



County Offices
Newland
Lincoln
LN1 1YL

4 October 2023

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 12 October 2023** in the **Council Chamber, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely

A handwritten signature in black ink that reads 'Debbie Barnes'. The signature is written in a cursive, flowing style.

Debbie Barnes OBE
Chief Executive

Membership of the Pensions Committee
(8 Members of the Council and 4 Co-Opted Members)

Councillors E W Strenziel (Chairman), P E Coupland (Vice-Chairman), M G Allan, P Ashleigh-Morris, A W Briggs, S Bunney, P M Dilks and T J N Smith

Co-Opted Members

Steve Larter, Small Scheduled Bodies Representative
T Young, District Councils Representative
Tom Hotchin, Academy Sector Representative
1 Vacancy, Employee Representative

**PENSIONS COMMITTEE AGENDA
THURSDAY, 12 OCTOBER 2023**

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Members' Interests	
3	Minutes of the previous meeting held on 21 September 2023	5 - 10
4	Report by the Independent Chair of the Lincolnshire Local Pension Board <i>(To receive a report from Roger Buttery, Independent Chair of the Lincolnshire Local Pension Board, which updates the Committee on the work of the Pension Board during the previous months)</i>	11 - 14
5	Pension Fund Update Report <i>(To receive a report from Jo Kempton, Head of Pensions, which updates the Committee on Fund matters and any other current issues)</i>	15 - 42
6	Pensions Administration Report <i>(To receive a report from Matt Mott, West Yorkshire Pension Fund, which updates the Committee on current administration issues)</i>	43 - 64
7	Risk Register Annual Review <i>(To receive a report from Jo Kempton, Head of Pensions, which presents the Pension Fund Risk Register and Risk Policy to the Committee for annual review and approval)</i>	65 - 78
8	Performance Measurement Annual Report <i>(To receive a report by Jo Kempton, Head of Pensions, which sets out the Pension Fund's longer term investment performance for the period ending 31 March 2023)</i>	79 - 84
9	CONSIDERATION OF EXEMPT INFORMATION In accordance with Section 100 (A)(4) of the Local Government Act 1972, the following agenda item 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.	
10	Border to Coast Strategy Update <i>(To receive an exempt report from Jo Kempton, Head of Pensions, which introduces Border to Coast's strategy update to the Committee)</i>	85 - 112

Democratic Services Officer Contact Details

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

- Business of the meeting
- Any special arrangements

Contact details set out above.

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing [Agenda for Pensions Committee on Thursday, 12th October, 2023, 10.00 am \(modern.gov.co.uk\)](#)

All papers for council meetings are available on:
<https://www.lincolnshire.gov.uk/council-business/search-committee-records>



**PENSIONS COMMITTEE
21 SEPTEMBER 2023**

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), M G Allan, P Ashleigh-Morris, A W Briggs, S Bunney and T J N Smith

Co-Opted Members: Steve Larter (Small Scheduled Bodies Representative) and Tom Hotchin (Academy Sector Representative)

Officers in attendance:- Michelle Grady (Assistant Director – Finance), Jo Kempton (Head of Pensions) and Thomas Crofts (Democratic Services Officer)

Others in attendance:- Roger Buttery (Independent Chair – LGPS Local Pensions Board), David Vickers (Scheme Member Representative – LGPS Local Pensions Board), David Walker (Hymans Robertson), Steven Turner (Morgan Stanley) and James Owen (Morgan Stanley)

18 APOLOGIES FOR ABSENCE

No apologies for absence were received.

19 DECLARATIONS OF MEMBERS' INTERESTS

Councillor M G Allan declared an interest as a pensioner member of the Pension Fund.

Steve Larter (Small Scheduled Bodies Representative) declared an interest as an active and deferred member of the Pension Fund.

Tom Hotchin (Academy Sector Representative) declared an interest as an active member of the Pension Fund.

20 MINUTES OF THE PREVIOUS MEETING HELD ON 13 JULY 2023

RESOLVED

That the minutes of the meeting held on 13 July 2023 be approved as a correct record and signed by Chairman subject to the following amendment:

- Councillor T Smith gave apologies.

21 RESPONSIBLE INVESTMENT UPDATE REPORT

PENSIONS COMMITTEE
21 SEPTEMBER 2023

Consideration was given to a report which provided the Committee with an update on Responsible Investment activity during the first quarter of the financial year 2023/24. Members were guided through the report, and attention was drawn to the latest voting activity as well as Fund's stewardship code submission, which had successfully been met in the previous year, and was now due for reassessment.

RESOLVED

That the report be noted.

22 ANNUAL REPORT ON THE FUND'S PROPERTY AND INFRASTRUCTURE INVESTMENTS

Consideration was given to the annual report on the Fund's property and infrastructure investments. The following matters were highlighted:

- The Fund was currently underweight in its allocation to property, which had had a positive performance impact over the past year, given the turbulence in the market.
- The Fund's allocations to property were reviewed and rebalanced at the Committee's meeting in June.
- Overall performance in property was mixed – with Royal London being the only fund to outperform the benchmark.
- The Fund's property venture investments had come to maturity with generally disappointing returns due to investments being made around the time of the 2008 financial crisis.
- It was too early to determine performance for the UK residential property investments.
- Infrastructure investments continued to perform well.

The Committee considered the report, and the following comments were made:

- The Fund's residential property investments were made up of rented and shared ownership housing and were still in the draw down stage.
- Government policy and regulatory changes always posed a risk to investments over the long term. However, regarding residential property, the market was understocked and was projected to deliver stable returns.
- Long term societal changes were nonetheless important to factor into investment allocation. As such, ESG considerations were an important tool in factoring in future changes.
- Long term was usually defined as being over a ten-year period or longer, and at least over a minimum of five years.
- The Fund was currently over 100% funded.

RESOLVED

That the report and comments made be noted.

23 INVESTMENT POOLING CONSULTATION

Consideration was given to a report, which provided the Committee with the draft response from the Fund to the consultation - LGPS – Next steps on Investment. The following matters were highlighted:

- The consultation on LGPS investment pooling was published on Tuesday 11 July 2023.
- The key points raised in the consultation regarded transition towards pools, collaboration across pools and the consolidation of pools.
- Consolidation of smaller funds, such as those in London boroughs, could be a consideration, due to resourcing issues. Although larger than these funds, the Lincolnshire Pension Fund was still small in comparison to others.
- Private market investments were to remain under the management of Morgan Stanley for the Lincolnshire Pension Fund, at this time.
- The Lincolnshire Pension Fund did not have a policy for geographically local investment.
- It was suggested that appropriate remuneration for members of the Pension Committee be raised due to the substantial knowledge and training requirements.

The Committee considered the report, and the following comments were made:

- Concern was expressed that it was important to ensure that the views of the Committee be respected by other fund committees when pooled. Assurance was given that other partner fund committees were of a similar mindset and compromise was generally agreed.
- It was felt that any decision regarding remuneration to members of the Committee be taken by officers.
- Concern was expressed that the management of the Fund was becoming more prescribed by central government, and that the Committee may lose influence if pools were made larger.
- The Committee was encouraged to relay questions to the Chairman for him to bring to the next Border to Coast Joint Committee.
- It was not clear if passive assets were expected to be pooled too.
- The Committee was concerned that changing pooling arrangements may interfere with the currently well regarded set up at Border to Coast.
- It was expected that new joiners to the pool would be able to access existing 'off the shelf' investments rather than make new demands – as customers rather than shareholders. As such, pooling could be an opportunity to grow the existing arrangements at Border to Coast and expand its customer base.

RESOLVED

1. That the report and comments made be noted.

4

PENSIONS COMMITTEE

21 SEPTEMBER 2023

2. That the Committee approve the draft consultation response on the LGPS – Next steps on Investment.
3. That Hymans Roberts circulate its response to the LGPS – Next steps on Investment consultation to the Committee.

24 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That under Section 100(A) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it is considered to contain exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

25 MARKET UPDATE REPORT

Consideration was given to an exempt report. A number of questions were asked, and comments received.

RESOLVED

That the exempt report and discussion be noted.

26 INVESTMENT UPDATE AND MANAGER PERFORMANCE REPORT

Consideration was given to an exempt report. A number of questions were asked, and comments received.

RESOLVED

That the exempt report and discussion be noted.

27 INVESTMENT STRATEGY REVIEW - EQUITIES

Consideration was given to an exempt report. A number of questions were asked, and comments received.

RESOLVED

1. That the exempt report and discussion be noted.
2. That the Committee approve the strategic asset allocation changes to equities as proposed in the report.

28 MANAGER PRESENTATION - MORGAN STANLEY PRIVATE MARKETS

Consideration was given to an exempt report and presentation from Morgan Stanley. A number of questions were asked, and comments received.

RESOLVED

That the exempt report, presentation and discussion be noted.

The meeting closed at 12.22 pm

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

Report to:	Pensions Committee
Date:	12 October 2023
Subject:	Report by the Independent Chair of the Lincolnshire Local Pension Board

Summary:

The purpose of this report is:

- A) To update the Pensions Committee on the work of the Pension Board (PB) during the last few months;
- B) For the Pensions Committee to receive assurances gained from the PB's work; and
- C) For the Pensions Committee (PC) to consider recommendations from the PB.

Recommendation(s):

That the Committee considers and notes the report.

Background

1. OUTCOMES FROM PENSION BOARD MEETING ON 13 JULY 2023

1.1 The PB met on the 13 July and the main focus was on the following issues:

- a) TPR Checklist Dashboard
- b) Pensions Administration Report
- c) Data Quality Report
- d) The Pensions Dashboard
- e) Annual Report & Accounts 2021/2022 and 2022/2023

- 1.2 **TPR Checklist Dashboard** - Lincolnshire's compliance to the Code is regarded as a very important report. A checklist of 99 items covering a number of governance areas was produced in a traffic lights format. It is pleasing to report that Lincolnshire was largely compliant throughout the year. As at July 2023, there were 94 green and 1 not relevant. There were 4 partially compliant – 1 related to knowledge and understanding. Whilst most members of the PC and PB have completed this training, several new members had recently been appointed and they have a period of six months to complete their training. The other 3 related to certain aspects which are outside direct control. The Board considered that the compliance to tPR's Code was very good.
- 1.3 **Pensions Administration Report** – there was a lengthy discussion on the report from WYPF. There were a number of work types where the KPIs had not been met during the period 1 January to 31 March 2023, including deaths in service and deferred benefits into payments quote. Staffing and resourcing presented the greatest challenge regarding administration performance. However, WYPF was confident that with vacancies filled, it would be possible to hit the KPIs. The administration performance will be kept under close review.
- 1.4 **Data Quality Report** – a further report from WYPF was presented and the good news is that the overall direction of travel is positive. The data scores presented were Common 96.17% and Scheme Specific 87.91%. It follows that there is still some way to go on hitting at least 95% on Scheme Specific and the PB will keep data quality under close review.
- 1.5 **The Pensions Dashboard** – the Governance and Business Development Manager from WYPF updated the Board on progress with the development of the Pensions Dashboard. Although connecting to dashboards has been delayed until 31 October 2026 by the Department of Work & Pensions, WYPF is planning to meet the original deadline of September 2024.
- 1.6 **Annual Report & Accounts 2021/2022 and 2022/2023** – the PB also considered a further report on the external audit of the Annual Report & Accounts for 2021/2022. At the December meeting, the PB was informed that the external auditor was expected to give an unqualified audit opinion on the pension scheme accounts alongside the audit opinion on the Council's Statement of Accounts which have to be signed off in conjunction with each other. This was however delayed because of national issues on the treatment of infrastructure and the impact of triennial valuations being completed ahead of the accounts sign off. I understand that these Accounts are expected to be signed off soon.

The PB also considered the Pension Fund draft Annual Report & Accounts for 2022/2023 and congratulated the Head of Pensions on an excellent document. The PB raised a few queries which were satisfactorily resolved.

Conclusion

2. ASSURANCES GAINED BY THE BOARD

- 2.1 The PB considered that the compliance to tPR's Code was very good.
- 2.2 The PB was disappointed at the number of missed pensions administration KPIs but acknowledged the pressures the staff were under.
- 2.3 The PB recognises the work being undertaken on data issues but cannot provide full assurance on this aspect.
- 2.4 The PB gained comfort that WYPF are well advanced on the pension dashboards national initiative.
- 2.5 The PB was pleased that the external auditor is expected to give an unqualified opinion on the Fund Statement of Accounts for 2021/2022, albeit very late through circumstances outside the Lincoln Pension's Team control.
- 2.6 The draft Report & Accounts for 2022/2023 demonstrates excellent stewardship by the Lincoln Pensions Team and WYPF.

Roger BATTERY
Independent Chairman

September 2023

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 Roger BATTERY, 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:	Pensions Committee
Date:	12 October 2023
Subject:	Pension Fund Update Report

Summary:

This report updates the Committee on Fund matters for the quarter ending 30 June 2023 and any other current issues.

The report covers:

1. Funding and Performance Update
2. TPR Checklist Dashboard and Code of Practice
3. Breaches Register Update
4. Risk Register Update
5. Asset Pooling Update
6. Annual Report and External Audit Update
7. Conference and Training Attendance

Recommendation(s):

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

Background

1. Funding and Performance Update

- 1.1 Over the period covered by this report, the value of the Fund's invested assets increased by £40.4m (+1.3%) to £3,066.0m on 30 June 2023.

