centre		Nov 24
Missing initial pension (DEF)	Scheme specific	Low	Possible bare EPB cases. To interrogate and sample records	IT		Nov 24
Missing Initial CARE Pension(DEF)	Scheme specific	Low	Interrogate record  Spot check a number of cases as it might be where member joined right at the end of the year and no care benefits	Service Centre	Ongoing	Nov 24
Missing CARE initial Pension	Scheme specific	Low	Interrogate record	Service Centre		Nov 24
Missing NI contributions or GMP	Scheme specific	Medium	IT to refine the report	IT		Nov 24
Missing Date of Leaving	Scheme specific	Low	Interrogate record	Service Centre		Nov 24
Missing benefit crystallisation record	Scheme specific	Low	Interrogate records	Service Centre		Nov 24
Missing benefit crystallisation details	Scheme specific	Medium	IT to consider bulk update	IT		Nov 24
Invalid AVC Data for member	Scheme specific	Low	Interrogate records	Service Centre		Nov 24



Missing current pension	Scheme specific	Medium	IT to refine the report	IT		Nov 24
Missing annual allowance	Scheme specific	Low	IT to consider if a bulk update can be done	IT		Nov 24
Start date inconsistency	Scheme specific	Low	IT to consider if a bulk update can be done	IT		Nov 24
Deferred – No Total exit GMP	Scheme specific	Low	IT to review the report	IT		Nov 24
No post 88 exit GMP	Scheme specific	Low	IT to review the report	IT		Nov 24
Invalid Transfer in present	Scheme specific	Low	Interrogate record	Service Centre		Nov 24

This improvement plan primarily aims to address the key issues identified from the Funds Data Quality review and data quality score and details the plans in place to improve the data we hold.

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**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>LGPS Local Pension Board</b>
Date:	<b>01 December 2022</b>
Subject:	<b>Employer Monthly Submissions Update</b>

**Summary:**

This paper provides the Board with up-to-date information on Employer Monthly Submissions for the second quarter of the financial year 2022/23 (July to September inclusive).

**Recommendation(s):**

That the Board consider the report and if there are any further actions they wish to take against employers submitting late or inaccurate payments or data.

**Background**

- 1.1 There are 274 contributing employers within the Lincolnshire Pension Fund. All employers have a statutory responsibility, as set out within the Pensions Act 1995, to ensure that they pay over contributions due to the Fund on a timely basis. The date these are due is set out in the Fund's Administration Strategy, which all employers have signed up to, and has been set as the 19th of the month following their payroll. The Fund considers an employer a 'late payer' if either the cash and/or the data is received after this date.
- 1.2 The Fund has in place robust processes for monitoring the receipt of payments and data from employers. Within the Pensions Team, the Finance Technician is responsible for monitoring employer contributions monthly. Additional checks on the detailed data submissions and employer rates are undertaken by the West Yorkshire Finance Team. The pensions system itself also identifies errors, queries, or where further information is required from the employer (e.g. additional leavers' information).
- 1.3 After any late payment (including data submission) an email is sent to the employer reminding them of their responsibilities. In addition to emailing employers, both the Lincolnshire and West Yorkshire Pension Fund teams are in regular contact with employers and their payroll providers to prompt payments/data submissions and

clarify any queries. Much work has been put into building a good relationship with employers and payroll providers, to assist in understanding the monthly process they need to complete and the data they are required to supply.

- 1.4 A summary of all late contributions or data submissions since April 2022 is set out in table one below. Appendix A sets out the employers who were late, and details when the outstanding payment or information was received.

**Table One: Late contributions and data submissions to September 2022**

Month	Payment of Contributions		Submission of Data		Payment of Contributions and Submission of Data		Data and Payments do not Match / Incorrect Rate	
<i>April</i>	0	0.0%	6	2.2%	1	0.4%	5	1.8%
<i>May</i>	2	0.7%	9	3.3%	0	0.0%	2	0.7%
<i>June</i>	4	1.5%	10	3.7%	0	0.0%	6	2.2%
<i>July</i>	2	0.7%	9	3.3%	0	0.0%	1	0.4%
<i>August</i>	1	0.4%	8	2.9%	2	0.7%	2	0.7%
<i>September</i>	2	0.7%	5	1.8%	1	0.4%	5	1.8%
<b>Total</b>	<b>11</b>		<b>47</b>		<b>4</b>		<b>21</b>	

- 1.5 The analysis shows the number of employers making a late payment of contributions or missing both payment of contributions and data is a relatively small percentage of the overall number of employers. There are higher numbers of employers submitting their data late, or submitting data that does not agree to the cash payment made to the Fund. Overall, the occurrences of late data submissions and payments in quarter two are roughly comparable to the levels seen across 2021/22, which was generally a strong year for employer contributions.
- 1.6 The July and August late data figures include missed submissions from two payroll providers, responsible for six employers, who were dealing with staffing/IT system issues. This issue has been fully resolved at one payroll provider, and all submissions for their four employers are up to date. The second payroll provider is still working to provide the outstanding data. This is being actively monitored by Fund officers who are in regular contact with the payroll provider/employers.
- 1.7 There are still a number of data submissions each month that do not match the cash payments made to the Fund. Generally, these discrepancies are small in cash terms, however, employers have, and will continue to be contacted asking why these differences have arisen and to review their processes to ensure variances do not occur on future submissions. If there are issues with the data submitted, the Fund will liaise with employers and WYPF to ensure the necessary amendments are made. For example, two of these errors in September were resolved within 24 hours of the respective employers being made aware.

- 1.8 None of the breaches individually have been material and therefore have not been reported to the Pensions Regulator; however, they have been included en masse in the breaches register.
- 1.9 If any employer makes contribution payments or submits data late in three out of six months on a rolling basis, they will receive a fine, unless they are able to offer extenuating circumstances. Fines are currently set at a minimum of £136. Table two sets out the number of fines issued since April 2022.

**Table Two: Late contributions fines to September 2022**

<i>April</i>	<i>May</i>	<i>June</i>	July	August	September
<i>0</i>	<i>0</i>	<i>0</i>	0	2	3

- 1.10 Quarter two saw the first issuance of administrative fines since December 2020. The two fines issued in August were to the two employers discussed at paragraph 1.6 above. The three fines issued in September again included the two employers discussed above, plus one further employer who has missed the deadline for data and/or cash in three of the last six months.
- 1.11 Four employers are at an immediate risk of an administrative fine if they are late with cash and/or data during quarter three. All employers are notified when any part of their contributions is received late, and these employers are aware that they are at risk of a fine.

## **Conclusion**

- 2.1 This report provides quarterly monitoring information on the timeliness and accuracy of employer submissions to help the Board understand if there are any issues arising from late payments or data submissions and any further actions which are required to address employers not meeting their statutory responsibilities.
- 2.2 Employer submissions have increased in prominence as the number of employers within the scheme has increased. The Fund has responded to this by having a dedicated resource to monitor employer submissions and working closely with West Yorkshire and employers to reduce the numbers of late payers.

## **Consultation**

### **a) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Employers late payments and/or data contributions - quarter two 2022/23 (July to September inclusive)

## 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 Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).

## Late Contributions and Payments July to September 2022

### July 2022

Employer	Late Cash Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
HUTTOFT PRIMARY ACADEMY	YES	05/09/2022	NO		NO		NO
KEELBY PRIMARY ACADEMY	YES	06/09/2022	NO		NO		NO
PUBLIC SECTOR PARTNERSHIP	NO		YES	02/09/2022	NO		NO
EAST LINDSEY DISTRICT COUNCIL	NO		YES	06/09/2022	NO		NO
SOUTH HOLLAND DISTRICT COUNCIL	NO		YES	31/08/2022	NO		NO
BOSTON BOROUGH COUNCIL	NO		YES	08/09/2022	NO		NO
CAISTOR YARBOROUGH ACADEMY	NO		YES	24/08/2022	NO		NO
LINCOLN COLLEGE	NO		YES	Due by end of Nov '22	NO		NO
WILLIAM FARR ACADEMY	NO		YES	Due by end of Nov '22	NO		NO
PINCHBECK PARISH COUNCIL	NO		YES	05/09/2022	NO		NO
METHERINGHAM PRIMARY SCHOOL	NO		YES	24/08/2022	NO		NO
AMBERGATE SPORTS COLLEGE	NO		NO		NO		YES
	Total = 2		Total = 9		Total = 0		Total = 1

**August 2022**

Employer	Late Cash Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
FUTURE CLEANING	YES	05/10/2022	NO		NO		
ACTIVE NATION	NO		YES	28/09/2022	NO		
BOURNE TOWN COUNCIL	NO		YES	22/09/2022	NO		
THE KINGS ACADEMY	NO		YES	05/10/2022	NO		
LINCOLN COLLEGE	NO		YES	Due by end of Nov '22	NO		
LONG BENNINGTON ACADEMY	NO		YES	20/10/2022	NO		
LOUTH TOWN COUNCIL	NO		YES	04/10/2022	NO		
METHERINGHAM PRIMARY	NO		YES	14/10/2022	NO		
WILLIAM FARR ACADEMY	NO		YES	Due by end of Nov '22	NO		
ST BERNARDS ACADEMY	NO		NO		YES	13/10/2022	
ST LAWRENCE ACADEMY	NO		NO		YES	13/10/2022	
EAST LINDSEY DISTRICT COUNCIL	NO		NO		NO		YES
GLL	NO		NO		NO		YES
	Total = 1		Total = 8		Total = 2		Total = 2



**September 2022**

Employer	Late Cash Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
KEELBY PRIMARY ACADEMY	YES	21/10/2022	NO		NO		
SPALDING GRAMMAR ACADEMY	YES	25/10/2022	NO		NO		
GRANTHAM COLLEGE	NO		YES	31/10/2022	NO		
KESTEVEN AND SLEAFORD HIGH SCHOOL	NO		YES	21/10/2022	NO		
LINCOLN COLLEGE	NO		YES	Due by end of Nov '22	NO		
WILLIAM FARR ACADEMY	NO		YES	Due by end of Nov '22	NO		
WRANGLE COUNTY PRIMARY	NO		YES	26/10/2022	NO		
LINCOLN CHRIST'S HOSPITAL ACADEMY	NO		NO		YES	20/10/2022	
CRANWELL COUNTY PRIMARY	NO		NO		NO		YES
FOSSEWAY ACADEMY	NO		NO		NO		YES
HORNCASTLE EDUCATION TRUST	NO		NO		NO		YES
UNIVERSITY ACADEMY HOLBEACH	NO		NO		NO		YES
WARREN WOOD COMMUNITY ACADEMY	NO		NO		NO		YES
	Total = 2		Total = 5		Total = 1		Total = 5

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**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>LGPS Local Pension Board</b>
Date:	<b>01 December 2022</b>
Subject:	<b>Services to members approaching retirement (the retirement process)</b>

**Summary:**

The Pension Board has requested information on services provided by West Yorkshire Pension Fund (WYPF) to scheme members at retirement. Because of the Defined Benefit nature of the LGPS, services are restricted to a process that can deliver the statutory entitlement scheme members accrue during their Local Government career. The largest, complex and most important part of the service provided is the ability to ensure the pension entitlement is correct and to communicate this to the scheme member as part of the retirement process.

To assist Pension Board Members with their knowledge and skills a presentation will be provided regarding services provided to scheme members at retirement (the retirement process).

Matt Mott, Governance and Business Development Manager from WYPF, will update the Board on services to members approaching retirement.

**Recommendation(s):**

That the Board note the report and presentation and consider if they require any further information on the services provided to members approaching retirement.

**Background**

- 1.1 The role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

- 1.2 To be able to assist the Scheme Manager and meet the requirements of the Public Service Pensions Act 2013, Pension Board Members must be able to demonstrate suitable knowledge and skills of the LGPS to effectively scrutinise the decisions made by officers.

