County Offices
Newland
Lincoln
LN1 1YL

8 March 2023

LGPS Local Pension Board

A meeting of the LGPS Local Pension Board will be held on **Thursday, 16 March 2023 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

5	**Pensions Administration Report** *(To receive a report by Matt Mott, Governance and Business Development Manager from WYPF, which updates the Board on current administration issues)*	23 - 52
6	**Employer Monthly Submissions Update** *(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 third quarter of the financial year 2022/23 (October to December inclusive))*	53 - 58
7	**Temporary Bank Accounts** *(To receive a report by Matt Mott, Governance and Business Development Manager from WYPF, which updates the Board on the number of temporary bank accounts created by West Yorkshire Pension Fund (WYPF) to hold monies due to beneficiaries of the scheme)*	59 - 72
8	**The Pensions Dashboard** *(To receive a report by Matt Mott, Governance and Business Development Manager from WYPF, which updates the Board on the Pensions Dashboard)*	73 - 76
9	**Lincolnshire Pension Fund Policies Review** *(To receive a report by Jo Kempton, Head of Pensions, which presents the main policies of the Pension Fund for review)*	77 - 124
10	**Lincolnshire Pension Fund - Business Plan 2023/24** *(To receive a report by Jo Kempton, Head of Pensions, which brings the Lincolnshire Pension Fund Business Plan 2023/24 to the Board for review)*	125 - 142
11	**Annual Report and Accounts 2022-23: Review of Accounting Arrangements and Accounting Policies** *(To receive a report by Claire Machej, Accounting, Investment and Governance Manager, which enables the Board to consider the accounting arrangements and accounting policies for 2022-23)*	143 - 160
12	**Pension Board Membership** *(To receive a report by Jo Kempton, Head of Pensions, which sets out the Pension Board roles that are up for appointment in July and the process to be followed)*	161 - 164
13	**Training Needs** *(To allow the Board to discuss any training attended since the last Board meeting and provide feedback to other Board Members on its content)*	165 - 174

14 **Work Programme** 175 - 180

(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)

15 **CONSIDERATION OF EXEMPT INFORMATION**

In accordance with Section 100 (A)(4) of the Local Government Act 1972, agenda item 16 has not been circulated to the press and public on the grounds that it is considered to contain exempt information as defined in paragraph 3 of Part 1 of Schedule 12 A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting for the consideration of this item of business.

16 **Pensions Administration Service Provider Review** 181 - 194

(To receive an exempt report from Jo Kempton, Head of Pensions, which brings to the Committee the outcome of the shared service providers review)

Published on Wednesday, 8 March 2023

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, 16th March, 2023, 2.00 pm (moderngov.co.uk)

Should you have any queries on the arrangements for this meeting, please contact Thomas Crofts via telephone 07769 368547 or alternatively via email at thomas.crofts@lincolnshire.gov.uk

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LINCOLNSHIRE COUNTY COUNCIL
Working for a better future

LGPS LOCAL PENSION BOARD
1 DECEMBER 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: Matthew Mott (West Yorkshire Pension Fund)

1 APOLOGIES FOR ABSENCE

There were no apologies for absence received.

2 DECLARATIONS OF INTEREST

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

3 MINUTES OF THE PREVIOUS MEETING HELD ON 22 SEPTEMBER 2022

RESOLVED

That the minutes of the meeting held on 22 September 2022 be approved as a correct record.

4 PENSION FUND UPDATE REPORT

A report was submitted to the Board on various Pension Fund matters for the quarter ending 30 September 2022. These matters included: TPR Checklist Dashboard and Code of Practice, Breaches Register Update, Risk Register Update, Asset Pooling Update, Budget and Workplan Update, and Investment Consultant Change.

In response to questions, the following comments were made:

- A new committee structure was endorsed by the Pensions Committee in October 2022. The new structure would include one additional member employer representative from the Academy sector.

- Lincolnshire Pensions Fund submitted a nil return regarding the Border to Coast Shareholder Non-Executive Director elections, as it was advised by the Monitoring Officer that the position could be considered a conflict of interest.

RESOLVED

That the Pension Fund update report be noted.

5 RESPONSIBLE INVESTMENT UPDATE REPORT

A report was submitted to the Board which gave an update on Responsible Investment (RI) activity during the second quarter of the financial year 2022/23.These matters included an update on the work undertaken by the Local Authority Pension Fund Forum (LAPFF), Border to Coast Pensions Partnership activity, Robeco and Legal and General Investment Management activity, voting activity, and the Stewardship Code 2022.

The Board raised that 482 votes had been made against management by LGIM, which officers felt was reasonable. It was clarified that, historically, shareholders had been very compliant and votes against represented more active engagement and scrutiny.

RESOLVED

That the report be noted.

6 PENSIONS ADMINISTRATION REPORT

West Yorkshire Pension Fund reported on the Fund's key performance and benchmarking for the period 1 July 2022 to 30 September 2022. These matters included performance and benchmarking, scheme information, member and employer contact, internal disputes resolution procedures, administration update, current technical issues, web registrations, shared service budget and award nominations.

In response to questions, the following comments were made:

- Employer training had been well attended and received positive feedback.
- Deferred benefit data quality was improving, and backlogs were being reduced.
- Work concerning interfund transfers was to be automated to help process the increasing caseloads.
- The number of active members had increased over the period, while the numer of deferred members had decreased.

RESOLVED

That the report be noted.

7 DATA QUALITY REPORT

A report by West Yorkshire Pension Fund updated the Board on data issues and a data improvement plan.

In response to questions, the following comments were made:

- The number of missing annual allowance calculations had increased due to increased caseloads and other workload pressures.
- The pensions team faced immense pressure in actioning this work alongside works relating to the McCloud ruling and the Pensions Dashboard. Resultantly, some workstreams were being prioritised over others. Proactive recruitment, training and automisation was underway to meet these demands.
- Overall, the pensions team were optimistic that necessary work would be actioned. However, workstreams could be more efficiently prioritised if the implementation of the Dashboard was delayed.

RESOLVED

That the report be noted.

8 EMPLOYER MONTHLY SUBMISSIONS UPDATE

This paper provided 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).

It was clarified that PSPS had instated a new payroll system and had experienced delays in generating the data required for the monthly submissions.

RESOLVED

That the report on the employer monthly submissions be noted.

9 SERVICES TO MEMBERS APPROACHING RETIREMENT (THE RETIREMENT PROCESS)

West Yorkshire Pension Fund presented the report and accompanying presentation. The following matters were highlighted:

- An explanation of the rule of 85.
- Different types of retirement and their implications to the Fund –
- including flexible retirement, early retirement and ill health retirement.
- Changes to pensionable pay across various schemes.

- The pre-retirement course run by Affinity Connect offered information on matters such as member expectations, planning and options.

Members commented that the letters to the scheme members could be simplified and made clearer.

RESOLVED

That the report and presentation be noted.

10 PENSION BOARD TRAINING – FREEDOM & CHOICE, SCAMS AND TRANSFERS

The Board received a report and presentation from West Yorkshire Pensions Fund, which assist Pension Board Members with their knowledge and skills on the following matters:

- Freedom & Choice
- Transfer and Concerns
- Amendment to transfer regulation – November 2021
- Additional concerns and what WYPF are doing
- TPR transfer Pledge

The Board noted the presentation and they stated that they were keen to incorporate the Pension Regulator's training into their own training needs.

RESOLVED

That the Board note the training presentation.

11 ANNUAL REPORT AND ACCOUNTS 2021/22: THE EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT

Consideration was given to a report to the Board on the 2021/22 financial statements Audit Completion Report from Mazars, the Funds External Auditor. It was highlighted that an unqualified audit opinion was expected to be issued alongside the audit opinion on the Lincolnshire County Council accounts.
In response to questions, the following comments were made:

- KPMG were taking over responsibilities for external audit from Mazars in the coming year.
- Separated audit reports for the Fund and the Council's accounts was to be explored with KPMG so that unnecessary delays to sign off could be avoided.

RESOLVED

That the report be noted.

12 MEETINGS AND DELEGATIONS

Consideration was given to a report by the Head of Pensions, regarding proposed amendments to Board meetings, which had been endorsed by the Pensions Committee.

The Board discussed the report, and the following comments were raised:

- Efforts would be made to ensure that Pensions Committee meetings had a more strategic focus regarding the Fund and the Board had a deep dive focus on pensions administration.
- The new structure would allow training to be undertaken at all meetings.

RESOLVED

That the Board endorse the amendments to the Board meetings.

13 TRAINING NEEDS

The Board considered the report on its training needs.

Members of the Board reported that they were working through the Hymans Robertson online training platform and that some members had attended the Border to Coast annual conference and Pension Committee training session where it was noted that future training on Bonds and Investment Strategy was required.

RESOLVED

That the report on the Board's training needs be noted and that all Board members undertake TPR’s pension scam training module in the coming months.

14 WORK PROGRAMME

A report on the Board's work programme was submitted, which presented the items for consideration at future meetings.

Members were advised that agenda content for subsequent meetings was to change, as outlined in the Meetings and Delegations report.

RESOLVED

That the report on the work programme be approved.

The meeting closed at 5.05 pm

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Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**LGPS Local Pension Board**
Date:	**16 March 2023**
Subject:	**Pension Fund Update Report**

Summary:

This report updates the Board on Fund matters for the quarter ending 31 December 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. Pensions Committee Academy Representative
6. Independent Investment Advisor
7. 2022 Triennial Valuation
8. TPR Governance and Administration Survey
9. Committee Paper Comments

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, there have been two new members to the Pensions Committee who have a period of six months to complete their training, therefore this should be green by September 2023, if not earlier.

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. 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 6, 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 Committee to be approved. There have been no changes to the risk register over this quarter.

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, completed as expected, as detailed at the January manager presentation from Border to Coast.

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

4.4 The last Joint Committee was held on Wednesday 30 November 2022 and papers were shared with the Board. The agenda items were:

The following items were included in the agenda:

- Appointment of a Scheme Member Representative
- Joint Committee Budget
- Governance Review - Update
- Responsible Investment Policies Annual Review 2022
- Responsible Investment Update
- Summary of Investment Performance and Market Returns

- Development of Investment Capabilities
- Alternatives Series 2b
- CEO Report
- Performance Report
- Update on Emerging Matters

4.5 The next meeting of the Joint Committee is being held on 21 March, 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 Pensions 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 recently updated following review and approved by Full Council in February 2023.

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 have been three shareholder resolutions since the last meeting, which were all approved by Lincolnshire:

- The Non-Executive Director reward framework update
- The Strategic Plan 2023-26 and supporting budgets for2023/24
- The updated Articles of Association following the governance review

5 **Pensions Committee Academy Representative**

5.1 The Pensions Committee approved an additional member for the Committee to represent the Academy Sector at its September meeting, which was approved through the constitution changes at the Full Council meeting in December.

5.2 Expressions of interest were requested from the academies and multi-academy trusts in the Fund, and three submissions were received. Following interviews, Tom Hotchin, Finance Director at Market Rasen De Aston School, was appointed, and he was welcomed earlier today at the Pensions Committee meeting.

6 **Independent Investment Advisor**

6.1 Peter Jones, the Committee's Independent Investment Advisor, is stepping down from his role as of 30 April 2023. Peter has worked with the Pensions Committee since 2011, providing advice and guidance on investment matters. The Committee offered their thanks to Peter and wished him an enjoyable retirement.

6.2 In considering how this position is replaced, the Committee agreed to await the publication of the Good Governance review, which will set out guidance and requirements on how Pension Funds should be managed. This is now expected in the Summer or Autumn of 2023. Following that, the Committee will consider what they require going forwards, and how best to meet those needs.

6.3 In the interim, Hymans Robertson will provide a market commentary report each quarter, and will be attending each Investment and Stewardship quarterly meeting to provide their professional advice and guidance as required.

7 **2022 Triennial Valuation**

7.1 The final Valuation document was taken to the meeting of the March Pensions Committee, alongside the Funding Strategy Statement (FSS), for final approval. All employers returned their signed declarations agreeing to the contribution rates to be paid for the next three years, and key outcomes of the valuation were presented in the Annual Employer meeting held in February. The FSS is included within the policy review at paper 9 on the agenda. Both documents will be published on the shared website.

8 **TPR Governance and Administration Survey**

8.1 The 2022/23 Public Service Governance and Administration Survey was issued by TPR in January, with a return deadline of 12 February. This was completed by the Chair of the Board and the Head of Pensions and returned within the required timescale. The submitted version is attached at Appendix C for information.

9 **Committee Paper Comments**

9.1 The Pensions Committee papers for the meeting dated 16 March 2023 have been shared with the Board. The agenda contained the following reports:

- Independent Advisor Report
- Local Board Report
- Fund Update
- Responsible Investment Update
- Administration Update

- Employer Monitoring Report
- Funding Strategy Statement and 2022 Valuation Report
- Annual Policy Review
- Business Plan 23/24
- Annual Report and Accounts 2022-23 - Review of Accounting Arrangements and Policies
- Investment Update and Manager Performance Report
- Investment Strategy Review
- Pensions Administration Service Provider Review

9.2 As the focus of the Committee is different to that of the Board, not all areas are covered in this meeting. The Board have the opportunity to discuss any aspects of the Committee's papers where further clarity is required.

Conclusion

10 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	
Appendix A	TPR Checklist Dashboard
Appendix B	Breaches Register
Appendix C	TPR Public Service Administration and Governance Survey 2023

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 Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

Appendix C

The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

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

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

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

No	Completed	Compliant
	Providing Information to Members and Others	
H1	G	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
	Internal Dispute Resolution	
I1	G	G
I2	G	G
I3	G	G
I4	G	G
I5	G	G
I6	G	G
I7	G	G

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

Appendix A

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Appendix B

Lincolnshire Pension Board Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions
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
Dec 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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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**LGPS Local Pension Board**
Date:	**20233**
Subject:	**Pensions Administration Report**

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 October 2022 to 31 December 2022.

KPI's for the period 01.10.22 to 31.12.22						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
AVC In-house (General)	48	20	48	85	100	1.98
Change of Address	177	20	177	85	100	1.97
Change of Bank Details	96	20	95	85	98.96	2.09
Death Grant to Set Up	64	10	56	85	87.5	14.42
Death In Retirement	136	10	112	85	82.35	12.72
Death In Service	6	10	6	85	100	6.13
Death on Deferred	9	10	8	85	88.89	8.02
Deferred Benefits Into Payment Actual	276	5	268	90	97.1	3.08
Deferred Benefits Into Payment Quote	362	35	176	85	48.62	60.01
Deferred Benefits Set Up on Leaving	526	20	453	85	86.12	24.54
Dependant Pension To Set Up	101	5	97	90	96.04	4.08
Divorce Quote	32	40	31	85	96.88	10.91
Estimates for Deferred Benefits into Payment	9	10	8	90	88.89	16.88
General Payroll Changes	99	20	99	85	100	1.68
Initial letter Death in Retirement	151	10	149	85	98.68	1
Initial Letter Death in Service	10	10	10	85	100	1
Initial letter Death on Deferred	9	10	8	85	88.89	2.33
Interfund Linking In Actual	16	35	10	85	62.5	76
Interfund Linking In Quote	38	35	24	85	63.16	56.37
Interfund Out Actual	133	35	117	85	87.97	14.96
Interfund Out Quote	134	35	118	85	88.06	17.1
Life Certificate	1	10	1	85	100	10
Monthly Posting	796	10	754	95	94.72	3.42

NI adjustment to Pension at State Pension Age	13	20	13	85	100	7.62
Pension Estimate	94	10	74	90	78.72	12.11
Phone Call Received	800	3	762	95	95.25	3.05
Refund Actual	166	10	165	90	99.4	3.15
Refund Quote	280	35	210	85	75	23.54
Retirement Actual	163	10	158	90	96.93	3.29
Transfer In Actual	22	35	22	85	100	19.69
Transfer In Quote	42	35	39	85	92.86	15.95
Transfer Out Payment	9	35	8	85	88.89	18.44
Transfer Out Quote	91	35	80	85	87.91	17.63
Update Member Details	1077	20	910	100	84.49	18.95

Work Type	**Reason for underperformance**
Death In Retirement	There were a number of cases where there were no further payments to be made and were processed outside the target days. Priority was given to cases where payments were due to beneficiaries.
Deferred Benefits Into Payment Quote	There has been a significant increase in the requests for quotes from members. The requests are being dealt with by the Team in date order of retirement.
Estimates for Deferred Benefits Into Payment	There was one case that was not checked within the target days. Due to the significant increase in estimate requests they are being processed in retirement date order.
Interfund Linking In Actual	The Team had cases where the payment had been received but the record had not been updated due to the Team focussing on other areas of work that were more urgent. New Staff are being trained in this area of work.
Interfund Linking In Quote	Some cases were processed outside of the target days. New staff are currently being trained in this area of work and these have been prioritised from January to reduce the outstanding numbers.
Monthly Posting	Some of the monthly returns needed to be queried with the employer’s/payroll providers. This meant there was a delay in processing the return until the queries were resolved.
Pension Estimate	There has been a high volume of estimate requests received across all funds as members look at their options for retirement. Many of the estimates have future dates and estimates that have been

	received with a potential date of retirement within 3 months have been prioritised.
Refund Quote	The Team are completing older cases which were put on hold in the early part of the year as the Team focussed on processing deferred benefits for the valuation extracts.
Update Member Details	A number of hour changes that have previously not been processed due to other work that has taken priority. These are now being completed by the Finance Team. The Finance Team will continue to process hour changes to ensure the member's records are updated and are correct against the data supplied by employers as part of the Monthly postings. This will be beneficial to the anticipated roll out of Monthly Postings Phase 3.

2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Pensioner	Frozen	Undecided
LGPS	26,286	25,788	26,951	2,631	634
Percentage of Membership	31.94%	31.34%	32.75%	3.20%	0.77%
Change from Last Quarter	+1,074	-38	+352	+134	-417

2.2 Age Profile of the Scheme

	Age Groups												
Status	U20	20 - 25	26 - 30	31-35	36 - 40	41-45	46 - 50	51-55	56 - 60	61-65	66 - 70	70 +	**Total**
Active	309	1819	2047	2439	2985	3212	3559	4150	3396	1916	369	85	**26,286**

2.3 Employer Activity - During 1 October 2022 to 31 December 2022

New Academies and Education Trusts	1
New Town and Parish Council	1
New Admission Bodies	1
Total of New Employer	**3**
Employers Exited	4
Total Numbers of employers	**279**

3.0 Member and Employer Contact

3.1 Over the quarter October to December 2022 we received **3** online customer responses.

Over the quarter October to December 2022, **171** Lincolnshire member's sample survey letters were sent out and **26 (15.3%)** returned:

Overall Customer Satisfaction Score:

October to December 2021	January to March 2022	April to June 2022	July to September 2022	October to December 2022
91.5%	95.3%	80.2%	90.4%	81.3%

Appendix A – Customer Surveys

3.2 Employer Training

Over the quarter 1 October 2022 to 31 December 2022 we held the following webinars which were attended by employers across all four Funds that WYPF administer:

- Introduction to the LGPS
- Employer Roles and Responsibilities
- Employer Discretions
- Internal Dispute Resolution Procedure
- Authorised contacts and outsourcing your payroll

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

There are currently no appeals outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
06/09/2022	Appeal against being refused a refund of contributions.	Action was correctly taken with regard to awarding the deferred benefit. The deferred benefit notification has now been issued by the Service Centre on 02/11/2022.	07/11/2022

<u>Stage 1 appeals against scheme employers</u>

There are currently no appeals outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
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. LCC chased up – 01/12/2022. A copy of the decision letter was provided by LCC on 07/12/2022 which had been sent to the member on 17/11/2022. A further medical referral has been offered by LCC.	17/11/2022

<u>Stage 2 appeals</u>

One appeal is currently outstanding.

Date application received	Reason for appeal	Current position/outcome	Date decision letter sent
11/07/2022	Appeal against refusal of employer to award an ill health pension.	The appeal has been turned down.	10/11/2022
03/10/2022	Appeal against refusal for employer to award ill health pension.	Information requested from LCC as scheme employer – 03/11/2022 following receipt of consent form on 02/11/2022. A holding letter	

		was sent to the member on 01/12/2022. A request was sent to LCC for further information which a reply was received but it did include the required attachments. These were requested again on 20/12/2022. Response received from LCC on 04/01/2023. Further holding letter sent to member – 04/01/2023.	

4.2 Ombudsman

There are currently no appeals outstanding.

5.0 Administration Update

5.1 Employer Work

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

Academies/Prime location schools

- One new academy joined the Fund from 1 November 2022 – this is recorded as part of Voyage Education Trust. A new employer has been set up for members employed by Aspire Schools Trust (Head Office).

Admission bodies

- Three admissions relate to outsourcings which are due to take place in 2023
- Eight 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 - After the recent round of recruitment we have welcomed 7 new Pension Officers in the Service Centre. Recruitment is currently ongoing to fill the last few vacant posts.

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

Employer Relations Team - There is one vacancy in the Employer Relations Team for a Pension Fund Representative and this will be advertised shortly.

5.3 Audits undertaken by Bradford Councils Internal Audit:

a) **AVC arrangements**

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

The audit review has determined that the identified risks are being effectively managed. The control environment is largely as expected but would benefit from some enhancements to support the achievement of key business objectives.

Internal Audit made **4** recommendations for improvement and these have now been implemented.

5.4 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 and we are still chasing for a response.

We have started to look at our internal capabilities by using Google analytics to produce the statistics in this area. A series of slides will be presented at the meeting (Appendix B).

6.0 Current Technical Issues

See Appendix C.

7.0 Web Registrations

The number of members registered for online member web are:

Status	July to September 22	% of membership	October to December 22	% of membership
Active	10,334	40.99%	10,957	41.64%
Deferred	8,004	30.99%	8,218	31.90%
Pensioner	9,710	36.51%	10,490	38.90%

8.0 Shared service Budget

8.1 WYPF Shared Service cost monitoring December 2022

WYPF SHARED SERVICE	21/22 FINAL PD13 £000	21/22 COST PER MBR	22/23 BDGT £000	22/23 ACT PD09 DEC £000	22/23 FRCST PD09 DEC £000	22/23 VAR BGT - PD09 £000	22/23 COST PER MBR PD9	23/24 ORG BDGT £000	23/24 ORG BDGT COST PMBR
Accommodation	203	£0.42	125	116	179	-54	£0.36	171	0.34
Actuary	0	£0.00	0	0	0	0	£0.00	0	0.00
CBMDC Support Services	210	£0.44	215	261	261	-46	£0.52	263	0.52
Computer	439	£0.91	216	656	688	-472	£1.38	688	1.35
Contingency - Invest to save	0	£0.00	500	0	150	350	£0.30	250	0.49
Employees	3,820	£7.94	4,224	3,313	4,510	-286	£9.07	5,267	10.32
Other Running Costs	180	£0.38	191	154	239	-48	£0.48	198	0.39
Printing & stationery	371	£0.77	295	287	388	-93	£0.78	346	0.68
Transaction Costs	0	£0.00	0	0	0	0	£0.00	0	0.00
WYPF Support Services	1,582	£3.29	2,275	0	2,115	160	£4.25	2,342	4.59
WYPF SHARED SERVICE EXPENDITURE	**6,805**	**£14.15**	**8,041**	**4,787**	**8,530**	**-489**	**£17.15**	**9,525**	**18.68**
COST PER MBR sf3	**£0.00**								
COST PER MBR	**£14.15**		**£17.67**				**-£0.52**		
MBR NUMBER	**480,970**	**480,970**	**482,400**				**497,370**		**510,140**

Net overspend of £0.489m projected. Overspend projected on accommodation, computer – due to McCloud remedy system costs provisions, latest staff pay award, increased staffing resources for Pension Admin, and printing and stationery. Underspend – transfer of funds from invest to save to support increased staffing resources, computing and IT. Increased computer spend is funded mainly by the extra £1 charge per member across shared services.