Asset Allocation

- 1.2 Appendix A shows the Fund's distribution as at 30 June. At an asset class level, property is below its tolerance level. Funds being committed to the Border to Coast Global Property Fund will help rebalance this underweight, but this will take a period of time. Cash is overweight, as this is being used to fund expected drawdowns in property and infrastructure investments.

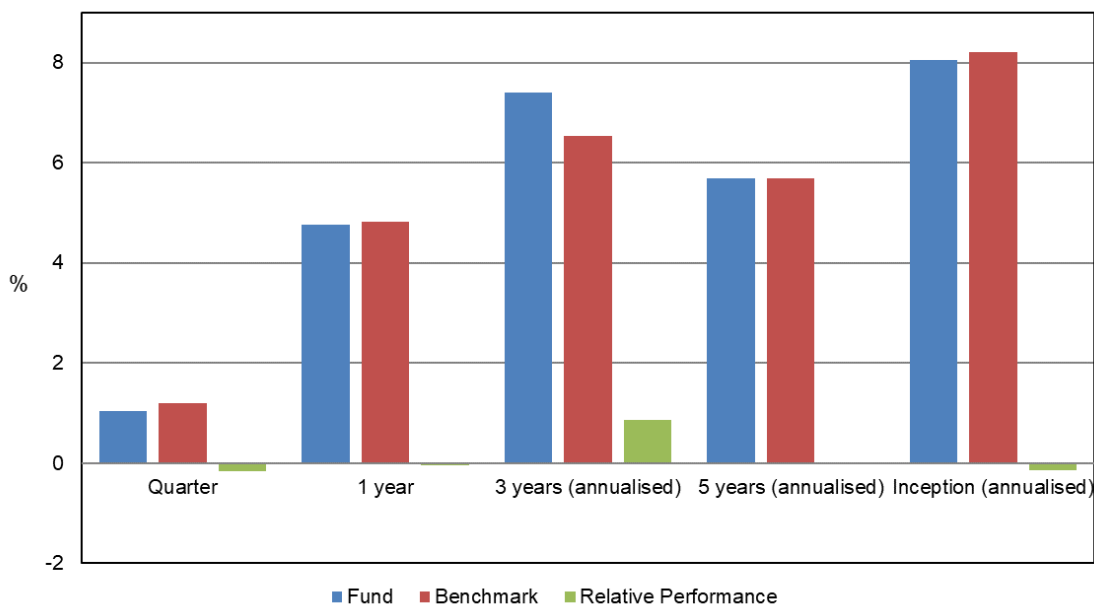
1.5 The Fund's overall position relative to its benchmark is set out in the table below.

Asset Class	Q2 2023 £m	Q1 2023 £m	Asset Allocation %	Strategic Asset Allocation %	Difference %
UK Equities	436.2	462.1	14.2	15.0	(0.8)
Global Equities	1,244.8	1,689.7	40.7	40.0	0.7
Alternatives	738.6	690.6	24.0	22.5	1.5
Property	232.5	228.1	7.6	10.0	(2.4)
Fixed Interest	334.2	344.2	10.9	11.5	(0.6)
Cash	79.8	73.0	2.6	1.0	1.6
Total *	3,066.0	3,025.6	100.0	100.0	

(* Excludes transactional cash and Border to Coast shareholding)

Fund Performance

1.6 The graph and table below show the Fund's performance against the benchmark over the quarter, one year, three years, five years and since inception. The Fund has a target to outperform the strategic benchmark by 0.75% per annum.



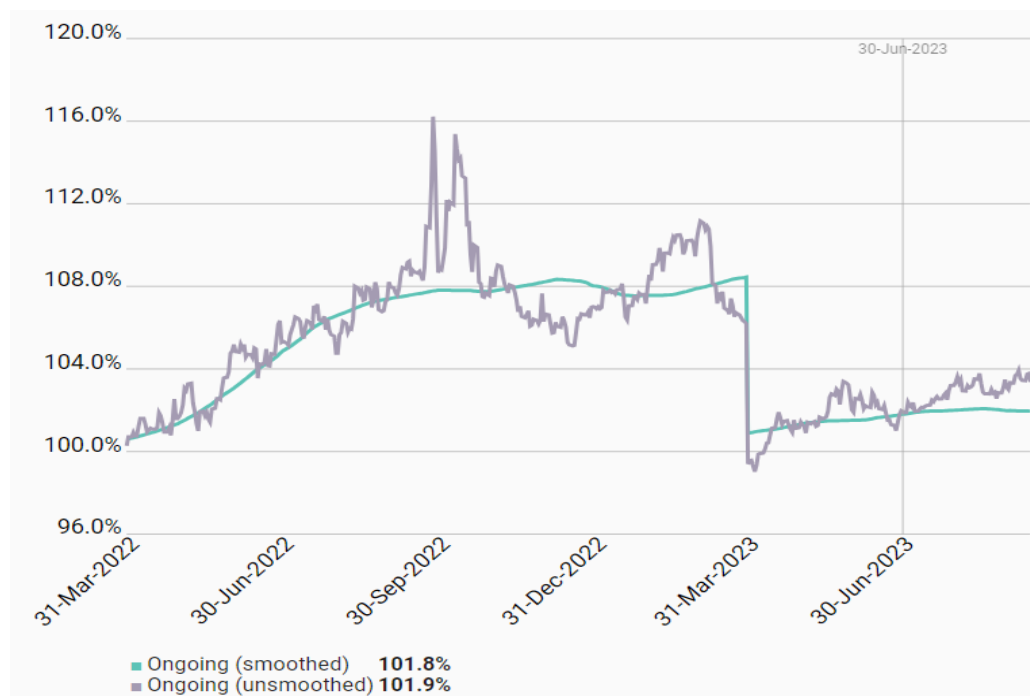
	Fund %	Benchmark %	Relative Performance %
Quarter	1.03	1.20	(0.17)
1 year	4.77	4.82	(0.05)
3 years*	7.40	6.53	0.87
5 years*	5.69	5.69	0.00
Inception**	8.06	8.21	(0.15)

*Annualised from 3yrs. **Since Inception figures are from March 1987

- 1.7 Over the quarter, the Fund produced a positive return of 1.03% (as measured by Northern Trust) but underperformed the benchmark by (0.17%). The Fund was also slightly behind the benchmark over the one year and since inception periods, but was ahead on the three and five-year periods. Details of individual managers' performance are covered at the Investment and Responsible Investment meetings of the Pensions Committee.
- 1.8 Appendix B shows the market returns over the three and twelve months to 30 June 2023.

Funding Level

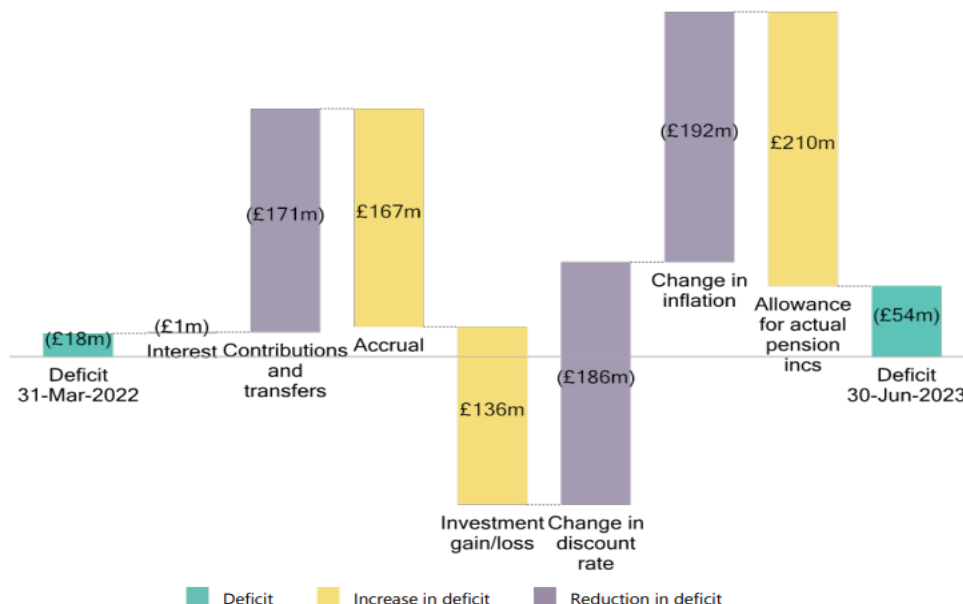
- 1.9 The funding update is provided to illustrate the estimated development of the funding position of the Lincolnshire Pension Fund from the latest formal valuation, 31 March 2022, to the current quarter end, 31 March 2023. The accuracy of this type of funding update will decline over time, as the period since the last valuation increases. This is because the funding update does not allow for changes in individual members' data since the last valuation. It is, however, a useful tool to assist the Committee to identify whether the time is right to reduce the overall risk in the asset allocation of the Fund, as it approaches a higher funding level.
- 1.10 At the last formal valuation, as at 31 March 2022, the funding level was 100.6%, with assets and liabilities measured at £3.01bn and £2.99bn respectively. Since the valuation date, the funding level has increased by 1.2% to 101.8%. The graph below shows the volatility of the changes over the period since then, both on a smoothed and unsmoothed basis.



1.11 A change to the funding basis was agreed with the Actuary in August, which was back-dated to 31 March 2023 and causes the drop in funding level reflected in the chart above at that date. The reasons and impact are summarised below:

- Since the last valuation date of 31 March 2022, there has been significant changes in the market conditions underlying the financial assumptions. In particular, there has been a significant increase in interest rates which affects the expected return of absolute return funds which form 19% of the Fund’s strategic asset allocation.
- The changes in interest rates meant that the expected return for absolute return increased considerably.
- At the same time, expected return on equities fell due to a drop in the long term expected inflation.
- This meant that if the original approach was maintained, absolute return funds would be expected to achieve significantly higher returns than equities. These target returns would be very difficult for managers to achieve.
- To maintain prudence within the valuation model and consistency of relative returns amongst all asset classes, it was agreed to change the derivation of the expected returns on the absolute return funds.
- The impact of the change is an increase in liabilities and a reduction in the funding level of around 5% as at 31 March 2023.

1.12 Over the period 31 March 2022 to 31 March 2023 the surplus, in real money, has risen from £18m to £54m. Since the valuation, contributions and transfers have been slightly greater than the accrual of new benefits. The table below shows the analysis of the change in deficit.



2. TPR Checklist Dashboard and Code of Practice

- 2.1 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 C. 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.
- 2.2 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, there has been some turnover of members in both the Board and the Committee who all have a period of six months to complete their training, therefore this should be green by January, 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 agenda item and opportunities are shared with the Pension Board as they arise. Pension Board members all complete a training log annually to record all training undertaken.

3. Breaches Reporting - update

3.1 The Fund and those charged with its governance have a requirement to log and, where necessary, report breaches to the Pensions Regulator. The Breaches Register attached at appendix D 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** – there have been some late employers over the quarter, but nothing of significance that requires reporting to TPR. A separate paper will be presented annually to the January meeting of this Committee covering this and other employer monitoring.

4. Risk Register Update

4.1 The risk register is brought to this Committee at agenda item 7, for the annual review.

5. Asset Pooling Update

Sub Funds

5.1 Work has continued with the development of the real estate funds, with the next transition for Lincolnshire expected to be into the Core Global Property fund, due to be launched later in 2023.

5.2 Since the last Committee meeting, Border to Coast has held workshops and meetings with officers and advisors covering quarterly external and internal funds, property, UK opportunities, passive funds, responsible investment and the pooling consultation.

Joint Committee Meetings

5.3 The last Joint Committee was held on Thursday 28 September 2023 and papers were shared with the Committee. The agenda items were:

- Election of Vice Chairman
- Schedule of Future Meetings
- Joint Committee Budget
- Responsible Investment Update
- Market Review

- 2030 Strategy
- LGPS Consultation
- Annual Review of UK Listed and Overseas Developed Equities
- Annual Review of Alternatives
- Annual Review of Listed Alternatives
- CEO Report
- Investment Review Quarter Ended 30 June 2023

5.4 The next meeting of the Joint Committee is being held on 28 November and papers will be shared with this Committee 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

5.5 As the Committee are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The 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.

5.6 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.