## **2.0 The Retirement Process**

- 2.1 The scheme member should have a general idea of the nature of the LGPS at retirement age. They will have received an Annual Benefit Statement containing current and projected values of the pension benefits every year of their scheme membership and they are able to attend a pre-retirement course ideally with 6 to 12 months before retirement, but certainly at any time in the last 3 years of their employment.
- 2.2 The process usually begins with data and instruction provided to WYPF ideally within 3 months, but certainly within 1 month of the scheme members intended retirement date.
- 2.3 The initial instruction may be made by either the employer or by the scheme member and data, such as pensionable pay, date and reason for retirement are provided by the scheme employer.
- 2.4 Throughout the process scheme members are provided with clear information of their benefits including details of:
- the benefits payable
  - options to commute part of their pension to a tax free lump sum
    - This is restricted to a maximum of 25% of the capital value of their pension “pot”
  - date of pension payment
  - date of lump sum payment (if applicable)
  - where they may access independent pension advice
  - contact details for WYPF in the event they require further information or explanation regarding the LGPS regulations
  - Information regarding communication and contact after retirement
  - Details of how to make a complaint
- 2.5 The majority of services provided by WYPF largely goes unnoticed by scheme members as the administration ensure the benefit values to be paid are the correct statutory entitlement under the scheme regulations based on data provided by the employer.
- 2.6 The data provided, over the career of the scheme member, is checked and, challenged, if necessary, before confirmed as correct. Only then are the pension calculations performed (they are also checked to ensure they are correct) and a

retirement pack sent to the member which includes all the necessary pension values and election forms they must complete in order to receive payment.

2.7 Only once all information has been received by WYPF can the payment process commence. Details required are:

- Date and reason for retirement
- Pensionable pay
- Confirmation of the scheme member's date of birth
- Election form to receive payment
- Election form to commute pension to lump sum
- Bank details

2.8 The payment of the scheme benefits is usually on the first payday, 23<sup>rd</sup> of the month, following the retirement date and the lump sum payment, if there is one, must be paid under scheme regulations within 4 weeks of the date of retirement, however, it is usually paid within 3 days of the date of retirement.

2.9 After retirement the pensioner member receives regular communication by way of P60, life certificate and the occasional pay advice. WYPF also promote use of MyPension the portal for online access to view pension details, including payslip and P60s but also with the capability for scheme members to send and receive information to and from WYPF.

### **3.0 Conclusion**

3.1 For the Pension Board to note that services provided to scheme members at retirement may take several forms, including: data checking, calculation of benefits, payment of benefits, communication and contact information, however, it is largely determined, even restricted, by the nature of the LGPS as a Defined Benefits pension scheme.

### **Consultation**

#### **a) a) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

### **Background Papers**

This report was written by Matt Mott, who can be contacted at [matt.mott@wypf.org.uk](mailto:matt.mott@wypf.org.uk).

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**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>LGPS Local Pension Board</b>
Date:	<b>1 December 2022</b>
Subject:	<b>Pension Board Training – Freedom &amp; Choice, Scams and Transfers</b>

**Summary:**

This is a report by the Fund's pension administrator, West Yorkshire Pension Fund (WYPF).

Matt Mott, Governance and Business Development Manager from WYPF, will update the Board on Freedom & Choice, Scams and Transfers.

**Recommendation(s):**

That the Board note and discuss the training presentation.

**Background**

- 1.1 The role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.
- 1.2 To be able to assist the Scheme Manager and meet the requirements of the Public Service Pensions Act 2013, Pension Board Members must be able to demonstrate suitable knowledge and skills of the LGPS to effectively scrutinise the decisions made by officers.
- 1.3 To assist Pension Board Members with their knowledge and skills a training presentation will be provided regarding Freedoms & Choice, Scams and Transfers. The presentation will cover:
  - Freedom & Choice
  - Transfer and Concerns

- Amendment to transfer regulation – November 2021
- Additional concerns and what WYPF are doing
- TPR transfer Pledge

## **Conclusion**

- 1.4 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.

## **Consultation**

### **a) a) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

## **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 Matt Mott, who can be contacted at [matt.mott@wypf.org.uk](mailto:matt.mott@wypf.org.uk)





**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>LGPS Local Pension Board</b>
Date:	<b>01 December 2022</b>
Subject:	<b>Annual Report and Accounts 2021/22: The External Auditor's Audit Completion Report</b>

**Summary:**

This report brings to the Board the Audit Completion Report from Mazars, the Fund's External Auditor, on the 2021/22 audit of the financial statements.

**Recommendation(s):**

That the Board consider the report and discuss the feedback from the external auditor in the Audit Completion Report.

**Background**

1.1 The Pension Fund Annual Report and Accounts for the year ended 31 March 2022 have been completed and were approved by the Pensions Committee at its meeting on 14 July. They have now been independently audited by the Fund's external auditors, Mazars.

**2.0 Audit Completion Report**

2.1 A copy of the External Auditors Audit Completion Report is attached to this report at appendix A. The Audit Completion Report reconfirms the messages reported to the Board in September in the Audit Update Report from Mazars. In summary:

- For the two significant risk areas identified in their Audit Strategy Memorandum: management override of controls and valuation of investments with level 3 of the fair value hierarchy, their work has provided the assurances sought;
- There are no significant internal control deficiencies to report; and
- There are no unadjusted misstatements. The summary of misstatements section includes reference to the valuation update for unquoted assets which have been adjusted for in the accounts. Updated valuation information from

investment managers increased the value of Fund investment assets by £21.691m.

2.2 The External Auditor has a small amount of work to complete including: final checks of the updated pension fund accounts and the final review from the Key Audit Partner.

2.3 An unqualified audit opinion for the Pension Fund accounts is expected to be issued alongside the audit opinion on the Lincolnshire County Council accounts.

### **3.0 Annual Report**

3.1 The Pension Fund Annual Report has been published on the Fund's website for the statutory deadline of 1 December. If the opinion has not been received by this date, the document will include a statement explaining that it is published without the audit opinion. Once the opinion has been received the Annual Report will be republished including the audit opinion.

### **Conclusion**

4.1 The audit of the Pension Fund Statement of Accounts for the year ended 31 March 2022 is complete and it is expected that the external auditor, Mazars, will issue an unqualified audit opinion.

### **Consultation**

#### **a) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

### **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Mazars External Audit Completion Report (October 2022)

### **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 Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).

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# Audit Completion Report

Lincolnshire Pension Fund – Year ended  
31 March 2022

October 2022

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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Draft consistency report

Appendix D: Independence

Appendix E: Other communications

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Pension Fund are prepared for the sole use of the Pension Fund and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Members of the Audit Committee  
Lincolnshire County Council  
County Offices  
Newland, Lincoln  
LN11YL

28 October 2022

Dear Committee Members

## Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 28 March 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail, then please do not hesitate to contact me on 078 1375 2053.

Yours faithfully

Signed:

Cameron Waddell (Key Audit Partner)

Mazars LLP

Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

# 01

Section 01:

**Executive summary**



# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and

Valuation of investments within level 3 of the fair value hierarchy.

Based on the audit work completed to date there are no identified significant control deficiencies and no unadjusted misstatements that we are required to report to the Audit Committee.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At this present time we envisage giving our opinion alongside the opinion on Lincolnshire County Council's financial statements.

At the time of preparing this report, there are some matters outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter. Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



### Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



### Consistency report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Lincolnshire County Council. Our draft consistency report is provided in Appendix C.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. No objections or questions from local electors have been received.

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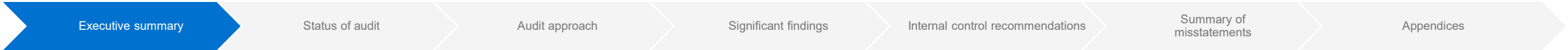
Appendices

# 1. Executive summary

## COVID-19 impacts

The implications of the pandemic required remote working in relation to this audit. Whilst auditing on a remote basis presents some challenges, we have been able to work in liaison with the finance team to deliver the audit and wish to thank them for their support.

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# 02

## Section 02: **Status of the audit**

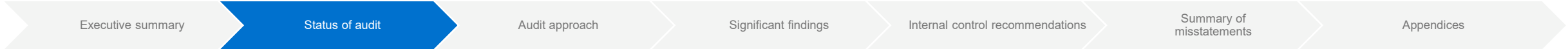
# 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Finalised financial statements	●	The Pension Fund has revised its financial statements to reflect the updated valuations it has received from fund managers. We are completing our checks on the finalised financial statements before giving our opinion.
Audit Quality Control and Completion Procedures	●	Our audit work, including the specific procedures carried out in relation to the significant audit risks identified, is yet to undergo the final stages of review by the Key Audit Partner. In addition, there are residual procedures to complete, including completing our internal technical consultations on the proposed audit opinion and the updated financial statements, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.

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# 03

## Section 03: **Audit approach**

## 3. Audit approach

### Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

### Materiality

Our provisional materiality at the planning stage of the audit was set at £29.3 million using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £11.4 million at the planning stage of the audit using a benchmark of the higher of 10% of contributions receivable and 10% of benefits payable.

Our final assessment of materiality, based on the final financial statements and qualitative factors was set using the same benchmarks:

- Statement materiality £30.7 million.
- Fund account specific materiality £12.1 million.

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# 04

## Section 04: **Significant findings**

## 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We currently envisage concluding that the financial statements have been prepared in accordance with the financial reporting framework; and
- any significant difficulties we experienced during the audit.

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### Significant risks

#### Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.

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## 4. Significant findings

Valuation of investments within level 3 of the fair value hierarchy	Description of the risk
	<p>At 31 March 2022 the Pension Fund held investments which were not quoted on an active market with a fair value of £448.5 million, accounting for 14.7 per cent of the Fund's net investment assets. This included: Alternatives (£368.4 million), Property (£11.4 million), Infrastructure (£61.1 million) and Private Equity (£7.6 million). Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p>
	<p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances for 2021/22 due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>
	<p><b>How we addressed this risk</b></p>
	<p>We addressed this risk by completing the following additional procedures:</p> <ul style="list-style-type: none"> <li>• agreeing the valuation included in the Pension Fund's underlying financial systems to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;</li> <li>• agreeing holdings from fund manager reports to the custodian's report;</li> <li>• agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available;</li> <li>• reviewing the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required;</li> <li>• where audited accounts are available, checking that they are supported by a clear opinion; and</li> </ul>

Valuation of investments within level 3 of the fair value hierarchy	How we addressed this risk (continued)
	<ul style="list-style-type: none"> <li>• where available, reviewing independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.</li> </ul>
	<p><b>Audit conclusion</b></p>
	<p>Our work has provided the assurance we sought in the above areas. It has however highlighted a non-material difference of £21.7 million between the valuation of investments in the initial set of accounts prepared and the final version of the accounts on which we will be giving our opinion. This difference resulted from the timing of valuations received from fund managers, these are proactively tracked by fund officers to ensure the final set of accounts reflect the most up to date information available. The adjusted misstatement involved is detailed on page 18 of this report.</p>

## 4. Significant findings

### Qualitative aspects of the Trust's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2022.

Draft accounts were received from the Fund on 30 June 2022 and were of a good quality.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. It is however worth noting that our audit work has been completed through remote working arrangements as a result of the constraints imposed by the COVID-19 pandemic. Whilst challenging at times, through the effective use of technology and close liaison with finance and other officers of the Trust these challenges were overcome.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised.

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# 05

## Section 05: **Internal control recommendations**

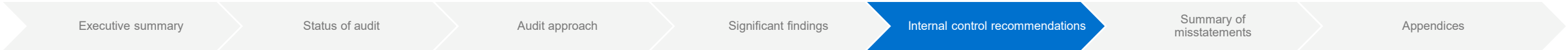
# 5. Internal control recommendations

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported in this section are limited to those deficiencies and other control recommendations that we identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our work has not identified any internal control issues to bring to your attention.

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# 06

Section 06:

## **Summary of misstatements**

## 6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit to date, above the trivial threshold for adjustment of £0.9 million. Where the draft accounts are formally signed and published in accordance with the Regulations any subsequent amendments are referred to as misstatements. This is the case even if such amendments are inevitable and result from the timing of the information available from investment fund managers as is the case this year. The non-material change to the accounts detailed below was identified and proposed by officers from proactively tracking the asset changes from the information received. There are no unadjusted misstatements in relation to the Pension Fund's 2021/22 financial statements. The table below outlines the misstatements that have been adjusted by management.