Current indication of cost per member 2023/24 is forecast to go up to £18.68 and settled to below £18.50 by 2027/28. Increase mainly due to inflation on service contracts and general cost pressures. This estimate may change during the budget build process, as we gather more cost data.

Planned cost per member was £17.67 (£16.67 + £1 for McCloud), latest is £17.15 (£16.15 + £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 £0.46m, expected review of central support charges was delivered in October22 resulting in increased charges, this is against the background of increased service take up and staff increase in WYPF, whilst staff numbers in the Council has reduced.

c. **Computer costs / IT –** overspend of £0.472m, mainly due to provisions being made for McCloud system development, network servers, disaster recovery and digital services. Most of this is being funded by increase charges per member of £1.00 for total shared members.

d. **Invest to save** - out of a provision of £0.5m, £0.35m is left. £0.15m 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 £0.286m, 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 £0.93m, 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 projects that are being delivered using internal resources resulting in efficiency savings.

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 DEC22	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**	82,269	£17.15	**£1,410,773**

2021/22 EST PER MBR MAY2021	MBR NO ESTIMATE MAR24	EST CST PER MBR 23/24	EST 2023/24
CHARGE ACTUAL / FORECAST	84,381	**£18.68**	**£1,576,240**

9.0 Awards

WYPF are proud to announce that we have won the Good Governance Award at the 2022 LAPF Investment Awards. We were also shortlisted for the Scheme Administration Award.

The Good Governance Award recognises the importance of Governance and how we have implemented Governance in our processes to ensure all parties involved in the management of the Fund are aligned with our long-term objectives. This includes governance of shared and external services, transparency, and the management and mitigation of risks.

WYPF have also been shortlisted by Pensions Age under the following categories:

- DB Pension Scheme of the Year
- Pension Scheme Communication Award
- Pensions Administration Award

Winners will be announced at a ceremony in London on 21 March 2023.

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	Civica UPM MyPension Usage
Appendix C	Current Technical Issues

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.

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Appendix A

Customer Survey Results - Lincolnshire Members
(1st October to 31st December 2022)

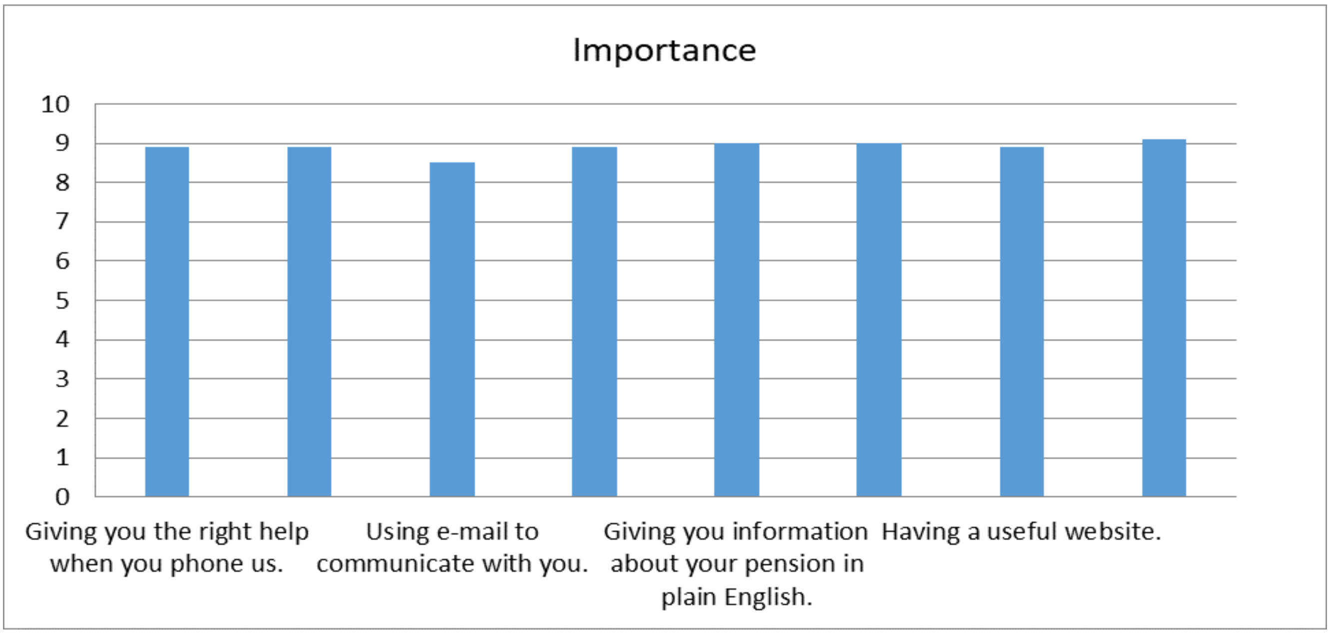
Over the quarter October to December we received **3** online customer responses.

Over the quarter October to December **171** Lincolnshire member's sample survey letters were sent out and **26 (15.3%)** returned:

Overall Customer Satisfaction Score;

October to December 2021	January to March 2022	April to June 2022	July to September 2022	October to December 2022
91.5%	95.3%	80.2%	90.4%	81.3%

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



Sample of positive comments:

Member Number	Comments
8006233	Can't fault your service at all. Mark Furness Pensions officer was superb, so helpful and explained everything well.
8017008	Newly flexible retirement, Brilliant support from start to finish. Having made a mistake with my account details staff reassuring was high in confirming that payment process was still active.
8027397	Pleased with your service once my former employer submitted all the required information to you. Had to ring several times but again due to lack of information given to you. My questions were answered promptly and easy to understand explanations. Service was friendly and professional at all times
8018993	Excellent service. The service I received is excellent. The staff I was speaking to were very helpful. Many thanks to them.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
8040929	I had to repeatedly ring to get information about my pension and I felt I passed over every time. Nobody explained what the problem was, I know there were issues with the information given but there was no hurry to sort out my pension between March and September when it was due. I had to make repeated phone calls and spoke to different people all the time, no of them ring me back to explain	Employer supplied pay for 52 weeks of the year on the RTN instead of term time only pay. we sent them 5 emails to query this. their first reply they simply sent us a spreadsheet. This is not sufficient and it is their responsibility to provide us with an actual pay figure to use in the calc. They did reply and provide us with a more reasonable pay figure to use with was £4000 less than the initial one they had supplied us with. The ret pack was done, checked and posted the same day that the pay was received from the employer.
8045026	I had to contact you about informing as pension provider I am retiring. No urgency or contact when you were informing to WYPF. I spent a month trying to get answer from all involved. When I asked I would like to my notification expedited I would have thought this should have been completed earlier, I retired on 1st November, didn't have any contact from you until I was given contact number from another service, you need to sort data plan as this was totally unacceptable. I needed to know my figures to sort out finances.	Email sent by Nat -Thank you for returning your customer survey form. I have looked through your file and please find below a summary of events: 17/10/22 – You phoned our contact centre to inform us that you were retiring on 1/11/22. As your retirement notification hadn't been received from your employer we requested it from them. 21/10/22 – You phoned to check the progress of your retirement pack and were informed that your employer hadn't sent it as yet. 25/10/22 – You phoned to see if we had received the retirement notification but we hadn't as yet. 25/10/22 – Your retirement notification received.

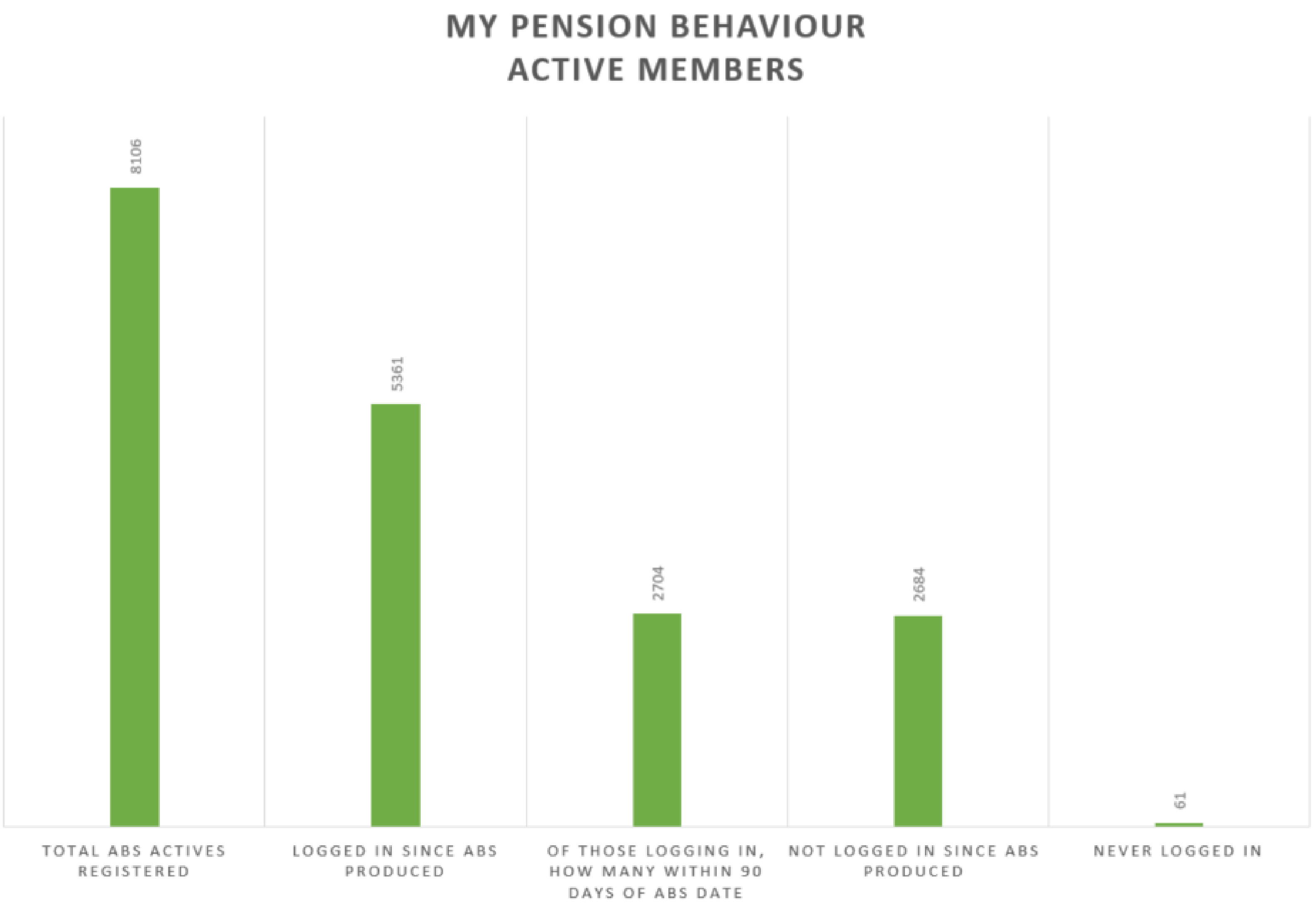
		25/10/22 – You phoned to say that Dataplan had confirmed that they had sent us the retirement notification. This was received at 14.38. 8/11/22 – Your retirement quote was processed. 8/11/22 – You phoned to chase progress. Your case was marked as urgent. 9/11/22 – Your retirement quote was checked and posted to you. 14/11/22 – You phoned to discuss your retirement pack.
8129928 (online)	Dreadful. You have repeatedly and persistently failed to respond and act upon instructions and demonstrated a cavalier attitude to managing your responsibility to your members.	Lucy has sent an email to the member on 7th December which has been imported on to the record. This was followed up with a telephone call where she spoke to the member about this issue. He was very pleased with the outcome of our conversation and happy that we were now able to progress his case in the way he wanted – despite the delays. she explained that while we had tried on a number of occasions to get the relevant information from Lincolnshire CC we could also have dealt with this in a different way and I apologised for the delays that had occurred. We agreed a way forward and the member was satisfied with this.
8022845 (online)	Very slow and not helpful at all, been waiting since March 2022 for pensions to be sorted out. No one cares about you, no one is doing anything about my pension because Yorkshire pension made a mistake with my account, I've phoned every week since August 2022 and I'm going round in circles.	This is a type 2 AVC case where the excess AVC's can't be paid through WYPF. These cases actually casue us no end of trouble. We don't have any working instructions or letters for these cases and we have to work our way through them the best we can. However as they are so fiddly and the information that we send to members needs developing, the members so not understand these cases at all. In this case the member had chosen to take his AVC's through WYPF but then the excess AVC's through the AVC provider - Pru. He completed the forms incorrectly (they are not clear as they are Pru's forms and not WYPF's so we had to send it back to him. he completed it again (still incorrectly) but we were trying to assist the member as until this is finalised and Pru accept the forms then we are unable to to pay anything to the member. We sent the completed forms to Pru and they rejected them as the quotation number he had put on the form was now out of date so Pru sent us some further illustrations that we had to send to the member for him to choose from. This delayed everything and effectively we have to start the whole process again.

		The staff involved in this case were actually as frustrated as the member and we did feel really bad for him. The experienced staff on the team strongly feel that we should treat the Type 2 DB into payment cases in the same way that we treat the type 2 retirement cases where the excess can be taken as an annuity through WYPF along with the rest of their AVC's. I believe this is the next thing on the list for the MSM in charge of this areas to look at and the experienced staff would like to be involved in this due to the problems we have on an ongoing basis with similar such cases, This members benefits have finally been paid.

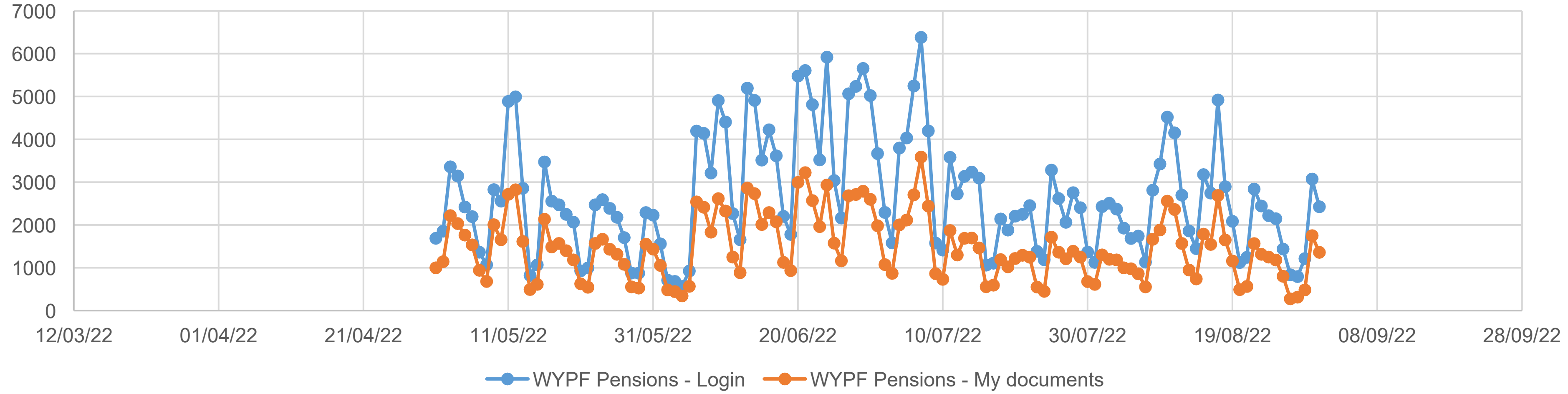
My Pension usage

Appendix B

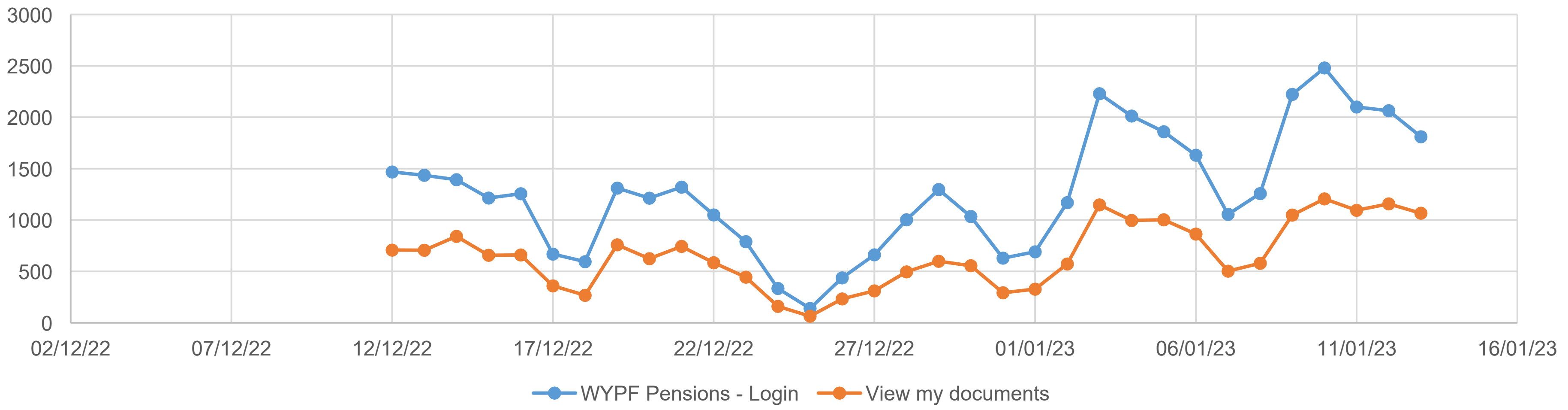
- Data from UPM:
  - Active members only
  - Production date of ABS document
  - Date member last logged in to My Pension



My Pension behaviour during ABS production

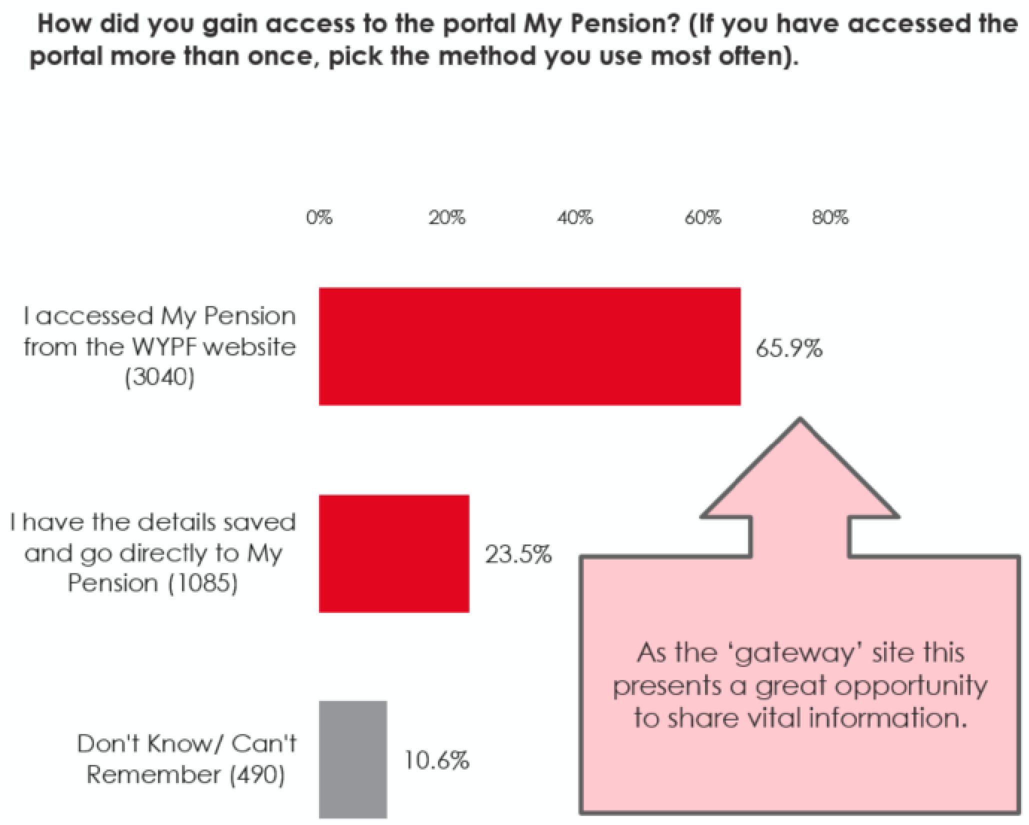


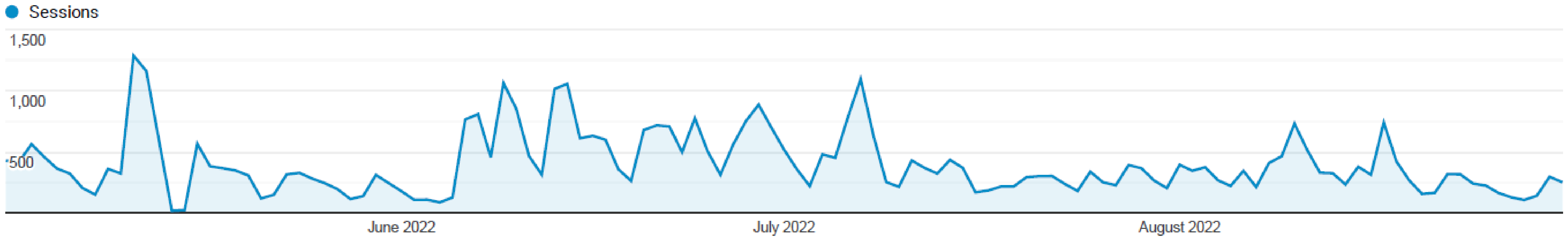
My Pension behaviour over Christmas 2022

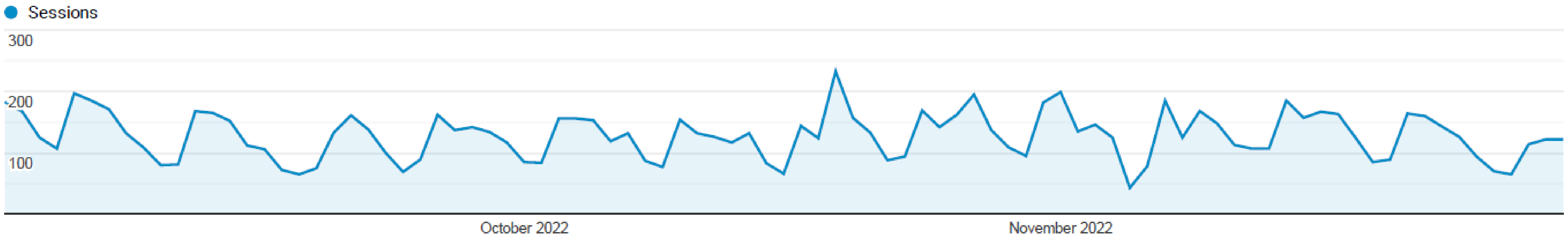


Can the main website tell us anything?