5.7 There were a number of shareholder resolutions at the AGM, held on 18 July, all of which were approved:

- Adoption of the Accounts for the year ended 31 March 2023
- Re-appointment of the External Auditor
- Note the Directors Outside Business Interest Policy
- Receive the Register of Directors Interests
- Approval of the extension to Ms Guthrie's term as a director of the Board to 30 September 2027
- Approval of the extension to Cllr Holtby's term as a director of the Board to 30 September 2024
- Approval of the appointment of Richard Hawkins as a new non-executive director of the Company (term to 30 September 2026)

Future Funding Model

5.8 The current funding model, as shaped by the Partner Funds prior to inception of Border to Coast, was designed to support funding both regulatory capital (as required by the FCA) and revenue and liquidity requirements throughout the initial start-up

period (expected to be c. five years). It aimed to address the following requirements over this initial build period:

- Provide the required resources to support the build of a long-term resilient and sustainable operating model, that was sufficiently flexible so as to be able to adapt to meet Partner Funds' changing needs.
- Provide an initial degree of detailed oversight of the organisation as a corporate entity by Partner Funds whilst trust and operational requirements could be refined on the basis of experience.
- Build a financing model that was based on the principal of supporting a "not for profit" operating model.
- Ensure the firm did not experience liquidity or capital issues during the build period.
- Charge Partner Funds based on their long-term strategic asset allocation (i.e. not their actual assets under management (AUM)) to ensure a fairer allocation of costs during the initial asset transition period, given that not all assets could transition at the same time.

5.9 It was always anticipated that the model would need to adapt and move to something more commonly seen in the wider industry, where charges are based on actual assets under management. Discussions have been ongoing for the last couple of years on when and what needs to change to implement a new model. The intention was for this change to be implemented from April 2025 but, at the request of Partner Funds, Border to Coast has looked to accelerate this to be ready from April 2024. Although this is a challenging delivery date, with some matters still to conclude, with Board and Partner Funds support and agreement, it is expected to be on track to meet this date. This section provides some background ahead of the final model being agreed.

5.10 A joint project group has been established, and Border to Coast has worked with Partner Funds officers to propose a new approach and outline a model for review and approval by both the Board and Partner Funds.

5.11 Further information to outline the key changes proposed, and the approvals required to implement the changes, are set out in the paragraphs below:

Why Change?

- Basing Partner Funds' costs on actual AUM makes benchmarking easier, enables easier monitoring of the total costs of investing in each sub-fund, and supports a focus on value rather than cost.
- A change could support longer-term planning and flexibility to deal with in-year events than is currently the case. However, Partner Funds have requested that the Company continues to prepare an annual budget, to enable oversight and management of any potential cost creep through this change.

What is proposed to change?

- The costs will not change in total but rather the way they are allocated between the Partner Funds. At a basic level, it is proposed that Border to Coast will stop

invoicing Partner Funds a share of the annual budget based on their long-term strategic asset allocation. Instead, an Annual Management Charge (AMC) will be applied to the investment funds which will be allocated in proportion to each Partner Fund's share of the total AUM of the fund. The AMC will reflect the actual costs incurred by Border to Coast.

- Protections will be put in place to ensure some cost certainty for Border to Coast (e.g. if the AUM significantly falls), which if not there could result in Border to Coast requiring a shareholder capital injection to meet its regulatory capital requirements. This mechanism will also support future optionality and shareholder non-compliance with the pooling guiding principles. It also avoids the need to hold extra capital and provides a means of managing liquidity requirements.

What is not proposed to change?

- The Annual Budget will continue to be approved by shareholders.
- Governance and Project costs will continue to be charged to Shareholders on a 1/11th basis.
- The charging structure for Private Markets (including Global Real Estate) will not change, which already charges on a committed assets basis.

Changes required to make this effective

- Fund documentation (the Prospectus): For each sub-fund, the ability to charge an Annual Management Charge (reflecting Border to Coast's actual costs) but subject to a capped percentage.
- Shareholder Agreement: There will be a few minor changes to the Shareholders' Agreement to enable this change to be effected. The current wording under Section 4.1 states "Each Shareholder shall pay an annual operating charge to BCPP in the amount specified in the Annual Budget in relation to services provided by BCPP as specified in the Annual Budget". However, because the AMC will be charged to the funds, it will be the investors in each fund who will now be paying these costs i.e. not the shareholders and therefore the above wording needs to be changed to remove these costs from the Annual Operator Charge.
- In addition, to protect Border to Coast from the risk of not being able to fully recover its costs (i.e. if the actual costs are greater than the AMC capped amount), the agreement will be amended to make each shareholder liable to make an equal contribution towards the shortfall.

Pension Cost Charge Agreement

- It is proposed to remove the cost sharing principles from this Agreement, with no other changes required. The Cost Sharing Principles are to be included as part of the Annual Budget process to give clarity on how Partner Funds pay for their investment related activities and their future liabilities on pensions shortfall – as is the case now.

5.12 Following the changes to the approval process for Border to Coast Governance documents agreed at the February Full Council meeting, once all changes are finalised these will be brought in full to the Pensions Committee for approval.

6 Annual Report and Accounts – External Audit Update

6.1 2021/22

At the time of writing, the Pension Fund is expected to receive the external auditor's opinion on the 2021/22 accounts and consistency opinion for the Annual Report in early October. Once received, the updated Annual Report, to include the audit opinion, will be published on the Pension Fund website. The Pensions Committee received the external auditors report on the 2021/22 accounts audit at the meeting on 1 December 2022, and there are no further matters to report to the Committee in relation to this.

6.2 2022/23

Over the summer, the unquoted holdings 31 March valuations have been received and, after review by Pension Fund Officers, have been incorporated into the Pension Fund Accounts. The total impact of these updated valuations is a £7.896m increase in asset values (across private markets, infrastructure, and property venture). At the date of preparing this paper two 31 March valuations worth £1.684m were outstanding, but no further changes will be made to the accounts as it is not anticipated that the change in value for these assets will be material.

6.3 The external auditor is still working on the 2022/23 accounts and hopes to give an opinion by the end of 2023. The planning work for the 2022/23 audit year is largely complete, as is the revenue element of the final accounts audit. The audit team is currently liaising with the pensions finance team to complete the work on the investment assets. The work appears to be progressing well and we are not aware of any issues arising that need to be reported to the Committee. The external auditors Audit Completion Report will be presented to the Pensions Committee at the January 2024 meeting.

6.4 The external auditor has also completed the required testing and procedures on the 2022 Local Government Pension Scheme triennial revaluation. No issues were identified from this work and the external auditor issued their assurance letters in August. This assurance work was required to facilitate the sign off the Pension Fund and County Council audits for 2021/22 and 2022/23.

7 Conference and Training Attendance

7.1 It is stated in the Committee's Training Policy, approved each July, that following attendance (virtual or otherwise) at any conferences, seminars, webinars or external training events, members of the Committee and officers will share their thoughts on the event, including whether they recommend it for others to attend.

7.2 There have been two conferences since the last meeting:

- The LGC Investment and Pensions Summit was held in early September and was attended by the Chairman of the Committee, Cllr Alan Briggs, Steve Larter and the

Head of Pensions. Conference notes produced by Hymans Robertson are attached at appendix E.

- The Border to Coast Annual Conference was held on 28-29 September and was attended by the Chairman of the Committee, Cllr Alan Briggs, Peter Allan, Michelle Grady and the Head of Pensions.

7.3 The Committee and officers are requested to share information on relevant events they have participated in since the last Committee meeting.

7.4 The newer members of the Committee that had not been able to attend the induction training session with the Head of Pensions received a recorded version of the training, along with slides, to enable them to undertake the training in their own time. Members are requested to notify the Head of Pensions when any training is undertaken, so that it can be logged accordingly.

7.5 Upcoming training opportunities are shared in the weekly and monthly emails and current ones are shown below. Any member wishing to attend or require more information should contact Jon Haw (Jonathan.haw@lincolnshire.gov.uk):

- LAPFF Annual Conference in Bournemouth, 6-8 December.
- LGPS Governance Conference in York, 18-19 January.

Conclusion

8. The Fund is 101.8% funded (on a roll-forward basis, following the adjustment mentioned in paragraph 1.11) as at the end of June, with an overall value of invested assets of £3,066.0m.

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	Distribution of Investments
Appendix B	Market Returns
Appendix C	TPR Checklist Dashboard
Appendix D	Breaches Register
Appendix E	Conference Highlights – LGC Investment and Pensions Summit

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.

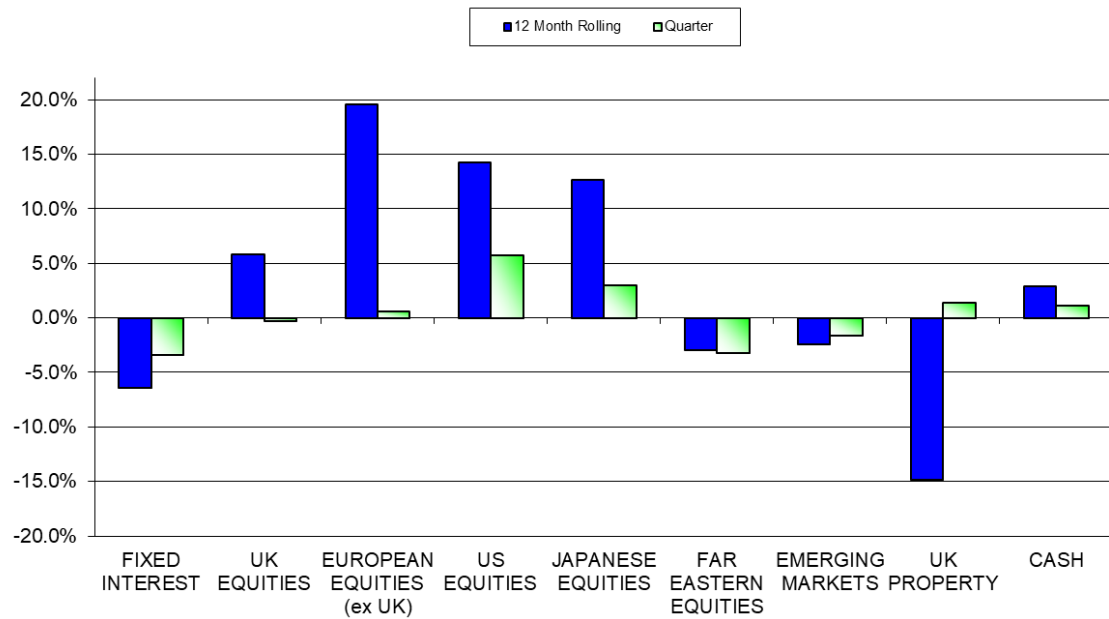
DISTRIBUTION OF INVESTMENTS

INVESTMENT	30 June 2023			31 March 2023			COMPARATIVE STRATEGIC BENCHMARK	
	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	%	TOLERANCE
UK EQUITIES								
Border to Coast UK Listed Equity	436,164,261	25.9%	14.2%	462,065,678	27.3%	15.3%	15.0%	+/- 2.0%
TOTAL UK EQUITIES	436,164,261		14.2%	462,065,678		15.3%	15.0%	
GLOBAL EQUITIES								
LGIM Future World	472,510,256	28.1%	15.4%	463,892,278	27.5%	15.3%	15.0%	+/- 2.0%
Border to Coast Global Equity Alpha	772,268,088	46.0%	25.3%	763,782,209	45.2%	25.5%	25.0%	+/- 2.5%
TOTAL GLOBAL EQUITIES	1,244,778,344		40.7%	1,689,740,165		40.8%	40.0%	
TOTAL EQUITIES	1,680,942,605	100.0%	54.9%	1,689,740,165	100.0%	56.1%	55.0%	
ALTERNATIVES *	738,613,528		24.0%	690,572,457		22.7%	22.5%	+/- 3.0%
PROPERTY	232,487,724		7.6%	228,080,831		7.5%	10.0%	+/- 1.5%
FIXED INTEREST								
Blackrock				124,858,174	36.3%	4.1%	0.0%	+/- 1.0%
Border to Coast Investment Grade Credit	334,159,830	100%	10.9%	219,308,652	63.7%	7.2%	11.5%	+/- 1.0%
TOTAL FIXED INTEREST	334,159,830	100.0%	10.9%	344,166,826	100.0%	11.3%	11.5%	+/- 1.5%
TOTAL INVESTED CASH	79,836,778		2.6%	73,006,887		2.4%	1.0%	+ 0.5%
TOTAL INVESTED ASSETS	3,066,040,465		100%	3,025,567,166		100%	100.0%	

* including Multi-Asset Credit and Infrastructure

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CHANGES IN MARKET INDICES MARKET RETURNS TO 30 JUNE 2023



INDEX RETURNS	12 Months to Mar 2023 %	Apr-Jun 2023 %
FIXED INTEREST	-6.4%	-3.4%
UK EQUITIES	5.8%	-0.3%
EUROPEAN EQUITIES	19.6%	0.6%
US EQUITIES	14.2%	5.7%
JAPANESE EQUITIES	12.6%	3.0%
FAR EASTERN EQUITIES	-3.0%	-3.2%
EMERGING MARKETS	-2.4%	-1.6%
UK PROPERTY	-14.8%	1.4%
CASH	2.9%	1.13%

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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

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Lincolnshire Pension Fund 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
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
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
March 23	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
June 23	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

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Conference highlights

LGC Investment & Pensions Summit, Leeds – 7 & 8 September 2023



Steven Scott
Senior Actuarial Consultant



Nick Jellema
Senior Investment Consultant

The LGC Investment and Pensions Summit took place at the New Dock in Leeds on 7 & 8 September 2023. The conference was expertly chaired by Dawn Turner and attended by a good mix of LGPS and Pool officers, advisors and investment managers.

LGPS Healthcheck

Delegates took part in an energetic warm up to the conference, facilitated by Anna James and David Corr from [Dance Syndrome](#).