### Adjusted misstatements

	Fund Account		Net Assets Statement	
	Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1	Dr: Investments – Managed Funds Cr: Change in Market Value Difference between valuation of unquoted investments per pension fund accounts and third party confirmations received after the year-end.	21.691	21.691	
<b>Total adjusted misstatements</b>		21.691	21.691	

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### Disclosure amendments

A number of minor disclosure amendments regarding the wording used were made in response to the review of the Pension Fund's financial statements by our technical team. All such matters have been addressed in the final version of the Pension Fund's financial statements.

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# Appendix A: Draft management representation letter

Mazars LLP  
The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

XX November 2022

Dear Cameron

## Lincolnshire Pension Fund - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of the Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code.

### My responsibility to provide and disclose relevant information

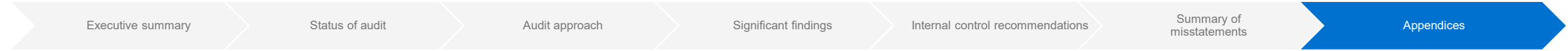
I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### Accounting records

I confirm that all transactions that have a material affect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.





# Appendix A: Draft management representation letter

## Accounting policies

- I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

## Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code.

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

## Fraud and error

I acknowledge my responsibility as Executive Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

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# Appendix A: Draft management representation letter

## Assets

• I confirm that all assets held are free from liens, charges or any other encumbrance.

## Related party transactions

I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code.

I have disclosed to you the identity of the Pension Fund’s related parties and all related party relationships and transactions of which I am aware.

## Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

## Specific representation on unquoted investments

Unquoted investments are included in the net assets statement at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

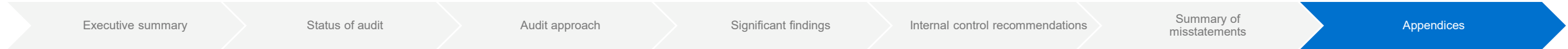
## Unadjusted misstatements

I confirm that the effects of any uncorrected misstatements are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

## Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly

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# Appendix A: Draft management representation letter

## Impact of Russian Forces entering Ukraine

- We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

## Covid-19

We confirm that we have carried out an assessment of the on-going impact of the Covid-19 Virus pandemic on the Pension Fund, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

## Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

## Going concern

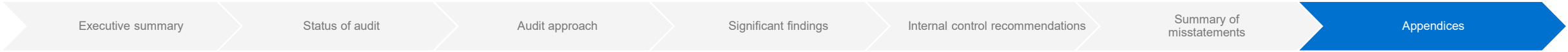
To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts. I have updated our going concern assessment in light of the Covid-19 pandemic. I continue to believe that the Pension Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Pension Fund's needs. We believe that no further disclosures relating to the Pension Fund's ability to continue as a going concern need to be made in the financial statements.

Yours sincerely

Executive Director of Resources

Date.....

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# Appendix B: Draft audit report

## Draft Independent auditor's report to the members of Lincolnshire County Council Report on the financial statements of the Lincolnshire Pension Fund

### Opinion on the financial statements of the Lincolnshire Pension Fund

We have audited the financial statements of Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2022, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Lincolnshire Pension Fund during the year ended 31 March 2021, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

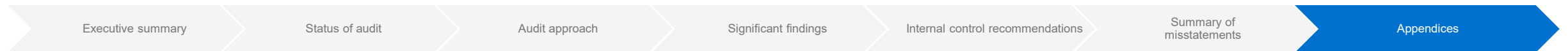
### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Executive Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Executive Director of Resources with respect to going concern are described in the relevant sections of this report.

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# Appendix B: Draft audit report

### Other information

The Executive Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

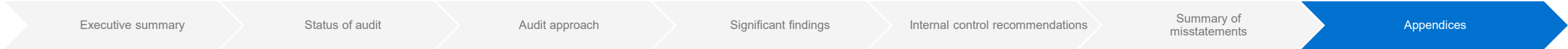
We have nothing to report in this regard.

### Responsibilities of the Executive Director of Resources for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund’s financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Executive Director of Resources is also responsible for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Executive Director of Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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# Appendix B: Draft audit report

## Auditor's responsibilities for the audit of the financial statements

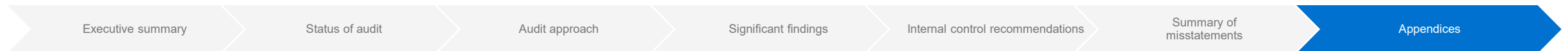
Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, and we considered the extent to which non-compliance might have a material effect on the financial statements

We evaluated the Executive Director of Resources incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant write-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.



# Appendix B: Draft audit report

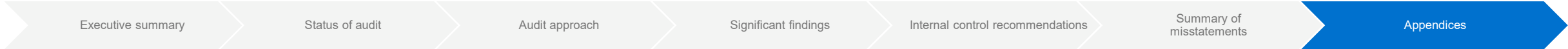
Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Executive Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



# Appendix B: Draft audit report

## Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

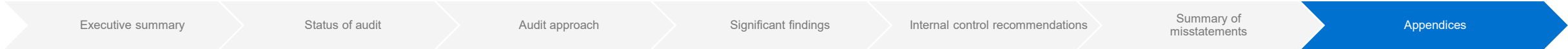
## Use of the audit report

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

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Ameron Waddell  
 For and on behalf of Mazars LLP  
 One Corner  
 Bank Chambers  
 26 Mosley Street  
 Newcastle upon Tyne  
 NE20 9NE

XX November 2022





# Appendix C: Draft consistency report

Independent auditor's statement to the members of Lincolnshire County Council on the pension fund financial statements included within the Lincolnshire Pension Fund annual report

## Report on the financial statements

### Opinion

We have examined the Pension Fund financial statements for the year ended 31 March 2022 included within the Lincolnshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of Lincolnshire County Council for the year ended 31 March 2022 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

### Respective responsibilities of the Executive Director of Resources and the auditor

As explained more fully in the Statement of the Executive Director of Resources' Responsibilities, the Executive Director of Resources is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of Lincolnshire County Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of Lincolnshire County Council. We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of Lincolnshire County Council describes the basis of our opinions on the financial statements.

### Use of this auditor's statement

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Lincolnshire County Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lincolnshire County Council and Lincolnshire County Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Cameron Waddell  
For and on behalf of Mazars LLP

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF  
XX November 2022

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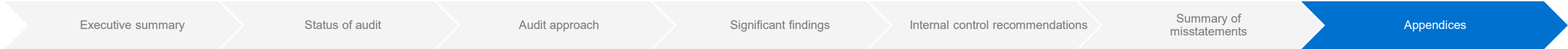
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# Appendix D: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

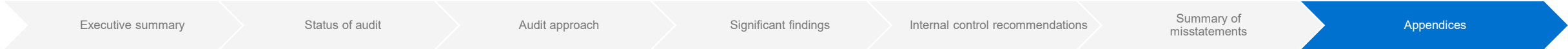
We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



# Appendix E: Other communications

Other communication	Response
<b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
<b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the view of the Executive Director of Resources that the Lincolnshire Pension Fund will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

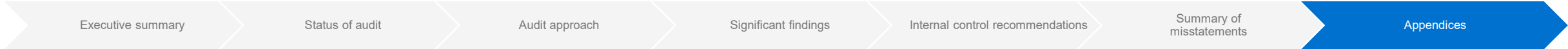
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# Appendix E: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, confirming that</p> <ul style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ul style="list-style-type: none"> <li>i. Management;</li> <li>ii. Employees who have significant roles in internal control; or</li> <li>iii. Others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul>

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# Cameron Waddell

## Mazars

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Bank Chambers  
6 Mosley Street  
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**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>01 December 2022</b>
Subject:	<b>Meetings and Delegations</b>

**Summary:**

This paper brings to the Board proposed amendments to the meeting timetable for the Board following amendments to the Committee meetings timetable. In addition it provides updated information on the delegations of the administering authority administration discretions, and delegations for various investment decisions, which had previously not been formally documented. The aim of these amendments is to enable more time at Board meetings to focus on what is important to the Board, more time at Committee meetings for discussion and training, and to better document and improve the overall governance of the Pension Fund.

**Recommendation(s):**

That the Board consider and discuss the paper and approve the amendments to the Board meetings.

**Background**

1. As the Board are aware, the Scheme Advisory Board (SAB) has undertaken a governance review of the LGPS, which resulted in a draft Good Governance Review report ([Good Governance Final Report February 2021.pdf \(lgpsboard.org\)](#)) being published in 2021 and which was shared with the Committee. DLUHC have approved the recommendations, with some minor changes, and it is expected that there will be a consultation shortly with the requirements coming into effect from 1 April 2023. Officers have been reviewing the guidance to see where improvements or changes could be made to better meet the new requirements, ahead of them being introduced.

**Committee meeting timetable**

2. A paper was taken to the December Pensions Committee on proposed amendments to the meeting timetable. The current timetable for Committee meetings allows for four quarterly meetings, two manager presentation meetings and two training meetings each year. Officers have been considering whether there is a more

effective way of using the eight meetings to ensure there is enough time to cover all the information we need to, at the appropriate level, and to enable more time for training sessions. This will help meet the new requirements for a mandatory level of training for all members being brought in under the Good Governance Review.

3. The meeting timetable at appendix A retains the eight meetings but splits the agenda to have four meetings covering investments and stewardship and four meetings covering administration and governance, enabling additional time for more detailed discussion, presentations, and training on various topics throughout the year.
4. Appendix A sets out the expected agenda items at each meeting, and the list below shows the months for the meetings, similar to the current timetable, but allowing for when certain papers need to go before Committee for approval, such as the policies each March, or the accounts each July.
  - January – Admin and Governance
  - March – Admin and Governance
  - April – Investment and RI
  - June – Investment and RI
  - July – Admin and Governance
  - September – Investment and RI
  - October – Admin and Governance
  - December – Investment and RI
5. The new meeting timetable would be implemented from the new Council year, following the AGM in May 2023.
6. In addition to the timetable of the meetings being changed, there were some amendments suggested to the Committee on the paper content, to allow more time for discussion on the key strategic areas that the Committee are responsible for.
7. The main areas where change was recommended were:
  - Pensions Administration report – concentrating on the key areas of performance and benchmarking, a shared service update and a regulatory update – this covers the more strategic areas that the Committee should be concentrating on. The detail that is currently covered would still be reported to the Board, whose remit is for more oversight of the administration and concerns/issues can be reported back in the Chairman’s Board Update report.
  - Investment Management Report – invite the investment consultant to present at each investment meeting and go through their report on managers and performance, which should enable greater discussion for the Committee.
  - Annual Policies Review – split the large number of policies to review every three years, rather than every year, but bringing any material changes when



needed. This will enable the Committee more time to understand and discuss the policies rather than reviewing them all in one meeting.

### **Board Meeting Timetable**

8. It is proposed that the Board meetings follow in the afternoon of the Administration and Governance Committee meetings. Given the amendments mentioned above to the Committee reports, and the changes proposed below to the papers taken to the Board, there is expected to be less overlap and duplication.
9. Appendix B sets out the expected workplan for the annual round of meetings and, as with the Committee changes, we would expect to see this implemented following the Council's AGM in May 2023.
10. It is proposed that some of the papers are re-focused to allow more time for review and challenge on the things that are important to the Board. The main areas where change is recommended are:
  - remove from the agenda the quarterly Stewardship Update Report, as this area is the responsibility of the Committee.
  - Fund Update Report – expand to include an opportunity for the Board to discuss any items from the Committee agenda, where they don't come to the Board separately.
  - Pensions Administration Report – the report to the Board will continue to provide detailed information for the oversight of the administration service, with the look and content of the report refreshed to better meet the needs of the Board.
  - Annual Policies Review – split the large number of policies to review every three years, rather than every year, but bringing any material changes as required. This will allow more time to understand and discuss the policies in detail.
  - Employer Contribution Report – remove the quarterly paper and replace with an annual item with expanded content. As well as covering monthly contributions, it would also provide an employer update (on new employers, ceased employers, ad hoc information etc.), and employer data quality. Any concerns between annual reports would be added to the agenda or included in the Fund Update Paper.