- TLF survey results told us that approx. 1/3 of visitors to the portal got there via the main website (www.wypf.org.uk/mypension)

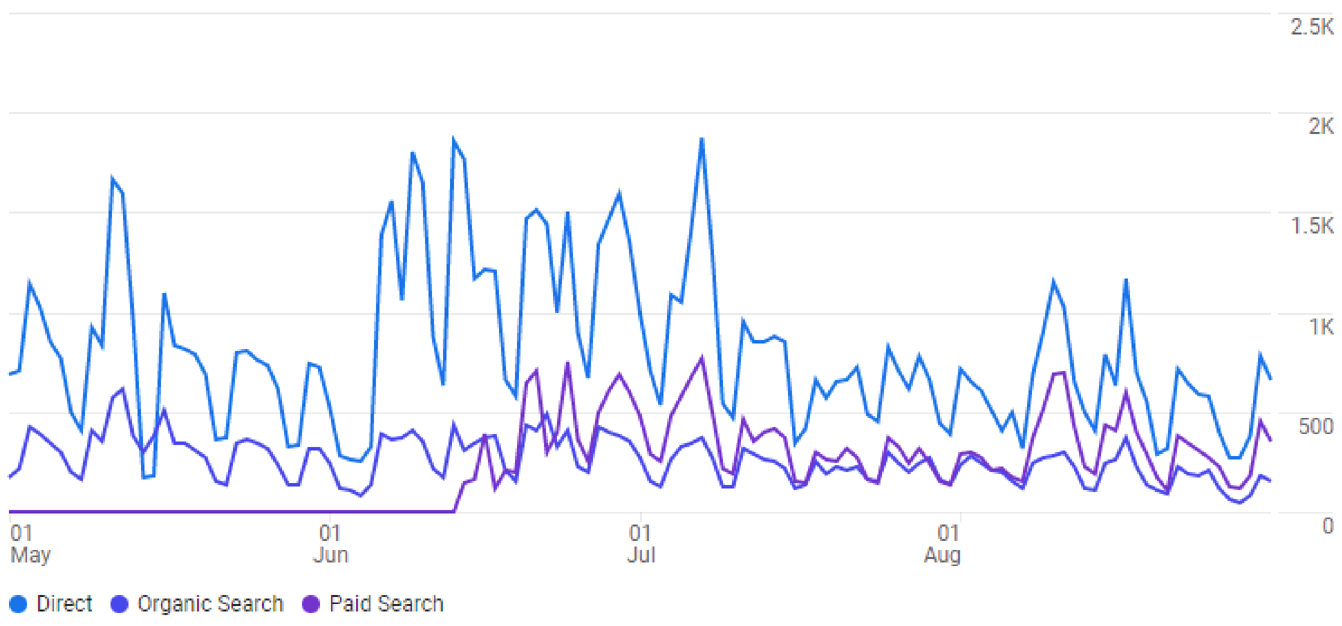




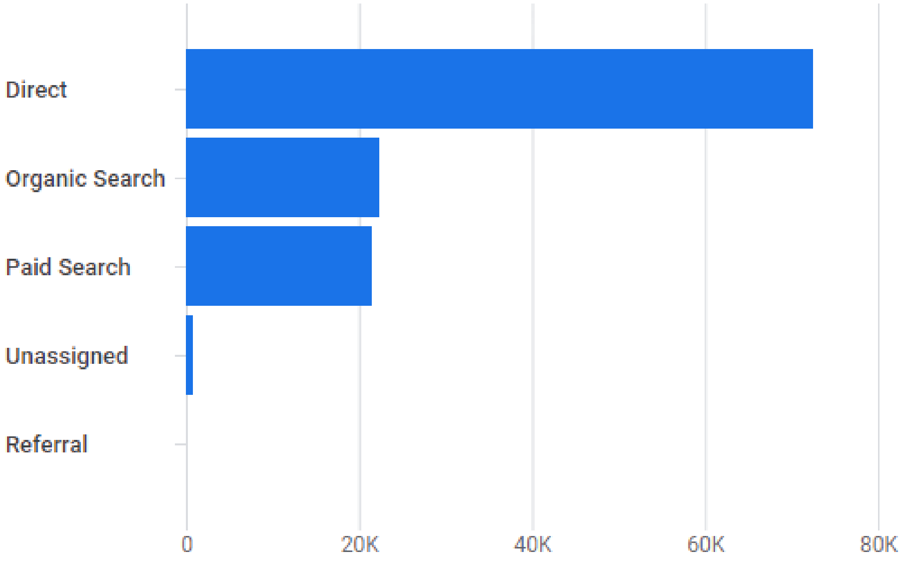


- Comparison of web users landing on www.wypf.org.uk/mypension during ABS production and the following 3 months (Sept-Nov)

Users by Session default channel group over time



Users by Session default channel group



- The majority of My Pension portal visitors come via direct links – either from our website or the notification email they receive.

Note – paid search only went live in mid-June

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.

Treasury Direction - McCloud On 14 December 2022, HM Treasury (HMT) made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022. They come into force on 19 December 2022 and apply to England, Northern Ireland, Scotland and Wales.

The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised. The Act gives relevant government departments powers to rectify McCloud discrimination.

For the LGPS, the Directions apply to the following powers in the Act:

• Section 82: an administering authority's power to pay compensation

• Section 83: the power to make regulations compensating members by paying additional LGPS benefits 6

• Section 84(1)(a): the power to make regulations setting out how interest should be calculated and paid on amounts due to the McCloud remedy, and

• Section 84(1)(B): the power to make regulations setting out the process to follow for paying amounts due to the McCloud remedy.

The making of the Directions now allows relevant departments to start consulting on regulations exercising these powers.

We have added the Directions to the directions and guidance folder on the:

• Related legislation page of www.lgpsregs.org

HMRC

Newsletter 143

HMRC published Newsletter 143 on 30 September 2022.

Consultation on tax rules for the McCloud remedy

On 24 November 2022, HMRC launched a consultation on how pension tax will apply to members protected by the McCloud remedy. HMRC is seeking views on draft legislation: The Public Services Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023. The legislation is planned to take effect from 6 April 2023. Some provisions will have retrospective effect.

The remedy that will apply in the LGPS is very different from the remedy that will apply in the unfunded schemes. As the draft legislation will cover all public service pension schemes, not all provisions are relevant to the LGPS. The draft regulations in Part 2 that will apply to the LGPS are:

• 14: how any underpin increase is treated for annual allowance purposes

• 17 and 23: whether any additional pension commencement lump sum paid after the normal deadline is an authorised payment

• 18,19 and 24: how an underpin increase affects a past trivial commutation payment and whether any additional amount due is an authorised payment

• 20, 21 and 25: serious ill health lump sums

• 22: whether arrears of pension payments in respect of a deceased Scheme member are authorised payments

• 26: whether a pension remains authorised where it is reduced due to a retrospective lifetime allowance debit

• 27 and 28: whether overpaid pensions and lump sums which are not recovered are authorised payments

• 30: whether additional amounts of death grants paid after the normal twoyear time limit are taxable payments

• 37 and 38: valuing benefits for individual protection 2016

• 40: the impact of an underpin increase on fixed protection 2016.

Some of these provisions will have no effect or limited effect on LGPS members due to the Scheme rules and the design of the remedy. For example, it is not possible to pay a serious ill health lump sum to a member in scope of remedy. We will outline our views on whether the draft regulations will be effective for LGPS members in our response to the consultation. The consultation documents also include an explanatory memorandum and guidance for administrators on the draft regulations.

We will respond to the consultation and share our response before the consultation closes on 6 January 2023. You can find links to the consultation on the:

• Non-scheme consultations page of www.lgpsregs.

Action for administering authorities Read the consultation documents and submit your consultation response by 6 January 2023

Public service pensions remedy newsletter

On 25 November 2022, HMRC published a Public service pensions remedy newsletter. The newsletter summarises the draft regulations and guidance that they are currently consulting on (see previous article) and confirms that HMRC is not able to respond to member queries related to the remedy.

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.

Scheme Advisory Board (SAB)

SAB responds to HM Treasury's consultation on exit payments

The SAB recently responded to HM Treasury's consultation on public sector exit payments.

Between 8 August 2022 and 17 October 2022, HM Treasury consulted on proposals introducing new controls for high exit payments. These will apply to all bodies classified as 'central government'. We covered the consultation in Bulletin 228.

You can access the consultation documents and the SAB response on the non-scheme consultations page of www.lgpsregs.org.

Pension Dashboards

Draft guidance on deferring staging date published On 17 October 2022, the Department for Work and Pensions (DWP) published draft guidance on applying to defer the staging deadline. DWP also published a template application form.

The draft Pensions Dashboards Regulations 2022 propose allowing trustees / managers of a pension scheme to apply to DWP to defer their staging deadline. They set out the time limits in which to apply and the circumstances where DWP may accept applications. DWP may only agree to defer the staging deadline once for each scheme and for a period of up to 12 months.

DWP has produced the draft guidance to aid understanding of the application process. This includes:

• what DWP will consider when reviewing applications

• what evidence should be submitted to support an application

• how to apply, including a recommendation to use the template application form

• how DWP will let schemes know whether they have accepted the application and how schemes can appeal.

DWP will finalise the draft guidance once the dashboard regulations come into force.

Draft dashboard regulations laid for approval

On 17 October 2022, DWP laid a draft of The Pensions Dashboard Regulations 2022 before each House of Parliament.

DWP can only make the regulations if each House approves the draft by a resolution. The House of Lords will consider the regulations on 15 November 2022. As yet, no date has been set for this to happen in the House of Commons.

DWP consulted on draft dashboard regulations between 31 January 2022 and 13 March 2022. They responded on 15 July 2022, which we covered in Bulletin 227. The draft regulations laid before each House have been amended to reflect the consultation response. They have also been amended to reflect the response to the further consultation (see next article).

You can access the consultation documents on:

• the non-scheme consultations page of www.lgpsregs.org

DWP responds to further consultation on dashboards

On 17 October 2022, DWP responded to the further consultation on dashboards. This ran from 28 June to 19 July 2022, see Bulletin 226 for more information.

The response confirms that the DWP will:

• give pension schemes six months' notice of the point at which pensions dashboards will be available to the public, the 'Dashboard Available Point'. This is an increase to the 90 days proposed in the consultation

• go ahead with the second proposal allowing the Money and Pensions Service (MaPS) and the Pensions Regulator (TPR) to share information about dashboards.

You can access the consultation documents on:

• the non-scheme consultations page of www.lgpsregs.org

Approach to governance of the standards

PDP recently published its approach to the governance of the standards. This sets out how PDP developed the standards, outlines their scope and describes how they will go about setting and managing any future changes.

In Bulletin 231, we let you know the Pensions Dashboards Programme (P D P) had published revised standards for connecting to the dashboards ecosystem.

PDP Newsletter

On 15 December 2022, PDP published its December 2022 newsletter.

The newsletter contains articles on the design standards consultation, cleansing data in readiness for dashboards, a new updated glossary, access to recordings and Q & As for the standards webinars and a blog looking back at 2022.

TPR

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.

Enforcement and prosecution policies updated

On 25 October 2022, the Pensions Regulator (TPR) published the following:

- revised enforcement policy
- updated prosecution policy
- new enforcement strategy.

These aim to give clarity on what those who are subject to enforcement action can expect from TPR.

The enforcement policy sets out TPR's approach to investigating cases and any subsequent enforcement action. It is web-based and divided into standalone chapters, each with links to other relevant documents. The policy also consolidates previous policies in respect of defined benefit, defined contribution and public service pension schemes.

The prosecution policy explains how TPR will approach prosecuting workplace pension criminal offences. The policy has been brought up to date to reflect the new criminal powers in the Pensions Schemes Act 2021 and other developments.
The enforcement strategy sets out the overarching aims of TPR's enforcement work (excluding automatic enrolment). It also provides an insight into the framework TPR applies when selecting cases for enforcement action.

TPR ran a consultation on the revised enforcement and prosecution policies between 4 May 2022 and 24 June 2022 and responded on 25 October 2022. You can access the consultation documents on the consultations page of TPR's website.

For more information, see the press release from TPR. Erica Carroll, TPR's Director of Enforcement, also published a blog setting out the reasons for the changes.

TPR consultation on dashboard enforcement

On 24 November 2022, the Pensions Regulator (TPR) launched a consultation on its draft dashboards compliance and enforcement policy.

TPR is responsible for ensuring that occupational pension schemes comply with their dashboard duties. The draft policy sets out how it intends to do so. The policy covers:

- the key risk areas it will focus on
- what it expects schemes to do when complying with their dashboard duties
- how it will monitor compliance
- how it will approach non-compliance.

The policy reiterates the powers TPR has to deal with non-compliance. This includes compliance notices and penalty notices. These can also be issued to third parties, such as employers, administrators and Integrated Service Providers (ISPs).

The policy also includes illustrative scenarios, setting out how it may approach particular examples of non-compliance.

The consultation closes on 24 February 2023. You can find links to the consultation on the:

- Non-scheme consultations page of www.lgpsregs.org

Action for administering authorities Submit a response to the consultation before 24 February 2023 if you have comments to make about the proposed compliance and enforcement policy.

The Pensions Dashboards Regulations 2022

On 21 November 2022, the Department for Work and Pensions made The Pensions Dashboards Regulations 2022 – the Regulations. They come into force on 12 December 2022.

The Regulations set out requirements for relevant occupational pension schemes to connect to pensions dashboards, and what organisations must do to provide a qualifying pensions dashboard service.

The regulations apply to England, Scotland and Wales. Different Pensions Dashboards Regulations for Northern Ireland have been made.

To help administering authorities implement pensions dashboards, we intend to publish an LGPS specific guide to connection early in 2023.

Pensions Dashboards Programme (PDP) publishes updated standards

On 16 November 2022, the PDP published its revised standards for connecting to the dashboards ecosystem. They cover the technical and operational detail that underpins dashboards legislation. The revised standards incorporate feedback from the consultation published in July 2022 – see bulletin 228 for more information.

Although the revised standards are pending final approval by the Secretary of State for Work and Pensions, they have been published to give schemes advance notice of the duties that they will need to comply with.

PDP also confirmed the process for updating the standards going forward, including the principles for decision-making and the notice period for industry.

A consultation on the draft design standards for qualifying pensions dashboards will take place in the winter.

Action for administering authorities Administering authorities should consider how they will comply with the standards. We recommend discussing the standards with their software provider or third party administrator, for those funds administered externally.

TPR

Regulators issue scam warning to pension schemes and savers

The Pensions Regulator (TPR) joined forces with the Financial Conduct Authority and the Money and Pensions Service to issue a scam warning to pension schemes and savers on 11 November 2022. The statement warns of an increased risk from scammers because of the current economic uncertainty.

The warning urges savers to:

- contact MoneyHelper for free, impartial advice before making any hasty decisions
- check that they are dealing with a legitimate firm by visiting the ScamSmart website
- know how to spot pension scams and avoid them

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

Report to:	**LGPS Local Pension Board**
Date:	**16 March 2023**
Subject:	**Employer Monthly Submissions Update**

Summary:

This paper provides the Board with up-to-date information on Employer Monthly Submissions for the third quarter of the financial year 2022/23 (October to December 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 276 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 December 2022

Month	Payment of Contributions		Submission of Data		Payment of Contributions and Submission of Data		Data and Payments do not Match / Incorrect Rate	
April	*0*	*0.0%*	*6*	*2.2%*	*1*	*0.4%*	*5*	*1.8%*
May	*2*	*0.7%*	*9*	*3.3%*	*0*	*0.0%*	*2*	*0.7%*
June	*4*	*1.5%*	*10*	*3.7%*	*0*	*0.0%*	*6*	*2.2%*
July	*2*	*0.7%*	*9*	*3.3%*	*0*	*0.0%*	*1*	*0.4%*
August	*1*	*0.4%*	*8*	*2.9%*	*2*	*0.7%*	*2*	*0.7%*
September	*2*	*0.7%*	*5*	*1.8%*	*1*	*0.4%*	*5*	*1.8%*
October	2	0.7%	3	1.1%	1	0.4%	2	0.7%
November	2	0.7%	3	1.1%	1	0.4%	2	0.7%
December	7	2.5%	0	0.0%	1	0.4%	1	0.4%
Total	**22**		**53**		**7**		**26**	

1.5 Generally quarter three showed good compliance from employers in all areas. The spike in late cash contributions in December is due to one payroll provider who paid contributions across late for all four of the employers they manage. As Appendix A shows, these four employers are among some of the larger in the Fund, and this provider and employers were clearly reminded of their responsibilities.

1.6 In the first two quarters of the year two payroll providers responsible for six employers had experienced IT and staffing issues which affected their ability to submit contributions data. This issue had been fully resolved at one payroll provider, and all submissions for their four employers were up to date by the end of quarter two. The second payroll provider submitted late data again for October and November, but fully resolved their issues at the beginning of January 2023 and were able to submit their December returns on time. Officers are still actively monitoring the situation at both providers and will escalate reporting and corrective action if required.

1.7 Overall, the occurrences of late data submissions and payments in quarter three seem to be comparable with recent trends, but officers are conscious that performance is not as strong as it could be. Therefore, if occurrences of late contributions worsen, officers will consider whether further action needs to be taken at a Fund level.

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.

<u>Table Two: Late contributions fines to December 2022</u>

April	*May*	*June*	*July*	*August*	*September*
0	*0*	*0*	*0*	*2*	*3*
September	October	November			
2	3	1			

1.10 Quarter three saw a continued issuance of administrative fines to two specific employers who had been consistent late contributors. These accounted for both September fines, and two out of three of the fines issued in October. The remaining two fines (one in October and one in November) appear to have been isolated cases and no further issues have been identified with these employers.

Conclusion

2.1 This report provides quarterly monitoring information on the timeliness and accuracy of employer submissions to help the Pensions 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 three 2022/23 (October to December 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 553641641 or claire.machej@lincolnshire.gov.uk.

Late Contributions and Payments October to December 2022

October 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
LINCOLN CHRIST'S HOSPITAL ACADEMY	YES	18/01/2023	NO		NO		
DEEPING ST JAMES PARISH COUNCIL	YES	29/11/2022	NO		NO		
LINCOLN COLLEGE	NO		YES	11/01/2023	NO		
WILLIAM FARR ACADEMY	NO		YES	19/01/2023	NO		
WRANGLE COUNTY PRIMARY	NO		YES	23/11/2022	NO		
KEELBY PRIMARY ACADEMY	NO		NO		YES	30/11/2022	
KESTEVEN AND GRANTHAM GIRLS ACADEMY	NO		NO		NO		YES
WARREN WOOD COMMUNITY ACADEMY	NO		NO		NO		YES
	Total = 2		Total = 3		Total = 1		Total = 2

Appendix A

Appendix A

November 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
EASY CLEAN (LINCHFIELD)	YES	21/12/2022	NO		NO		
LINCOLN CHRIST'S HOSPITAL ACADEMY	YES	18/01/2023	NO		NO		
REEF CLEANING (Bourne Academy)	NO		YES	21/12/2022	NO		
LINCOLN COLLEGE	NO		YES	11/01/2023	NO		
WILLIAM FARR ACADEMY	NO		YES	19/01/2023	NO		
ACTIVE NATION	NO		NO		YES	28/12/2022	
LONG BENNINGTON COFE ACADEMY	NO		NO		NO		YES
MABLETHORPE & SUTTON TOWN COUNCIL	NO		NO		NO		YES
	Total = 2		Total = 3		Total = 1		Total = 2

December 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
BOSTON BOROUGH COUNCIL	YES	23/01/2023	NO		NO		
EAST LINDSEY DISTRICT COUNCIL	YES	23/01/2023	NO		NO		
PUBLIC SECTOR PARTNERSHIP SERVICES	YES	23/01/2023	NO		NO		
SOUTH HOLLAND DISTRICT COUNCIL	YES	23/01/2023	NO		NO		
LINCOLN CHRIST'S HOSPITAL ACADEMY	YES	20/02/2023	NO		NO		
SPALDING GRAMMAR ACADEMY	YES	08/02/2023	NO		NO		
VINCI CONSTRUCTION UK LTD	YES	30/01/2023	NO		NO		
ACTIVE NATION	NO		NO		YES	17/02/2023	
WEST GRANTHAM ACADEMY	NO		NO		NO		YES
	Total = 7		Total = 0		Total = 1		Total = 1

Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**LGPS Local Pension Board**
Date:	**16 March 2023**
Subject:	**Temporary bank accounts**

Summary:

This report updates the Board on the number of temporary bank accounts created by West Yorkshire Pension Fund (WYPF) to hold monies due to beneficiaries of the scheme.

Matt Mott, Governance and Business Development Manager from WYPF, will update the Board.

Recommendation(s):

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

1.0 Background

1.1 For a number of years, WYPF have set up a number of temporary bank accounts with HSBC for deferred or pensioner beneficiaries who are entitled to a pension scheme benefit but for whom we have lost contact with or who will not claim their benefits.

1.2 Under the current scheme rules members who are entitled to a refund are required to claim the refund within 5 years of leaving. WYPF has a number of members who have not claimed the refund within the 5-year period. As a result, temporary deposit accounts have been set up for these members. Late claims will then be released from the account and paid to the claimant.

1.3 The payment into a temporary bank account means that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.

1.4 The Pensions Board have asked for information on the number of temporary accounts held and the amount of money held in these accounts.

2.0 Lost Contact Pensioners/Beneficiary

STG1 – Pensioner/Beneficiary

Currently Opened

No. of Deposit with Credit Balances	**23**
Total Credits	**£32,880.44**

Opened Accounts

2022/23	**9**
2021/22	**3**
2020/21	**17**
2019/20	**27**
2018/19	**34**
2017/18	**66**
2016/17	**11**
2015/16	**4**

Closed Accounts

2022/23	**33**
2021/22	**5**
2020/21	**15**
2019/20	**42**
2018/19	**22**
2017/18	**27**
2016/17	**4**
2015/16	**0**

2.1 The number of temporary deposit accounts held for this category of members has decreased from 36 to 23 which was reported at the last Pensions Board.

Total number: 23

Current amount held in accounts: £32,880.44

This is a reduction on the number of accounts previously held as some beneficiaries have been traced.

2.2 A detailed breakdown of the number of accounts opened and closed is shown at Appendix A.

3.0 Post 2014 Refunds

STG2 – Post 14 Refunds

Currently Opened

No. of Deposit with Credit Balances
526

Opened Accounts

2022/23	**156**
2021/22	**199**
2020/21	**169**
2019/20	**131**

Closed Accounts

2022/23	**40**
2021/22	**27**
2020/21	**48**
2019/20	**14**

3.1 The number of temporary deposit accounts held for this category of members has increased from 466 to 526:

Total number: 526

Current amount held in accounts: £79,912.30

This is an increase from the amount previously held of £59,331.38

3.2 This is an increase of 60 reported at the last Pensions Board, as expected as more and more members come up to their five-year deadline. However, the National Technical Group has contacted the Scheme Advisory Board to request a change in the LGPS Regulations 2013 to remove the requirement for a refund to be paid within five years. A response is still awaited.

3.3 A breakdown of the number of accounts opened and closed this year is shown at Appendix B.

4.0 Members not claiming benefits

4.1 A number of temporary bank accounts relate to members not claiming their benefits for reasons unknown. This could be because any pension may impact on DWP benefits they may be claiming; the pension is too small or they do not believe the pension is genuine.

4.2 The Pensioner Services Team have recently contacted all the beneficiaries who have a deposit account either by phone, e-mail or text and this has resulted in some of the deposit accounts being closed and the pensions put into payment.

5.0 Tracing

5.1 At least on an annual basis WYPF review the bank accounts and carry out further traces to see if the member can be located. This can be through the National Fraud Initiative, using a tracing agency or other means such as death notifications, member contacting us etc.

5.2 On-line tracing agencies used include Experian, Locta and Trace IQ. Where pensions are a reasonable amount (the cost is deductible from the benefits payable) then individuals tracing agents are used.

6.0 Conclusion

6.1 Payments into a temporary bank account are made when all tracing options are exhausted and mean that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.