Making sense of the global economic mayhem

Gerard Lyons, Netwealth

Gerard provided a macro-economic overview of the implications of global instability, and highlighted the following three key trends:

- Weak growth – whilst inflation is decelerating and settling at a higher level, recent IMF forecasts for global growth (3% this year and next) suggests tepid growth in western markets. This is exacerbated by structural changes in China as mitigation against the risk of future trade sanctions.
- Debt trap - concern is emerging in respect of the ability of G7 economies, including the UK, to avoid the debt trap (where debt is greater than GDP and rates of interest exceed GDP growth). The UK has a major current account deficit and needs overseas investors to buy UK assets.
- The end of cheap money - QE since 2008 has led to asset price inflation and an expectation that low rates would last for ever. It's unclear where interest rates will peak, but it's unlikely that rates will fall back to levels during 2010 to 2021. This will make it harder for companies to raise funds for new projects.

Overview of investment market conditions

Jose Pellicer, M&G Real Estate & Joe McDonnell, Border to Coast Pensions Partnership

- Joe highlighted the key differences between the LGPS and UK private sector schemes, noting 1) the stark differences in asset allocation (private sector schemes are de-risking on route to their 'end-game'), and 2) the ability of the LGPS to invest for the long term. As an investor of patient capital, the LGPS can take advantage of

climate opportunities, emerging opportunities with real estate (due to rising interest rates), and invest locally in the UK.

- Jose illustrated the human ability to forget significant historic events, by presenting evidence showing a c.70 years gap between major conflicts in the world since the 1400s. Almost all of us living today have been living during the most peaceful period of world history and we can be forgiven for thinking that this state will persist.
- A similar dynamic exists with regards to changing market conditions. The challenges arising from higher interest rates and inflation have been faced by investors in the past, but before the careers of today's advisors and managers started.

LGPS state of play – where are we now?

Teresa Clay, DLUHC & Jeremy Hughes, LGPS Scheme Advisory Board

- Teresa provided insight on the current investment pooling consultation. The session poll showed that 90% of attendees were planning to submit a response to the consultation (or had already done so).
- Pools have achieved much already, eg excellent performance, improved transparency, significant UK investment, fee savings. The Government want to see a quicker asset transition, more collaboration between pools, increased specialisation in the medium term, and a smaller number of pools with greater scale to improve fee savings.
- The responsibility for investment strategy and asset allocation will remain with funds. There will not be a strict requirement to invest 10% of assets in Private Equity (but is instead an ambition). It was suggested that funds may be more willing to invest in Private Equity given current surpluses.
- Jeremy summarised other important matters being addressed by the SAB, including the Boycotts, Divestments and Sanctions (BDS) bill and the challenges this creates with regards to the legal definition of fiduciary duty (which necessitates consideration of ESG factors).
- SAB have also been looking at the Gender Pensions Gap, noting that the move to a CARE benefit structure may have helped to reduce the gap. On Sharia law compliance, Jeremy noted the importance of making sure Muslim members feel comfortable being in the scheme.

A1: Why is the UK Living sector no longer an alternative investment?

Alex Greaves, M&G Real Estate

- Alex explained how the residential sector demonstrated its diversification and defensive qualities during the recent period of turbulence. Alex highlighted how the inability of the UK Government to meet homebuilding targets has created a strong market for investors.
- This has led to returns from residential real estate comparing well against other real estate sectors, however delays in repricing should be understood when investing. In terms of future opportunities, the growth in student housing, arising from continued growth in overseas students, creates an investment opportunity.

B2: The double-edged sword of feeding the energy transition

Henrietta Pacquement, Allspring Global Investments

Unfortunately, our delegates couldn't attend this session.

A3: Multi-Asset Credit: finding relative value while navigating a sea change

Wayne Dahl, Oaktree

- Wayne highlighted the importance of interest rates for investors, and provided evidence to show that markets have been wrong on the path of interest rates during 2022 and 2023.

- Outperformance in the US was noted despite warnings about recession. In the US, wages remain high whilst inflation fell, and house prices have remained high despite a rise in mortgage rates. House values typically make up 80% of total wealth; high house prices give consumers the confidence to spend.
- Multi-asset credit can help investors take advantage of attractive yields, rotate into different assets based on relative value, and adjust exposure to mitigate default risk.

B4: Social Real Estate – Everyone’s a Winner

Klaus Schmid, Franklin Real Asset Advisors

Unfortunately, our delegates couldn’t attend this session.

A5: Residential Rendezvous: Unlocking Europe’s diverse residential landscape

Jessica Hardman, DWS

- Jessica provided an overview of the European residential real estate market, noting that this is a mature market with a greater choice of opportunities compared to the UK.
- Financing is a barrier to owner occupied housing and this leads to strong demand for high quality rental properties that comply with ESG requirements. Strong population growth in Europe due to migration is fuelling demand, and lack of building puts a big pressure on supply. It’s normal in Europe for institutional investors to own residential property.
- The diverging effect of regulation across Europe affects investment opportunities. In particular, restrictions in France due to the need to include affordable housing in all developments has a detrimental effect on the investment case.

B6: Introduction to the Australian and NZ private equity market

Rohan Wolfers & Matt Robinson, Pacific Equity Partners

Unfortunately, our delegates couldn’t attend this session.

A7: Impact Measurement: Art or Science

Richard Attack, Baillie Gifford

- Richard provided an illustration of the ways in which impact investment can be measured, noting the need for a combination of the qualitative (art) and the quantitative (science).
- Despite the clear importance of impact investment and its complex nature, measurement needs to be simple and focussed. There’s no such thing as a perfect company – there’s a need for engagement (and patience) with companies to allow them to make a positive contribution to sustainable goals.

B8: Decarbonisation, Debt, Distress – Opportunities in European Real Estate

Paul Hampton, Patrizia Institutional Clients & Advisory

- Paul discussed the changing market conditions that are affecting the real estate market. and gave examples of how net returns on leveraged real estate portfolios have collapsed as interest costs have spiked. Refinancing may provide opportunities in attractive sectors, eg logistics and ‘last-mile’ retail.
- Have we “hit the bottom” on real estate valuations? Future price moves suggested by REITs suggest further valuation falls to come in future. Paul therefore advised some caution in deploying new monies into real estate but suggested that we could see a turning of the corner during the next 12 months.

- ESG regulations for real estate differ across Europe, Stock built in the 1960's and 70's require far greater investment to bring the properties up to standard, whereas those countries with more modern builds would require far less investment.
- Refurbishment costs to improve real estate stock and bring it up to current environmental standards could be as high as £1trillion GBP.

A9: Investing in Infrastructure – 10 lessons from (almost) 30 years

Alastair Yates, Macquarie Asset Management

Alastair set out his 10 lessons for investing in infrastructure:

1. Overpay at your peril as you could be stuck with businesses for a very long time.
2. Diversification helps navigate choppy seas (such as during the Covid-19 period).
3. Don't over-leverage.
4. Operational experience unlocks value.
5. Stakeholder management can't be underestimated.
6. Adapt as the market changes.
7. Think in decades and plot a path to invest in new technologies.
8. Love your assets and they will love you back (look after them).
9. The fundamentals don't change.
10. Scale matters.

B10: Sharia Law and the implications for the LGPS

Jeremy Hughes, LGPS Scheme Advisory Board & Dawn Turner

- This is being explored by SAB due to 1) evidence of member opt-outs (disproportionally affecting Muslims), and 2) the potential for discrimination since the religious beliefs of Muslim employees may prevent LGPS membership.
- Their project has involved receiving specialist advice from experts on the Muslim faith, and the project had noted some overlap with existing responsible investment and/or ethical beliefs. Output from the project is due to be published shortly.

Birds of a feather discussion session on hot topics

This was a workshop session during which delegates had the opportunity to consider and discuss a range of hot topics in small groups.

The cashflow challenge

Debbie Fielder, Clwyd Pension Fund & Olga Cooke, Harbourvest

- Debbie set out the cashflow challenges facing Clwyd, due to a combination of higher benefit payments, lower contributions, higher cash calls from Private Equity (PE), delays until PE distributions are realised, and the need to hold collateral for LDI.
- Olga then explained some of the modelling techniques used for monitoring and managing liquidity issues, highlighting the long-term nature of PE investment and using the secondary market to realise liquidity.

The LGPS as a lever for change to boost UK growth

Karen Shackleton, Pensions for Purpose; Mark Lyon, Border to Coast Pensions Partnership; Ted Frith, GLIL Infrastructure LLP

- Karen highlighted some of the UK opportunities, including renewable energy, affordable housing, communications, regeneration and health & wellbeing. Funds should set beliefs around ESG and then identify how each opportunity aligns with these.
- Ted highlighted the importance of infrastructure investment in growing the UK economy. The Government can't do it all on its own, so there's a very clear role for the private sector. LGPS funds shouldn't be compelled to invest – collaboration leads to better outcomes.
- Mark expects the UK market to grow over time. Borders to Coast are helping funds make local investments, across four pillars – 1) Property (including social housing, care homes and logistics), 2) Infrastructure (including social, digital, electric vehicle charging, and solar), 3) Financing (such as venture capital and incubator funds), and 4) Social bonds.

Friday, 8 September 2023

Is Pooling delivering?

Rachel Brothwood, West Midlands Pension Fund; Kevin McDonald, ACCESS; George Graham, South Yorkshire Pensions Authority; Roger Phillips, LGPS Scheme Advisory Board

- Rachel listed the many benefits that pooling has created for WMPF, eg allowing officers to spend more time on investment strategy, climate risk modelling and reporting, and integrating funding and investment objectives. Collaboration is achieving more than funds would have done by continuing to operate independently. Overcomplicated metrics should be avoided to ensure that reporting is proportionate.
- Kevin agreed that pooling has helped bring the LGPS together and led to more regular collaboration, with the inter-pool dialogue being particularly useful. There are challenges with moving to a single model on pooling passive investments; this leads to 'one size fits all' output which would be inappropriate given the different investment needs across funds and the diverse employer base underpinning this.
- In George's view, the greatest benefit of pooling is the greater resilience of the operating model. Prior to pooling, it was difficult to attract and retain the best in-house investment resource. However, pooling scale makes this easier to manage. Successful pooling means funds need to compromise, but that this doesn't mean funds get less – the evidence shows that collaboration and compromise lead to a situation where the whole is greater than the sum of the parts.
- Responding to the question 'should the LGPS have gone about pooling differently?', Roger explained his preference for the LGPS to have driven the pooling changes, rather than these being imposed by Government. He'd like funds to drive the future agenda on pooling.

The reality of reporting

Mark Hill, The Pensions Regulator; Sheila Stefani, LGPS Central; Paolo Giua, FRC

- Mark highlighted the importance of reporting, and its value. TPR doesn't view reporting as a tick-box compliance exercise, but as a process where proper engagement can lead to better outcomes for pension savers. He accepted the challenges in first time reports, but future reporting after year 1 can be easier.
- Sheila spoke about data quality. Much of the data required for full and effective reporting is incomplete, although collaboration across pools/funds can help to resolve some of the data challenges and lead to improved reporting. The Stewardship Code has been a blessing – it has given the LGPS a better tool for reporting activity.

- Paolo explained that, used properly, the Stewardship Code is a framework which allows pension schemes to reflect on policies and processes, and to communicate these to stakeholders in a plain language way.

Constructing a “weatherproof” investment portfolio

Peter Wallach, Merseyside Pension Fund; David Newman, Allianz Global Investors; Luke Webster, Greater London Authority

- Luke highlighted the importance for pension funds to focus on liquidity when constructing a ‘weatherproof’ investment portfolio. Paying pensions comfortably without having to disinvest means that funds can adopt a higher tolerance for risk.
- Investors should avoid the temptation of the “god complex”. Specifically, there’s a role for investors to make the world a better place, but they’re not going to be the drivers of change. Investors should trust the businesses they invest in to make the changes necessary to create a sustainable and successful future.
- David noted that black swan events seem to be happening more often than we used to expect, and highlighted the significant uncertainty in geopolitics which may lead to concern for investors. In David’s view, weatherproofing an investment portfolio means taking advantage of the yield curve and realising the benefits of diversification.
- Peter spoke about the choices LGPS funds have with regards to improving funding levels – reduce contributions or reduce risk. The ultimate choice will depend on fund-specifics including the demographic profile of the membership. Patience is required when monitoring performance. Parts of the portfolio may not perform well at different times, but a long-term view is crucial for LGPS investors.
- All hedging comes with a cost and, whilst there may be reasons why funds wish to hedge liabilities or to use equity protection strategies, these will detract from returns. In Luke’s view, there’s no need for the LGPS to strategically hedge liabilities. Inflation risk can be mitigated by long term growth assets.

Diversity, equity and inclusion (DEI) – making a difference

Francis Lake, Border to Coast Pension Partnership & Harj Kaur, LGPS Central

- Harj explained how LGPS Central has realised the benefits that come from a focus on DEI. Specifically, on representation, this has improved recently across gender and ethnicity through recruitment.
- Francis highlighted the many challenges faced by pools in the early days. They’ve worked hard to create an inclusive culture across staff cohorts that joined before, during and after the Covid-19 pandemic.
- Many challenges exist in this area. Societal change is happening fast, and important matters need to be resolved, such as dealing with long Covid-19 and the mental health issues created by the pandemic.