### **Administering Authority Administration Discretions and Investment Delegations**

11. The guidance will require each administering authority to document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix

setting out how key decisions are reached. The matrix should reflect the authority's scheme of delegation and constitution.

12. At its October meeting, the Committee agreed amendments to improve the terms of reference set out in the constitution, which will be taken to Full Council in December for approval. The Fund has a set of administering authority discretions, which were last approved following scheme changes in 2014, but it does not currently formally document the delegations for investment decisions to be made.
13. To enable this requirement to be fully met, work has been undertaken to review the administration discretions (at appendix C) to update titles and ensure they are still fit for purpose. In addition, the delegations for investment decisions (at appendix D) have been documented, which reflect current practice. This was taken to the December meeting of the Pensions Committee for approval.

### **Conclusion**

14. The Pensions Committee timetable has been reviewed to reflect the recommendations being made in the Good Governance Review, as set out in appendix A. These will take effect following the Council's AGM in May 2023.
15. Alongside the changes proposed to the Committee timetable, proposals have been made to amend the Board meetings to better align them to the requirements of the Pension Board.
16. In addition, the administering authority administration discretions have been reviewed and updated, and the investment decision making delegations have been formally set out. This will also enable the upcoming requirements of the Good Governance review to be met.

### **Consultation**

#### **a) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

### **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Committee Meeting Timetable
Appendix B	Local Pension Board Annual Workplan
Appendix C	Administering Authority Administration Discretions
Appendix D	Administering Authority Investment Delegations

## **Background Papers**

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

This report was written by Jo Ray, who can be contacted on 01522 553656 or [jo.ray@lincolnshire.gov.uk](mailto:jo.ray@lincolnshire.gov.uk).

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**Proposed Committee Meetings from June 2023 (following AGM)**

- June            Investment and RI Meeting:
- Stewardship Update Report
  - Independent Investment Advisor Report
  - Investment Management Report
  - Manager Presentation / Training Session
- July            Admin and Governance Meeting:
- Local Board Report
  - Fund Update Report
  - Pensions Admin Update
  - Draft Annual Report and Accounts
  - Training Plan
  - Training Session
- September    Investment and RI Meeting:
- Stewardship Update Report
  - Independent Investment Advisor Report
  - Investment Management Report
  - Annual Property and Infrastructure Report
  - Manager Presentation / Training
- October        Admin and Governance Meeting:
- Local Board Report
  - Fund Update Report
  - Pensions Admin Update
  - Risk Register Review
  - Annual Fund Performance
  - Annual External Audit Update
  - Training Session
- December     Investment and RI Meeting:
- Stewardship Update Report
  - Independent Investment Advisor Report
  - B2C RI Policy and Guidelines
  - Investment Management Report
  - Manager Presentation / Training Session
- January        Admin and Governance Meeting:
- Local Board Report
  - Fund Update Report
  - Pensions Admin Update
  - Annual Employer Monitoring Report
  - Annual External Audit Update - *if required*
  - Training Session

## Appendix A

### March

#### Admin and Governance Meeting:

- Local Board Report
- Fund Update Report
- Pensions Admin Update
- Policies for approval - *rolling 3 year review, unless major changes*
- Annual Report and Accounts
- Business plan and budget setting
- Training Session

### April

#### Investment and RI Meeting:

- Stewardship Update Report
- Independent Investment Advisor Report
- Investment Management Report
- Manager Presentation / Training Session

## Local Pension Board Annual Work Plan

### **January**

- Fund Update Report - include narrative about Committee Paper discussions
- Pensions Admin Update
- Data Scores – 6 monthly item
- Annual Employer Monitoring Report - covering November to November
- Annual External Audit Update - if required
- Training Paper - standing item
- Work Plan - standing item
- Training Session/Ad hoc Board requests

### **March**

- Fund Update Report - include narrative about Committee Paper discussions
- Pensions Admin Update
- Temporary Bank Accounts – 6 monthly item
- Policies for approval - rolling 3 year review, unless major changes
- Annual Report and Accounts - changes to the Code and A/C policies
- Business plan and budget setting
- Training Paper - standing item
- Work Plan - standing item
- Training Session/Ad hoc Board requests

### **July**

- Fund Update Report - include narrative about Committee Paper discussions
- Pensions Admin Update
- Data Scores- 6 monthly item
- Draft Annual Report and Accounts
- Training Paper - standing item
- Work Plan - standing item
- Training Session/Ad hoc Board requests

### **October**

- Fund Update Report - include narrative about Committee Paper discussions
- Pensions Admin Update
- Temporary Bank Accounts – 6 monthly item
- Risk Register
- Annual External Audit Update
- Training Paper - standing item
- Work Plan - standing item
- Training Session/Ad hoc Board requests

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## LINCOLNSHIRE PENSION FUND – ADMINISTERING AUTHORITY ADMINISTRATION DISCRETIONS

*Discretions approved by the Pensions Committee on xxxxxx on behalf of the administering authority*

<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>R4(2)(b)</b>  Admission Body agreements	Whether to agree to an admission agreement with a Care Trust, NHS Scheme employing authority or care Quality Commission	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director – Finance/Head of Pensions (LGPS)
<b>R5(5) &amp; RSch2, Part 3, para 1</b>  Admission Body agreements	Whether to agree to an admission agreement with a body applying to be an admission body	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director – Finance/Head of Pensions (LGPS)
<b>RSch 2,Part 3, para 9(d)</b>  Admission Body agreements	Whether to terminate a transferee admission agreement in the event of <ul style="list-style-type: none"> <li>• insolvency, winding up or liquidation of the body</li> <li>• breach by that body of its obligations under the admission agreement</li> </ul> failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director – Finance/Head of Pensions (LGPS)

<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>RSch 2, Part 3, para 12(a)</b>  Admission Body agreements	Define what is meant by “employed in connection with”.	Where the majority of an employee's duties relate to a particular service defined in the contract between the ceding employer and the admitted body.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R16(1)</b>  Additional pension contributions	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	APC's will be accepted where the minimum monthly contribution is at least £10.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R16(10)</b>  Proof of good health	Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC  Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health	Any scheme member wishing to pay additional pension contributions will need completion of a GP declaration, unless it is to cover lost pension due to absence of up to 36 months or they have already reached their state retirement age.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>TP15(1)(b) &amp; A28(2)</b>  Charging for estimates	Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds (where AVC/SCAVC arrangement was entered into before 1/4/2014)	No charge will normally be made for enquiries.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>R17(12)</b>  Additional voluntary contributions	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	Where it is clear, having taken account of all the circumstances: <ul style="list-style-type: none"> <li>• payment would normally be in accordance with expression of wish, or</li> <li>• payment would be in accordance with the Will or Grant of Probate / Letters of Administration, via the estate.</li> </ul> Where there is any doubt, legal advice will be taken.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R22(3)(c)</b>	Pension accounts may be kept in such form as is considered appropriate	Pension accounts will be kept in accordance with the Pensions Administration system.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>TP10(9)</b>	Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated (where there is more than one ongoing employment)	This decision will be made on a case by case basis, with the decision made in the best interests of the member.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>R30(8)</b>  Orphan members	Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance
<b>R30(8)</b>  Orphan members	Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance
<b>R68(2)</b>  Employer payments	Whether to require any strain on Fund costs to be paid “up front” by employing authority following payment of benefits under <b>R30(6)</b> (flexible retirement), <b>R30(7)</b> (redundancy / business efficiency), or the waiver (in whole or in part) under <b>R30(8)</b> that would otherwise have been applied to benefits which a member voluntarily draws before normal pension age or to benefits drawn on flexible retirement	The administering authority will recharge all strain on the Fund costs in accordance with the Rates and Adjustment Certificate and guidance produced by the Fund Actuary. Invoices will be raised when benefits are released. In special circumstances, payments may be made over three or five years at the request of the employer and with the agreement of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>TPsch 2, paras1(2) and 2(2)</b>  Orphan members	Whether to “switch on” the 85 year rule for a member voluntarily drawing benefit on or after age 55 and before age 60	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance
<b>TP3(1), TPSch 2, paras 2(1) and 2(2). B30(5) and B30A(5)</b>  Orphan members	Whether to waive any actuarial reduction on pre and/or post April 2014 benefits	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance

<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
TPSch 2, para 2(3)  Employer payments	Whether to require any strain on Fund costs to be paid “up front” by employing authority following flexible retirement under R30(6), or waiver of actuarial reduction under TPSch 2, para 2(1) or release of benefits before age 60 under B30 of B30A	The administering authority will recharge all strain on the Fund costs in accordance with the Rates and Adjustment Certificate and guidance produced by the Fund Actuary. Invoices will be raised when benefits are released. In special circumstances, payments may be made over three or five years at the request of the employer and with the agreement of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R32(7)</b>  Notice period	Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement	Not to extend the three month notice currently required.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>B34(1)</b>  Pension commutation	Decide whether to commute small pension	Members and beneficiaries who meet the criteria for trivial commutation will be offered commutation as an option.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>A36(3)</b>  Approved medical advisors for ill health retirements	Approve medical advisors used by employers (for ill health benefits)	To determine in advance of a referral whether an employer can use an alternative Occupational Health Provider to Lincolnshire County Council's own provider, and where approval is granted whether it is reasonable to use the practitioner proposed as the Independent Registered Medical Practitioner (IRMP) for pension purposes.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>TP12(6)</b>  Orphan members	Whether to use a certificate produced by an IRMP under the 2008 Scheme for the purposes of making an ill health determination under the 2014 Scheme	Use of a certificate produced by an IRMP under the 2008 scheme will be allowed for a period of nine months from 1 April 2014.	Executive Director - Resources/Assistant Director - Finance
<b>R38(3)</b>  Orphan members	Decide whether deferred beneficiary meets criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is the sooner.	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance
<b>R38(6)</b>  Orphan members	Decide whether a suspended ill health tier 3 member is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance

<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>TP17(5) to (8) &amp; R40(2),</b> <b>R43(2) &amp; R46(2)</b>  Death grants	Decide to whom death grant is paid	Where it is clear, having taken account of all the circumstances: <ul style="list-style-type: none"> <li>• payment would normally be in accordance with expression of wish, or</li> <li>• payment would be in accordance with the Will or Grant of Probate / Letters of Administration, via the estate.</li> </ul> Where there is any doubt, legal advice will be taken.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R49(1)(c)</b>  Double entitlement	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R54(1)</b>  Separate admission agreement fund	Whether to set up a separate admission agreement fund	Separate admission agreement funds will not be set up as normal practice. Any such decision would need to be agreed by the Retained by Pensions Committee taking into consideration guidance from the Fund Actuary.	Retained by Pensions Committee

<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>R55</b>  Governance and governance compliance	<p>Governance policy must state whether the admin authority delegates their function or part of their function in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the admin authority and, if they do so delegate, state</p> <ul style="list-style-type: none"> <li>• the frequency of any committee or sub-committee meetings</li> <li>• the terms of reference, structure and operational procedures appertaining to the delegation</li> <li>• whether representatives of employing authorities or members are included and, if so, whether they have voting rights</li> </ul> <p>The policy must also state</p> <ul style="list-style-type: none"> <li>• the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not comply, state the reasons for not complying and the terms, structure and operation procedures appertaining to the local Pension Board</li> </ul>	<p>A Governance Policy Statement and Governance Compliance Statement is agreed by the Retained by Pensions Committee and published on the Pension Fund website.</p>	<p>Retained by Pensions Committee</p>