6.2 The accounts are regularly monitored and closed where members are located or confirmation received that they have died.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Deposit Account Summary - Pensioner/Beneficiary
Appendix B	Deposit Account Summary - Post 14 Refunds

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 on matt.mott@wypf.org.uk

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Deposit Account Summary (Pensioner/Beneficiary)

STG1 Pensioner/Beneficiary Open		
Number	Date Opened	Cumulative Total
1	26/11/15	990.03
2	23/05/16	1,227.22
3	02/11/16	719.18
4	09/05/17	197.03
5	09/01/18	42.17
6	09/01/18	31.59
7	23/11/18	2,678.95
8	26/11/18	898.62
9	28/03/19	542.63
10	29/08/19	96.35
11	22/01/20	266.20
12	26/05/20	619.40
13	04/12/20	4,953.82
14	30/06/21	391.34
15	30/06/21	350.32
16	29/04/22	1,461.92
17	29/04/22	0.00
18	06/05/22	0.00
19	14/06/22	3,744.75
20	30/09/22	22.04
21	26/10/22	1,105.69
22	28/11/22	11,468.92
23	06/12/22	1,072.27
		£32,880.44

Deposit Account Summary (Pensioner/Beneficiary)

STG1 Pensioner/Beneficiary Closed			
Number	Date Opened	Date Closed	Cumulative Total
1	24/12/15	02/11/18	-£7,441.21
2	08/01/16	12/07/16	-£23,201.47
3	09/03/16	24/08/16	-£31,489.05
4	13/04/16	09/09/19	£0.00
5	13/04/16	06/03/17	-£132.46
6	09/05/16	25/05/16	£0.00
7	15/11/16	24/06/20	-£20,290.35
8	22/12/16	09/08/17	£0.00
9	06/01/17	09/09/19	£0.00
10	06/01/17	11/12/19	-£3,399.89
11	10/01/17	05/03/18	-£952.14
12	28/03/17	05/09/19	-£73.38
13	04/04/17	05/09/19	-£52.22
14	10/05/17	28/07/17	-£107.59
15	23/05/17	25/09/18	-£165.65
16	26/05/17	17/09/17	-£582.02
17	06/06/17	12/02/21	-£20.05
18	06/06/17	12/02/21	-£71.28
19	06/06/17	12/02/21	-£468.80
20	06/06/17	12/02/21	-£268.87
21	06/06/17	12/02/21	-£251.27
22	06/06/17	12/02/21	-£268.03
23	06/06/17	12/02/21	-£4.19
24	06/06/17	12/02/21	-£87.25
25	06/06/17	12/02/21	-£65.55
26	07/06/17	11/12/17	-£332.92
27	07/06/17	05/09/19	-£818.05
28	07/06/17	13/12/17	-£333.90
29	07/06/17	28/09/17	-£55.19
30	07/06/17	09/08/17	-£32.14
31	07/06/17	21/04/22	-£65.30
32	07/06/17	28/07/17	-£219.75
33	07/06/17	07/11/17	-£104.99
34	07/06/17	07/11/17	-£138.50
35	08/06/17	03/07/17	-£456.38
36	08/06/17	28/07/17	-£1,744.00
37	08/06/17	24/11/17	-£2,336.92
38	08/06/17	04/08/17	-£620.18
39	08/06/17	25/10/19	-£1,115.82
40	08/06/17	05/09/17	£0.00
41	08/06/17	25/10/17	-£952.07
42	08/06/17	24/10/17	-£2,143.17
43	08/06/17	16/06/17	£0.00
44	08/06/17	18/05/18	-£807.63
45	08/06/17	29/01/18	-£4,035.26
46	08/06/17	11/04/18	-£548.27
47	08/06/17	15/05/18	-£2,927.55
48	21/07/17	03/06/19	-£2,968.31
49	28/07/17	31/07/17	-£2,699.10
50	06/09/17	09/09/19	£0.00
51	24/10/17	29/01/18	-£2,519.86
52	24/10/17	01/02/18	-£987.28
53	09/11/17	27/02/18	-£759.09
54	09/11/17	07/02/20	-£12,038.89
55	14/11/17	04/08/22	-£72.76
56	15/11/17	26/11/18	-£50.04
57	11/12/17	25/10/19	-£14,286.79
58	13/12/17	25/11/19	-£1,797.47
59	15/12/17	09/01/18	-£1,613.76
60	15/12/17	25/10/19	-£4,403.00
61	20/12/17	25/07/18	-£3,346.16
62	20/12/17	09/09/19	£0.00
63	09/01/18	06/12/19	-£1,897.60
64	09/01/18	12/11/19	-£2,013.32
65	09/01/18	28/10/19	-£696.23
66	10/01/18	22/11/18	-£5,417.54

Deposit Account Summary (Pensioner/Beneficiary)

67	16/01/18	13/11/18	-£1,481.93
68	16/01/18	14/03/18	-£102.88
69	16/01/18	06/05/21	-£279.59
70	16/01/18	13/02/18	£0.00
71	23/02/18	10/05/18	-£4,315.88
72	23/02/18	22/05/18	-£3,148.91
73	23/02/18	27/10/21	-£2,251.80
74	27/02/18	10/08/22	-£154.35
75	15/03/18	29/11/18	-£391.48
76	10/05/18	18/02/19	-£45.73
77	10/05/18	16/04/20	-£7,078.42
78	10/05/18	30/01/20	-£786.98
79	30/05/18	23/12/19	-£13.72
80	07/06/18	18/10/22	-£495.29
81	18/07/18	25/09/18	-£42.42
82	02/08/18	12/09/18	-£2,351.14
83	02/08/18	07/02/19	-£412.10
84	02/08/18	23/01/19	-£1,591.22
85	02/08/18	08/10/19	-£746.86
86	02/08/18	30/04/19	-£686.88
87	02/08/18	31/08/18	-£1,072.34
88	02/08/18	24/09/18	-£501.54
89	02/08/18	30/05/19	-£117.07
90	31/08/18	23/01/20	-£3,623.99
91	07/09/18	02/11/18	-£3,419.57
92	07/09/18	09/09/19	£0.00
93	08/11/18	08/10/19	-£457.60
94	08/11/18	08/10/19	-£35.24
95	08/11/18	08/10/19	-£32.07
96	23/11/18	09/09/19	£0.00
97	02/01/19	14/08/19	-£4,722.53
98	15/01/19	12/11/19	-£924.58
99	15/01/19	28/10/19	-£754.66
100	23/01/19	25/04/19	-£3,148.48
101	23/01/19	26/02/19	-£559.43
102	12/02/19	14/02/19	-£99.30
103	14/02/19	05/08/19	-£5,030.76
104	14/02/19	04/05/22	-£35.17
105	13/03/19	09/09/19	£0.00
106	28/03/19	21/06/22	-£3,719.84
107	12/04/19	29/10/19	-£4,741.65
108	15/04/19	29/04/19	-£132.87
109	18/04/19	09/03/20	-£48.85
110	01/05/19	14/10/19	-£3,048.76
111	26/06/19	02/08/22	-£374.59
112	05/07/19	09/09/19	£0.00
113	15/07/19	18/05/22	-£2,348.94
114	09/08/19	09/06/22	-£201.14
115	09/08/19	09/06/22	-£154.01
116	06/09/19	08/09/22	-£2,019.42
117	16/09/19	16/08/22	-£602.99
118	23/09/19	18/05/22	-£3,049.76
119	17/10/19	09/12/19	-£15,771.32
120	30/01/20	15/12/20	-£36.73
121	30/01/20	18/01/21	-£968.44
122	06/02/20	06/02/20	£0.00
123	06/02/20	15/11/22	-£11,497.72
124	06/02/20	17/11/22	-£2,568.37
125	06/02/20	17/11/22	-£161.99
126	06/02/20	17/11/22	-£745.58
127	10/02/20	17/11/22	-£129.21
128	10/02/20	04/05/21	-£912.44
129	10/02/20	17/11/22	-£7.89
130	10/02/20	17/11/22	-£959.40
131	14/02/20	14/02/20	£0.00
132	05/06/20	06/05/22	-£119.57
133	10/06/20	12/01/21	-£3,237.29
134	19/06/20	06/05/22	-£1,858.80
135	19/06/20	06/05/22	-£109.54
136	19/06/20	06/05/22	-£92.14

Deposit Account Summary (Pensioner/Beneficiary)

137	19/06/20	06/05/22	-£177.51
138	02/07/20	04/05/22	-£82.37
139	23/07/20	15/07/22	-£657.53
140	23/07/20	12/02/21	-£137.49
141	16/09/20	28/10/22	-£27.38
142	16/09/20	26/10/22	-£589.87
143	22/10/20	15/07/22	-£506.89
144	27/11/20	13/01/22	-£4,726.56
145	04/12/20	08/08/22	-£1,298.68
146	17/03/21	18/11/22	-£373.54
147	10/11/21	10/12/21	£0.00
148	09/06/22	28/07/22	-£1,838.14
			£287,695.03

Deposit Account Summary (Post 14 refunds – opened & closed since August 22)

STG2 Post 14 Refunds Open		
Number	Date Opened	Cumulative Total
1	01/08/2022	141.61
2	09/08/2022	1,073.59
3	18/08/2022	298.76
4	18/08/2022	115.80
5	18/08/2022	210.08
6	18/08/2022	889.43
7	23/08/2022	45.19
8	23/08/2022	572.59
9	23/08/2022	78.31
10	23/08/2022	770.52
11	23/08/2022	689.07
12	23/08/2022	874.03
13	23/08/2022	7.08
14	23/08/2022	99.26
15	23/08/2022	108.39
16	23/08/2022	641.02
17	23/08/2022	220.27
18	23/08/2022	183.42
19	23/08/2022	217.46
20	23/08/2022	0.54
21	23/08/2022	315.61
22	23/08/2022	107.32
23	23/08/2022	1.96
24	23/08/2022	5.68
25	23/08/2022	75.13
26	24/08/2022	9.84
27	05/09/2022	279.16
28	07/09/2022	74.61
29	08/09/2022	45.41
30	12/09/2022	1,551.45
31	12/09/2022	88.33
32	15/09/2022	3,115.04
33	20/09/2022	17.52
34	20/09/2022	31.63
35	20/09/2022	46.80
36	20/09/2022	9.13
37	30/09/2022	5.22
38	04/10/2022	26.05
39	10/10/2022	122.01
40	18/10/2022	167.85
41	19/10/2022	791.42
42	19/10/2022	1,517.88
43	20/10/2022	10.83
44	20/10/2022	164.55
45	20/10/2022	109.16
46	24/10/2022	21.38
47	24/10/2022	31.30
48	28/10/2022	6.29
49	28/10/2022	272.13
50	31/10/2022	27.09
51	31/10/2022	15.52
52	10/11/2022	667.55
53	11/11/2022	8.40
54	21/11/2022	1.73
55	21/11/2022	1.73
56	21/11/2022	1.73
57	21/11/2022	0.87
58	21/11/2022	0.87
59	21/11/2022	10.31

Deposit Account Summary (Post 14 refunds – opened & closed since August 22)

60	21/11/2022	135.10
61	24/11/2022	107.60
62	29/11/2022	30.76
63	08/12/2022	0.00
64	08/12/2022	1.73
65	08/12/2022	8.25
66	08/12/2022	303.66
67	08/12/2022	262.18
68	08/12/2022	46.36
69	09/12/2022	47.28
70	09/12/2022	476.21
71	09/12/2022	79.07
72	09/12/2022	0.00
73	09/12/2022	115.35
74	09/12/2022	6.43
		£18,612.89

Deposit Account Summary (Post 14 refunds – opened & closed since August 22)

STG2 Post 14 Refunds Closed			
Number	**Date Opened**	**Date Closed**	**Cumulative Total**
1	05/07/2022	02/08/2022	-£897.57
2	20/07/2022	05/08/2022	-£163.39
3	05/04/2022	16/08/2022	-£346.86
4	20/05/2022	25/08/2022	£0.00
5	23/08/2022	25/08/2022	£0.00
6	23/08/2022	13/09/2022	-£28.67
7	17/02/2022	03/10/2022	£0.00
8	12/08/2022	06/10/2022	-£86.54
9	22/03/2022	11/10/2022	-£217.80
10	23/08/2022	01/11/2022	-£1,425.32
11	20/10/2022	11/11/2022	-£88.54
12	23/08/2022	15/11/2022	-£1,714.21
13	31/10/2022	30/11/2022	-£260.87
14	08/12/2022	13/12/2022	£0.00
15	08/03/2022	16/12/2022	£0.00
16	22/04/2022	16/12/2022	£0.00
17	02/08/2022	16/12/2022	£0.00
18	20/07/2022	16/12/2022	£0.00
19	25/02/2022	16/12/2022	£0.00
20	24/05/2022	16/12/2022	£0.00
21	05/08/2022	16/12/2022	£0.00
22	17/06/2022	16/12/2022	£0.00
23	20/05/2022	16/12/2022	£0.00
24	04/04/2022	16/12/2022	£0.00
25	08/11/2022	16/12/2022	£0.00
26	10/11/2022	16/12/2022	£0.00
27	24/11/2022	16/12/2022	£0.00
28	29/11/2022	16/12/2022	£0.00
			£5,229.77

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Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**LGPS Local Pension Board**
Date:	**16 March 2023**
Subject:	**The Pensions Dashboard**

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 the Pensions Dashboard.

Recommendation(s):

That the Board discuss the report and note the progress on implementing the Pensions Dashboard.

1.0 Background

1.1 Pensions dashboards will enable individuals to access their pensions information, including state pension, online, securely and all in one place, thereby supporting individuals to better plan for their retirement and growing financial wellbeing.

1.2 Pensions Dashboards legislation was laid before parliament on 18th October 2022. The Regulations set out scheme managers obligations in respect of Pensions Dashboards and are based on the indicative regulations that were consulted on in January 2022 and updated to take account of the DWP's response, and other industry feedback.

1.3 The objectives for Pensions Dashboards are:

- they will make accessing pensions information, including information on individuals State Pension, easier by allowing people to see what they have in their various pensions at the touch of their smartphone, laptop, or computer;

- pensions dashboards will put individuals in control of planning for their retirement; and

- pensions dashboards will provide an opportunity for engaged individuals to consider taking action to consolidate their deferred small pots.

1.4 This first version of Pensions Dashboard will be relatively simple, offering people the opportunity to find their pensions and then view information about the value of those pensions, this will be run by Money and Pensions Service (MaPS). The legislation allows for commercial firms to provide dashboards at a point in the future with additional functionality.

1.5 The scale of the challenge to create the MaPS's Pensions Dashboard involves 52 million adults being connected to around 43,000 providers and schemes. Existing challenges include establishing a sufficiently secure identity verification process, working out how to match people accurately to their savings.

1.6 The commercial dashboards bring opportunities for individuals to reach their pensions via organisations who they may already interact with digitally and therefore provide opportunities to engage individuals who prefer to use tools from these organisations, that they already have a trusted relationship with, such as their bank or employer.

2.0 Regulatory Framework

2.1 As you would expect from quite a technologically advanced legislative and regulatory framework there are a number of Government bodies covering the wider regulations.

2.2 MaPS set standards covering the legislative requirements for:

- Data;
- Technical infrastructure;
- Design and reporting including monitoring compliance; and
- A Code of Connection covering security, service and operational requirements.

2.3 A new regulatory function will be created overseeing this process called the Governance Register. The Governance Register will work to ensure that the dashboard ecosystem is kept safe and that the required security and performance standards are met.

2.4 The Pensions Regulator (TPR) will continue as our primary regulator and will also be able to take enforcement action if schemes fail to comply with any of the requirements in these draft regulations. Fines for dashboard-related breaches can be up to £5,000 per individual scheme member breach and £50,000 in other cases.

2.5 Schemes would have a duty to cooperate with requests from MaPS relating to connection to the ecosystem, and would have to report certain information to MaPS, which will be set out in published standards and regulations.

2.6 The regulations have been developed to be consistent with existing data protection requirements, including the UK GDPR. Therefore, this remains the responsibility of the Information Commissioner's Office to investigate any breaches of data protection law and take the action it considers appropriate, in the usual way.

3.0 What Is Required of Pensions Schemes

3.1 The date a pension scheme is required to join the MaPS pensions dashboard is set out in the legislation. All local government schemes must have joined the Pensions Dashboard ecosystem no later than September 2023; this is known as a scheme staging date.

3.2 The Pensions Dashboard Programme will audit a schemes readiness to connect to the ecosystem. MaPS has the regulatory power to work with the pension provider and any third party to define and monitor steps to ensure compliance. The legislation also MaPS to share information with The Pensions Regulator (TPR) including data from the ecosystem once live.

3.3 DWP have proposed that it would be for the scheme manager to set their own matching criteria i.e. decide if a scheme members pension record matches an individual requesting pensions scheme information through the ecosystem. Scheme managers need to set a policy for how they will match and what criteria they will use. Most dashboard providers are currently working this through with PASA.

4.0 Current Position - Post October 2022

4.1 TPR's compliance and enforcement policy consultation has been issued and closed to comments on 24th February. This outlined a high-level principle-based regime that will develop over time as the dashboard operation matures. TPR have issued a checklist for schemes to ensure they are ready for Pensions Dashboard.

4.2 Under the Regulations, TPR will have discretion to issue penalties of up to £5,000 to individuals and up to £50,000 in other cases for any single instance of non-compliance. TPR has said it will use its powers "fairly and proportionately".

4.3 It appears that the primary mechanism for establishing whether there have been compliance failures is through the digital architecture, being built by MaPS. The legislation allows MaPS to share management information and data insights, they collect via real-time monitoring of the pension's dashboard ecosystem, with TPR.

4.4 The Pensions Dashboards Programme (PDP), which is a function of MaPS, is responsible for designing and creating the dashboard ecosystem, including the digital architecture that is essential to make dashboards work. PDP have issued a design standard consultation which outlines how pensions information is presented to the user. This consultation closed on 16th February. The design standards are intended to be in place shortly after April 2023.

4.5 Both WYPF and the LGA have been concerned about the timing of McCloud/Sargent impacting on LG's ability to deliver both reforms to the required regulatory dates. The consultation for McCloud/Sargent is due in February with a 12-week consultation period, with legislation being laid in September 2023 and operational in October 2023.

Conclusion

5.1 There has been significant legislative and consultative activity over the last period. These provide a level of certainty from which schemes and administrators can now progress.

5.2 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) 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.

Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**LGPS Local Pension Board**
Date:	**16 March 2023**
Subject:	**Lincolnshire Pension Fund Policies Review**

Summary:

This report brings to the Board any changes to the main policies of the Pension Fund for review.

Recommendation(s):

That the Board discuss and consider the report and review the Fund's Governance Policy and Compliance Statement and Funding Strategy Statement.

Background

1. Under the various Local Government Pension Scheme Regulations, the Pensions Committee, as the Administering Authority of the Lincolnshire Pension Scheme, is required to produce and maintain a number of key policy documents. Policies are brought to the Board annually where there have been changes, and the last comprehensive review of all policies was March 2022. All policies will be reviewed at least every five years, to ensure they are still fit for purpose. This report presents any amendments to the policies for them to be reviewed by the Board.

Policies for Review

2. All key policies have been reviewed, and where changes have been made these are set out as Annexes to this report. Any significant changes will be brought to the Board's attention and explained during the meeting. At this time, there have been two policies with key changes to bring in this report. Contact details have been updated in all policies.

Appendix A – Governance Policy and Compliance Statement

3. The Governance Policy sets out the arrangements for the management of the Pension Fund, and the Compliance Statement sets out the extent to which this policy

complies with best practice, on a comply or explain basis. The changes to the policy are:

a) to add in the additional co-opted Committee member to represent the academies sector;
b) to update the role of the Committee following the changes to the constitution made in December;
c) to update the structure of the Committee meetings; and
d) updates throughout the document to reflect the above changes.

4. Within the compliance statement, the areas where the Fund is only partially compliant are detailed below:

- Principle A – Structure – (b) – the Committee does not include representatives for pensioner or deferred members.

- Principle B – Representation – (a) - the Committee does not include representatives for pensioner or deferred members.

- Principle E – Training/Facility Time/Expenses – (c) – the Committee has an annual training plan at Committee level, but not for individual members.

Appendix B - Funding Strategy Statement (FSS)

5. The FSS sets out the Fund's approach to managing its solvency and is generally updated every three years, in line with the Triennial Valuation. It is the framework that guides the Fund Actuary and informs the employers. This has been updated as part of the 2022 Valuation process and is attached at appendix B. This has seen a wholescale change, and reflects the methodologies under Barnett Waddingham, rather than the previous Actuary. All employers were consulted on the changes to the FSS, as part of the valuation process, and no comments were received back.

Other Policies

6. The other key policies of the Lincolnshire Fund have not had any changes at this time or are brought separately to this meeting. To enable Board members to remind themselves of the content of these policies, they can all be found on the shared website at:
https://www.wypf.org.uk/publications/policy-home/lpf-index/.

A brief description of these policies is set out in the paragraphs below.

Investment Strategy Statement

7. The Investment Strategy Statement (ISS) sets out the Fund's approach to the investment of the Fund's assets, in accordance with the guidance issued by the

Secretary of State. This will be updated and brought to a future meeting once the Committee has completed the strategic asset allocation review.

Communications Policy

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

Pensions Administration Strategy

9. The Pensions Administration Strategy sets out how the shared administration service will communicate and liaise with employers, what the responsibilities are of the administration service, the administering authority, and the employers.

This policy is aligned to the shared service policy created in consultation with all shared service partners, but with some additional elements relating specifically to LPF.

Breaches Reporting Procedure

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

Pension Fund Code of Conduct and Conflicts of Interest

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

Stewardship Code Statement

12. This was brought to the December meeting of the Committee within the Responsible Investment Update Report.

Conclusion

13. The key policies of the Fund are reviewed regularly and brought to the Board for consideration at least every five years, and more frequently where changes are made.

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	Governance Policy and Compliance Statement
Appendix B	Funding Strategy Statement

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 Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

Lincolnshire Pension Fund

Governance Policy and Compliance Statement

March 2023

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

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

GOVERNANCE POLICY STATEMENT

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

Pensions Committee

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

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

The four co-opted members comprise:

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

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

- Drawing upon appropriate professional advice, to set investment policies for the Fund, including the establishment and maintenance of a strategic benchmark for asset allocation, and approval of the Investment Strategy Statement.

- To give consideration to the agreed Investment and Responsible Investment Belief framework when setting investment policies and ensure that the Fund is meetings its Stewardship requirements, with support from the professional advisors and officers.

- To review the performance of Border to Coast Pensions Partnership Limited and its sub-funds, legacy fund managers, including their stewardship and responsible investment arrangements, with support from the professional advisors and officers.

- Appoint and review professional service providers including fund custodian, investment consultant and actuary, with support from the professional advisors and officers.

- To appoint and review the performance of the Fund's Administrator, with support from the professional advisors and officers.

- To review the performance of scheme employers in meeting their responsibilities.

- To review the Annual Report and Statement of Accounts of the Fund, specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

- To approve the Annual Report and Statement of Accounts of the Fund.

- Carrying out the duties set out in the Regulations in relation to the actuarial valuation of the Fund and in relation to any other decisions about the amount the employers need to pay, and approval of the Funding Strategy Statement.

- To review and approve, on a regular basis, all required policies including, but not limited to, the Administration Strategy, Communications Policy, Governance Compliance Statement, Risk Management and Training Policy.

- To contribute to any relevant consultations impacting upon the governance, investment, or benefit provisions of the Local Government Pension Scheme.

- To meet the minimum training requirements within the required timeframe, as set out in the Committee's Training Policy.

- To consider any other matters relevant to the operation and management of the Fund.

- To report to full Council on a regular basis on the committee's performance in relation to its effectiveness in meeting its purpose.

In fulfilling its functions, the Committee shall have regard to the advice of the Lincolnshire Local Pension Board established in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 and shall receive and consider recommendations from the Border to Coast Pensions Partnership Joint Committee.

The Pensions Committee has eight regular meetings, with four covering investment and responsible investment, and four covering administration and governance. All meetings allow time for training to be undertaken. In addition, one or more special meetings may be held as required.

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

Executive Director – Resources

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

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

Lincolnshire Pension Board

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

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

The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti-fraud and corruption policy operated by the administering authority, which operate to include all of the functions of the Council and its advisers).

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

- Assist Lincolnshire County Council as Scheme Manager;

- To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;

- To secure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and

- In such other matters as the scheme regulations may specify.

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

The Lincolnshire Pension Board consists of five members:

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

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

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

The Lincolnshire Pension Board meetings are open to the public and agendas, reports and minutes are made available on the Council's website. The Independent Chairman of the Board reports to the Pensions Committee four times a year to provide an update on the Board's work and any assurance given. An annual report on the work of the Board is included in the Fund's annual report, which is published is published and provided to all scheme employers, with a summary distributed to scheme members..