The future of pensions

Joanne Segars, LGPS Central; Joe Dabrowski, Pensions and Lifetime Savings Association; Henry Tapper, Age Wage; Tom McPhail, the “lang cat” podcast

- In the final session, Joanne identified the challenges facing pension provision in the UK and asked the panel to consider what the future holds.
- Tom stated that DC provision is the future for most people in the UK, and so future pension policy will focus on DC pensions. He expressed frustration with the lack of coherence in UK policy and the impact on savers. Pension policy should be linked to housing policy, long-term care policy etc to ensure there’s a purpose; in its current iteration, the pension system doesn’t service the needs of the UK public. There is a huge amount of reform to be done, but there appears to be little appetite to tackle this.

- Henry suggested that a 'DC pension' is an oxymoron as it doesn't provide a regular and sustainable income in retirement. It's imperative for Governments to understand and accept the need for pensioners to have a secure retirement income. He sees great value in collaboration and pooling, and thinks that significant value for money can be generated from consolidation in private sector schemes. Perspective is also important – providing pensioners with an inflationary pension increase during a cost-of-living crisis shouldn't be viewed as being something that is difficult to provide.
- Joe highlighted some of the current challenges facing policymakers, eg concerns around the adequacy of DC provision, reform of Auto Enrolment, small pots issue (by 2030, there will be 30 million small pots in the pensions system). Simplicity is key. Members don't need to fully understand how the pension works, just that there will be a pension for them in retirement.
- The panel acknowledge the inability of politicians to think long-term when setting pension policy and agreed that frequent changes in the pensions minister contribute to this.

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

Report to:	Pensions Committee
Date:	12 October 2023
Subject:	Pensions Administration Report

Summary:

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

Lisa Darvill, Client Relationship Manager from WYPF, will update the Committee on current administration issues.

Recommendation(s):

That the Committee 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 KPI narrative

The information shown below provides details of the KPIs where the target has not been met in the period 1 April 2023 to 30 June 2023. The full table of KPIs are in Appendix A.

Work Type	Reason for underperformance	Target % met
Death on Deferred	A number of staff were on annual leave in April and there has been a significant increase in	72.73%

	post received by the team due to Pensions Increase. This has led to an increase in the time taken by Senior Pension Officers (SPO's) to pass work out to the Pension Officers (PO's) which has an effect on the SPO's time to authorise processes and also the time for the PO's who are dealing with these processes.	
Deferred Benefits In To Payment Quote	The Team are working their way through the older quotes that have been delayed as other retirement work had previously been prioritised. These are being dealt with in date order.	59.63%
Deferred Benefits Set Up on Leaving	The Team are working on older cases as well as new BAU cases. The Team continue to work on the older cases to reduce the numbers.	66.35%
Dependant Pension To Set Up	A number of staff were on annual leave in April and there has been a significant increase in post received by the team due to Pensions Increase. This has led to an increase in the time taken by Senior Pension Officers (SPO's) to pass work out to the Pension Officers (PO's) which has an effect on the SPO's time to authorise processes and also the time for the PO's who are dealing with these processes.	87.14
Estimates for Deferred Benefits into Payment	The Team are working their way through the older quotes that have been delayed as other retirement work had previously been prioritised. These are being dealt with in date order.	50%
Monthly Posting	The Finance Team have been working on the March year end returns which has delayed some of the April returns being processed within the target days.	93.62%
Pension Estimate	Two members of staff were on leave and another member of staff was on sick leave.	89.89%
Update Member Details	The Contact Centre are processing record maintenance forms in between phone calls. The number of calls received has increased due to the production of Annual Benefit Statements & Deferred Benefit Statements.	95.27%

2.0 Shared Service Update

2.1 Staffing

Finance – Applications for the Senior Finance Officer post has now closed and shortlisting for interviews has started. The applications for the Finance Officer post have now closed.

Service Centre – Applications for the Pension Officer posts has now closed and shortlisting for interviews will start soon. The new Member Services Manager started at the beginning of July.

Technical Team - There is one vacancy in the Technical Team for a Technical Advisor which is an additional post and this will be advertised shortly.

Employer Relations Team - There is one vacancy in the Employer Relations Team for a Pension Fund Representative which is an additional post within the Team. They are looking to recruit to this post soon.

2.2 Audits undertaken by Bradford Councils Internal Audit:

a) Exiting Employers

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

The audit review has determined that most of the risks examined were found to be effectively managed. The control environment is largely as expected but would benefit from some enhancement to support the achievement of key business objectives.

Internal Audit made two recommendations for improvement, and these have been implemented.

2.3 Shared Service Budget

Lincolnshire LGPS	MBR NO MAR23	2022/23 REVISED BUDGET	2022/23 ACTUAL	VAR BDGT-ACT PD12	2023/24 COST PER MBR	2023/24 BUDGET	MBR NO MAR23	2023/24 COST PER MBR PD13	2023/24 FORECAST PD1
CHARGE ACTUAL / FORECAST	82,776	-£1,378,752	£1,541,305.68	-£2,920,058	18.62	£1,542,945	82,776	£18.62	£1,541,306

Lincolnshire LGPS	MBR NO ESTIMATE MAR24	EST CST PR MBR 24/25	EST 2024/25
CHARGE ACTUAL / FORECAST	79,483	£18.52	£1,471,810

2.4 Shared Service Risk Register

Over the last 12 months as part of the collaboration of Shared Service Partners, a Risk Register has been produced. This considers the shared risks faced by all in the delivery of the Local Government Pension Scheme administration.

The Risk Register will be reviewed at the next Shared Service meeting in September 2023.

Appendix B – Shared Service Risk Register

2.5 Policy Changes

The policy changes for the period 1 April 2023 to 30 June 2023 are –

McCloud Remedy

- As part of the McCloud project to ensure member's records are correct with part time hours, service breaks and final salary data, we requested employers' complete data spreadsheets and return them back to WYPF.
- Few employers across the Shared Partnership returned spreadsheets despite numerous reminders. Agreement, therefore, was reached by all Partners to use the current data on member records as correct as this had previously already been validated. Furthermore, WYPF has continued to update part time hours, service breaks and final salary data as per the 2008 scheme regulations, even though they are not required in the 2014 CARE scheme.
- For the removal of age discrimination from the LGPS, calculating and paying benefits from the 2008 scheme between 1 April 2014 and 31 March 2022 requires the records to hold part time hours, service breaks and final salary data.

Shared Service Refresh

- A decision has been made to refresh the Shared Service Agreement we use at WYPF when we take on new Local Government Clients. This will ensure it is a joint agreement that is fit for purpose and importantly future proofed. A meeting has been arranged in September to discuss this with all Shared Service Partners.

ISP Provider

- WYPF have recently awarded Bravura to be the 3rd Party Integrated Service Provider (ISP) so we can meet the requirements of the Pensions Dashboard Programme.

2.6 Annual Benefit Statements (ABS) & Deferred Benefit Statements (DBS)

Statements have been issued electronically through the secure ‘MyPension’ portal. By the statutory deadline of 31 August 2023, the number of ABS produced was 99% of those members eligible to receive a statement and the number of DBS produced was 100%.

Those members that have opted out of receiving online communications have been sent a paper copy of their statement.

3.0 Regulatory Update

a) Superannuation Contribution Adjusted for Past Experience (SCAPE) discount rate and impact on actuarial factors

Further to the e-mail received on 1 June 2023 containing some but not all the revised factors, WYPF have now received e-mails on 3 July & 28 July 2023 advising that a second & third batch of actuarial factors have been cleared for use. Once the factors have been loaded onto our system, we will start to process some of the transfer cases we have had to hold back.

The early retirement factors have also been revised and the new factors came into force from 3 July 2023. The factors are applied to a members’ benefits if they take their pension before Normal Retirement Date (NRD). Anyone with an early retirement date after 3 July 2023 will have the new factors applied. The new factors are lower than the ones in force before 3 July 2023. Any early retirement benefits already quoted will be increased because of the change.

WYPF have updated the website to reflect the new early retirement factors.

Appendix C – Regulatory Update

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	KPI Table
Appendix B	Shared Service Risk Register
Appendix C	Regulatory Update

Consultation

a) Risks and Impact Analysis

Lincolnshire 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

Appendix A

Appendix A

KPI's for the period 01.04.23 to 30.06.23							
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN	DIRECTION OF TRAVEL
Age 55 Increase to Pension	2	20	2	85	100	9.5	←
AVC In-house (General)	50	20	50	85	100	1.92	←
Change of Address	189	20	189	85	100	1.77	←
Change of Bank Details	74	20	74	85	100	3.26	←
Death Grant to Set Up	26	10	24	85	92.31	21.15	↓
Death In Retirement	176	10	155	85	88.07	7.53	↑
Death In Service	3	10	3	85	100	7	↑
Death on Deferred	11	10	8	85	72.73	22.27	↓
Deferred Benefits Into Payment Actual	257	10	247	90	96.11	4.35	↓
Deferred Benefits Into Payment Quote	374	35	223	85	59.63	37.51	↑
Deferred Benefits Set Up on Leaving	523	20	347	85	66.35	64.63	↓
Dependant Pension To Set Up	70	5	61	90	87.14	4.64	↓
Divorce Quote	18	40	18	85	100	13.83	←
Estimates for Deferred Benefits into Payment	4	10	2	90	50	12.75	↓
General Payroll Changes	148	20	147	85	99.32	1.91	↓
Initial letter Death in Retirement	176	10	167	85	94.89	2.43	↓

Initial Letter Death in Service	3	10	3	85	100	1	
Initial letter Death on Deferred	11	10	11	85	100	1.09	
Interfund Linking In Actual	38	35	17	85	44.74	92.89	
Interfund Linking In Quote	86	35	77	85	89.54	26.99	
Interfund Out Actual	41	35	39	85	95.12	13.46	
Interfund Out Quote	41	35	39	85	95.12	11.44	
Life Certificate	103	10	89	85	86.41	4.76	
Monthly Posting	893	10	836	95	93.62	5.38	
NI adjustment to Pension at State Pension Age	8	20	8	85	100	17.63	
Pension Estimate	89	10	80	90	89.89	8.06	
Pension Saving Statement	1	20	1	100	100	1	
Phone Call Received	868	3	841	95	96.89	1.32	
Refund Actual	173	10	173	90	100	2.51	
Refund Quote	303	35	286	85	94.39	10.7	
Retirement Actual	153	10	144	90	94.12	4.42	
Transfer In Actual	17	35	16	85	94.12	33.82	
Transfer In Quote	33	35	32	85	96.97	12.03	
Transfer Out Payment	23	35	23	85	100	12.57	
Transfer Out Quote	52	35	49	85	94.23	15.35	
Update Member Details	1268	20	1208	100	95.27	5.99	



London Borough
of Hounslow



The Pension Administration Shared Service Risk Register

Introduction

As part of the continued collaboration between members of the Shared Service, London Borough of Barnet Pension Fund, London Borough of Hounslow Pension Fund, Lincolnshire Pension Fund and West Yorkshire Pension Fund (WYPF), this Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the Pensions Shared Service. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

The Shared Service has initially identified 13 risks which have been rated and plotted on a matrix and a risk tolerance line agreed to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of the Shared Service to achieve its objectives.