<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>R58</b>  Funding Strategy	Decide on Funding Strategy for inclusion in Funding Strategy Statement	A Funding Strategy Statement is agreed by the Retained by Pensions Committee and published on the Pension Fund website.	Retained by Pensions Committee
<b>R59(1) &amp; (2)</b>  Pensions Administration Strategy	Whether to have a written pensions administration strategy and, if so, the matters it should include	The Fund will have a Pension Administration Strategy which will be reviewed on a regular basis.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R61</b>  Communication policy	Communication policy must set out the policy on provision of information and publicity to, and communicating with members, representatives of members, prospective members and Scheme employers: the format, frequency and method of communication; and the promotion of the Scheme to prospective members and their employers.	A Communication Policy is agreed by the Retained by Pensions Committee and published on the Pension Fund website.	Retained by Pensions Committee
<b>R64(4)</b>  Revised Rates and Adjustment Certificates	Whether to obtain revision of employer's contribution rate if there are circumstances which make it likely a Scheme employer will become an exiting employer	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS) and agreed with Fund Actuary

Regulation No- R – 2013 Regs TP – 2014 Transitional Regs A – Administration Regs B – Benefit Regs L– 1997 Regs T – Transitional Regs	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
R65 Revised Rates and Adjustment Certificates	Decide whether to obtain a new rates and adjustments certificate if the Secretary of State amends the Benefit Regulations as part of the “cost sharing” under R63	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS) and agreed with Fund Actuary
R69(1) Employer payments	Decide frequency of payments to be made over to Fund by employers and whether to make an admin charge	Payments must be made in accordance with Pensions Act (made monthly by 19 <sup>th</sup> of the month following payroll). Any administration charge will be in accordance with the Fund’s Administration Strategy.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
R69(4) Employer payments	Decide form and frequency of information to accompany payments to the Fund	Information must be provided on the same timescale as the payment.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
R70 & TP22(2) Employer payments	Whether to issue employer with notice to recover additional costs incurred as a result of the employer’s level of performance	As set out in the Administration Strategy.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>R71(1)</b>  Employer payments	Whether to charge interest on payments by employers which are overdue	As set out in the Administration Strategy.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R76(4)</b>  Stage 2 IDRPs	Decide procedure to be followed by administering authority when exercising its stage 2 IDRPs functions and decide the manner in which those functions are to be exercised	A stage 2 referee will be appointed by the Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R79(2)</b>  Appeals against employer decisions	Whether administering authority should appeal against employer decision (or lack of decision)	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R80(1)(b) &amp; TP22(1)</b>  Provision of Information by Employers	Specify information to be supplied by employers to enable administering authority to discharge its functions	General information requirements will be contained within the Administration Strategy and additional requirements will be specified as needed.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

Regulation No- R – 2013 Regs TP – 2014 Transitional Regs A – Administration Regs B – Benefit Regs L– 1997 Regs T – Transitional Regs	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
R82(2) Benefits due in respect of deceased persons	Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	Where the total of the sums payable falls below £5,000, sight of grant of probate or letters of administration is not required for payment. Generally amounts over £5,000 will require sight of grant of probate or letters of administration. The decision as to the beneficiary is made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
R83 Member unable to deal with their own affairs	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of the person's pension benefits to another person for their benefit	This decision will be made on a case by case basis, with the decision made in the best interests of the member.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
R89(5) Annual Benefit Statement	Date to which benefits shown on annual benefit statement are calculated	Date used is 31 March each year	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
R98(1)(b) Bulk Transfer	Agree to bulk transfer payment	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS) and agreed with Fund Actuary

<b>Regulation No-</b> <b>R – 2013 Regs</b> <b>TP – 2014 Transitional Regs</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>R100(68)</b>  Transfer of Pension Rights	Extend normal time limit for acceptance of restitution transfer value beyond 12 months from joining the LGPS	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>R100(7)</b>  Transfer of Pension Rights	Allow transfer of pension rights into the Fund	Transfers into the Fund will be permitted.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) &amp; B10(2)</b>  Final Pay	Where member to whom <b>B10</b> applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member	This decision will be made on a case by case basis, but the pay figure that will provide the greatest benefit would normally be used.'	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>TP3(6), TP4(6)(c), TP8(4), TP10(2)(a), TP17(2)(b) &amp; TSch 1 &amp; L23(9)</b>  Certificates of Protection	Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts/restrictions occurring pre 1.4.08)	This decision will be made on a case by case basis, but the most advantageous final pay period for the member would normally be used.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>RSch 1 &amp; TP17(9)</b>  Child in education	Decide to treat child as being in continuous education or vocational training despite a break	Pension will be suspended during any break in continuous education and consideration given to restarting once education is resumed.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

Regulation No- R – 2013 Regs TP – 2014 Transitional Regs A – Administration Regs B – Benefit Regs L– 1997 Regs T – Transitional Regs	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
RSch 1 & TP17(9)(b) Meaning of 'Co-habiting Partner'	Decide evidence required to determine financial dependence of co-habiting partner on scheme member or financial interdependence of co-habiting partner and scheme member	What evidence the cohabiting partner will be asked to provide by the way of appropriate documents and paperwork to prove either dependency or interdependency will be decided on a case by case basis, taking account of the LGPS regulatory requirements.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
TP3(13) & A70(1) & A71(4)(c) Abatement	Decide policy on abatement of pre 1 April 2014 elements of pensions in payment following re-employment	Abatement may only apply to cases where the original retirement attracted an added years' enhancement. Individual cases will be reviewed at the time of second retirement. The maximum abatement will be the value of the enhanced pension.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
TP15(1)(c) & TSch1 & L83(5) Added years contributions	Extend time period for capitalisation of added years contract	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)



**Discretions under the Local Government Pension Scheme Regulations 2008 (as amended) in relation to post 1.4.08 and pre 1.4.2014 scheme leavers**

<b>Regulation No-</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
<b>A28(2)</b>  Charging for estimates	Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC/SCAVC funds	No charge will normally be made for enquiries.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>TSch1 &amp; L83(5)</b>  Added years contributions	Extend time period for capitalisation of added years contract	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>A45(3)</b>  Member deductions	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	Each case will be considered on its own merits to seek to either recover from scheme benefits or invoice for the amount outstanding as appropriate	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>A52(2)</b>  Benefits due in respect of deceased persons	Can pay balance of pension or other benefits that were due to a deceased person to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration	Where the total of the sums payable falls below £5,000, sight of grant of probate or letters of administration is not required for payment. Generally amounts over £5,000 will require sight of grant of probate or letters of administration. The decision as to the beneficiary is made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)



Regulation No- A – Administration Regs B – Benefit Regs L– 1997 Regs T – Transitional Regs	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
<p><b>A56(2)</b></p> <p>Approved medical advisors for ill health retirements</p>	<p>Approve medical advisors used by employers (for early payment, on grounds of ill health, of a deferred benefit or a suspended Tier 3 ill health pension)</p>	<p>To determine in advance of a referral whether an employer can use an alternative Occupational Health Provider to Lincolnshire County Council's own provider, and where approval is granted whether it is reasonable to use the practitioner proposed as the Independent Registered Medical Practitioner (IRMP) for pension purposes.</p>	<p>Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)</p>
<p><b>A60(8)</b></p> <p>Stage 2 IDRPs</p>	<p>Decide procedure to be followed by administering authority when exercising its stage 2 IDRPs functions and decide the manner in which those functions are to be exercised</p>	<p>A stage 2 referee will be appointed by the Fund.</p>	<p>Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)</p>
<p><b>A63(2)</b></p> <p>Appeals against employer decisions</p>	<p>Whether administering authority should appeal against employer decision (or lack of decision)</p>	<p>This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.</p>	<p>Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)</p>
<p><b>A64(1)(b)</b></p> <p>Provision of Information by Employers</p>	<p>Specify information to be supplied by employers to enable administering authority to discharge its functions</p>	<p>General information requirements will be contained within the Administration Strategy and additional requirements will be specified as needed.</p>	<p>Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)</p>

Regulation No- A – Administration Regs B – Benefit Regs L– 1997 Regs T – Transitional Regs	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
TP3(13) & A70(1) & A71(4(c)) & T12  Abatement	Decide policy on abatement of pensions following re-employment	Abatement may only apply to cases where the original retirement attracted an added years' enhancement. Individual cases will be reviewed at the time of second retirement. The maximum abatement will be the value of the enhanced pension.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
B10(2)  Final Pay	Where member to whom B10 applies (use of average of 3 years pay for final pay purposes) dies before making an election, whether to make that election on behalf of the deceased member	This decision will be made on a case by case basis, but the pay figure that will provide the greatest benefit would normally be used.'	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
B27(5)  Children's pensions	Whether to pay the whole or part of a child's pension to another person for the benefit of the child	This decision will be made on a case by case basis, with the decision made in the best interests of the member.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
A52A  Member unable to deal with their own affairs	Whether, where a person (other than an eligible child) is incapable of managing their affairs, to pay the whole or part of the person's pension benefits to another person for their benefit	This decision will be made on a case by case basis, with the decision made in the best interests of the member.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
B30(2)  Orphan members	Decide whether to grant early release of deferred benefits on or after age 55 and before age 60	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance
B30(5)  Orphan members	Whether to waive, on compassionate grounds, the actuarial reduction applied to deferred benefits paid early under B30	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance

Regulation No- A – Administration Regs B – Benefit Regs L– 1997 Regs T – Transitional Regs	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
B30A(3) Orphan members	Whether to grant an application for early payment of a suspended tier 3 ill health pension on or after age 55 and before age 60	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance
B30A(5) Orphan members	Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid under B30A	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance
B31(4) Orphan members	Decide whether deferred beneficiary meets permanent ill health and reduced likelihood of gainful employment criteria	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance
B31(7) Orphan members	Decide whether a suspended ill health tier 3 member is permanently incapable of undertaking any gainful employment	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance
B23(2) & B32(2) & B35(2) & TSch1 & L155(4) Death Grants	Decide to whom death grant is paid	<p>Where it is clear, having taken account of all the circumstances:</p> <ul style="list-style-type: none"> <li>• payment would normally be in accordance with expression of wish, or</li> <li>• payment would be in accordance with the Will or Grant of Probate / Letters of Administration, via the estate.</li> </ul> <p>Where there is any doubt, legal advice will be taken.</p>	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

Regulation No- A – Administration Regs B – Benefit Regs L– 1997 Regs T – Transitional Regs	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
<b>B25</b> Meaning of ‘Nominated Co-habitee’	Decide evidence required to determine financial dependence of nominated co-habitee of scheme member or financial interdependence of nominated co-habitee and scheme member	What evidence the cohabiting partner will be asked to provide by the way of appropriate documents and paperwork to prove either dependency or interdependency will be decided on a case by case basis, taking account of the LGPS regulatory requirements.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>RSch 1 &amp; TP17(9)</b> Child in education	Decide to treat child as being in continuous education or vocational training despite a break	Pension will be suspended during any break in continuous education and consideration given to restarting once education is resumed.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>B39 &amp; T14(3)</b> Pension commutation	Decide whether to commute small pension	Members and beneficiaries who meet the criteria for trivial commutation will be offered commutation as an option. This discretion will be reviewed if in future LGPS regulations are amended to allow the ‘£2k rule’ (which is a wider provision permitted by HMRC legislation).	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
<b>B42(1)(c)</b> Double entitlement	Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

<b>Regulation No-</b> <b>A – Administration Regs</b> <b>B – Benefit Regs</b> <b>L– 1997 Regs</b> <b>T – Transitional Regs</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
TSch 1 & L23(9)  Certificates of Protection	Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts/restrictions occurring pre 1.4.08)	This decision will be made on a case by case basis, but the most advantageous final pay period for the member would normally be used.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

**Discretions under the Local Government Pension Scheme Regulations 1997 (as amended) in relation to pre 1.4.08 scheme leavers**