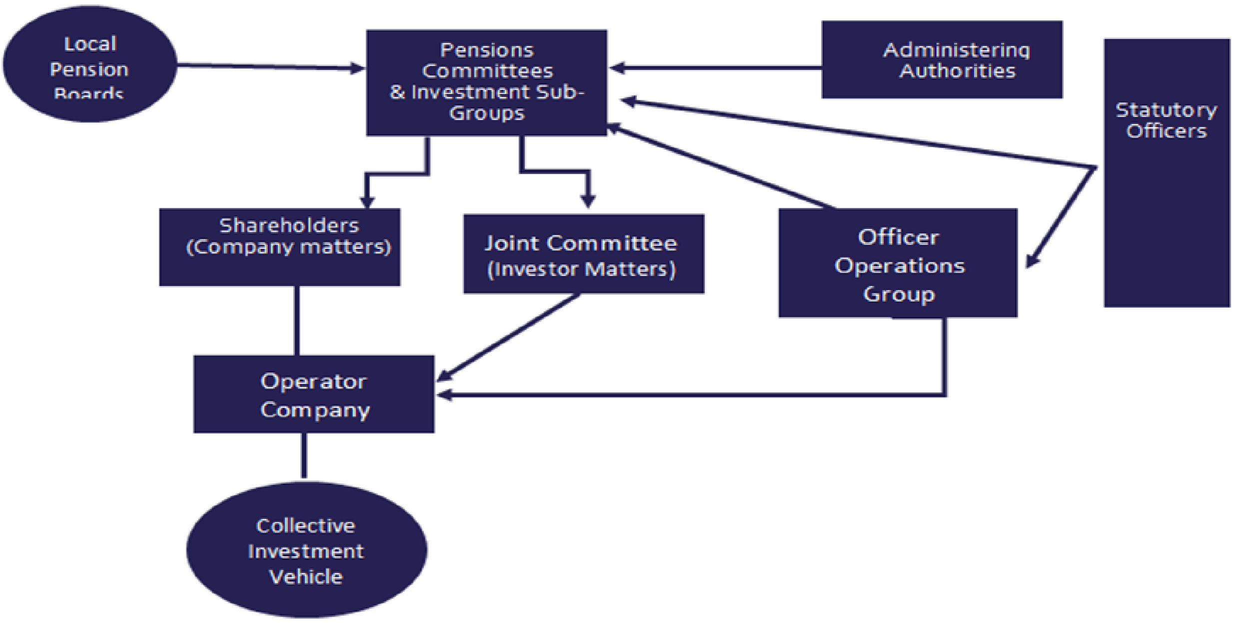
Any complaint or allegation of breach of due process brought to the attention of the Lincolnshire Pension Board shall be dealt with in accordance with the Fund's Breaches Reporting procedure and the Code of Practice as published by the Pensions Regulator.

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

Asset Pooling Governance

In response to the change in regulations, LGPS Funds have to pool the investment of their assets. Lincolnshire Pension Fund is a Partner Fund in the Border to Coast Pensions Partnership Limited (Border to Coast), one of the eight asset pools created.

The diagram below shows the governance structure for Border to Coast.



The Fund holds Border to Coast to account through the following mechanisms:

- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of Border to Coast (LCC S151 Officer).
- A representative on the Joint Committee who will monitor and oversee the investment operations of Border to Coast (Pensions Committee Chairman).
- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group (Head of Pensions and S151 Officer).

The Pension Fund retains the decision making powers regarding asset allocation and delegates the investment management function to Border to Coast, where asset have been transitioned.

GOVERNANCE COMPLIANCE STATEMENT

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

	structure. These include :- • **Employing authorities (including non-scheme employers, e.g. admitted bodies);** • **Scheme members (including deferred and pensioner scheme members),** • **Where appropriate, Independent professional observers, and** • **Expert advisors (on an ad hoc basis)**		one representing other local authorities (district councils), one representing small scheduled bodies, currently from an Internal Drainage Board, and one representing the academy sector. Member representation is dealt with by having a trade union representative on the Committee. Given the statutory guarantee that exists in respect of member benefits, this is felt to be sufficient representation. The Council will review this aspect periodically. The Committee have appointed an Investment Consultant who attends all Investment and Responsible Investment Committee meetings.
	b. That where lay members sit on the main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	All members of the Committee have full voting rights and equal access to information, training, etc.
C – Selection and Role of Lay Members	**a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.**	Yes	Nationally customised training is available to all members and this is supplemented by locally provided induction sessions for new members of the Committee. In addition, the Committee agrees an annual training plan with specific topics covered on set dates.
	b. That at the start of any meeting, committee members are invites to declare any financial or pecuniary interest related to specific matters on	Yes	The declaration of member’s interests is a standard item on the agenda of the Pensions Committee.

	the agenda.		
D - Voting	**a. That the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.**	Yes	Full voting rights are given to all members of the Committee.
E – Training/Facility Time/Expenses	**a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.**	Yes	See C a. above. All expenses incurred by members of the Pensions Committee are either met by the body they represent or directly by the Fund itself.
	b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	All members are treated equally in every respect.
	c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The Committee agrees an annual training plan with specific topics covered on set dates. All training undertaken by members of the Pensions Committee is recorded and additional training opportunities are regularly brought to the attention of the Committee, either in monthly update letters or in reports taken to Committee.

F – Meetings - Frequency	**a. That an administering authority's main committee meet at least quarterly.**	Yes	See Compliance Policy Statement above.
	b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Relevant	As discussed above, no such forum has been established as yet.
	c. That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Relevant	Four co-opted members sit on the Committee and have equal rights with all mainstream members in all respects.
G – Access	**a. That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.**	Yes	All members are treated equally in every respect.
H – Scope	**a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.**	Yes	The terms of reference of the Pensions Committee include benefit related matters and issues other than investments. A report on the administration of the scheme is taken to each administration and governance committee meeting. At present the Council does not believe there is a strong argument in favour of appointing an independent professional observer on administration/governance issues as the

			Board's role is to oversee these areas and provide assurance or recommendations to the Committee.
I - Publicity	**a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.**	Yes	The County Council publishes the many governance documents and communicates regularly with employers and scheme members.

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Lincolnshire Pension Fund
Funding Strategy Statement

Contents

Introduction

This is the Funding Strategy Statement for the Lincolnshire Pension Fund (the Fund). It has been prepared in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 as amended (the Regulations) and describes Lincolnshire County Council's strategy, in its capacity as administering authority, for the funding of the Lincolnshire Pension Fund.

The Fund's employers and the Fund Actuary, Barnett Waddingham LLP, have been consulted on the contents of this statement.

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS) and has been prepared with regard to the guidance (*Preparing and Maintaining a funding strategy statement in the LGPS 2016 edition)* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Purpose of the Funding Strategy Statement

The purpose of this Funding Strategy Statement (FSS) is to:

- Establish a clear and transparent fund-specific strategy that will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(6) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide Scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the Fund are met; and
- Take a prudent longer-term view of funding those liabilities.

Aims and purpose of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to Scheme members as provided for under the Regulations;
- Meet the costs associated in administering the Fund; and
- Receive and invest contributions, transfer values and investment income.

Funding objectives

Contributions are paid to the Fund by Scheme members and the employing bodies to provide for the benefits which will become payable to Scheme members when they fall due.

The funding objectives are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

In developing the funding strategy, the administering authority should also have regard to the likely outcomes of the review carried out under Section 13(4)(c) of the Public Service Pensions Act 2013. Section 13(4)(c) requires an independent review of the actuarial valuations of the LGPS funds; this involves reporting on whether the rate of employer contributions set as part of the actuarial valuations are set at an appropriate level to ensure the solvency of the Fund and the long-term cost efficiency of the Scheme so far as relating to the pension Fund. The review also looks at compliance and consistency of the actuarial valuations.

Key parties

The key parties involved in the funding process and their responsibilities are set out below.

The administering authority

The administering authority for the Fund is Lincolnshire County Council. The main responsibilities of the administering authority are to:

- Operate the Fund in accordance with the LGPS Regulations;
- Collect employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets in accordance with the Fund's Investment Strategy Statement;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Ensure that cash is available to meet liabilities as and when they fall due;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;
- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Effectively manage any potential conflicts of interest arising from its dual role as both Fund administrator and Scheme employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

Scheme employers

In addition to the administering authority, a number of other Scheme employers participate in the Fund.

The responsibilities of each employer that participates in the Fund, including the administering authority, are to:

- Collect employee contributions and pay these together with their own employer contributions, as certified by the Fund Actuary, to the administering authority within the statutory timescales;
- Notify the administering authority of any new Scheme members and any other membership changes promptly;
- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

Scheme members

Active Scheme members are required to make contributions into the Fund as set by the Department for Levelling Up, Housing and Communities (DLUHC).

Fund Actuary

The Fund Actuary for the Fund is Barnett Waddingham LLP. The main responsibilities of the Fund Actuary are to:

- Prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- Provide advice and valuations on the exiting of employers from the Fund;
- Provide advice and valuations relating to new employers, including recommending the level of bonds or other forms of security required to protect the Fund against the financial effect of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to their role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

Funding strategy

The factors affecting the Fund's finances are constantly changing, so it is necessary for its financial position and the contributions payable to be reviewed from time to time by means of an actuarial valuation to check that the funding objectives are being met.

The most recent actuarial valuation of the Fund was carried out as at 31 March 2022. The results of the 2022 valuation are set out in the table below:

2022 valuation results	
Surplus (Deficit)	£18m
Funding level	101%

On a whole Fund level, the primary rate required to cover the employer cost of future benefit accrual was 24.1% of payroll p.a.

The individual employer contribution rates are set out in the Rates and Adjustments Certificate which forms part of the Fund's 2022 valuation report.

The actuarial valuation involves a projection of future cashflows to and from the Fund. The main purpose of the valuation is to determine the level of employers' contributions that should be paid to ensure that the existing assets and future contributions will be sufficient to meet all future benefit payments from the Fund. A summary of the methods and assumptions adopted is set out in the sections below.

Funding method

The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution rates to meet that target over an agreed period.

The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund.

For all employers, the method adopted is to consider separately the benefits accrued before the valuation date (past service) and benefits expected to be accrued after the valuation date (future service). These are evaluated as follows:

- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members' pay and pensions. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) is the level of contributions required from the individual employers which, in combination with employee contributions is expected to cover the cost of benefits accruing in future.

The adjustment required to the primary rate to calculate an employer's total contribution rate is referred to as the secondary rate, as defined in Regulation 62(7). Further details of how the secondary rate is calculated for employers is given below in the Deficit recovery/surplus amortisation periods section.

The approach to the primary rate will depend on specific employer circumstances and in particular may depend on whether an employer is an "open" employer – one which allows new recruits access to the Fund, or a "closed" employer – one which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the total contribution rate. The minimum primary rate for employers is set at 10%.

For open employers, the actuarial funding method that is adopted is known as the Projected Unit Method. The key feature of this method is that, in assessing the future service cost, the primary rate represents the cost of one year's benefit accrual only.

For closed employers, the actuarial funding method adopted is known as the Attained Age Method. The key difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The approach by employer may vary to reflect an employer's specific circumstance, however, in general the closed employers in the Fund are admission bodies who have joined the Fund as part of an outsourcing contract and therefore the Attained Age Method is used in setting their contributions. All other employers (for example councils, higher education bodies and academies) are generally open employers and therefore the Projected Unit Method is used. The administering authority holds details of the open or closed status of each employer.

Valuation assumptions and funding model

In completing the actuarial valuation, it is necessary to formulate assumptions about the factors affecting the Fund's future finances such as price inflation, pay increases, investment returns, rates of mortality, early retirement and staff turnover etc.

The assumptions adopted at the valuation can therefore be considered as:

- The demographic (or statistical) assumptions which are essentially estimates of the likelihood or timing of benefits and contributions being paid, and
- The financial assumptions which will determine the estimates of the amount of benefits and contributions payable and their current (or present) value.

Future price inflation

The base assumption in any valuation is the future level of price inflation over a period commensurate with the duration of the liabilities, as measured by the Retail Price Index (RPI). This is derived using the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve, with consideration of the market conditions over the six months straddling the valuation date. The 20 year point on the curve is taken as 20 years is consistent with the average duration of an LGPS Fund. A deduction of 0.3% p.a. is applied to the yield at the 20 year point to reflect the shape of the yield curve. A further deduction of 0.4% p.a. is applied to reflect the view that investors are willing to pay a premium for inflation-linked products in return for protection against unexpected inflation.

Future pension increases

Pension increases are linked to changes in the level of the Consumer Price Index (CPI). Inflation as measured by the CPI has historically been less than RPI due mainly to different calculation methods. However, RPI is due to be aligned with CPIH (CPI but with allowance for housing costs) from 2030.

Therefore, reflecting the anticipated amendment to RPI from 2030 and therefore the relative difference between RPI and CPI, a deduction of 0.35% p.a. is made to the RPI assumption to derive the CPI assumption.

Future pay increases

As some of the benefits are linked to pay levels at retirement, it is necessary to make an assumption as to future levels of pay increases. Historically, there has been a close link between price inflation and pay increases with pay increases exceeding price inflation in the longer term. The long-term pay increase assumption adopted as at 31 March 2022 was CPI plus 1.0% p.a. which includes allowance for promotional increases.

Future investment returns/discount rate

To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

The discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the Fund's long-term investment strategy by considering average market yields in the six months straddling the valuation date. This discount rate is referred to as the "ongoing" discount rate.

A summary of the financial assumptions adopted for the 2022 valuation is set out in the table below:

Financial assumptions as at 31 March 2022	
CPI inflation	2.9% p.a.
Pension/deferred pension increases and CARE revaluation	In line with CPI inflation
Pay increases	CPI inflation + 1.0% p.a.
Discount rate	4.0% p.a.

Asset valuation

For the purpose of the valuation, the asset value used is the market value of the accumulated fund at the valuation date, adjusted to reflect average market conditions during the six months straddling the valuation date. This is referred to as the smoothed asset value and is calculated as a consistent approach to the valuation of the liabilities.

The Fund's assets are notionally allocated to employers at an individual level by allowing for actual Fund returns achieved on the assets and cashflows paid into and out of the Fund in respect of each employer (e.g. contributions received and benefits paid).

Demographic assumptions

The demographic assumptions incorporated into the valuation are based on Fund-specific experience and national statistics, adjusted as appropriate to reflect the individual circumstances of the Fund and/or individual employers.

Further details of the assumptions adopted are included in the Fund's 2022 valuation report.

McCloud/Sargeant judgments

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on during 2022/23 with revised Regulations effective from October 2023.

For the 2022 valuation, as required by the Department for Levelling Up, Housing & Communities, in calculating the value of members' liabilities it was assumed that:

- The current underpin (which only applies to those members within 10 years of their NPA at 31 March 2012) will be revised and will apply to all members who were active in the Scheme on or before 31 March 2012 and who join the post 1 April 2014 scheme without a disqualifying service gap;
- The period of protection will apply from 1 April 2014 to 31 March 2022 but will cease when a member leaves active service or reaches their final salary scheme normal retirement age (whichever is sooner);
- Where a member remains in active service beyond 31 March 2022 the comparison of their benefits will be based on their final salary when they leave the LGPS or when they reach their final salary scheme normal retirement age (again whichever is sooner);
- Underpin protection will apply to qualifying members who leave active membership of the LGPS with an immediate or deferred entitlement to a pension; and
- The underpin will consider when members take their benefit.

Further details of the McCloud/Sergeant judgment can be found below in the Regulatory risks section.

Guaranteed Minimum Pension (GMP) indexation and equalisation

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

The 2022 valuation approach for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the government providing the remainder of the inflationary increase. For members that reach SPA after this date, the Fund will be required to pay the entire inflationary increase.

Deficit recovery/surplus amortisation periods

Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. This theory applies down to an individual employer level; each employer in the Fund has their own share of deficit or surplus attributable to their section of the Fund.

Where the valuation for an employer discloses a deficit then the level of required employer contributions includes an adjustment to fund the deficit over a maximum period of 17 years. The adjustment may be set either as a percentage of payroll or as a fixed monetary amount depending on group.

Where the valuation for an employer discloses a surplus, the preferred approach is for contribution rates to be set as the calculated primary rate as a minimum rate. However, the level of required employer contributions may include an adjustment to amortise the surplus but must be permitted by the administering authority. This will be considered, as appropriate, on a case-by-case basis.

The deficit recovery period or amortisation period that is adopted for any employer will depend on:

- The significance of the surplus or deficit relative to that employer's liabilities;
- The covenant of the individual employer (including any security in place) and any limited period of participation in the Fund;
- The remaining contract length of an employer in the Fund (if applicable); and
- The implications in terms of stability of future levels of employers' contribution.

As part of the 2022 valuation, the Fund commissioned an employer covenant review from Barnett Waddingham LLP based on an analysis of credit risk reports obtained from Dun & Bradstreet (D&B). Where the review highlighted any concerns with regard to the default risk of an employer, particular attention was given to the deficit recovery period adopted for the employer and whether any security for the Fund was in place.

A general summary of the approach used for employers in the Fund is set out in the table below, however, the approach adopted may differ to reflect the situation specific to the employer.

Type of employer	Examples	Maximum recovery period	Deficit paid as
Major scheduled bodies	County and district councils, police and fire bodies	17 years	Monetary amounts, other than maintained schools where percentage of payroll applies
Small scheduled bodies	Town and parish councils	17 years	Percentage of payroll
Further education bodies	Colleges, universities	12 years	Monetary amounts
Academies	Academies, free schools	17 years	Monetary amounts
Community admission bodies	Charities	Remaining contract length, subject to a maximum of 12 years	Monetary amounts
Drainage boards	Internal drainage boards	17 years	Monetary amounts
Transferee admission bodies	Contractors	Remaining contract length, subject to a maximum of 12 years	Monetary amounts
Resolution bodies	Other employers who are able to join the LGPS by making a resolution under Schedule 2 Part 2 of the regulations.	17 years	Monetary amounts

Pooling of individual employers

The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution rates are set for individual employers to reflect their own particular circumstances.

However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.

The funding pools adopted for the Fund at the 2022 valuation are summarised in the table below:

Pool	Type of pooling	Notes
Lincolnshire County Council Pool	Past and future service pooling	All employers in the pool pay the same total contribution rate. Some employers participate in the pool on a pass-through basis
City of Lincoln Council	Past and future service pooling	All employers in the pool pay the same total contribution rate. Some employers participate in the pool on a pass-through basis
Police and Crime Commissioner for Lincolnshire & Mitie	Past and future service pooling	All employers in the pool pay the same total contribution rate
Small scheduled bodies	Past and future service pooling	All employers in the pool pay the same total contribution rate
Academies	Past and future service pooling by multi-academy Trust	Some multi-academy trusts are pooled. This means that all academies in the pool pay the same total contribution rate. This includes: o Voyager Education Partnership o CIT Academies o David Ross Education Trust o Horncastle Education Trust o Cambridge Meridian Trust o Priory Federation of Academies o Our Lady of Lourdes Catholic Multi-Academy Trust o Tall Oaks Academy Trust o Tollbar MAT o Wellspring Academy Trust o Abbey Academies Trust
Ill-health and death-in-service	Ill-health and death-in-service risk only	Applies to all employers in the Fund apart from the Lincolnshire County Council pool

The main purpose of pooling is to produce more stable employer contribution levels, although recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

Forming/disbanding a funding pool

Where the Fund identifies a group of employers with similar characteristics and potential merits for pooling, it is possible to form a pool for these employers. Advice should be sought from the Fund Actuary to consider the appropriateness and practicalities of forming the funding pool.

Conversely, the Fund may consider it no longer appropriate to pool a group of employers. This could be due to divergence of previously similar characteristics or an employer becoming a dominant party in the pool (such that the results of the pool are largely driven by that dominant employer). Where this scenario arises, advice should be sought from the Fund Actuary.

Funding pools should be monitored on a regular basis, at least at each actuarial valuation, in order to ensure the pooling arrangement remains appropriate.

Risk-sharing

There are employers that participate in the Fund with a risk-sharing arrangement in place with another employer in the Fund.

For example, there are employers participating in the Fund with pass-through provisions: under this arrangement the pass-through employer does not take on the risk of underfunding as this risk remains with the letting authority or relevant guaranteeing employer. When the pass-through employer ceases participation in the Fund, it is not responsible for making any exit payment, nor receiving any exit credit, as any deficit or surplus ultimately falls to the letting authority or relevant guaranteeing employer.

At the 2022 valuation, risk-sharing arrangements were allowed for by allocating any deficit/liabilities covered by the risk-sharing arrangement to the relevant responsible employer.

Contribution payments

Employers pay contributions monthly. Primary contributions are certified as a percentage of payroll and therefore amounts paid by employers each month will fluctuate in line with payroll each month. Secondary contributions can be certified as a percentage of payroll or as a monetary amount. The frequency of monetary amounts payable are agreed with the Fund and must be received by 31 March of each relevant year.

Employers must pay contributions in line with the Rates and Adjustments Certificate, but they may be able to alter the timing of contributions payable and/or pay in additional contributions with agreement from the administering authority.

No discount will be offered in exchange for early payment of either primary or secondary contributions.

New employers joining the Fund

When a new employer joins the Fund, the Fund Actuary is required to set the contribution rates payable by the new employer and allocate a share of Fund assets to the new employer as appropriate. The most common types of new employers joining the Fund are admission bodies and new academies. These are considered in more detail below.

Admission bodies

New admission bodies in the Fund are commonly a result of a transfer of staff from an existing employer in the Fund to another body (for example as part of a transfer of services from a council or academy to an external provider under Schedule 2 Part 3 of the Regulations). Typically these transfers will be for a limited period (the contract length), over which the new admission body employer is required to pay contributions into the Fund in respect of the transferred members.

The default approach (which took effect from September 2020) is for admission bodies to join the Fund under a pass-through arrangement. Under a pass-through arrangement, the letting authority retains the pensions risk. The admission body is responsible for paying the agreed contribution rate and also additional costs as set out in each admission agreement e.g. redundancy and early retirement costs.

Before September 2020, the default approach was a full risk transfer. Under a full risk transfer the admission body becomes responsible for all the pensions risk associated with the benefits accrued by transferring members and the benefits to be accrued over the contract length. The administering authority may consider requests for a full risk transfer from new admission bodies.

Funding at start of contract

For pass-through and full transfer of risk arrangements, it may be appropriate for the new admission body to be allocated a share of Fund assets equal to the value of the benefits transferred, i.e. the new admission body starts off on a fully funded basis. This is calculated on the relevant funding basis and the opening position may be different when calculated on an alternative basis (e.g. on an accounting basis).

For pass-through employers the funding position will be re-set at 100% at each triennial valuation, with the balancing assets moved to/from the letting authority's section of the Fund as required. No such re-set is carried out under a full transfer of risk arrangement.

There may be special arrangements made as part of the contract such that a full risk transfer approach is not adopted. In these cases, the initial assets allocated to the new admission body will reflect the level of risk transferred and may therefore not be on a fully funded basis or may not reflect the full value of the benefits attributable to the transferring members.

Contribution rate

The default approach for a new admission body with a pass-through arrangement will be for a simple fixed rate to apply The minimum acceptable rate payable by a pass through employer is the primary rate certified at the previous valuation for the letting authority. Consideration will be given to a variable rate in line with the cost of benefit accrual where the contract is for a long period.

- The simple fixed rate will be fixed at the outset and not re-calculated during the remainder of the contract. This will usually be set out as part of the commercial contract between the letting authority and the contractor. Where this rate differs from the cost of future benefits calculated by the actuary, the balance will be incorporated into the letting authority's certified rate.

- The variable rate would initially be set as the simple fixed rate, in line with the ceding employer's contribution rate, and then adjusted at each valuation in line with the change in the ceding employer's cost of future benefit accrual calculated by the actuary. The contribution rate may therefore change as a result of changes in the membership profile of the ceding employer and updated assumptions, such as future investment returns, inflation and life expectancy. The letting authority retains much of the market risk (e.g. asset performance) and experience (e.g. if inflation has been higher between the valuation periods than assumed).

For a full-risk transfer, the contribution rate may be set on an open or a closed basis. Where the funding at the start of the contract is on a fully funded basis then the contribution rate will represent the primary rate only; where there is a deficit allocated to the new admission body then the contribution rate will also incorporate a secondary rate with the aim of recovering the deficit over an appropriate recovery period.