Summary of Risks – May 2023

Risk Identification	Risk Number	Risk Name	Risk Rating
Shared Service Partners	1.	WYPF increases shared service membership	C 2
	2.	SLA not met and partner policies not maintained	D 2
	3.	Failure of Shared Service partners to consult or communicate over decisions that affect the service	D 2
Technical	4.	Failure to meet scheme regulation & pension legislation	D 2
	5.	Incorrect data/information or data/information not provided	C 2
	6.	Failure to communicate with scheme members, including disclosure regulations	D 2
Service Delivery	7.	Fraudulent activity by Shared Service staff, employers & scheme members	E 1
	8.	Funds leave Shared Service	D 2
	9.	High or increased volumes of work & legacy backlogs	B 2
Policies	10.	Pandemic, Epidemic & “Acts of God”	A 3
	11.	Software Failure	E 1
	12.	Failure of Cyber security	D 2
	13.	Failure to plan for or implement a Disaster Recovery plan	E 1

The process

Risk identification

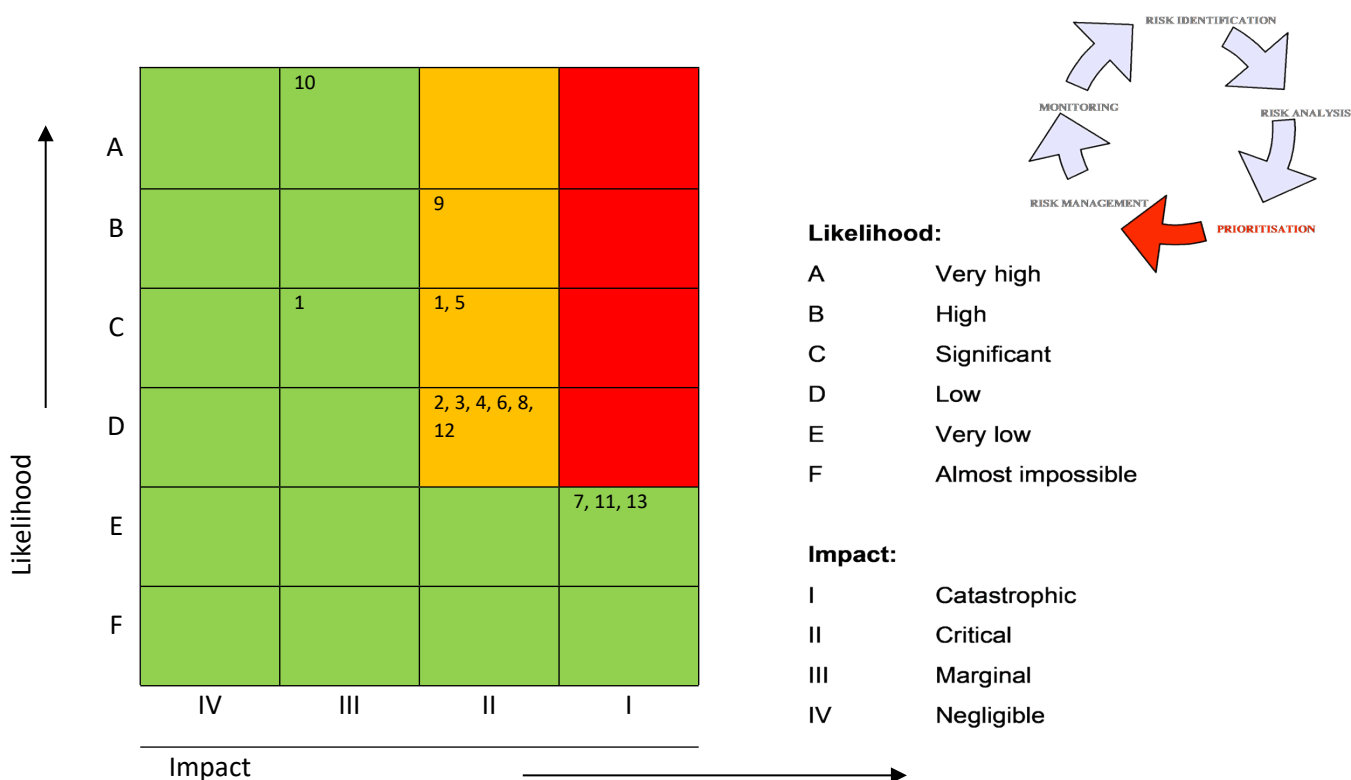
The first stage of the risk management cycle requires risk identification. This has been achieved through discussion with Key personnel at each of the Pension Funds within the Shared Service.

Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high.

To determine the appetite to risk, each of the squares on the matrix are considered to decide if the Shared Service is prepared to live with a risk in that box or if it needs to be actively managed. This determines a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

Initially 13 risks have been identified and framed into scenarios. The risks identified have been rated. The results are shown on the following risk profile and in summary on page one. These risks will be regularly assessed as part of a review process.



Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Key risks may periodically require attention and it is important that having identified risks that could have critical impact, that the when required appropriate action is undertaken. MAP's, therefore, may be agreed for any risks identified above the tolerance line.

Shared Service Risks

Risk	Rating	Risk Description & Controls in Place	Adequacy of Action and control	Required Management Action	Responsibility for Action	Critical Success Factors & KPIs	Review Frequency	Key Dates	Opportunity
1.	C 2	<p>WYPF tender for further administration clients.</p> <p>Periodically WYPF may be asked to tender for new business.</p> <p>In doing so capability and resource will be reviewed to deliver the shared service to the required standard and communicated to the Shared Service.</p>	<p>Ensure resources maintained for existing shared service members and capability demonstrated for the additional contractual obligations</p>	<p>WYPF to maintain KPI & SLA standards and cost to existing Shared Service members remain value for money.</p> <p>Regular communication to Shared Service</p>	<p>WYPF to be open and transparent in communications and actions</p>	<p>Shared Service does not receive down turn in performance. Shared Service costs remain value for money</p>	Quarterly	1 Dec 2023	To increase knowledge and skills within Shared Service Or opportunity to hone exiting talent
2.	D 2	<p>Failure to maintain SLA standards</p> <p>Policies written and shared with all stakeholders by all Shared Service partners</p> <p>Regular reporting and KPIs produced and discussed at regular meetings to determine if all parties meet the required standard.</p>	<p>Reporting to be provided monthly. To include work volumes, data transfer, accuracy, protection and KPI.</p> <p>Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration</p>	<p>Review and improve areas of concern. May include communications with employers and training for staff</p> <p>Policies to be reviewed and updated by shared service partners</p>	<p>WYPF for reporting. All parties to review their part of the processes and deliver minimum expected standards</p>	<p>maintain SLA standards.</p> <p>Satisfactory reporting, meet KPIs with no data or training issues required.</p>	Monthly reporting and Quarterly review	1 Dec 2023	Opportunity to understand current outputs and to review and train where appropriate.

			<p>of the Scheme(s) is provided. Ad hoc meetings can also be arranged for urgent items</p> <p>If standards not achieved reviews and amendments to service and processes may be required</p>						
3.	D 2	<p>Failure of shared service partners to consult with each other over decisions that affect delivery of the service.</p> <p>Failure of Shared Service partners to communicate policy/decisions and to provide adequate and timely information to them</p>	<p>Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration of the Scheme(s) is provided.</p> <p>Ad hoc meetings can also be arranged by any partner for urgent items</p>	<p>Review and share all policies.</p> <p>Communicate between partners and all employers.</p>	Partners in agreement with or understand policy decisions	Satisfied partners full and efficient shared service	monthly	1 Dec 2023	Opportunity to build relationship , joined up thinking and work seamlessly as one service
4.	D 2	<p>Failure to meet LGPS regulation & overriding legislation.</p> <p>Including implementation of regulation amendments, such as McCloud, and requirements of the Pension Regulator's (TPR) code of practice and compliance with DPA18 (GDPR) leading to incorrect benefits values and complaints</p>	<p>WYPF must liaise with authority bodies such as LGA, TPR, HMRC & DLUHC.</p> <p>Keep knowledge up to date through various sources such as training plans, working instructions, workflow processes, Team Briefs, internal and external training courses and events</p> <p>Ensure software updated and maintained</p> <p>Communicate & discuss with shared service partners</p>	<p>Attend webinars, seminars, conference.</p> <p>Work with software provider</p> <p>Communicate with members and employers</p>	All Shared Service	<p>Understanding, communication and implementation of statutory requirements</p> <p>Benefit values correct and no justifiable complaints</p>	Monthly	1 Dec 2023	Opportunity to improve knowledge and process to deliver our statutory obligation
5.	C 2	Incorrect data/information	WYPF unable to complete	WYPF to inform Shared Service.	If data not received	Shared Service and	Monthly	1 Dec 2023	To improve data accuracy

		<p>or data/information not provided from any shared service partner or stakeholder or not provided in a timely manner.</p> <p>Leading to incorrect benefit values or the inability to process benefits at all and low TPR data scores.</p> <p>Data required by 19th of following month and WYPF have processes to communicate and chase stakeholders for information.</p>	<p>processes. Time, effort and cost requesting and chasing data by WYPF.</p> <p>Data sometimes not received at all, WYPF unaware of work to process, complaints from scheme members</p>	<p>Liaise with employers assist/train.</p> <p>Shared Service to support WYPF in this delivery even in the event of employer charge.</p> <p>Develop & implement automated processes.</p> <p>Review and where applicable amend existing processes</p>	<p>following communication /chasing and or training shared service members to liaise with employers</p>	<p>WYPF support each other, communications clear and employers understand their responsibility and liability.</p>			<p>and reduce work required to collect data. Leading to better processes and improved KPIs</p> <p>Develop and introduce automation</p>
6.	D 2	<p>Failure to communicate all necessary and required information to scheme members including documents, website, emails and scheme guides</p> <p>Providing information under disclosure regulations mandatory</p> <p>Failure to provide may cause misunderstanding and poor scheme member decision making.</p> <p>This may lead to complaint, investigation and sanction & loss of reputation</p>	<p>Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via working instructions, changes to workflow processes, Team Brief or emails.</p> <p>Information of regulation to be understood by Shared Service and communicated to all stakeholders.</p> <p>Website, documents and scheme guides reviewed regularly</p>	<p>Information always provide and accurate.</p> <p>Agreed support from Shared Service</p>	<p>WYPF supported by Shared Service</p>	<p>Information accurate and no complaints</p>	<p>Quarterly</p>	<p>1 Dec 2023</p>	<p>To ensure scheme information is compliant</p>
7.	E 1	<p>Fraudulent activity by Shared Service staff, employers & scheme members</p> <p>Causing overpayment of benefits, complaints, investigation, litigation, action and loss of reputation</p>	<p>Segregation of duties set out clear roles and responsibilities</p> <p>National Fraud Initiative participation and Internal audit of pensions.</p> <p>Implementation of amended</p>	<p>Up to date and regular training of staff.</p> <p>Shared service share information and employers communicated too and updated with current knowledge.</p> <p>Appropriate information to members and</p>	<p>All stake owners must be aware of fraud/scamming issues</p>	<p>Accurate information, timely communication. No Fraud and no complaints</p>	<p>Quarterly</p>	<p>1 Dec 2023</p>	<p>To ensure scheme information is compliant</p>

			transfer regulations wef 30 November 2021	information on website					
8.	D 2	<p>Risk Funds become dissatisfied and elect to leave the Shared Service partnership</p> <p>Creating additional work and need for resource to manage exit.</p> <p>Cost of Shared Service now spread across remaining members but may not provide good value for the level of service delivered.”</p>	<p>Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration of the Scheme(s) is provided.</p> <p>If an exit, ensure resources maintained for existing shared service partners, costs are maintained and do not increase for remaining partners if there is an exit</p>	To ensure there is not any dissatisfaction resulting in partner leaving the shared service	<p>WYPF and then all partners.</p> <p>Resource adequate for exit and remaining partners. SLA, KPIs and costs reviewed, communicated and if necessary redistributed</p>	Members do not leave or if leave no detrimental effect to remaining Funds	Quarterly	1 Dec 2023	Opportunity to deliver a successful service together or consolidate Shared Service membership to maintain standards upon an exit
9.	B 2	<p>High or increased volumes of work & legacy backlogs</p> <p>WYPF unable to provide adequate resource to process daily work or reduce legacy backlogs.</p> <p>Performance declines, statutory deadlines missed, backlogs created/increased , complaints received.</p> <p>Monthly reporting necessary to identify potential issues and shared service partners to communicate early any variant to work, including indications from employers.</p>	<p>Monthly reports to Shared Service monitoring changes to volumes and KPIs</p> <p>Review of resource, training and recruitment.</p> <p>Systems and processes reviewed and aligned with KPI reporting to continue to deliver SLA standards</p>	<p>Review all KPIs.</p> <p>Rolling recruitment programme to fill vacancies and train staff when appropriate</p> <p>Develop software and processes to deliver smarter service</p> <p>Develop and implement automation to increase productivity and free resource to applied to critical areas such as backlogs</p> <p>Employer reminded/trained regarding responsibility and good data. Encouraged to inform WYPF asap of variants in workloads.</p> <p>Approach supported by Shared Service</p>	<p>WYPF to review, report and communicate.</p> <p>Employer to provide accurate information in timely manner</p> <p>Supported by Shared Service partners</p>	<p>Legacy backlogs reduced, all current workload handled efficiently,</p> <p>Automation implemented in key areas</p> <p>KPI reporting consistent and accurate.</p> <p>Member experience maintained/improved</p>	Monthly	1 Dec 2023	Opportunity to ensure resource is sufficient, improve processes and provision of software and introduce automation.
10.	A 3	Failure to meet statutory obligations due to	Ensure staff, colleagues and peers are well	Alternative working arrangements, including	WYPF & all Shared Service	Stakeholder ability to be flexible in	Monthly	1 Dec 2023	Learn/continue to work in