<b>Regulation No-</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
12(5) Councillor payments	Frequency of payment of councillors' contributions	Payments must be made in accordance with Pensions Act (made monthly by 19 <sup>th</sup> of the month following payroll).	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
17(4),(7),(8), & 89(4) & Sch 1 Reserve forces	Extend normal 12 month period following end of relevant reserve forces leave for "Cancelling notice" to be submitted by a councillor member requesting that the service should not be treated as relevant reserve forces service	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
22(7) Final pay	Select appropriate final pay period for deceased non-councillor member (leavers post 31.3.98. / pre 1.4.08.)	This decision will be made on a case by case basis, but the pay figure that will provide the greatest benefit would normally be used.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
23(9) Certificates of protection	Make election on behalf of deceased non-councillor member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 1.4.08.)	This decision will be made on a case by case basis, but the pay figure that will provide the greatest benefit would normally be used.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
38(1) & 155(4) Death grants	Decide to whom death grant is paid in respect of councillor members and post 31.3.98. / pre 1.4.08. leavers	Where it is clear, having taken account of all the circumstances: <ul style="list-style-type: none"><li>• payment would normally be in accordance with expression of wish, or</li></ul>	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

Regulation No-	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
		<ul style="list-style-type: none"> <li>payment would be in accordance with the Will or Grant of Probate / Letters of Administration, via the estate.</li> </ul> <p>Where there is any doubt, legal advice will be taken.</p>	
Reg 17(9) of the LGPS (Transitional Provisions and Savings) Regs 2014 and definition in Sch 1 of the LGPS Regulations 2013 Child in education	Decide to treat child as being in continuous education or vocational training despite a break (children of councillor members and children of post 31.3.98. / pre 1.4.08. leavers)	Pension will be suspended during any break in continuous education and consideration given to restarting once education is resumed.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
47(1) Children's pensions	Apportionment of children's pension amongst eligible children (children of councillor members and children of post 31.3.98. / pre 1.4.08. leavers)	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
47(2) Children's pensions	Pay child's pension to another person for the benefit of the child (children of councillor members and children of post 31.3.98. / pre 1.4.08. leavers)	This decision will be made on a case by case basis, with the decision made in the best interests of the child.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
49 & 156 Pension commutation	Agree to commutation of small pension (pre 1.4.08. leavers or pre 1.4.08. Pension Credit members)	Members and beneficiaries who meet the criteria for trivial commutation will be offered commutation as an option. This discretion will be reviewed if in future LGPS regulations are amended to allow the '£2k rule' (which is a wider provision permitted by HMRC legislation).	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

Regulation No-	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
50 and 157	Commute benefits due to exceptional ill-health (councillor members, pre 1.4.08. leavers and pre 1.4.08. Pension Credit members)	This decision will be made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
60(5)	Whether acceptance of AVC election is subject to a minimum payment (councillors only)	We accept application from councillors but any minimum payment would be set by AVC provider	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
80(5) Employer payments	Whether to require any strain on Fund costs to be paid "up front" by employing authority following early voluntary retirement of a councillor (i.e. after age 50/55 and before age 60), or early payment of a deferred benefit on health grounds or from age 50 with employer consent (pre 1.4.08. leavers).	The administering authority will recharge all strain on the Fund costs in accordance with the Rates and Adjustment Certificate and guidance produced by the Fund Actuary. Invoices will be raised when benefits are released. In special circumstances, payments may be made over three or five years at the request of the employer and with the agreement of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
81(1) Employer payments	Frequency of employer's payments to the fund (in respect of councillor members).	Payments must be made in accordance with Pensions Act (made monthly by 19 <sup>th</sup> of the month following payroll).	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
81(5) Employer payments	Form and frequency of information to accompany payments to the Fund (in respect of councillor members)	Information must be provided on the same timescale as the payment.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)



<b>Regulation No-</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
82(1) Employer payments	Interest on payments by employers overdue by more than 1 month (in respect of councillor members)	As set out in the Administration Strategy.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
89(3) Member deductions	Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits (councillors and pre 1.4.08. leavers)	Each case will be considered on its own merits to seek to either recover from scheme benefits or invoice for the amount outstanding as appropriate.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
91(6) Pensions Increase	Timing of pension increase payments by employers to fund (pre 1.4.08. leavers)	Invoices will be raised on a basis agreed with the employer.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
95 Benefits due in respect of deceased persons	Pay death grant due to personal representatives without need for grant of probate / letters of administration (death of councillor or pre 1.4.08. leaver)	Where the total of the sums payable falls below £5,000, sight of grant of probate or letters of administration is not required for payment. The decision as to the beneficiary is made on a case by case basis.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
97(10) Approved medical advisors for ill health retirements	Approve medical advisors used by employers (re ill health benefits for councillors and re pre 1.4.08. preserved benefits payable on health grounds)	To determine in advance of a referral whether an employer can use an alternative Occupational Health Provider to Lincolnshire County Council's own provider, and where approval is granted whether it is reasonable to use the practitioner proposed as the Independent Registered Medical Practitioner (IRMP) for pension purposes.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
99 IDRP	Decide procedure to be followed by admin authority when exercising its IDRP functions and decide the	A stage 2 referee will be appointed by the Fund.	Executive Director - Resources/Assistant

<b>Regulation No-</b>	<b>Description of discretion</b>	<b>Lincolnshire Pension Fund Policy</b>	<b>Decision Maker:</b>
	manner in which those functions are to be exercised (councillors and pre 1.4.08. leavers)		Director - Finance/Head of Pensions (LGPS)
105(1) Appeals against employer decisions	Appeal against employer decision, or lack of a decision (councillors and pre 1.4.08. leavers)	This decision will be made on a case by case basis, with the decision made in the best interests of the Pension Fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
106A(5) Deferred benefit statements	Date to which benefits shown on annual deferred benefit statement are calculated	Date used is 31 March each year	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
109 & 110(4)(b) Abatement	Abatement of pensions following re-employment (councillors + pre 1.4.08. leavers)	Abatement will only apply to cases where the original retirement attracted an added years enhancement and the betterment rule is then breached when new earnings are combined with statutory and enhanced pension elements. The maximum abatement will be the value of the enhanced pension.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
118	Retention of CEP where member transfers out (councillors and pre 1.4.08. leavers)	Transfers will normally be fully paid and protected rights will not normally remain in the fund.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
147	Discharge Pension Credit liability (in respect of Pension Sharing Orders for councillors and pre 1.4.08. Pension Sharing Orders for non-councillor members)	This decision will be made on a case by case basis, taking consideration of the national LGPS guidance issued by LGE.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

**Discretions under the Local Government Pension Scheme Regulations 1995 (as amended) in relation to pre 1.4.98. scheme leavers**

Regulation No-	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
E8	Decide to whom death grant is paid in respect of pre 1.4.98. leavers	<p>Where it is clear, having taken account of all the circumstances:</p> <ul style="list-style-type: none"> <li>• payment would normally be in accordance with expression of wish, or</li> <li>• payment would be in accordance with the Will or Grant of Probate / Letters of Administration, via the estate.</li> </ul> <p>Where there is any doubt, legal advice will be taken.</p>	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
F7	Whether to pay spouse's pensions for life for pre 1.4.98 retirees / pre 1.4.98 deferreds who die on or after 1.4.98 (rather than ceasing during any period of remarriage or co-habitation)	Spouse's pensions will continue to be paid for life.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
Reg 17(9) of the LGPS (Transitional Provisions and Savings) Regs 2014 and definition in Sch 1 of the LGPS Regulations 2013	Decide to treat child as being in continuous education or vocational training despite a break (children of pre 1.4.98. retirees / pre 1.4.98 deferreds)	Pension will be suspended during any break in continuous education and consideration given to restarting once education is resumed.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)
G11(1)	Apportionment of children's pension amongst eligible children (children of pre 1.4.98. retirees / pre 1.4.98 deferreds)	This decision will be made on a case by case basis, with the decision made in the best interests of the children.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

Regulation No-	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
G11(2)	Pay child's pension to another person for the benefit of the child (children of pre 1.4.98. retirees / pre 1.4.98 deferreds)	This decision will be made on a case by case basis, with the decision made in the best interests of the child.	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

**Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)**

Regulation No-	Description of discretion	Lincolnshire Pension Fund Policy	Decision Maker:
31(2)	Agree to pay annual compensation on behalf of employer and recharge payments to employer	Agreed. Recharges will normally be raised monthly,	Executive Director - Resources/Assistant Director - Finance/Head of Pensions (LGPS)

**LINCOLNSHIRE PENSION FUND – ADMINISTERING AUTHORITY INVESTMENT DELEGATIONS**

*Delegations approved by the Pensions Committee on xxxxx on behalf of the administering authority*

Description of decision	Lincolnshire Pension Fund Policy	Decision Maker:
Setting the strategic investment strategy and asset allocation for the Fund	Professional advice will be provided by the Investment Consultant and officers	Retained by Pensions Committee
Agreeing the implementation vehicles for the strategic asset allocation	Professional advice will be provided by the Investment Consultant and officers.  It is the Fund's expectation that the default implementation will be through Border to Coast.	Retained by Pensions Committee
Agreeing the timing of the implementation of the investment strategy.	Professional advice will be provided by the Investment Consultant and officers.  Market movements and expectations will be considered in setting an expected timetable for major allocation changes, with progress reported to the Committee at regular intervals as appropriate.	Head of Pensions (LGPS)
Making new investments in the Fund	Professional advice will be provided by the Investment Consultant and officers.  It is the Fund's expectation that the default for new investment will be into Border to Coast vehicles, however where suitable options are not available other managers may be considered, following appropriate due diligence.	Decision in principle by Pensions Committee  Sign off by Executive Director of Resources
Increasing allocations to existing investment managers/vehicles	Considered when opportunities arise, officers will work with the Investment Consultant to recommend following appropriate due diligence.	Executive Director of Resources

Description of decision	Lincolnshire Pension Fund Policy	Decision Maker:
Rebalancing decisions back to the strategic benchmark	<p>Looked at monthly and decision made whether any assets classes/mandates need rebalancing to bring them within tolerance with the strategic benchmark position.</p> <p>Where tolerances are breached this is reported monthly and quarterly to the Committee.</p>	Head of Pensions (LGPS)
Selecting appropriate class of investment unit in pooled vehicles	Based on cashflow requirements, decision on whether accumulation units or income units are appropriate for an investment in pooled vehicles, where options are offered.	Head of Pensions (LGPS)
Entering into class actions or shareholder actions	Professional advice provided by appointed advisor and decision made in the interests of the Fund as to whether to sign up to the action.	Head of Pensions (LGPS)



**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>LGPS Local Pensions Board</b>
Date:	<b>01 December 2022</b>
Subject:	<b>Training Needs</b>

**Summary:**

This item provides Board Members the opportunity to discuss any training attended since the last Board meeting and provide feedback to other Board Members on its content.

This report also brings to the Board any conference or training highlight notes from the previous three-month period.

The Board should consider if there is any further training they wish to receive or attend in future months.

**Recommendation(s):**

The Board are:

1. Requested to share information on any relevant events attended since the last Board meeting;
2. Note any conference and training feedback from the previous three months; and
3. Consider if there is any further training required in future months.

**Background**

- 1.1 The Fund's Training Policy requires members of the Pensions Committee, following attendance at any conference, seminar, or external training events, to share their thoughts on the event, including whether they would recommend it for others to attend. It was agreed that this would be a useful addition to Pension Board meetings too.
- 1.2 Therefore the Board are requested to share information on relevant events attended since the last Board meeting.

1.3 For the Boards information attached are Hymans Robertson Conference Highlights from:

- Room 151 LGPS Investment Forum (2 November 2022); and
- Pension Managers Conference (15-16 November 2022).

1.4 The Hymans Robertson online training platform, LGPS Online Learning Academy (LOLA) is now available for all Board members to access and complete the six training modules available.

### **Conclusion**

1.5 The Board should consider past training events attended and future training needs.

### **Consultation**

#### **a) Risks and Impact Analysis**

The Pension Fund has a Risk Register which can be obtained by contacting the Head of Pensions.