Depending on the details of the arrangement, for example if any risk sharing arrangements are in place, then additional adjustments may be made to determine the contribution rate payable by the new admission body. The approach in these cases will be bespoke to the individual arrangement.

Accounting

Under the simple fixed rate pass-through arrangement, for accounting purposes, the contractor's obligation is simply to pay the agreed contribution rate. The contractor would not be expected to include any liability in respect of their LGPS pension participation on their balance sheet. Instead, the letting authority would include it in their disclosures. The contractor may report its participation in the LGPS as if it were a defined contribution scheme.

Under the variable rate pass-through arrangement, it is less clear whether the contractor needs to include a liability on their balance sheet, they are subject to some pensions risk but they never have the possibility of a past service funding deficit so it could be argued that they have no accounting balance sheet obligation. In these cases, the contractor and letting authority should check with their auditors what their requirements are.

Security

To mitigate the risk to the Fund that a new admission body will not be able to meet its obligations to the Fund in the future, the new admission body may be required to put in place a bond in accordance with Schedule 2 Part 3 of the Regulations, if required by the letting authority and administering authority.

If, for any reason, it is not desirable for a new admission body to enter into a bond, the new admission body may provide an alternative form of security which is satisfactory to the administering authority.

Risk-sharing

Although pass-though is the default approach, new admission bodies and the relevant letting authority may make a commercial agreement to deal with the pensions risk differently. For example, it may be agreed that the pensions risk is shared between the letting authority and the new admission body.

The administering authority may consider risk-sharing arrangements as long as the approach is clearly documented in the admission agreement, the transfer agreement or any other side agreement. The arrangement also should not lead to any undue risk to the other employers in the Fund.

Legal and actuarial advice in relation to risk-sharing arrangements should be sought where required.

New academies

When a school converts to academy status, the new academy (or the sponsoring multi-academy trust) becomes a Scheme employer in its own right.

Funding at start

On conversion to academy status, the new academy will be allocated assets based on the active cover of the relevant local authority at the conversion date. The active cover approach is based on the funding level of the local authority's active liabilities, after fully funding the local authority's deferred and pensioner liabilities.

Contribution rate

Where an academy joins an existing multi-academy trust in the Fund which is pooled, the contribution rate payable will be in line with the contribution rate certified for the existing academies in that pool at the 2022 valuation.

Where an academy joins an existing multi-academy trust in the Fund which is not in a pool, the new academy may be provided an individual contribution rate.

Contribution reviews between actuarial valuations

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority.

A contribution review may be requested by an employer or be required by the administering authority. The review may only take place if one of the following conditions are met:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review. A request under this condition can only be made if there has been a significant change in the liabilities arising or likely to arise and/or there has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Guidance on the administering authority's approach considering the appropriateness of a review and the process in which a review will be conducted is set out the Fund's separate Contribution review policy which can be accessed here. This includes details of the process that should be followed where an employer would like to request a review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date, regardless of the direction of change in the contribution rates.

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under the separate contribution review policy.

With the exception of any cases falling under Regulation 64(4), the administering authority will not accept a request for a review of contributions where the effective date is within 12 months of the next Rates and Adjustments Certificate.

Cessation valuations

When a Scheme employer exits the Fund and becomes an exiting employer, as required under the Regulations the Fund Actuary will be asked to carry out an actuarial valuation in order to determine the liabilities in respect of the benefits held by the exiting employer's current and former employees. The Fund Actuary is also required to determine the exit payment due from the exiting employer to the Fund or the exit credit payable from the Fund to the exiting employer.

Any deficit in the Fund in respect of the exiting employer will be due to the Fund as a single lump sum payment, unless it is agreed by the administering authority and the other parties involved that an alternative approach is permissible. For example:

- It may be agreed with the administering authority that the exit payment can be spread over some agreed period;
- the assets and liabilities relating to the employer may transfer within the Fund to another participating employer; or
- the employer's exit may be deferred subject to agreement with the administering authority, for example if it intends to offer Scheme membership to a new employee within the following three years.

Similarly, any surplus in the Fund in respect of the exiting employer may be treated differently to a payment of an exit credit, subject to the agreement between the relevant parties and any legal documentation.

In assessing the value of the liabilities attributable to the exiting employer, the Fund Actuary may adopt differing approaches depending on the employer and the specific details surrounding the employer's cessation scenario.

For example, if the administering authority is satisfied that there is another employer willing to take on responsibility for the liabilities (or that there is some other form of guarantee in place) then the cessation position may be calculated on the ongoing funding basis.

If there is no guarantor in the Fund willing to accept responsibility for the residual liabilities of the exiting employer, then those liabilities may be assessed on a prudent "ongoing" basis. The assumptions adopted will be consistent with the current ongoing funding position, but with additional prudence included in order to take into account potential uncertainties and risk e.g. due to adverse market changes, additional liabilities arising from regulatory or legislative change and political/economic uncertainties. The additional level of prudence will be set by considering the distribution of funding levels under a large number of economic scenarios, with the aim being to gain a reasonable level of confidence that the Fund will be able to meet its benefits obligations to the relevant members in future.

Exit credit policy

The Local Government Pension Scheme (LGPS) (Amendment) Regulations 2018 were introduced in May 2018 which allow administering authorities to make an exit credit payment to exiting employers. This will be reviewed on a case by case basis before any payment is made. Considerations will be based on any previous agreements made and discussions between the administering authority, the exiting employer and the guaranteeing employer (if relevant). Please see Appendix 1 for more information.

Managing exit payments

Where a cessation valuation reveals a deficit and an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, should it not be possible for the employer to settle this amount, providing the employer puts forward sufficient supporting evidence to the administering authority, the administering authority may agree a deferred debt agreement (DDA) with the employer under Regulation 64(7A) or a debt spreading agreement (DSA) under Regulation 64B.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

Guidance on the administering authority's policy for entering into, monitoring and terminating a DDA or DSA is set out in the Fund's separate DSA and DDA policies document here. This includes details of when a DDA or a DSA may be permitted and the information required from the employer when putting forward a request for a DDA or DSA.

Regulatory factors

At the date of drafting this FSS, the government is currently consulting on potential changes to the Regulations, some which may affect the timing of future actuarial valuations. This is set out in the *Local government pension scheme: changes to the local valuation cycle and the management of employer risk* consultation document.

Further details of this can be found in the Regulatory risks section below.

Bulk transfers

Bulk transfers of staff into or out of the Fund can take place from other LGPS Funds or non-LGPS Funds. In either case, the Fund Actuary for both Funds will be required to negotiate the terms for the bulk transfer – specifically the terms by which the value of assets to be paid from one Fund to the other is calculated.

The agreement will be specific to the situation surrounding each bulk transfer but in general the Fund will look to receive the bulk transfer on no less than a fully funded transfer (i.e. the assets paid from the ceding Fund are sufficient to cover the value of the liabilities on the agreed basis).

A bulk transfer may be required by an issued Direction Order. This is generally in relation to an employer merger, where all the assets and liabilities attributable to the transferring employer in its original Fund are transferred to the receiving Fund.

Links with the Investment Strategy Statement (ISS)

The main link between the Funding Strategy Statement (FSS) and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the long-term investment strategy as set out in the ISS.

As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the long-term investment strategy. This ensures consistency between the funding strategy and investment strategy.

Risks and counter measures

Whilst the funding strategy attempts to satisfy the funding objectives of ensuring sufficient assets to meet pension liabilities and stable levels of employer contributions, it is recognised that there are risks that may impact on the funding strategy and hence the ability of the strategy to meet the funding objectives.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks and governance risks.

Financial risks

The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate (i.e. the difference between the discount rate assumption and the price inflation assumption). Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the valuation of the liabilities by 10%, and decrease/increase the required employer contribution by around 2.5% of payroll p.a.

However, the Investment and Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

Demographic risks

Allowance is made in the funding strategy via the actuarial assumptions for a continuing improvement in life expectancy. However, the main demographic risk to the funding strategy is that it might underestimate the continuing improvement in longevity. For example, an increase of one year to life expectancy of all members in the Fund will increase the liabilities by approximately 4%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review. The Fund has commissioned a bespoke longevity analysis by Barnett Waddingham's specialist longevity team in order to assess the mortality experience of the Fund and help set an appropriate mortality assumption for funding purposes.

The liabilities of the Fund can also increase by more than has been planned as a result of the additional financial costs of early retirements and ill-health retirements. However, the administering authority monitors the incidence of early retirements; and procedures are in place that require individual employers to pay additional amounts into the Fund to meet any additional costs arising from early retirements.

The administering authority is currently implementing an ill-health/death-in-service self-insurance pool within the Fund whereby a portion of all employers' contributions paid into the Fund are allocated to a segregated ill-health/death-in-service section of the Fund. This will cover ill-health retirement benefits and death-in-service benefits for all employers, excluding employers participating in the Lincolnshire County Council pool, and will be effective from 1 April 2023. When an ill-health retirement occurs, a funding strain (i.e. the difference between the value of the benefits payable to the ill-health member and the value that was assumed as part of the actuarial valuation) is generated in the employer's section of the Fund. As part of the self-insurance policy, assets equal to the funding strain are transferred from the segregated ill-health assets section of the Fund to the employer's section of the Fund to cover the funding strain.

Climate risk

There are a large number of interlinked systemic long-term financial risks related to climate change which could potentially have a material impact on the assets and/or the liabilities of the Fund. The most obvious of these climate change risks will be the financial risks to the value of the Fund's assets, the potential increased volatility of markets and potential changes in life expectancy. It is possible that some of these factors will impact the assets and liabilities of the Fund in the same direction, although not necessarily by the same amount.

The Fund therefore has a fiduciary duty to consider climate change risk when making investment decisions and to ensure any decisions support the effective management of climate change. The Fund therefore expects their appointed investment managers to be informed about climate change risks and take investment opportunities accordingly within their processes. More detail is included in the Fund's Investment Strategy Statement.

As part of the 2022 valuation, the Fund Actuary provided the Fund with a climate risk analysis which assessed the potential exposure of the Fund's funding position to climate risk under different climate scenarios. The principles behind the analysis were agreed with the Government Actuary's Department (GAD).

The results of this analysis demonstrated that the funding strategy agreed as part of the 2022 valuation was sufficiently robust in the context of climate scenario analysis and any potential contribution impacts.

The Fund will continue to assess this risk on a regular basis.

Maturity risk

The maturity of a Fund (or of an employer in the Fund) is an assessment of how close on average the members are to retirement (or already retired). The more mature the Fund or employer, the greater proportion of its membership that is near or in retirement. For a mature Fund or employer, the time available to generate investment returns is shorter and therefore the level of maturity needs to be considered as part of setting funding and investment strategies.

The cashflow profile of the Fund needs to be considered alongside the level of maturity: as a Fund matures, the ratio of active to pensioner members falls, meaning the ratio of contributions being paid into the Fund to the benefits being paid out of the Fund also falls. This therefore increases the risk of the Fund having to sell assets in order to meets its benefit payments.

The government has published a consultation (*Local government pension scheme: changes to the local valuation cycle and management of employer risk*) which may affect the Fund's exposure to maturity risk. More information on this can be found in the Regulatory risks section below.

Regulatory risks

The benefits provided by the Scheme and employee contribution levels are set out in Regulations determined by central government. The tax status of the invested assets is also determined by the government.

The funding strategy is therefore exposed to the risks of changes in the Regulations governing the Scheme and changes to the tax regime which may affect the cost to individual employers participating in the Scheme.

However, the administering authority participates in any consultation process of any proposed changes in Regulations and seeks advice from the Fund Actuary on the financial implications of any proposed changes.

There are a number of general risks to the Fund and the LGPS, including:

- If the LGPS was to be discontinued in its current form it is not known what would happen to members' benefits.
- More generally, as a statutory scheme the benefits provided by the LGPS or the structure of the scheme could be changed by the government.
- The State Pension Age is due to be reviewed by the government in the next few years.

At the time of preparing this FSS, specific regulatory risks of particular interest to the LGPS are in relation to the McCloud/Sargeant judgments and the timing of future funding valuations consultation. These are discussed in the sections below.

McCloud/Sargeant judgments

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgment but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. A ministerial statement in response to this was published on 13 May 2021 and revised Regulations are awaited to bring a remedy into play.

At the time of drafting this FSS, Regulations and therefore confirmation of the remedy are not yet finalised and are expected in 2023.

Cost control mechanism

As a result of the public service pension schemes reforms, the Government established a cost control mechanism for all those schemes to ensure a fair balance of risks between scheme members and the taxpayer. The process has been complex and has still not been fully resolved. Although the 2016 cost cap valuation report for the LGPS has been published, at the time of writing there is still a challenge outstanding regarding the inclusion of McCloud in the cost cap. Therefore, there is still a possibility that the 2016 valuation may have to be revisited with the small chance that benefit improvements will be required and potentially backdated to April 2019.

For the purposes of the 2022 valuation, we have made no allowance for any potential benefit changes. The Fund's prudence allowance already allows for an element of regulatory uncertainty and any potential impact is not deemed to be material.

Consultation: Local government pension scheme: changes to the local valuation cycle and management of employer risk

On 8 May 2019, the government published a consultation seeking views on policy proposals to amend the rules of the LGPS in England and Wales. The consultation covered:

- amendments to the local fund valuations from the current three year (triennial) to a four year (quadrennial) cycle;
- a number of measures aimed at mitigating the risks of moving from a triennial to a quadrennial cycle;
- proposals for flexibility on exit payments;
- proposals for further policy changes to exit credits; and
- proposals for changes to the employers required to offer LGPS membership.

The proposals for flexibility on exit payments and for further policy changes to exit credits have been finalised, however, are still to be finalised for the remaining three proposals. This FSS will be revisited once the outcome is known and reviewed where appropriate.

Timing of future actuarial valuations

LGPS valuations currently take place on a triennial basis which results in employer contributions being reviewed every three years. In September 2018 it was announced by the Chief Secretary to HMT, Elizabeth Truss, that the national Scheme valuation would take place on a quadrennial basis (i.e. every four years) along with the other public sector pension schemes. The results of the national Scheme valuation are used to test the cost control mechanism and HMT believed that all public sector scheme should have the cost control test happen at the same time.

Changes to employers required to offer LGPS membership

At the time of drafting this FSS, under the current Regulations further education corporations, sixth form college corporations and higher education corporations in England and Wales are required to offer membership of the LGPS to their non-teaching staff.

With consideration of the nature of the LGPS and the changes in nature of the further education and higher education sectors, the government has proposed to remove the requirement for further education corporations, sixth form college corporations and higher education corporations in England to offer new employees access to the LGPS. Given the significance of these types of employers in the Fund, this could impact on the level of maturity of the Fund and the cashflow profile. For example, increased risk of contribution income being insufficient to meet benefit outgo, if not in the short term then in the long term as the payroll in respect of these types of employers decreases with fewer and fewer active members participating in the Fund.

This also brings an increased risk to the Fund in relation to these employers becoming exiting employers in the Fund. Should they decide not to admit new members to the Fund, the active membership attributable to the employers will gradually reduce to zero, triggering an exit under the Regulations and a potential significant exit payment. This has the associated risk of the employer not being able to meet the exit payment and thus the exit payment falling to the other employers in the Fund.

Employer risks

Many different employers participate in the Fund. Accordingly, it is recognised that a number of employer-specific events could impact on the funding strategy including:

- Structural changes in an individual employer's membership;
- An individual employer deciding to close the Scheme to new employees; and
- An employer ceasing to exist without having fully funded their pension liabilities.

However, the administering authority monitors the position of employers participating in the Fund, particularly those which may be susceptible to the events outlined, and takes advice from the Fund Actuary when required.

In particular, the Fund will commission an employer risk review from the Fund Actuary on a regular basis, every three years as a minimum, to help identify the employers in the Fund that might be considered as high risk. In the case of admitted bodies, the Fund has a policy of requiring some form of security from the employer, in the form of a guarantee or a bond, in case of employer default where the risk falls to the Fund. Where the risk of default falls on the liabilities of an original letting authority, the Fund provides advice to the letting authority to enable them to make a decision on whether a guarantee, some other form of security or a bond should be required.

In addition, the administering authority keeps in close touch with all individual employers participating in the Fund to ensure that, as administering authority, it has the most up to date information available on individual employer situations. It also keeps individual employers briefed on funding and related issues.

Governance risks

Accurate data is necessary to ensure that members ultimately receive their correct benefits. The administering authority is responsible for keeping data up to date and results of the actuarial valuation depend on accurate data. If incorrect data is valued then there is a risk that the contributions paid are not adequate to cover the cost of the benefits accrued.

Monitoring and review

This FSS is reviewed formally, in consultation with the key parties, at least every three years to tie in with the triennial actuarial valuation process.

The most recent valuation was carried out as at 31 March 2022, certifying the contribution rates payable by each employer in the Fund for the period from 1 April 2023 to 31 March 2026.

The timing of the next funding valuation is due to be confirmed as part of the government's *Local government pension scheme: changes to the local valuation cycle and management of employer risk* consultation which closed on 31 July 2019. At the time of drafting this FSS, it is anticipated that the next funding valuation will be due as at 31 March 2025.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

Appendix 1 – Exit Credit Policy

The below sets out the general guidelines that the Lincolnshire Pension Fund ("the Fund") will follow when determining the amount of an exit credit payable, if any, to a ceasing employer in line with Regulation 64 of the Local Government Pension Scheme Regulations 2013 ("the Regulations"). **Please note that these are guidelines only and the Fund will also consider any other factors that are relevant, or presented to them, on a case-by-case basis.**

Admitted bodies

a) No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph c) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the Fund, and those admissions who joined the Fund after September 2020 and chose to become admitted through the Funds former standard admission route.

a) No exit credit will be payable to any admission body who participates in the Fund via the default pass through approach (effective from September 2020) as set out in this Funding Strategy Statement. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph c) below.

b) The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the Administering Authority) of the admission body ceasing participation in the Fund.

c) In the absence of this information or if there is any dispute from either party with regards to the interpretation of contractual or risk sharing agreements as outlined in c), the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the Administering Authority.

d) Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

e) If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies), the total assets of the employer and the size of any cessation surplus.

f) If an admitted body leaves on a gilts cessation basis (because no guarantor is in place), then any exit credit will normally be paid to the employer.

g) The decision of the Fund is final in interpreting how any arrangement described under c), e), f) and g) applies to the value of an exit credit payment.

Scheduled bodies and resolution bodies

a) Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

b) Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

c) The decision of the Fund is final in interpreting how any arrangement described under a) and b) applies to the value of an exit credit payment.

d) If a scheduled body or resolution body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

e) If a scheduled body or resolution body leaves on a gilts cessation basis (because no guarantor is in place), then any exit credit will normally be paid to the employer.

General

a) The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

b) Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.

c) The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.

d) The final decision will be made by the Head of Pensions, in conjunction with advice from the Fund's Actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

e) The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

f) Where there is an exit credit payable, the Fund will advise the exiting employer of the amount due to be repaid and seek to make the payment within six months of the exit date or such longer time as the administering authority and the exiting employer may agree. In order to meet the six-month timeframe, the Fund requires prompt notification of an employer's exit and all data and relevant information as requested. The Fund is unable to make any exit credit payment until it has received all data and information requested.

g) The guidelines above at point e) in the 'Admitted Bodies' section, and at points a) and b) in the

‘Scheduled bodies and resolution bodies’ section, make reference to the Fund ‘considering the approach to setting contribution rates during the employer’s participation’. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in the Funding strategy section of this document. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined in the Funding strategy section of this report). Equally, a shorter than usual funding time horizon or lower than usual likelihood of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

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

Report to:	**LGPS Local Pension Board**
Date:	**16 March 2023**
Subject:	**Lincolnshire Pension Fund – Business Plan 2023/24**

Summary:

This paper brings the Lincolnshire Pension Fund Business Plan 2023/24 to the Board for review.

Recommendation(s):

That the Pension Board Committee note the report and review the Lincolnshire Pension Fund Business Plan 2023/24.

Background

1. This paper brings the Lincolnshire Pension Fund Business Plan covering the financial year 2023/2024 to the Board for review. The Business Plan is attached at Appendix A and the areas it covers are set out below.

1.1 Introduction – a brief background to the Pension Fund and its management.

1.2 Objectives – the overarching objectives of the Fund across the headings of governance, investments and funding, and administration and communication.

1.3 Pension Fund Statistics – the funding position and cashflow of the Fund.

1.4 Resources and Budget – the organisational structure of the Pensions Team and the budget for managing the Fund, covering administration costs, investment management expenses and oversight and governance costs.

1.5 Key Tasks 2023/24 – the key tasks for the Pensions Team in the coming year, linked to the Fund's objectives, with a review of the tasks set in the Business Plan last year.

1.6 Key Risks – the key risks that the Fund recognises across the themes of governance, investments and funding, and administration and communication, with the actions in place to mitigate or reduce the risks.

1.7 Forward Plan 2023/24 – the Committee and Board meetings and expected papers.

Conclusion

2. The Pension Fund's Business Plan for the year 2023/24 has been produced and is presented to the Board for review.

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	LPF Business Plan 2023/24

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 Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

Lincolnshire Pension Fund
Business Plan
2023/24

INTRODUCTION

Lincolnshire County Council is the Administering Authority of the Lincolnshire Local Government Pension Scheme (LGPS).

Management of the Pension Fund is delegated to the Pensions Committee acting in the role of 'trustees' of the Pension Fund. The day to day running of the Fund has been delegated to the Executive Director – Resources, the Assistant Director – Finance, and the Head of Pensions.

The Pensions Team has responsibility for all aspects of the Fund including governance, investments and accounting, and the oversight of the administration service that is managed in a shared service arrangement with West Yorkshire Pension Fund (WYPF).

The Business Plan is an important document which sets out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved.

A report on the management of key risks is also included as part of the Business Plan.

OBJECTIVES

The Fund's overarching objectives are:

- **Governance:** To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise;

- **Investments and Funding:** To maximise returns from investments within reasonable risk parameters and with clear investment decisions based on a prudent long term funding priorities, given the preference to keep employer contribution rates reasonably stable where appropriate; and

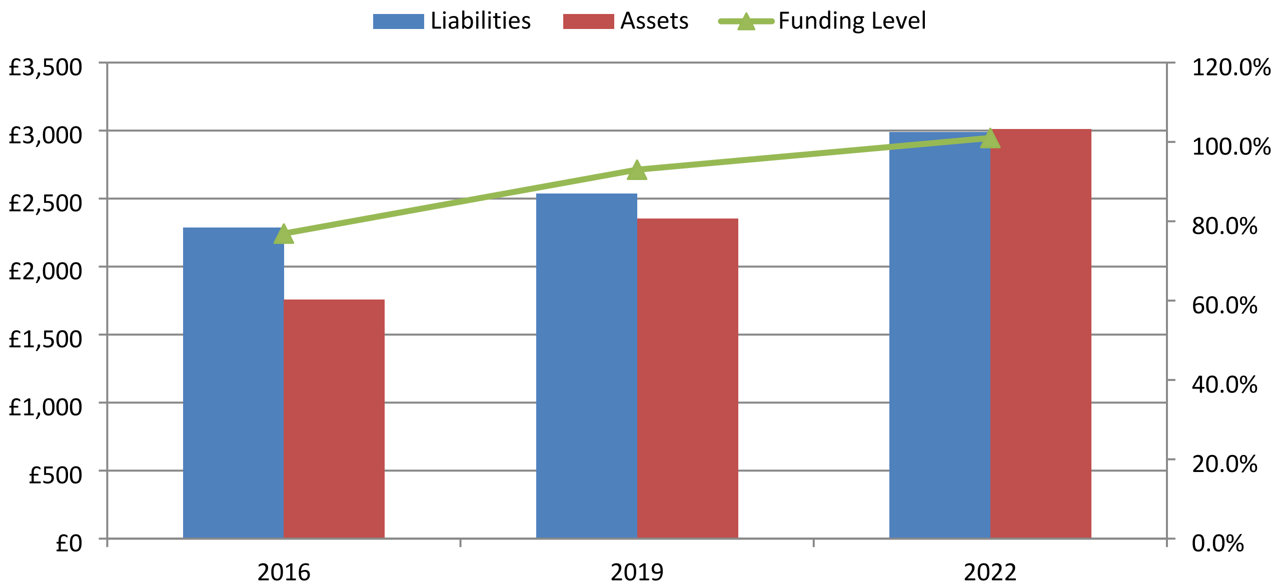
- **Administration and Communications**: In partnership with WYPF, to deliver an effective and efficient Pensions Administration service to all stakeholders, to ensure that the Fund receives all income due and payments are made to the right people at the right time, and to provide clear, appropriate and timely communication and support to all stakeholders;

PENSION FUND STATISTICS

The Lincolnshire Pension Fund was valued at £2,926.8 million as at the 31 December 2022.