		<p>pandemic, epidemic and “acts of god” staff unable to travel and or are ill.</p> <p>Increased volumes of work and backlogs.</p> <p>Failure to meet statutory obligations that has potential to create new working environments and challenges in delivery of scheme administration</p>	<p>and able to work.</p> <p>Review all process and consider system development for automation.</p> <p>Concentrate on key areas as identified by TPR, SAB & LGA so that pensioners are paid and the most at risk treated as priority</p>	<p>communication, WFH and virtual meetings and training.</p> <p>Develop and implement automation processes</p>		<p>working arrangements , including DR and ability to effectively work remotely.</p>			<p>a different way.</p> <p>Develop new ways of processing and increase automation</p>
11.	E 1	<p>Failure of Software.</p> <p>Affecting data of scheme member records, benefits values and payments.</p> <p>Failure to meet statutory obligations</p> <p>Contractual obligations with software provider to run daily backups and restore system usage with SLA standards</p>	<p>Software backed up daily.</p> <p>DR to include contractual obligation of software provider.</p> <p>Staffed adequately trained and supported to perform manual calculations for most urgent processes.</p> <p>Current pensioners paid by rerun of last month payments.</p>	<p>Laisse with IT departments and software providers.</p> <p>Ensure all staff have knowledge and capability for short term workarounds.</p> <p>Consider alternative ways of data transfer (protected email, messages etc.) to enable employers to provide data to WYPF and WYPF to provide data to employers and scheme members.</p>	All stakeholders	<p>Continuity/reliability of software. Accurate data, automation and development.</p> <p>Ability to continue to meet statutory obligations and no justifiable complaints .</p>	Monthly	1 Dec 2023	<p>Opportunity to ensure software is best in class.</p> <p>Ensure staff have appropriate knowledge and skills to deliver manually.</p>
12.	D 2	<p>Failure of Cyber security.</p> <p>Failure to protect data and scheme members from scammers.</p> <p>Data breaches by staff and shared service results in member loss, complaint, sanction and loss of reputation.</p> <p>Mandatory Cyber security training require of all staff, cyber security standards as part of software providers contract.</p>	<p>Ensure data received, sent and stored is protected, transferred and stored in compliance with DPA18 and is supported by AA IT and software provider</p>	<p>IT provide necessary industry protections including system daily backups and staff educated in cyber security issues</p> <p>Data protection retention policies & privacy notices to be shared between all stakeholders and retained by WYPF</p>	All stakeholders to review IT and data protection provision, train staff and review	Fully trained staff. No cyber or data breaches	Daily, Monthly, Yearly	1 Dec 2023	<p>To ensure new ways of working (WFH) are as secure, reliable, efficient and safe as office based cyber security.</p> <p>Staff awareness periodically updated.</p> <p>Data policies and stamen shared by between all data processors.</p>

13.	E 1	<p>Failure to plan for or implement a Disaster Recovery plan.</p> <p>As part of WYPF business plan there should be an appropriate and effective disaster recovery (DR) plan to ensure statutory obligations are met in the event of a disaster, building fire, cyber-attack etc.</p> <p>All members of the Shared Service should also have a comparable DR.</p> <p>This would ensure all parties are aware of how they will continue to fulfil their statutory obligations in the event of a disaster and how each member should interact with the other in view of such an event.</p>	<p>The DR plan should clearly demonstrate how the business will continue to function.</p> <p>All DR plans should be shared between the shared service members and employers.</p>	<p>Ensure DR plans exist and are accessible.</p> <p>To test DR by taking down and restoring all systems.</p> <p>Ask employers if they have plans too and request a copy</p>	<p>Shared Service and then all other stakeholders</p>	<p>Ability to function, communicate and meet statutory obligations in the event of a disaster.</p>	<p>Annually</p>	<p>1 Dec 2023</p>	<p>Opportunity to assist all stakeholders and to deliver a joined up service in the event of a disaster.</p>
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Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition, each risk should be owned where possible by one or all members of the Shared Service partners to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The Shared Service partners have agreed that the risk register will be added as a standing item to the Shared Service 6 weekly meetings and the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be at the quarterly Collaboration Board.



Matt Mott

May 2023

Regulatory Update

Department for Levelling Up, Housing and Communities (DLUHC)

Government responds to McCloud consultation

On 6 April 2023, the Department for Levelling Up, Communities and Housing (DLUHC) published their response to the consultation on amendments to the underpin.

The consultation proposed changes to the underpin to address the discrimination found in the McCloud judgment and to ensure that it works effectively and consistently for all qualifying members. The consultation ended on 8 October 2020.

Alongside the response, in collaboration with the Scheme Advisory Board, DLUHC published a [factsheet summarising the remedy for members](#). We have added a link to the factsheet on the McCloud FAQs page of www.lgpsmember.org.

DLUHC expects to launch a further consultation this spring. The consultation will seek views on:

- issues that, because of the consultation responses, they have not yet made a final decision on (such as aggregation and flexible retirement),
- issues not included in the original consultation (such as compensation, interest and excess teacher service), and
- updated draft regulations.

DLUHC will finalise the regulations after considering the responses to the further consultation. These will come into force on 1 October 2023, with backdated effect to 1 April 2014.

You can access the consultation documents on the [Scheme consultations page](#) of www.lgpsregs.org.

DWP

Expansion of auto enrolment

On 3 March 2023, the Department for Work and Pensions (DWP) issued a [press release](#) confirming it will support the private members bill expanding auto enrolment. The [Pensions \(Extension of Automatic Enrolment\) \(No.2\) Bill 2023](#) proposes to give Government regulatory powers to:

- abolish the Lower Earnings Limit for contributions – currently £6,250, and
- reduce the age of auto enrolment for eligible jobholders from 22 to 18.

Government has not given a timetable for when they intend to use these new powers.

HMRC

On 27 March 2023, HMRC published a [Lifetime allowance guidance newsletter](#). The newsletter provides further information on:

- PCLSs and LTA protections, including examples
- how to pay and report lump sums that would have incurred an LTA charge that are now taxable as pension income
- the opportunity to join an LTA working group.

The examples in the newsletter do not refer to individual protection because there is no change in how it operates. Individual protection is not lost if a member continues to build up pension savings. The member is allowed to take a PCLS up to 25 per cent of their protected LTA.

SCAPE discount rate and impact on actuarial factors

On 30 March 2023, Lorraine Bennett emailed administering authorities in England and Wales letting them know the superannuation contributions adjusted for past experience (SCAPE) discount rate reduced on 30 March 2023 to the consumer price index (CPI) plus 1.7 per cent. This is a change from CPI plus 2.4 per cent. This was announced in [a written ministerial statement](#) by the Chief Secretary to the Treasury.

Impact to actuarial factors

The reduced SCAPE discount rate is effective from 30 March 2023. DLUHC and SPPA have confirmed the following calculations should be immediately suspended until new factors are issued:

- certain non-club transfers and interfund / intrafund calculations
- certain non-club cash transfer sums
- all cash equivalent values (C E V) for divorce.

SCAPE tables for [England & Wales](#), setting out the transitional arrangements in detail, accompanies this bulletin. We have updated the table to include cash transfers sums and contribution refunds.

We understand DLUHC and SPPA will issue new transfer factors in April / May. They have also confirmed the remainder of the Scheme's actuarial factors will be amended in due course. Their intention is to introduce revised factors over a four-month period starting in April 2023.

We recommend administering authorities:

- communicate the impending changes to actuarial factors to members, when providing retirement quotations with an effective date on or after 1 April 2023

- notify the court where they have provided a CEV for divorce purposes but a pension sharing order has not yet been made. This will allow for the change in the CEV to be taken account in the financial settlement.

Action for administering authorities - Make sure processes and communications are in line with the changes.

Scheme Advisory Board (SAB)

Pension Dashboards

Pensions dashboards ('dashboards')

Latest news

In May 2023, PDP [published their Progress update report on dashboards](#). There are articles on:

- the Department for Work & Pensions (D W P's) written ministerial statement on pensions dashboards connection times confirming that there will be an update before parliamentary recess in July
- programme reset following the written ministerial statement – reset got underway on 20 March and more information will be available before parliamentary recess in July
- consent comprehension research - a research into users' understanding of how their data will be used during the dashboards journey
- preparing for dashboards – connection, data, matching, awareness and understanding legal and regulatory obligations
- updates from D W P, the Financial Conduct Authority and the Pensions Regulator
- useful resources
- subscribing to PDP's newsletter

TPR Dashboards compliance and enforcement consultation

On 14 February 2023, we responded to the Pensions Regulator's (TPR) dashboards compliance and enforcement consultation. Our response can be found on the:

- [Non-scheme consultations page](#) of www.lgpsregs.org

See [bulletin 231](#) for more information about the consultation

PDP publishes consumer protection video

The Pensions Dashboards Programme (PDP) recently published [an explainer video on consumer protection](#). The video explains what protections will be in place to ensure dashboards are safe and secure.

Please see the [consumer protection page of PDP's website](#) for more information on this topic.

SAB

Code of transparency roadshows

The SAB is running a series of free, in person training sessions on investment cost transparency. The training is aimed at local pension board and committee members, as well as administering authority officers. Session dates and locations are listed below. Click on the location for a link to the booking page on the LGA's website.

21 June [London](#)

11 July [Manchester](#)

20 July [Bristol](#)

12 Sept [Wolverhampton](#)

13 Sept [Leeds](#)

26 Sept [Cardiff](#)

The sessions will provide:

- an explanation of the purpose and background of SAB's ground-breaking code of transparency
- a case study from an L G P S fund on how investment cost information has been used
- a troubleshooting session on how to use the online reporting system – for officers only
- a facilitated discussion on the information that fund officers should be receiving and how this information should be reported to pension boards and committees – for officers only.

If you are asked for a purchase order number when you book, please use SAB 2023

McCloud remedy consultation

On 30 May 2023, [DLUHC published a consultation and draft regulations](#) concerning the McCloud remedy. The consultation closes on 30 June 2023.

The consultation seeks views on proposals to address discrimination found by the courts in the McCloud case. This follows the Government's response published in April 2023. See [bulletin 237](#) for more information.

DLUHC is consulting on new approaches in certain areas that reflect responses to the 2020 consultation and more closely align the L G P S to policies adopted by other public service pension schemes. DLUHC is seeking views on the following proposals:

- No aggregation requirement: underpin protection will extend to a new pension account that started before 1 April 2022, even if the earlier period of membership is not aggregated, as long as there has not been a disqualifying break.
- Previous membership of another public service pension scheme on or before 31 March 2012: a member will qualify for underpin protection because of earlier membership of another public service pension scheme, even if the pension rights from the other scheme have not been transferred to the LGPS, as long as there has not been a disqualifying break.
- Flexible retirement: a member with underpin protection who takes flexible retirement before 1 April 2022 will also have underpin protection on any benefits built up after flexible retirement and before the end of the underpin period. The consultation also considers how the underpin will operate when a member takes partial flexible retirement.

The consultation covers topics that were not included in the 2020 consultation.

These include:

- policies for individuals with excess teacher service - see [Bulletin 229](#) for background information on this group
- when a member may be paid compensation if they have suffered a loss relating to the discrimination found in the McCloud case or the McCloud remedy
- the interest terms that will apply when payments are made late due to the McCloud discrimination.

We will respond to the consultation in due course and let you know we have done so. You can access the consultation documents on the [Scheme consultations](#) page of www.lgpsregs.org

Action: WYPF are reviewing the consultation documents and will respond by 30 June 2023.

Training

Annual governance conference 2024

Our annual governance conference retains its popular lunchtime to lunchtime schedule. It will take place on Thursday 18 and Friday 19 January 2024 at the Principal Hotel in York. We are finalising the programme and securing speakers. Booking will open in July 2023.

If you would like to be notified when bookings open or if you have any questions about the conference, please email elaine.english@local.gov.uk

Fundamentals training 2023

Our Fundamentals training for 2023 is now open for booking.

Fundamentals is a three-day training course predominately aimed at elected members and others who attend pension committees and local pension boards. Past delegates have also included trade union and employer representatives, and officers who support committees and boards. The course provides a scheme overview and covers current issues in relation to administration, investments and governance of the L G P S. All sessions are delivered by experts in their field. See the course programme for full details – the timings shown only apply to the in person sessions.

We are running the in person training in two locations - London and Manchester, and online.

We have listened to feedback and will be delivering each day of the online sessions over two days. You only need to complete one booking per day – this will automatically book you on both of the half days. It is not possible to book for a half day. The online sessions will be delivered using Zoom.

Attending all three days will help delegates meet the relevant requirement for knowledge, skills and understanding either required in statute or encouraged by relevant guidance.

Cost

In person - £280 plus VAT per session. The price is inclusive of lunch and refreshments.

Online - £240 plus VAT per session.

We recommend early booking as places are limited. You can book online through the [LGA events page](#). We are unable to take manual bookings. Please find links to the individual sessions below. Day one

- 5 October – Manchester, Piccadilly Hotel
- 12 October – Westminster, LGA offices
- 19/26 October – online. Day two
- 2 November - Westminster, LGA offices
- 8 November - Manchester, Piccadilly Hotel
- 16/23 November – online. Day three
- 5 December - Westminster, LGA offices
- 13 December - Manchester, Piccadilly Hotel
- 11/19 December – online.



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

Report to:	Pensions Committee
Date:	12 October 2023
Subject:	Risk Register Annual Review

Summary:

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

Recommendation(s):

That the Committee:

- 1) review and approve the risk management policy; and
- 2) review and approve the risk register.

Background

1. Committee members will understand the importance of looking at risk as part of the normal Member training that the Council provides. Given the size and importance of the Pension Fund, it is best practice to have a separate risk register considering the key risks that can impact the Fund and how they can be mitigated, if possible. The risk register is reviewed annually at this Committee, and any additional changes or updates are reported in the quarterly Fund Update reports.
2. The risk management policy, which is a formal record of the Fund's appetite for risk, its risk management structures and its approach to risk management, is attached at appendix A. There have been no changes to this policy since its review last year.
3. A full review was undertaken in 2022, working with the Council's Principal Risk Officer, to incorporate the changes on how the council records and manages risk. The focus of risk management is now on documenting risks which are a genuine threat and are being actively managed, and removing risks from the risk register that are accepted by the Pension Fund and are being managed by routine work and activities. There have been no major changes since this review in the format of the risk register.
4. The Pension Fund covers risks from all aspects of its work. These include Governance, Investment and Funding, Operational and People risks. Under each of these headings,

consideration has been given to a variety of risks and how they are managed, and any comments to assist in providing assurance or understanding. The risks on the register across each area are set out below:

Governance, covering:

- Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.
- Governance of asset pooling - management of relationship with Border to Coast.