### **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Hymans Robertson Conference Highlights - Room 151 LGPS Investment Forum (2 November 2022)
Appendix B	Hymans Robertson Conference Highlights - Pension Managers Conference (15-16 November 2022)

### **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 Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).





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# Conference highlights

Room151's 3<sup>rd</sup> LGPS Investment Forum (2 November 2022)



Chris King  
Investment Consultant



Nick Jellema  
Senior Investment  
Consultant



Steven Scott  
Senior Actuarial  
Consultant

A wide range of thought-provoking topics were discussed by high quality speakers at the 2022 Room151 Investment Forum. The day was expertly conducted by the Chair to ensure that delegates left the conference with a much greater understanding of the current investment outlook amidst volatile political and market conditions.

## Registration & introduction

### Aoifinn Devitt, Moneta

- Aoifinn welcomed delegates to the conference and asked them to really question the detail behind what they hear from the presenters.

## Strategic asset allocations; valuations, inflation and the macro-economic landscape

### Chris King, Hymans Robertson; Jos North, Ruffer; Kevin McDonald, ACCESS; George Graham, South Yorkshire Pension Fund

- CK described the decade of austerity for 2010-20 as contributing to lower inflation and recognised that looser fiscal policy appears likely in the coming years. An audience survey showed the vast majority expected realised inflation to be averaging 2.5 – 5% p.a. for the next 10 years.
- JN described the recent turmoil in relation to LDI as indicative of the point at which an 'Inflation prone economy' meets an 'Inflation intolerant financial system' – he flagged that leverage and liquidity would continue to create anomalies in markets and challenged all investors to consider if they have a plan to deal with such a new regime.
- KMcD asked whether the asset allocations within the LGPS were still relevant in such a new regime, but was confident that the LGPS could cope with the challenge, recognising that LGPS investment strategies have evolved in the past and will do so again
- GG noted the shift towards cashflow neutrality or negativity for many schemes and espoused the benefits of income-generating assets to combat this.

## Impact, local investments and levelling up. What is the role for the LGPS?

**Heather Fleming, Gresham House; Peter Wallach, Merseyside Pension Fund; Sean Johns, Cornwall County Council**

- HF highlighted the significant social and regional inequality in the UK, and hoped that local investment and Levelling Up could seek to address this challenge. Opportunities exist for investment in UK renewable energy, housing and forestry but clarity from DLUHC would help LGPS funds to make better progress.
- SJ discussed the experience of the Cornwall Fund with local investments. It was noted that conflict can arise due to elected members seeking investment in their own locality. Ensuring such investments are at “arms length” from members is crucial.
- PW added that the governance burden of such local investments should not be underestimated and also questioned whether more speculative local investments are necessary for LGPS funds.

## Keynote: Stewardship in active investing

**Edward Bonham Carter, Jupiter Asset Management**

- EBC described the engagement actions taken by Jupiter, highlighting the impact of engagement with:
  - Royal Mail to focus their attention on health and safety in non-UK parts of their business
  - GlaxoSmithKline involving a focus on their R&D spending and whether there was sufficient accountability of delivery.
  - BP, who EBC noted had taken a more proactive stance to climate change, when considered relative to peers.
- EBC also noted that publicly listed investments are a great way to ensure sufficient capital makes its way to companies and that a reasonable cost of capital is delivered. However, listed companies generally mean that the disparity of shareholders makes engagement pressure a challenge.

## The economists' outlook

**Piers Hillier, RLAM; Kallum Pickering, Berenberg**

- PH spoke about the 4 key macroeconomic factors contributing to the current challenges, these being the strength of the dollar; the ‘Mexican standoff’ between the UK Government and the Bank of England; Russia / Ukraine; and China.
- KP compared the current situation to the early 90s, when we had high inflation and rising interest rates and noted that by the mid-90s the recovery was complete, and we were experiencing high growth. The reason for the turnaround then was strong balance sheets and there is justification to believe that we may see a similar recovery this time round.
- KP described how the BoE were able to respond quickly to avert a disaster (in respect of pension schemes invested in LDI) and noted that news of the BoE starting to sell gilts barely made the newsreels. This is evidence of the BoE working as an effective Regulator.
- PH shared his experience of the recent crisis and noted that were it not for the trade associations, the BoE may not have intervened in time.

## Equities in Focus: ESG, allocation and the role of passive and active

**Henrik Wold Nilsen, Storebrand; Chris Murphy, Baillie Gifford; Laura Collis, NESPF; Rachel Brothwood, West Midlands Pension Fund; Sandra Carlisle, Jupiter Asset Management**

- HWN described some of the flaws of climate-conscious index funds and Paris-aligned funds, noting that each Paris-aligned benchmark is very different in design, with tracking errors of 2-3% p.a. between

seemingly 'similar' strategies – so, it is very difficult to have confidence that you are 'picking the right one'

- CM discussed the recent market consensus over the challenges of growth equity investment and significant underperformance during 2022, noting that the past 10 years had generally been fertile ground for growth equity managers as low interest rates, low inflation, and technology had driven growth of the Tech sector. He finished by encouraging. He encouraged the LGPS to embrace volatility which can breed opportunity over the long-run.

## CIO Panel

**David Vickers; Brunel Pension Partnership; Jason Fletcher, London CIV; John Harrison, Border to Coast; Gordon Ross, LGPS Central**

- DV set out the upcoming priorities for Brunel as being a review of current products and making sure these remain fit for purpose, supporting the LGPS with local investment, and demonstrating progress on net-zero.
- JF informed us that the London CIV were looking to launch new products, including a UK housing fund focussing on affordable housing and which meets clients' needs
- JH, describing himself as a 'failed retiree', explained how Border to Coast were still in 'build' mode.
- GR noted that LGPS Central were in a similar place – the 'low hanging fruit' has been picked and a deep dive is now planned to ensure that the managers and products are fit for purpose.
- DV explained how we have been in this new paradigm (higher inflation and interest rates) for a while, we just didn't notice until recent events, and it will take time for the market to price all of this in.
- JF added that, whilst higher yields on lower risk assets may appear attractive, the LGPS should continue to look long term and focus allocation around equities.
- On the subject of currency, GR suggested that Funds take steps to reduce the risk of adverse currency moves. DV noted that Funds typically do not make an active decision on hedging this risk and suggested that this should form part of their key considerations when investing in overseas equities.
- JH concluded by highlighting the benefits of the collaborative culture in the LGPS and his hope that the pools work together in the future for the benefit of the LGPS.

## The future for fixed income: inflation, labelled bonds and beyond

**Lucia Meloni, Candriam; Helen Anthony, Janus Henderson; Bola Tobun, London Brough of Enfield**

- LM set out how war in Ukraine has highlighted the dependency on external energy in the west, the solution to which is the development of clean energy to reduce reliance on Russia. Investing in Fixed Income helps divert funds to these new technologies.
- HA provided an outlook for inflation and a view that the impending recession, the effect of debt accumulation, and changing demographics will drive deflation in the near term.
- BT explained the strategy being pursued by the Enfield Fund and the merits of including Fixed Income in the strategy, in particular in an environment where benefit outflows exceed contribution income.

## Private markets: allocation trends and net-zero concerns

**Jing Vivatrat, Franklin Templeton; James Penney, Darwin Alternatives; Graham Cook, Environment Agency Pension Fund; Paul Guillotti, Richmond & Wandsworth Councils**

- JV explained the new 'green rush' of consumers demanding sustainable technological solutions to the climate crisis. This means that ESG is no longer a 'risk' to be managed, but a source of future returns. In terms of opportunities, it is important to look at the whole value chain and identify where the

investment is needed, for example, investment in energy storage and battery recycling is needed to help meet targets for reduced emissions from transportation.

- JP set out how Darwin is seeking niche opportunities to help achieve net zero targets in the leisure industry and explained how these strategies can have an impact without forcing individuals to make significant lifestyle changes.
- GC set out the commitments made by the Environment Agency Pension Fund and the action plan in place to support investment in climate solutions, through private debt and private equity investments.
- GC reminded us that the primary focus for the LGPS should be on generating returns and that those companies addressing the climate issue now will be the ones who thrive in the future and become dominant in the marketplace.
- PG explained the changes made in recent years by Richmond and Wandsworth to meet ambitious net zero targets. Big focus is on educating members and explaining how targets will be met.

## Housing: impact investing and income strategies

**Emma Gullifer, Columbia Threadneedle; Simon Chisholm, Resonance; David Spreckley, London Borough of Barnet; Paddy Dowdall, GMPF**

- EG explained the breadth of opportunities in residential housing and Columbia Threadneedle's focus on 'build to rent' due to strong demand and short supply, a diverse demand base, and inflation linked income.
- SC set out the very clear need for significant investment in social housing and the attraction of this to the LGPS, namely, low correlation with wider economy, long term inflation linking, and Government backed rental income.
- DS then described the work being done in Barnet to create new residential properties and noted the risk of overlap between what the LGPS and the Local Authorities are doing locally and concentration risk.
- PD agreed with the attraction of residential housing investment but offered a warning with regards to direct investments, specifically, the risk of rogue operators, the significant resources required, and the risk of the LGPS being exposed to 'right to buy'.

## Guest speaker: the geopolitics of investing in the 2020s

**Dr Elizabeth Stephens, Geopolitical Risk Advisory**

- The era of soft power resolving global conflict is over. Geopolitical risk is back with a bang.
- Western Governments now expect companies to comply with severe restrictions to help meet their geopolitical aims. The economic and financial considerations are secondary.
- Policies in China are increasingly become less friendly to western investment. Any investments made will be channelled by the Chinese Government towards projects that support their aims.
- There are many sources of power that drive geopolitical events (such as people, gas, water, wheat), and a key source of power today is semiconductors (microchips) – our entire lives now depend on these. The US government are restricting Chinese access to semiconductors which is depriving them of the ability to develop artificial intelligence.
- With this, the US has effectively declared economic war on China.

- In response, China is increasing its influence around the world. The West can therefore no longer rely on the support from emerging countries, and this may lead to companies having to 'pick a side'
- EU relations with China are also of concern to the US as China seek to expand its sphere of influence.
- In response to these geopolitical challenges investors need to be prepared to view the world differently and think the unthinkable.

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# Conference highlights

South West Councils' Pension Manager Conference (15-16 November 2022)



Susan Black  
Head of  
Governance,  
Administration  
& Projects



Ian Colvin  
Head of  
Benefits  
Consulting



Alan  
Johnson  
Governance  
Consultant



Claire  
McDines  
Trainee GAP  
Consultant

The annual LGPS Pension Managers' Conference took place in Torquay this week. The conference, run by South West Councils, covered a range of topics including the Pensions Dashboard, impact to the LGPS of the cost of living crisis, the future of LGPS administration teams, cyber risk and the 2022 valuations.

## Day 1 - Chairman's welcome

### Pat Luscombe

- The chairman welcomed everyone to the conference, noting the recent theme of continuous change and challenges for administration teams.
- He commented on the excellent work done across administration teams in the LGPS to rise to meet these challenges.

## LGA update

### Lorraine Bennett, LGA

- Lorraine's session covered the various changes in government departments which have slowed progress in many areas. We are still expecting and waiting for government progress including Goodwin, exit pay, levelling up, pooling and GMP.
- McCloud remedy response to consultation is expected in November but will not include draft regulations, which will be in a further consultation early next year.
- There has been discussion about whether the annual allowance revaluation of CARE pensions should be moved to 6 April every year, bringing it into line with the date at which the opening value for annual allowance calculations is increased. This would involve a considerable amount of work.
- Good governance consultation expected early 2023 and will include something on workforce planning.
- We are still awaiting the changes necessary to deal with Goodwin. The SAB chair has written to the minister to request an update.

## 'Non pensions' pension challenges

### Emma Mayall and Georgia Ryan, Greater Manchester Pension Fund

- Emma spoke about the steps GMPF have taken over the last 5 years to lay the foundations for change, such investing in technology, hybrid working and revisiting the team structure and jobs to equip staff for the future.
- Georgia discussed the three specific areas from GMPF's perspective: Cyber security, third party contract management and supporting fund governance. GMPF has fund-specific policies and strategies aligned to TPR expectations. The fund worked with specialists to complete a cyber audit, create a cyber incident response plan, and used the National Cyber Security Centre resources, including Exercise in a Box.
- There was reminder that the policies and procedures have to be implemented and that responsibility for this lies with all parties at the fund. This includes providers to the fund and there is a need to make sure that when change happens the potential cyber and data impacts are considered to ensure any risks are identified and managed.