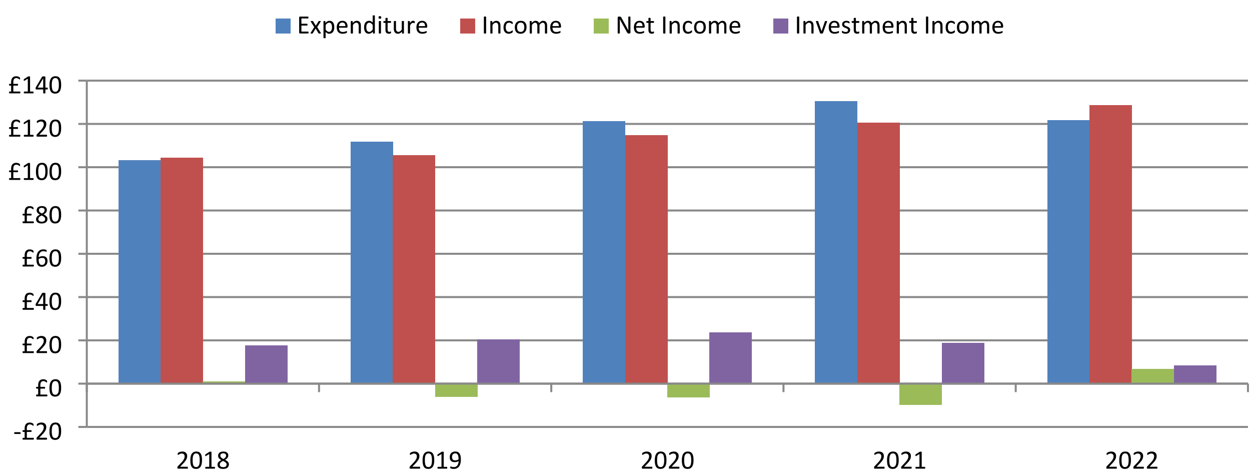
Actuarial valuations are carried out every three years, with the latest being as at 31 March 2022. The valuation provides a value for the liabilities and assets of the Fund and for each employer, to determine the overall funding level and to calculate individual employer contribution rates. The charts below show the funding position across the last three valuation cycles and the cashflow position over the last five years.

Progression of funding position:



Axis - Left hand side - £m / Right hand side - Funding Level

Cashflow:



Axis - Left hand side - £m

NB: Expenditure includes all costs of managing the Fund.

RESOURCES AND BUDGET

The organisational structure of the Pension Fund team is illustrated below:

Head of Pensions
(LGPS Senior Officer)

Responsible for overall management of the Pension Fund assets, funding, accounting, governance and the client role of the shared administration service.

Accounting, Investment and Governance Manager

Key responsibilities are overseeing and producing the Pension Fund accounts and maintaining fund finances, employer accounting reports, monitoring investments and assisting the Local Pension Board.

Senior Finance Technician

Key responsibilities are producing the monthly valuation, statistical returns, investment tax matters and general back-office duties.

Finance Technician

Key responsibilities are employer contribution monitoring.

The Fund also accesses other services within the Council, such as the expertise of the Treasury Manager who manages the cash the Fund holds, and Legal Services who provide advice, in addition to external providers such as the independent investment adviser, the actuary, the investment consultant, the external Investment Managers and any other specialist external advisers as required.

As mentioned previously, the administration function is provided by West Yorkshire Pension Fund in a shared service arrangement, with office space provided alongside the Pensions Team in Lincoln.

The estimated costs of operating the Lincolnshire Pension Fund for 2023/24 are shown below, and profiled over the four quarters. They are split between Administration Costs, Investment Management Expenses and Oversight and Governance Costs.

- **Administration Costs** include the costs of dealing with Fund members and employers in relation to current and future benefits. This service is provided to Lincolnshire Pension Fund through a shared service with West Yorkshire Pension Fund.

- **Investments Management Expenses** include the cost of Fund Managers and the Fund's Custodian.

- **Oversight and Governance Costs** include the cost of the Fund's actuary, investment consultant, external auditor and other advisors. Actuarial costs incurred by individual employers within the Fund are recharged to that employer. In addition, it includes staffing and accommodation costs associated with running the Fund, costs associated with the Local Pensions Board and governance costs at Border to Coast Pensions Partnership.

		Profiled Budgets			
	Budget 2023/24 £'000	Budget Q1 £'000	Budget Q2 £'000	Budget Q3 £'000	Budget Q4 £'000
Administration Costs					
- Charge from Shared Services Administrator	1,430	0	1,430	1,430	1,430
- Other (*1)	1	0.25	0.50	0.75	1
Investment Management Expenses					
- Management Fees	10,200	500	1,000	1,500	10,200
- Performance Related Fees	1,500	0	0	0	1,500
- Other Fees (*2)	840	30	60	90	840
Oversight and Governance Costs					
- Contracted Services	349	50	50	400	349
- Recharge of Actuarial Services	-102	-15	-15	-80	-102
- Recharge from Administering Authority	295	65	130	195	295
- Border to Coast Governance Costs	320	315	315	315	320
- Other Costs (*3)	21	8	8	8	21
	14,854	**953**	**2,979**	**3,859**	**14,854**

(*1) Other Administration Costs include cost of document storage and income from employer fines.

(*2) Other Fees include Custody Fees and Transaction Costs.

(*3) Other Costs in Oversight and Governance include such costs as the Pension Board, conferences and travel.

The staffing and structure review undertaken in 2021/22 identified a requirement for a new position in the team, which was approved by the Executive Director of Resources. The recruitment was not successful in 2022/23, and following changes to the new post, it is hoped to recruit in 2023/24. The successful appointment to this new post will have budget implications on the recharge from the administering authority.

The Pension Fund's Annual Report and Accounts provide more detail on all costs incurred during each year and are reported at the July Pensions Committee meeting.

Lincolnshire Pension Fund

KEY TASKS 2023/24

The plan below highlights the key tasks of the Pension Scheme, linked to the objectives of the Fund. Much of the work will cross more than one objective stream.

Subject	Context	2022/23 Review	2023/24 Actions	Objective stream
Pensions Committee and Board meetings	The responsibility for the Pension Fund is delegated to the Pensions Committee, with the Pension Board providing an oversight role on the administration and governance of the Fund.	All Pension Committee and Board meetings held as expected. Committee and Board agendas were reviewed, and the structure of the meetings changed for 23/24 to make them more fit for purpose.	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 or Board members to be arranged at the earliest opportunity.	Governance Investments and Funding Administration and Communications
Asset Pooling with Border to Coast	Border to Coast Pensions Partnership has been created to meet the Government's investment reform criteria. In accordance with regulations and statutory guidance, assets should transition to the management of Border to Coast as appropriate vehicles become available.	Oversight meetings held at officer, S151 and Joint Committee levels. Continued development on the property funds.	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 (Q2/3) and further development of the UK property.	Governance Investments and Funding

Alternative Investments	The alternative investments are currently managed in a discretionary mandate by Morgan Stanley. Border to Coast offer a number of alternative funds covering private equity, private credit and infrastructure. A decision needs to be made on whether this should transition to Border to Coast.	Decision made on the alternative investments to retain Morgan Stanley for the medium term.	n/a	Investments and Funding
Administration Service (including employer data quality)	A good performing administration service is key to our stakeholders and for ensuring the quality of information held is appropriate for calculating benefits and liabilities.	Strong KPI figures generally throughout the year and positive customer survey responses, as reported to Committee and Board each quarter. Work undertaken to look at the options for the administration service as the shared service arrangement comes to the end of its term in March 2024, with a recommendation brought to the March 2023 Committee.	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. Working with WYPF to improve and clearly document the governance structure of the shared service. Undertake the required actions to meet the recommendation taken to the March Pensions Committee on the administration provider.	Governance Administration and Communications

Annual Report and Accounting	The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors.	Delayed receipt of external audit opinion due to an issue with the Council's accounts meant Pension Fund accounts were published by 1 December without the opinion, but with an unqualified opinion was expected. The accounts opinion has yet to be received.	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. Arrange contact with the new external auditors ahead of the move from Mazars to KPMG.	Governance
Responsible Investment (RI)	There is continued focus on how LGPS Funds can best address and manage RI issues such as environmental, social and governance matter (ESG).	The Committee received regular updates and information on RI activity undertaken by managers. The Stewardship Code submission was made to the FRC in October 2022 for the financial year to 31 March 2022 and was successful. Work continued with external managers and Border to Coast to ensure that RI is embedded across all investment decisions.	Continued information and training for the Committee to understand RI. Working with external managers and Border to Coast to ensure that it is embedded across all investment decisions. Ensure the investment strategy reflects the RI beliefs. Consider and develop climate change policy and any net zero target. Respond to the requirements from the Climate Reporting consultation once the guidelines are published.	Governance Investments and Funding

Work by the Scheme Advisory Board (SAB)	The SAB have a number of projects underway to improve the management /governance of LGPS Funds.	Unfortunately the Good Governance project has still been delayed. The Fund responded to any requests from SAB throughout the year.	Participate in projects were possible and respond to any actions required – e.g. Good Governance Review, data quality. Undertake a high-level governance review in Summer/Autumn 2023 to identify potential gaps against the Good Governance requirements.	Administration and Communications Governance
Employer Accounting	Employers within the Fund require pensions accounting information at various times of the year, for inclusion in their statutory accounts.	All employers received appropriate accounting reports as required.	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.	Investments and Funding Administration and Communications
Staffing and Structure Review	The workloads and requirements of the team have expanded considerably over the last few years, therefore a review of the current staffing and structure is required to ensure it is fit for purpose.	Following the workload review in 2022, a new post was agreed for a Principal Investment, Accounting and Governance Officer. Unfortunately, the recruitment to this post was unsuccessful, so a career grade post has been identified to grow someone into the role.	To successfully recruit to the new career grade post for Principal Investment, Accounting and Governance Officer and integrate them into the team.	Governance Investments and Funding Administration and Communications

Triennial Valuation	The three yearly valuation of the Pension Fund's assets and liabilities is as of 31 March 2022. This will set the employer rates for the three years from to 1 April 2024.	The Triennial Valuation process went as planned, with good quality data submitted on time, and employers receiving and accepting their new contribution rates – all employers returned signed declarations. The updated Funding Strategy Statement was taken to the March Pensions Committee, following consultation with employers.	n/a	Governance Investments and Funding Administration and Communications
Independent Advisor Review	The Committee's independent advisor is standing down as of 30 April 2023.	n/a	The Committee will review their requirements for independent advice, having considered the Good Governance Review, and appropriate action will be taken to meet those needs.	Governance Investments and Funding
Custodian Tender	The current contract with the Fund's custodian, Northern Trust, expires on 31 March 2024.	Officers will undertake a call-off from the National Framework for Custody Services and recommend an appointment at the December Pensions Committee.	n/a	Governance Investments and Funding

KEY RISKS

The table below highlights the key risks that face the Pension Fund, and the mitigating actions being taken to minimise, where possible, those risks. A more detailed risk register is brought to the Committee in full in October.

Risk Theme	Key Action
Governance	
Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.	Annual Training policy and plan approved. Induction and ad-hoc training provided. Minimum of twice-yearly training for Committee. LGPS On-Line Learning Academy to be completed by all members.
Governance of asset pooling - management of relationship with Border to Coast.	Continued strong involvement in the work of Border to Coast at officer and at Pensions Committee Chairman level. Governance review undertaken in 22/23.
Investments and Funding	
Required returns not met due to poor strategic allocation and assets not enough to meet liabilities.	Prudent assumptions adopted by the Fund Actuary. Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Regularly review investment performance and funding levels and report to Committee.
Poor long term investment performance or non-compliance from managers.	Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Clear Investment Management Agreements in place. Regularly review investment performance and funding levels and report to Committee. Consideration of Environmental, Social and Governance issues on the performance of the portfolio.
Asset pooling - transition of assets from existing mandates to Border to Coast.	Monitor, maintain and review the Investment Strategy Statement. Regular strategy reviews to monitor and review the transition timetable and expectations. Continued close working with Border to Coast to develop investment vehicles.

Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).	Regular discussion and reporting from managers and Border to Coast. Stewardship Code, RI Beliefs and appropriate RI policies in place and approved by Committee. Training and education of RI matters.
Cashflow issues so not enough income to meet pension payments due, as a result of: • increasing pension payments due to inflation • reduction in active members and therefore contributions • increase in retirements and therefore pensioners • reduction in employers' secondary contributions due to higher funding levels	Cashflow monitoring and consideration of income producing investments as part of strategic asset allocation review. Working with Border to Coast to identify income options in investment vehicles.
Administration and Communication	
The administrator does not perform its functions in accordance with the agreement, including: • contribution collection and allocation • benefit calculation and payment • GMP reconciliation and rectification • meeting TPR requirements	Administration report and performance indicators reported quarterly and presented to Committee. Bi-monthly meetings with WYPF. Regular audits by both LCC and WYPF. Complaint reporting and reviews. Customer surveys undertaken. Shared service policies.
Cyber security breach resulting in personal data being accessed fraudulently.	Strong IT environment for administration system and web-based Portals. Council policies and training. Reporting to Committee and Board.
Increased risk of employers exiting as a result of: • reducing employer covenant strength • unaffordability of scheme • reducing membership Leading to: • costly cessation surplus payments • deficit payments not meeting actual long-term liabilities • insolvency of employers	Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements. Proactive engagement with employers. Pass-through and Exit Credit policies in place. Covenant and contribution monitoring.
Fraud risk not managed.	Internal and external audits. Monthly reporting. Clear reconciliation procedures. Regular National Fraud Initiative reporting.

Changes in legislation not implemented correctly, currently McCloud and Pensions Dashboard.	Regular meetings and reporting with WYPF. Membership of professional networks. Pension Board oversight.
People	
Loss of key staff and loss of knowledge and skills.	Diversified staff / team and succession plans in place. Building on Border to Coast and partner fund relationships.

FORWARD PLAN – 2023/2024 COMMITTEE AND BOARD MEETINGS

A review of the reporting structure was undertaken in 2022/23. The outcome was to split the Committee meetings between Investments and RI, and Administration and Governance, to allow more to time focus on the subjects and introduce training at each meeting.
Below are the planned reports as known at the time of writing – additional reports may be added.

Date	Topics
Jun 2023 Investment and RI Meeting Committee papers	*Meeting to be held at Border to Coast's Offices – Leeds* Stewardship Update Report Market Update Report Investment Management Report Manager Presentation – Border to Coast FI Funds Training from Border to Coast
Jul 2023 Administration and Governance Meeting Committee papers	Local Board Report Fund Update Report Pensions Administration Update Draft Annual Report and Accounts Annual Training Plan and Policy Review Training - Annual Report and Accounts
Jul 2023 Board papers	New Board Members Fund Update Report Pensions Administration Update Data Scores Report Draft Annual Report and Accounts Training Paper Work Plan

Sep 2023 Investment and RI Meeting Committee papers	Stewardship Update Report Market Update Report Annual Property and Infrastructure Report Investment Management Report Manager Presentation – Morgan Stanley Training
Oct 2023 Administration and Governance Meeting Committee papers	Local Board Report Fund Update Report Pensions Administration Update Risk Register Review Annual Performance Report Annual External Audit Update Training
Oct 2023 Board papers	Fund Update Report Pensions Administration Update Temporary Bank Accounts Report Risk Register Review Training Paper Work Plan
Dec 2023 Investment and RI Meeting Committee papers	Stewardship Update Report Market Update Report Border to Coast RI and Voting Policies Investment Management Report Custodian Contract Tender Manager Presentation – Border to Coast Equity Funds Training
Jan 2024 Administration and Governance Meeting Committee papers	Local Board Report Fund Update Report Pensions Administration Update Annual Employer Monitoring Report Training
Jan 2024 Board papers	Fund Update Report Pensions Administration Update Data Scores Report Training Paper Work Plan

Mar 2024 Administration and Governance Meeting Committee papers	Local Board Report Fund Update Report Pensions Admin Update Policies Review Annual Report and Accounts Business plan and budget setting Training - LGPS Governance
Mar 2024 Board papers	Fund Update Report Pensions Admin Update Temporary Bank Accounts Policies Review Annual Report and Accounts Policies Business plan and budget Setting Training Paper Work Plan
Apr 2024 Investment and RI Meeting Committee papers	Stewardship Update Report Market Update Report Investment Management Report Manager Presentation – Property/Infrastructure Funds Training

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

Report to:	**LGPS Local Pension Board**
Date:	**16 March 2023**
Subject:	**Annual Report and Accounts 2022-23: Review of Accounting Arrangements and Accounting Policies**

Summary:

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2022/23 Statement of Accounts for Lincolnshire Pension Fund;

- Amendments to the Accounts and Audit Regulations 2015 and impact this will have on the 2022/23 Statement of Accounts;

- The review of the Council's Accounting Policies for the Pension Fund Statements; and

- An update frrom the External Auditor on the 2021/22 and 2022/23 audit.

Recommendation(s):

That the Board:

1. Note the changes required to the Statement of Accounts from the Code of Practice 2022/23;

2. Note the changes to the Accounts and Audit Regulations 2015;

3. Consider the Statement of Accounting Policies (Appendix A) for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2023; and

4. Note the update from the External Auditor (Appendix B) and invite them to the Board meeting in July to present their Audit Strategy Memorandum.

Background

1.1 The Pension Fund is required to prepare its Statement of Accounts in accordance with the Local Government Act 2003 and the Code of Practice in Local Authority Accounting in United Kingdom 2022/23 (the Code). These ensure the accounts are prepared using "proper accounting practice". We are also required to comply with the Accounts and Audit Regulations 2015 in preparing, submitting for audit and publishing the accounts, and the Local Government Pension Scheme (Administration) Regulations 2008 for publishing an Annual Report.

Code of Practice on Local Authority Accounting for 2022/23

1.2 There are no changes to the Code of Practice for 2022/23 which will have an impact on the Pension Fund Accounts, so the appearance of the accounts will remain largely unchanged from last year.

1.3 There may be new or amended accounting standards which impact on the 2023/24 accounts. CIPFA is due to publish a bulletin which will interpret any changes in accounting standards for the public sector. Once this is available, impacts will be assessed, and disclosure made in the 2022/23 Accounts at Note 2 Accounting standards that have been issued but have not yet been adopted.

Publishing the Pension Fund Annual Report and the Pension Fund Accounts

The Local Government Pension Scheme (Administration) Regulations 2008

1.4 Regulation 34 of the LGPS (Administration) Regulations 2008 introduced a statutory requirement for LGPS pension funds to produce a separate Annual Report and Accounts which must be published on or before the 1 December each year. The Annual Report must include the Pension Fund accounts and an opinion issued by the external auditor confirming the pension fund accounts and the annual report are consistent with the audited financial statements of the County Council.

The Accounts and Audit Regulations 2015

1.5 The Accounts and Audit Regulations 2015 set out the requirements for local authorities, including Pension Funds, to prepare an annual statement of accounts, to publish such accounts and to have those accounts audited. The regulations also allow for the statement of accounts to be inspected by members of the public within certain time parameters.

1.6 On 16 February the Department for Levelling Up, Housing and Communities (DLUHC) issued a short consultation on the provisions of the Accounts and Audit Regulations 2015 (as amended) in respect of the publication date for the 2022/23 unaudited financial statements. For the 2020/21 and 2021/22 accounts deadlines were extended to reflect the extraordinary pressures affecting the local audit market, including any lasting impact relating to the COVID-19 pandemic, whilst also making sure that local transparency was not compromised during this challenging period.

1.7 For 2022/23, the statutory publication dates revert to the original requirement in the 2015 regulations, i.e. to make the unaudited accounts available for public inspection for a period that includes the first 10 working days of June (i.e. publication of the accounts by 31 May at the latest).

1.8 The Pension Fund notes both publication dates and is working towards publishing draft accounts by 31 May with the County Council, and publishing the final Annual Report and Accounts by 1 December 2023.

Statement of Accounting Policies

1.9 Accounting policies are defined in the Code as "the specific principles bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements". They are an important part of the accounts for ensuing the accounts are prepared using "proper accounting practice'. The accounting policies for Pension Fund have been reviewed for the 2022/23 accounts and are attached at appendix A.

1.10 There have not been any changes to the accounting policies proposed for use in preparing the 2022/23 accounts.

1.11 Although the Audit Committee has responsibility for the approval of Lincolnshire County Council's Statement of Accounts, which contains the Pension Fund Accounts, the Pension Board are asked to consider the specific accounting policies used in the preparation of the Pension Fund accounts.

External Audit Update

1.12 The external auditor, Mazars LLP, have prepared an update on the 2021/22 and 2022/23 audits (appendix B).

- 2021/22 audit: as was reported in the Audit Completion Report the auditor anticipates issuing an unqualified opinion, without modification, on the 2021/22 financial statements. This will be issued alongside the opinion for the County Council's accounts.

- 2022/23 audit: planning work has commenced on the 2022/23 audit, and it is anticipated that audit materiality and significant risks will remain the same as 2021/22. That is, materiality will remain at 1% of net assets and the two significant risks for the pension fund audit will be: management override of controls and valuation of investments within level 3 of the fair value hierarchy (that is, unquoted assets, such as, private equity and infrastructure).

The external auditor plans to present their Audit Strategy Memorandum to the Audit Committee at its meeting on 19 June. We will bring this document to the meeting of the Pension Board in July.

Page 5 of the report sets out the expected timescales for completing their audit work. It should be noted that they do not anticipate completing their audit work before the statutory audit sign off deadline at the end of September. Final field work is not due to be completed until October and the audit completion steps in November/December. It is therefore proposed that the Pension Board invite the External Auditor to the July meeting, to present the Audit Strategy Memorandum and explain the work to be completed and its timing.

Conclusion

2.1 The accounting requirements, disclosures and timescales, as required by the Code of Practice, the Audit and Accounts Regulations, and the Local Government Pension Scheme (Administration) Regulations, will be incorporated into the preparation of the Statement of Accounts for 2022/23.

2.2 The Statement of Accounts will be prepared using the Accounting Policies presented at this meeting.

2.3 The Board should note the external auditors update including the work and timescales set in giving an opinion on the pension fund accounts for 2022/23.

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	Statement of Accounting Policies for LGPS Pension Fund financial statements 2022/23
Appendix B	Mazars LLP Audit Progress Report (February 2023)

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23	Executive Director of Resources

This report was written by Claire Machej, who can be contacted on 01522 553641 or claire.machej@lincolnshire.gov.uk.

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Lincolnshire Pension Fund Significant Accounting Policies 2022/23

Fund account – revenue recognition

a. Contributions income

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations using common percentage rates for all Funds which rise according to pensionable pay; and
- Employer contributions are set at the percentage rate recommended by the Fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body.

Additional employers' contributions, for example, in respect of early retirements, are accounted for in the year the event arose.

Any amount due in year but unpaid will be classed as a current financial asset.

b. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund. They are calculated in accordance with the LGPS Regulations 2013:

- Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

c. Investment Income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Changes in the net market value of investments

Changes in the net market value of investments are recognised as income/expense and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d. Benefits payable

Pensions and lump sum benefits payable are included in the accounts at the time of payment.

e. Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as part of the overall cost of transactions (e.g. purchase price).

f. Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance: Accounting for Local Government Pension Scheme Management Expenses (2016), using the headings shown below. All items of expenditure are charged to the Fund on an accruals basis.

i) Administrative expenses

All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

ii) Oversight and Governance

All staff costs associated with the governance and oversight are charged directly to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

iii) Investment management expenses

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments.