## Workshops

### Recruitment and retention

#### Yunus Gajra, West Yorkshire Pension Fund; Jonathan Clewes, Nottingham Pension Fund

- Yunus and Jonathan provided an overview of findings from the recent LGA survey on recruitment and retention. This exercise highlighted the challenges faced by most if not all funds. With an average of five open vacancies across funds there is a feeling of everyone being in the same boat.
- Several issues were identified as contributing to the difficulties in recruiting and retaining staff. It is felt that pay scales are not competitive and private sector pay increases or career opportunities may be more attractive to potential employees. The option to work from home is giving employees a wider pool of employers to choose from. The complex high-volume work involved is not recognised by job evaluation and higher KPIs are putting pressure on staff. It was also noted that pension qualifications don't always meet the training needs of the LGPS.
- Following this a number of potential solutions were discussed, including but not limited to; a national rebrand of LGPS roles and careers, producing a framework for skills and knowledge, establishing national standardised job profiles, providing an LGPS qualification, better utilising the apprenticeship levy, introducing a graduate scheme, and involving the pensions board in discussions with host authority HR about pay.
- It was also felt that more joined up working with the LGA and SAB to reduce complexity of the Scheme would be beneficial.

### Meeting your Pensions Dashboard duties

#### Angela Bell, The Pension Regulator

- The Pensions Dashboard: Angela Bell from TPR confirmed the timeline for LGPS funds to be ready to connect and respond to matching requests is 30 September 2024. In advance of this funds should review the guidance and resources available and, in particular, speak with their administration or software providers. Links were provided for further information
- There is a checklist available on the Regulator's website which funds were encouraged to use to help track their progress.
- The Regulator commented that frozen refunds would not be in scope for the dashboard.

- Where data is requested from funds via the dashboard, there is likely to be a 10 day turnaround time for public sector schemes.
- The Regulator will view failure to return information as a similar level of breach as returning incorrect information.
- The Regulator's focus will be on wilful non-compliance, and the response to these cases will be robust.

### McCloud data issues

#### Rachel Abbey, LGA; Virginia Burke, Aon

- A brief update was provided on current progress nationally. This was followed by group discussions about what progress has been made, the proposed assumptions where data is missing, and what would be helpful
- The feeling generally was that most employers are providing the required data, but there are certain employers within funds who either cannot or are not providing the required data, and so assumptions may well be required for these.
- In terms of those assumptions, it was acknowledged that the method of estimating reckonable service based on the ratio of CARE pay to full time pay is not perfect. However, it is the best that can be done, and should be to the benefit of the member where there is uncertainty
- In terms of what else can be done to support funds, guidance on communications would be appreciated, as would some example scenarios where the underpin bites, to highlight particular cases to be aware of.

### High inflation, cost of living crisis and the LGPS

#### Melanie Durrant and Jeff Houston, Barnett Waddingham

- Melanie and Jeff hosted an interesting, if somewhat sobering, workshop about the impact of inflation on our day-to-day living and the knock-on effect this could have on the LGPS.
- Jeff began by providing an overview of the recent history of inflation and then set a fun quiz that highlighted none of us really know what anything costs. He then talked us through the causes of the inflationary situation we find ourselves in and sent us off to talk about the impact on cashflows, employers and members.
- It's not a pretty picture with the 10.1% pension increase having a compounded effect on cashflows, the potential for increased member opt-outs, more employers leaving or downsizing, a reduction in contributions and an increased likelihood of the McCloud underpin biting. This may be somewhat offset by delayed retirements, employee contribution bands and less commutation but this is still somewhat of an unknown.
- What can funds do? Consider employer contributions on an individual basis, engage with members and employers – make sure they know the benefits of the scheme and what they will be giving up, promote 50/50 section, ensure you understand cashflows and investments held.

### LGPS Actuarial update

#### Michelle Doman, Mercer Ltd

- This session provided a summary of valuation results, and highlighted that there is a general reduction in funds' deficits overall, with many contribution rates remaining broadly stable.
- Market conditions have changed since the valuation date, particularly the increase in inflation, and volatility in gilt markets.

- Michelle warned that there might be an increase in employers who want to exit the LGPS. This is due to current conditions which make it favourable for certain employers to leave the Scheme.
- It is not all bad news! The current market turbulence presents potential investment opportunities and these should be discussed with investment advisors.
- Funds should continue to monitor funding developments – from now until 2025 valuation. Where monitoring indicates changes to a funding plan are required, you do have powers (if written into FSS) to make changes between valuations.

## LGPS Pensions Admin – shifting the focus from cost to value

### John Simmonds, CEM Benchmarking UK Ltd

- John provided a summary of analysis carried out on large UK funds comparative to global funds, particularly North American funds. This focussed on the admin expenditure, and what that means for service delivery to members.
- Fundamentally it would appear that the UK is underinvested in admin. The median spend per member in North American funds sits at £46 per member compared to a median spend of £22 per member in UK schemes. The outlay on regular IT is also three times less in UK schemes than North American.
- Transaction volumes are a key driver of admin costs, with 70% of costs tied up in head count.
- Service delivery is not purely about cost but delivering a commensurate service. John commented that our addiction to SLAs in this country is not helping service delivery as we're missing the voice of the member.
- The Canadian model is deemed to stand apart from all others with clear blue water between management bodies and those authorities they represent.

## Cyber security and the LGPS

### Nick Stones, Pinsent Masons LLP

- Under the Pensions Act, scheme managers are responsible for operating internal controls, which measure and reduce cyber risk.
- Within the new code of practice there is the requirement to maintain a cyber response plan.
- Nick used a case study to highlight the importance of understanding who needs to be involved, and of having clear timescales which must be met. An example was given of cyber insurance policies only paying out if reported promptly and following certain procedure – there is a need to be aware of these factors.
- He highlighted the need to develop an incident response plan, and to walk through scenarios to ensure responsibilities are understood.

## Day 2 – Chairman's welcome

### Pat Luscombe

- Pat welcomed everyone for day 2 and paid a short tribute to Tim Hazelwood.

## The Future of LGPS administration teams

### Ian Colvin, Hymans Robertson

- Ian's session considered some of the wider forces impacting LGPS administration teams and what that might mean for those responsible for delivering LGPS admin.

- Artificial Intelligence – AI tools will be able to learn from large data sets and spot patterns and trends, deal directly with scheme members and refine our administrative process. The point was emphasised that human input will be a continued necessity.
- Workforce planning was considered and the importance of setting objectives and analysing the skills gaps funds think exist.
- The session concluded with some thoughts about how these changes will impact administration teams of the future, including the need for diversity in teams, adapting to new roles and training and support to develop the skills required for these changing roles.

## Legal update

### Daragh McGinty, Osborne Clarke

- Daragh spoke about the IDR process, noting the key points to ensure compliance with requirements such as appointing an adjudicator within 6 months of complaint for stage 1, and that a written decision should be made within 2 months for a stage 2 complaint.
- Tips for minimising scope for further complaints – plain English communications, not over-promising and keeping member updated with progress. Noted that compensation for distress can still be awarded if case not handled correctly.
- Emphasised the need for employers to fully understand the requirements on them, including how to manage the medical assessment process.
- Case studies looked at, and highlighted that funds have absolute discretion for death grants.

## Automation and technology for the LGPS – panel session

### Des Hogan, Equiniti; Richard James, Civica; David Rich, Heywood Pension Technologies

The software providers took part in a Q&A session. Some of the main points which came across were:

- Giving tools to employers to encourage self-service will save admin teams time in the long run.
- All providers agreed there was a move towards paperless communications, but noting that there is still mistrust and suspicion from some members of online portals for example. Other examples were given such as videos to explain annual benefit statements and more engaging communications to encourage engagement with members.
- In terms of improving bulk processes, the providers spoke about increasing the use of automated checks, and automating the generation of queries.
- In terms of the challenges, the end goal is to reach the point where the member is the administrator. There was broad agreement that data quality is the main obstacle which must be overcome

## Chair's closing remarks

- Pat indicated that the conference had been a huge success, and thanked the attendees for their participation.

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**Open Report on behalf of Andrew Crookham, Executive Director - Resources**

Report to:	<b>LGPS Local Pension Board</b>
Date:	<b>01 December 2022</b>
Subject:	<b>Work Programme</b>

**Summary:**

This report provides the Board with an opportunity to consider its work programme for the coming meetings.

**Recommendation(s):**

To review the Board's future work programme, highlight any activity for inclusion in the work programme.

**Background**

- 1.1 The work programme, which is attached at Appendix A to this report, outlines the items for consideration at future meetings of the Board.

**Conclusion**

- 1.2 Members of the Board are invited to review, consider, and comment on the work programme.

**Consultation**

**a) Risks and Impact Analysis**

The Pension Fund has a Risk Register which can be obtained by contacting the Head of Pensions.

**Appendices**

These are listed below and attached at the back of the 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 Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).



## LGPS PENSION BOARD – WORK PLAN

<b>1 December 2022</b>	
<b>Meeting Location: County Offices, Lincoln</b>	
<i>Item</i>	<i>Lead Officer</i>
Pension Fund Update <i>(Report)</i>	Jo Ray (Head of Pensions)
Stewardship/Responsible Investment Update <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Pensions Administration Update <i>(Report)</i>	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulator Data Scores <i>(Report)</i>	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Employer Monthly Submissions Update <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Members Approaching Retirement <i>(Report and Presentation)</i>	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
The Pledge to combat Pension Scams <i>(Report and Presentation)</i>	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Annual Report and Accounts 2021/22 – External Audit – Audit Completion Report <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Committee and Board Meetings and Delegations <i>(Report)</i>	Jo Ray (Head of Pensions)
Training Needs <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Workplan <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)

<b>March 2023</b>	
<b>Meeting Location: County Offices, Lincoln</b>	
<i>Item</i>	<i>Lead Officer</i>
Pension Fund Update ( <i>Report</i> )	Jo Ray (Head of Pensions)
Stewardship/Responsible Investment Update ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Pensions Administration Update ( <i>Report</i> )	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Temporary Bank Accounts ( <i>Report</i> )	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Employer Monthly Submissions Update ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
2022 Triennial Valuation: Final Valuation Results and Funding Strategy Statement ( <i>Report</i> )	Jo Ray (Head of Pensions)
Pensions Dashboard ( <i>Report and Presentation</i> )	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulators Combined Code ( <i>Report</i> )	Jo Ray (Head of Pensions)
Annual Review of Policies ( <i>Report</i> )	Jo Ray (Head of Pensions)
Business Plan and Budget Setting for the Pension Fund ( <i>Report</i> )	Jo Ray (Head of Pensions)
Annual Report and Accounts 2022/23 – Review of Accounting Policies ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Workplan ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)

**July 2022****Meeting Location: County Offices, Lincoln**

<i>Item</i>	<i>Lead Officer</i>
Pension Fund Update ( <i>Report</i> )	Jo Ray (Head of Pensions)
Stewardship/Responsible Investment Update ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Pensions Administration Update ( <i>Report</i> )	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulator Data Scores ( <i>Report</i> )	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Employer Monthly Submissions Update ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Annual Review of Pension Fund Risk Register ( <i>Report</i> )	Jo Ray (Head of Pensions)
Annual Report and Accounts 2022/23 – Approval of Draft Annual Report and Accounts ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Workplan ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)

<b>September 2022</b>	
<b>Meeting Location: County Offices, Lincoln</b>	
<i>Item</i>	<i>Lead Officer</i>
Pension Fund Update <i>(Report)</i>	Jo Ray (Head of Pensions)
Stewardship/Responsible Investment Update <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Pensions Administration Update <i>(Report)</i>	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Temporary Bank Accounts <i>(Report)</i>	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Employer Monthly Submissions Update <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Annual Report and Accounts 2022/23 – External Audit – Audit Completion Report <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
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