Fees on investments where the cost is deducted at source have been included within investment expenses and an adjustment made to the change in market value of investments.

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the value of the investments change.

In addition, the Fund has negotiated with Morgan Stanley Investment Management Ltd (for the Private Markets Portfolio) that an element of their fee will be performance related.

Where an investment manager's fee invoice has not been received by the financial year end, an estimate based upon the market value of their mandate is used for inclusion in the Fund accounts.

Net assets statement

g. Financial assets

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into, but not yet completed at 31 March each year are accounted for as financial instruments held at amortised cost. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund and are classified as Fair Value through Profit and Loss (FVPL).

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Pension Fund Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

Alternatives, private equity, property venture and infrastructure valuations are based on the most recent valuations provided by managers at the year-end date. Where more up-to-date valuations are received during the accounts preparation or audit period, their materiality, both individually and collectively will be considered, and the accounts revised to reflect these valuations if necessary. If valuations are not produced by the manager at 31 March, then the latest available valuation is used, adjusted for purchases and sales which occur between the valuation date and 31 March.

The investment in the LGPS asset pool, Border to Coast Pensions Partnership, is also carried at fair value. This has been classified as Fair Value through Other Comprehensive Income (FVOCI) rather than FVPL as the investment is a strategic investment and not held for trading.

h. Foreign currency transactions

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

i. Derivatives

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Future value of forward currency contracts are based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract. The contracts are valued using Northern Trust closing spot/forward foreign exchange rates on 31 March.

j. Cash and cash equivalents

Cash comprises of cash in hand, deposits and includes amounts held by external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

k. Financial liabilities

A financial liability is recognised in the net assets statement on the date the Fund becomes legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund account as part of the Change in Value of Investments.

Other financial liabilities classed as amortised cost, are carried at amortised cost i.e. the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest.

l. Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. At year end, the promised retirement benefits have been projected using a roll forward approximation from the latest formal funding valuation. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (see Pension Fund Note 18).

m. Additional voluntary contributions

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The Fund has appointed Prudential as its AVC provider. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note for information (see Pension Fund Note 21).

n. Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Pension Fund Note 24 and 25).

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Audit Progress Report

Lincolnshire Pension Fund

February 2023

Appendix B

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Contents

01

Section 01:

Audit Progress

1. Audit Progress

This report sets out progress on the external audits for 2021/22 and 2022/23. It also includes a summary of recent publications that the Pensions Board and Audit Committee may find useful.

2021/22 Audit

Our work on the 2021/22 audit is complete apart from our final checks on the version of the accounts that we will be giving our opinion on. As reported in our Audit Completion Report we anticipate issuing an unqualified opinion, without modification, on the financial statements. We also 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. We will be giving our opinion alongside the opinion given on the Council's main accounts where the final elements of our audit are currently being completed.

2022/23 Audit

We have commenced our planning work for the 2022/23 audit year. We are liaising with the finance team and completing our normal procedures plus those required by ISA315 (revised) through February and March. We expect to present our Audit Strategy Memorandum (ASM) to the Audit Committee meeting on 19 June 2023. On the following page we set out our initial provisional timetable for our work on the financial statements. We will agree the specific timetable with the finance team as part of our audit planning discussions. We have set out below some initial thoughts and expectations based on our initial planning work.

Materiality

At this stage of our planning work we envisage materiality being broadly in line with the level we used in our 2021/22 audit work. We therefore expect to set a similar materiality threshold at 1% of net assets for 2022/23. Our initial assessment of performance materiality is that it will also be at the same level as 2021/22, i.e. 80% of overall materiality. We also intend setting a provisional specific materiality for the fund account using a benchmark of the higher of 10% of contributions receivable and 10% of benefits payable as we did for 2021/22. Should any circumstances arise as we finalise our planning that mean we revise these initial views we will report these in our ASM.

Identified risks

As previously mentioned we have not yet completed our planning work, however the previous year's risks (management override of controls and valuation of investments within level 3 of the fair value hierarchy) are likely to apply equally this year.

1. Audit Progress

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Financial statements audit 2022/23

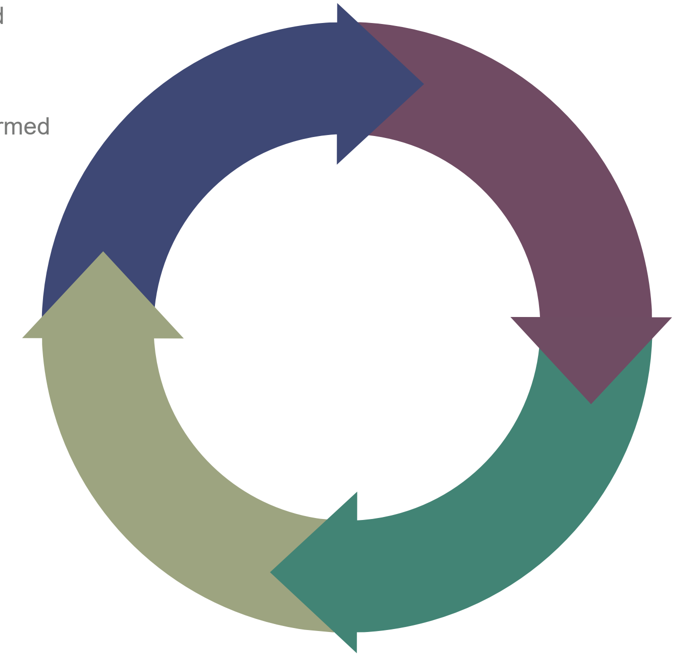
We intend to bring our Audit Strategy Memorandum to the Audit Committee meeting in June 2023. The timeline for the 2022/23 audit is set out below. We will update the Committee if these deadlines change over the course of the year.

Planning February

- Planning work and developing our understanding of the Pension Fund
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Interim March

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



Completion November - December

- Final review and disclosure checklist of financial statements
- ATS review of final financial statements
- Final partner review
- Agreeing the content of the letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor’s reports

Fieldwork July - October

- Receiving and reviewing draft financial statements
- Accounting Technical Services (ATS) review of draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

Contact

Mazars

Partner: Cameron Waddell
Email: Cameron.Waddell@mazars.co.uk

Manager: John Pressley
Email: John.Pressley@mazars.co.uk

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

Report to:	**LGPS Local Pension Board**
Date:	**16 March 2023**
Subject:	**Pension Board Membership**

Summary:

This report sets out the Pension Board roles that are up for appointment in July and the process to be followed.

Recommendation(s):

That the Board consider and note the report.

Background

1. The Public Service Pensions Act 2013, which created the requirement for a Local Pension Board, stated that the membership of the Pension Board must have an equal number of scheme member representatives and employer representatives. Following consultation in 2015, it was agreed that the Lincolnshire Pension Board would have two of each member.

2. The terms of reference for the Pension Board states that each role would have a term of office of four years, however the initial appointments staggered the terms for one of each representative type, to ensure continuity of knowledge on the Board. There is no limit to the number of terms that a Board member can remain in office.

3. One of each role is up for renewal in July this year, and the paragraphs below set out the appointment process to be followed for each role, and which specific role is up for renewal.

Scheme Member Representatives

4. The terms of reference states that:

Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund.

Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Substitutes shall not be appointed.

A total of two member representatives shall be appointed, of which:

One member shall be appointed following a transparent recruitment process which should be open to all Fund members and be approved by the Administering Authority; and

One member will be nominated and appointed by the local trade unions through their own agreed process.

5. The union scheme member representative role is now up for renewal, and the current representative, Kim Cammack, is happy to stand for another term. Local trade unions will be contacted to ensure that they are content with this proposal, or whether they wish to appoint a replacement. This will be confirmed at the July meeting of this Board.

6. Employer Representatives

7. The terms of reference states:

Employer representatives shall be office holders or senior employees of employers in the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function of the Administering Authority under the Regulations may serve as a member of the Board.

Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Substitutes shall not be appointed.

A total of two employer representatives shall be appointed to the Board by the Administering Authority.

One place will be taken by Lincolnshire County Council, as the employer with the highest number of active, pensioner and deferred members.

All other employers will have been asked to submit their interest in undertaking the other role of employer representative on the Board.

8. The employer representative role now up for renewal is the one recruited from the general scheme employers. This is currently undertaken by Gerry Tawton, from Boston College, who is stepping down after serving for one term of office covering four years.

9. At the Annual Employer meeting held in February, employers were made aware of the position becoming vacant, and asked to express any interest. A further email will be sent out in April to all employers to request expressions of interest. Any person interested will be offered an informal chat with the Head of Pensions, and if they wish to nominate themselves, they are required to submit a brief note covering why they are interested, some background information, how they would represent scheme members and detailing any similar or relevant experience they may have had. The closing date for nominations will be 31 May 2023.

10. Following that date, the Administering Authority will consider the submissions, interview if necessary, and appoint the Employer Representative Board member ahead of the 13 July meeting.

Conclusion

11. Two roles of the Pension Board are up for renewal from July 2023, namely the union Scheme Member Representative and the Employer Representative from general scheme employers.

12. Following the recruitment process set out above, the individuals appointed will be welcomed to the 13 July Board meeting.

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 Jo Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

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

Report to:	**LGPS Local Pensions Board**
Date:	**16 March 2023**
Subject:	**Training Needs**

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 Board members are also completing two online training courses:

- The Pension Regulators (tPR) toolkit module on scams. As agreed at the last Pension Board meeting, all Pension Board members should complete tPR scams training module which has been added to the toolkit. Once complete please send your certificate through to Fund Officers. This will allow the Fund to sign up to the pensions pledge.

- Hymans Robertson LGPS Online Learning Academy (LOLA). All Board and Committee Members were provided with log on details for LOLA in September 2022 and are asked to complete this training. This training is updated periodically with new material on emerging issues. A new section on the pensions dashboard has recently been added to module six.

1.4 For the Boards information attached are Hymans Robertson Conference Highlights from:

- Hymans Robertson Conference Highlights from the Local Government Association Governance Conference which was held on 19-20 January.

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 - LGA Governance Conference (19-20 January)

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.

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HYMANS ROBERTSON

Conference highlights

LGA Governance Conference (19-20 January 2023)

Steven Scott
Senior Actuarial Consultant

Ian Colvin
Head of Benefits Consulting

Chaired by Jo Donnelly, head of pensions at the LGA.

The 2023 LGA Governance Conference took place in Cardiff on 19th and 20th January and was attended by a mix of in-person delegates and remote attendees.

Day 1 - Welcome from the Chair

Joanne Donnelly, LGC

- Jo welcomed all delegates to the conference and trailed the range of interesting speakers on a variety of topics relevant to LGPS practitioners.

Keynote address – Good complaint handling

Alex Robertson, Chief Operating Officer, The Pensions Ombudsman

- Alex set out the approach taken by the Pensions Ombudsman in handling complaints and, specifically, the approach to early resolution whereby customers are encouraged and supported to seek the answers to their own queries.
- Important to acknowledge what customers actually want. In most cases, simply an apology, for things to be put right, and to help ensure that others are not affected by the same issue.
- Biggest category of complaint from LGPS members is in respect of ill health decisions made by employers. The Pensions Ombudsman does not question the advice received from medical experts, but they do examine the processes leading to a decision.
- Alex then offered guidance on how pension schemes can avoid the Pensions Ombudsman, and highlighted the importance of clear member communications in this.
- Alex wrapped up with a call to action – highlighting the important work done by volunteers (specifically, in supporting early resolution) and he encouraged the pensions professionals in the room to consider volunteering for the Pensions Ombudsman.

Scheme Advisory Board update

Jon Richards, Unison and SAB vice chair

- Prior to this session, a video address was shown from Lee Rowley MP, the Local Government Minister. The Minister expressed optimism about what the LGPS and Government can achieve going forward.
  - The minister set out his key priorities; chief amongst these was the need for the LGPS to manage risk and seize opportunities given the significant geopolitical shocks on the horizon. Being vigilant on this will help ensure the LGPS remains sustainable and healthy going forward.
  - The Minister finished his address by highlighting the work done by the SAB to improve the governance and administration of the LGPS and commented on the great value he places on the support of the SAB in carrying out his role.
- Jon then provided an update on the work done by the SAB to support the LGPS, specifically, the ability of the SAB to create a trusted forum in which a single recommendation was presented to Government in response to the cost floor breach in 2018.
- His ambitions for the future recognise that the level of scrutiny on LGPS Funds will only grow, but he believes the LGPS is well placed to step up to these challenges. A particular challenge will be addressing low take up across younger potential members; the benefits of the scheme should be made clearer to this group.
- On investment pooling, he noted that a lot of effort has been put into this to make it a success. There are justifiable criticisms and some success stories. The SAB will continue to seek to make the pooling model work for the LGPS.

The member and employer view – panel session

George Georgiou, GMB; Emelda Nicholroy, UCEA; Cllr John Fuller, LGC; Jon Richards, Unison

- Emelda explained some of the issues around the different treatments applied by LGPS Funds in the case of Universities. This leads to confusion and a belief from these employers that certain funds are being more penal than others. Consistency is difficult to achieve but Funds should be aware that Universities talk to each other and that they are genuinely open to discussing novel funding solutions.
- Jon commented on communication standards in the LGPS with the headline 'it varies'. He highlighted the lack of communications with deferred members and dispersed employers.
- In George's view, LGPS members understand the value of the benefits provided by the LGPS, specifically that they will not 'get rich' from their LGPS pension but that they will receive a decent and fair pension. GMB put a lot of effort into convincing members to join and remain in the scheme.
- On asset pooling, John added to the earlier comments from Jon that the LGPS needs to make asset pooling work. There is a question mark over the savings that have been delivered, and whether the scale achieved provides any particular benefit to the LGPS and UK plc, although there is a solid foundation to build on.

How to keep on the right side of the law

Kirsty McLean, Squire Patton Boggs

- Kirsty explained the benefits that the Pension Dashboard will bring and highlighted the need for LGPS Funds to be engaging with this now, not least due to the fines in the event of non-compliance.
- On the matter of pension transfers, she highlighted the inconsistencies between guidance from the Pensions Regulator on paying non-statutory transfers (such as those with anti-scam 'red flags') and the fact that the LGPS cannot pay a non-statutory transfer. The implications of this may lead to member benefits having to be reinstated.

- Kirsty then noted the difficulties in defining 'incentives' and overseas investments when looking for signs of a pension scam.
- She finished up with a warning in respect of the Retained European Union Law Bill and the fact that over 4,000 items of EU-derived subordinate legislation could disappear from the statute book on 31 December 2023 unless preserved in UK law by a Minister or Devolved Authority prior to then.

Responsible investment

Steve Lee, Ninety One; Edwin Whitehead, Redington; George Graham, SYPA

- Steve opened the discussion by setting out the huge task facing Elected Members in looking at the climate impact of investments, in trying to understand the carbon footprint of their Funds, and setting a target date to become net zero. No Elected Member stands for office in order to sit on a Pension Committee and this is a very complex area. In Steve's experience, Elected Members bring common sense to these discussions.
- George set out the South Yorkshire Pension Authority's approach to Responsible Investment, explaining how the Authority starts from the position that Responsible Investment should do no harm when the Fund invests. Specifically, a 'good company' is one which treats workforce and communities well.
- Edwin acknowledged that there is no single one correct approach to Responsible Investment, but encouraged Funds to approach this by understanding the purpose of their investments i.e. to pay pensions through the prudent management of risk whilst mitigating the impact of this on the real world.
- How should Funds react to local activism? George noted that many officers and committees are engaging with activists and listening to their concerns and ideas. Maintaining a polite and respectful relationship and recognising the legitimacy of their views helps Funds understand the human dimension of investment decisions.

Day 2 – Welcome from the Chair

Joanne Donnelly, LGC

- Joanne welcomed delegates to day 2 of the Conference and highlighted the very excellent after dinner speaker from the night before.
- Nigel Owens brought humour and humility to the Conference and we were very grateful to hear of both his personal experiences and those as an international rugby referee.

Keynote address

Nick Gannon, The Pensions Regulator

- Nick opened by listing the 'tsunami' of regulatory challenges coming down the line, including the new single code of practice, the pensions dashboard and managing cyber risk. On cyber risk, the LGPS is a very large and important scheme and so will be in the crosshairs of cyber criminals.
- On the single code of practice, Nick is confident that the LGPS will respond well to this. The single code brings together 10 existing codes and well-run pension schemes should not be concerned. To the relief of Conference, Nick confirmed that the new code is a lot tidier than the version released for consultation!
- Nick advised Elected Members to focus on Governance and Administration. Whilst processes will vary at individual Funds, these should be slick and do what they are designed to do. On Administration, Nick suggested that good administrators should be cherished.

Fund valuations 2022 – panel session with:

Michelle Doman, Mercer; Jonathan Teasdale, Aon; Steven Scott, Hymans Robertson; Melanie Durrant, Barnet Waddingham

- Michelle provided an overview of the key drivers leading to improved balance sheets at the 2022 valuation, specifically, strong investment returns, and highlighted how the main driver of costs is now the cost of benefits (i.e. the Primary Rate), which has generally increased at the 2022 valuation.
- Jonathan followed up on this by explaining how post valuation experience has influenced the contribution rate setting process, noting that inflation uncertainties remain, asset values have come down and emerging pessimism around the strength of the economy may lead to concerns around employer covenant.
- Melanie explained how the number of LGPS employers has continued to increase and the challenges this brings to Funds. An overview of the employer flexibilities now available in the LGPS was also provided and Melanie noted that recent market changes have led to many Deferred Debt Arrangements being concluded earlier than expected.
- Steven set out the key post valuation actions for LGPS Funds, specifically 1) continue to evolve funding strategies so these remain fit for purpose in the changing economic environment, 2) put robust monitoring processes in place, and 3) continue engaging with participating employers to take advantage of emerging opportunities.

The administration challenge – panel session with:

Kevin Gerard, Dyfed Pension Fund; Lorraine Bennett, LGA; Ian Colvin, Hymans Robertson; Catherine Pearce, Aon

- Lorraine highlighted some of the upcoming policy challenges specifically the McCloud remedy and the expectation that legislation will be provided in October 2023, along with supporting guidance and a further consultation on the detail (including the tax treatment of rectification payments). She explained the need for all leaver calculations to be reviewed as part of the McCloud rectification and highlighted how the manual nature of these checks will cause issue for Funds, not least from a resourcing perspective. It now seems likely that DLUHC will consult on moving the date that CARE benefits are revalued to match the revaluation date for Annual Allowance purposes.
- Kevin then set out how the Dyfed Pension Fund has restructured its admin teams to deal with the current pressures and explained the benefits of having separate teams looking at different aspects of the administration service. He also highlighted some of the issues facing his team following the emergence of agile working, specifically working from home. The market for experienced LGPS administration staff is now UK wide and geographical location is no longer a barrier for staff looking for new opportunities.
- Catherine explained the important role Committees and Boards have in advancing improvements in administration matters. It can be tempting for Elected Members to focus on investment topics, but it is a basic necessity of the Fund to pay correct pensions to members and so there should be appropriate focus on administration matters at meetings.
- Ian then set out the key findings from Hymans Robertson's 2022 National Knowledge Assessment. 16 Funds took part in the survey and there were over 200 participants. The results of this survey can help participating Funds understand where to focus training and, at a national level, the results provide an encouraging baseline of knowledge across LGPS Committees and Boards.

The Good Governance project

Ian Colvin, Hymans Robertson; Jeremy Hughes, LGA

- Ian began by giving the background to the SAB's Good Governance Review. The intention behind the Review was to identify enhancements to LGPS governance while maintaining strong links to local democratic accountability.
- The exercise was a collaborative one, involving views from as wide a range of LGPS stakeholders as possible. There were 3 Good Governance reports in total which are all available on the SAB's website. Recommendations covered several key areas including conflicts of interest, knowledge and understanding, representation, service delivery, and compliance and improvement.
- Jeremy then provided an update of where DLUHC are in terms of taking forward the Good Governance recommendations. Discussions with department officials appear to be progressing and there is a will to take forward most of the recommendations. Ministers are keen to be reassured that the LGPS is in safe hands, so documenting best practice, centralised KPIs and training and skills are a priority.
- A workforce strategy is likely to be introduced to help Funds plan their resource needs and recruit and retain staff.

Investment outlook

Atul Shinh, Ninety One

- Atul explained the reasons for recent poor asset performance, noting that in 2021 investors were exuberant (as evidenced by the relative value of Tesla to other car companies, the price of bitcoin and the emergence of NFTs). 2021 also saw the emergence of supply side shocks following the reopening of the world economy.
- Atul continued by explaining the impact of the war in Ukraine on inflation in the west and how the policy response to this (raising interest rates) has led to a deterioration in economic growth in western economies.
- The future is uncertain, and interest rates may continue to rise in 2023, depending on the path of inflation and recession is just round the corner. Significant geopolitical risks remain and the relationship between the US and China has deteriorated which may drive high inflation due to reduced reliance on globalisation.
- The work required to deal with climate change may also be a driver of inflation. Governments are now financing initiatives to combat climate change and the amounts required to effect change are huge.
- In terms of finding investment opportunities in this environment, Atul noted caution around US / UK / EU equities and expressed positive sentiments around Asian (China) and Emerging Market equities. When investing in these markets, Atul noted the importance of being selective.

Closing remarks from the Chair

Joanne Donnelly, LGA

- Joanne wrapped up the conference by thanking the various individuals who make these events possible and highlighted a major theme of conference – administration is the bedrock of all that we do and it is important to get this right.
- Joanne informed delegates that the 2024 conference will take place in York on 18th and 19th January.

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

Report to:	**LGPS Local Pension Board**
Date:	**16 March 2023**
Subject:	**Work Programme**

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

Appendix A	Work Programme

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.

APPENDIX A

LGPS PENSION BOARD – WORK PLAN

16 March 2023 **Meeting Location: County Offices, Lincoln**	
Item	*Lead Officer*
Pension Fund Update *(Report)*	Jo Kempton (Head of Pensions)
Pensions Administration Update *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Employer Monthly Submissions Update *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Temporary Bank Accounts *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Pensions Dashboard *(Report and Presentation)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Annual Review of Policies *(Report)*	Jo Kempton (Head of Pensions)
Business Plan and Budget Setting for the Pension Fund *(Report)*	Jo Kempton (Head of Pensions)
Annual Report and Accounts 2022/23 – Review of Accounting Policies *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Board Membership *(Report)*	Jo Kempton (Head of Pensions)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Pension Administration Service Provider *(Report)*	Jo Kempton (Head of Pensions)

July 2023 **Meeting Location: County Offices, Lincoln**	
Item	*Lead Officer*
Board Membership – appointment of new Members *(Report)*	Jo Kempton (Head of Pensions)
Pension Fund Update *(Report)*	Jo Kempton (Head of Pensions)
Pensions Administration Update *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulator Data Scores *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Annual Report and Accounts 2022/23 – Approval of Draft Annual Report and Accounts *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
The Pension Regulators Combined Code *(Report)*	Jo Kempton (Head of Pensions)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)

October 2023 **Meeting Location: County Offices, Lincoln**	
Item	*Lead Officer*
Pension Fund Update *(Report)*	Jo Kempton (Head of Pensions)
Pensions Administration Update *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Temporary Bank Accounts *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Annual Review of the Risk Register *(Report)*	Jo Kempton (Head of Pensions)
Annual Report and Accounts 2022/23 – External Audit – Audit Update Report *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)

January 2024 **Meeting Location: County Offices, Lincoln**	
Item	*Lead Officer*
Pension Fund Update *(Report)*	Jo Kempton (Head of Pensions)
Pensions Administration Update *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulator Data Scores *(Report)*	Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund)
Annual Employer Monitoring and Data Quality Review *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Annual Report and Accounts 2021/22 – External Audit – Audit Completion Report *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Appendix A

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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