Investment and Funding, covering:

- Required returns not met due to poor strategic allocation and assets not enough to meet liabilities.
- Poor long term investment performance or non-compliance from managers.
- Asset pooling – transition of assets from existing mandates to Border to Coast.
- Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).
- Cashflow - not enough income to meet pension payments due.

Operational, covering:

- The administrator does not perform its functions in accordance with the agreement.
- Cyber security breach.
- Increased risk of employers exiting.
- Fraud risk not managed.
- Changes in legislation not implemented correctly.

People, covering:

- Loss of key staff and loss of knowledge and skills.

5. The current Pension Fund risk register is attached at Appendix B.
6. The Committee would need to be satisfied that the key risks have been identified, and that they are comfortable with the controls in place, understanding that there will always be some risks that cannot be fully mitigated and that some sit within business as usual in managing the Pension Fund.

Conclusion

7. It is considered best practice to have identified the high-level risks associated with managing a Pension Fund and to have put appropriate controls in place, and to set out a Risk Management Policy and Risk Register.

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	Lincolnshire Pension Fund Risk Management Policy
Appendix B	Lincolnshire Pension Fund Risk Register

Background Papers

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

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

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Risk Management Policy

RISK MANAGEMENT POLICY

Lincolnshire County Council, as the Administering Authority of the Lincolnshire Pension Fund (the Fund), is aware that some risks will always exist and will never be eliminated.

Against this background, and within the overall risk strategy of the County Council, the Fund recognises it has a moral and statutory duty to manage risk with a view to protecting its assets and the benefits due to the scheme members, and supporting its employers.

The Fund will meet this duty by adopting best practice risk management (RM) which will support a structured and focused approach to managing risks, and ensuring risk management is an integral part in the governance of the Fund at a strategic and operational level.

The overall aim is to embed risk management into the processes and culture of the Fund to help it achieve its objectives and enhance the value of services the Fund provides to scheme members and employers.

THE FUND'S RM OBJECTIVES

The Fund's RM objectives are to:

- integrate risk management into the culture and day-to-day activities of the Fund;
- raise awareness of the need for risk management by all those connected with the delivery of services (including partners, delivery agents and those involved in any form of collaborative delivery of services);
- enable the Fund to anticipate and respond positively to change;
- minimise loss and inconvenience to employers and scheme members arising from, or connected with, the delivery of Pension Fund services;
- establish and maintain a robust process for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice; and
- ensure consistent application of the Fund's RM methodology.

KEY MECHANISMS FOR DELIVERY

To demonstrate the Fund's clear commitment to achieving the objectives of the risk management strategy, the Fund has identified the key mechanisms through which they will be delivered. These objectives will be achieved by:

- maintaining clear roles, responsibilities and reporting lines within the Fund for risk management;
- maintaining adequate representation at departmental and corporate level, and also across the LGPS, so that risks may be freely communicated, experience pooled and information, guidance or procedures that may have a significant impact on the Fund's risk may be considered;
- promoting excellence in risk management;
- ensuring that risk management is explicitly considered in all policy decisions, partnerships, projects and key planning processes;
- maintaining a risk register for risks arising across all aspects of managing the Fund, and ensuring that the process assesses risks for likelihood and impact, identifies owners and mitigating controls and ensures that they are reviewed at least annually – ensuring that these are adequately documented and regularly reviewed in the light of changing circumstances;
- providing opportunities for shared learning on risk management across the LGPS, and with partners and stakeholders where appropriate;
- reinforcing the importance of effective risk management as part of the everyday work of employees, and that employees, officers and members are adequately informed and receive training about the risks within their own working environment; and
- regularly monitoring, reporting and independently reviewing the Fund's arrangements.

The Fund recognises the breadth and complexity of the service that it delivers, and also of the mechanisms by which they are delivered. Further support, advice and guidance can also be obtained from the Head of Pensions.

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Risk Register - Pension Fund

Sep-23

Reviewed: Quarterly (reported to Pensions Committee and Pension Board)

Service Objectives:



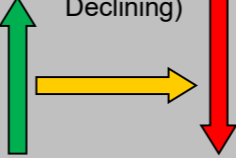
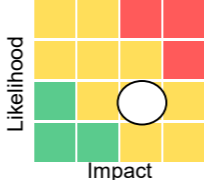
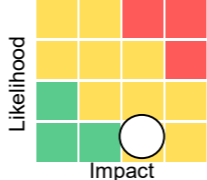

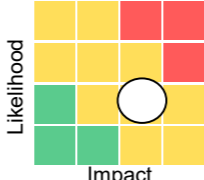
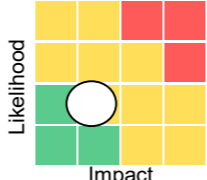

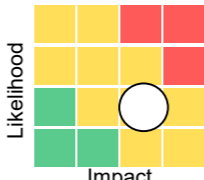
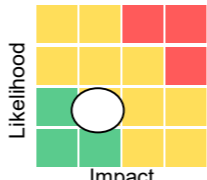

- 1 Ensure there are enough assets to cover liabilities in the long term
- 2 To prepare the statutory accounts for the Pension Fund to the agreed timetable and with an unqualified audit.
- 3 To monitor all investments to ensure they are fit for purpose and within the targeted risk and return levels
-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



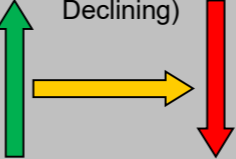
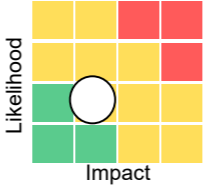
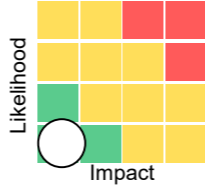

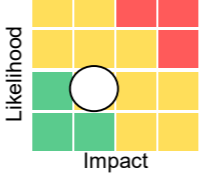
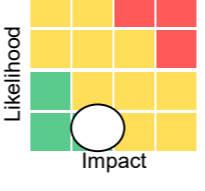

Owner : Head of Pensions



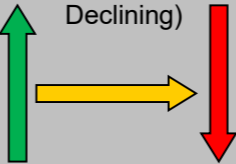
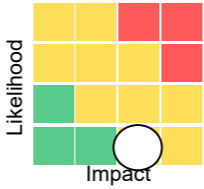
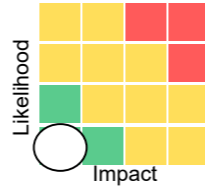

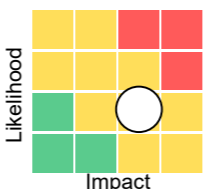
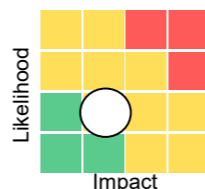

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
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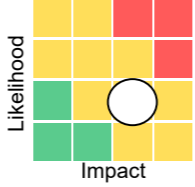
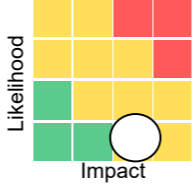
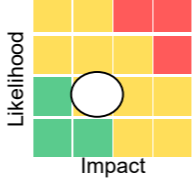
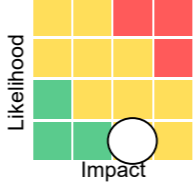
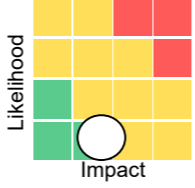

Governance



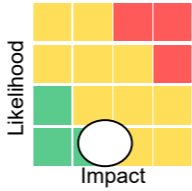


GI	Head of Pensions	Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.			Substantial		<p>Existing</p> <ul style="list-style-type: none"> • Induction training for new Committee members • Training policy and annual training plan • Opportunities to attend external training sessions and conferences • Self assessment <p>New & Developing</p> <ul style="list-style-type: none"> • Knowledge and skills/training questionnaire (Spring 2022) • New member training platform run Hymans offering bite size training on demand - updated August 23. • Ctte structure changed to cover training at each meeting. 	Good Governance statutory guidance will mandate a minimum level of knowledge for Committee members. Updated LOLA and all members issued with user id's.
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No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix) 	Target Risk Score (Copy and paste the white dot onto the matrix) 	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining) 	Actions	Notes / Comments
G2	Head of Pensions	Governance of asset pooling - management of relationship with Border to Coast.			Substantial		Existing <ul style="list-style-type: none"> • Joint Committee • Officer operation group • Senior officer group • Governance Charter New & Developing <ul style="list-style-type: none"> • Governance review undertaken and key documents updated as required. 	
Investment and Funding								
11	Head of Pensions	Required returns not met due to poor strategic allocation and assets not enough to meet liabilities.			Substantial		Existing <ul style="list-style-type: none"> • Professional advice • Triennial review • Performance monitoring • Monthly Members letter • Reporting to Pensions Committee New & Developing <ul style="list-style-type: none"> • Strategic Asset Allocation undertaken 	Strategy changes agreed and being implemented over time in discussion with the Investment Consultant.
12	Head of Pensions	Poor long term investment performance or non-compliance from managers.			Substantial		Existing <ul style="list-style-type: none"> • Performance measurement • Managers report monthly • Reporting to pensions committee • Diversification across managers • Manager meetings • Long term timeframe New & Developing <ul style="list-style-type: none"> • Fund Officers are working to refresh the manager monitoring arrangements. 	No current concerns about existing managers.

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix) 	Target Risk Score (Copy and paste the white dot onto the matrix) 	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining) 	Actions	Notes / Comments
13	Head of Pensions	Asset pooling - transition of assets from existing mandates to Border to Coast.			Substantial		<p>Existing</p> <ul style="list-style-type: none"> • Officer operations group • Workstreams within Border to Coast • Communicate to Committee regularly • S151 meetings • Use of Transition Managers <p>New & Developing</p> <ul style="list-style-type: none"> • work being undertaken on Global and UK property vehicles with Border to Coast 	<p>Over 50% of assets transitioned to 31 March 2023. Property to transition over the next two years and decision made not to transfer alternative assets. Target set to reflect position once all assets are transferred.</p>
14	Head of Pensions	Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).			Substantial		<p>Existing</p> <ul style="list-style-type: none"> • Border to Coast assistance • Managers reporting requirements • LAPFF membership • Voting and Corporate Governance Policy • RI policy • RI Beliefs • Quarterly Stewardship Paper to Committee and Board. <p>New & Developing</p> <ul style="list-style-type: none"> • Stewardship Code 2020 • TCFD Reporting (climate) • Increased focus on ESG investments 	<p>New Stewardship Code 2020 successfully achieved for 21/22, but will need to be maintained. Collaborative work being done by/with Border to Coast. TCFD reporting requirements expected at some time from DLUHC.</p>

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix) 	Target Risk Score (Copy and paste the white dot onto the matrix) 	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining) 	Actions	Notes / Comments
15	Head of Pensions	Cashflow - not enough income to meet pension payments due, as a result of: <ul style="list-style-type: none"> • 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 			Substantial		Existing <ul style="list-style-type: none"> • Asset allocation review to increase income generating assets when required • Cashflow monitoring New & Developing <ul style="list-style-type: none"> • expanded cashflow monitoring with Actuary as part of 2022 valuation • work with Border to Coast on income options from their investment vehicles 	
Operational								
01	Head of Pensions	The administrator does not perform its functions in accordance with the agreement, including: <ul style="list-style-type: none"> • contribution collection and allocation • benefit calculation and payment • GMP reconciliation and rectification • meeting TPR requirements 			Substantial		Existing <ul style="list-style-type: none"> • Performance Indicators • Bi-monthly meetings with WYPF • Horizon Scanning • Internal controls and audits • Collaboration Agreement • Benchmarking & performance data • Process management • Complaint reporting • Customer Surveys • Reporting to Committee and Board New & Developing <ul style="list-style-type: none"> • Shared Service Client Relationship Manager appointment • New shared service policies • updated shared service agreement being agreed by all partners 	

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix) 	Target Risk Score (Copy and paste the white dot onto the matrix) 	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining) 	Actions	Notes / Comments
O2	Head of Pensions	Cyber security breach.			Substantial		Existing <ul style="list-style-type: none"> • WYPF and Bradford Council policies • LCC policies and training • External provider control reports New & Developing <ul style="list-style-type: none"> • Internal audit by Bradford Council on WYPF policies and procedures • Bradford DR testing and increased focus on cyber risk 	Cyber testing completed and some updates put in place. DR testing undertaken and successful.
O3	Head of Pensions	Increased risk of employers exiting as a result of: <ul style="list-style-type: none"> • reducing employer covenant strength • unaffordability of scheme • reducing membership Leading to: <ul style="list-style-type: none"> • costly cessation surplus payments • deficit payments not meeting actual long term liabilities • insolvency of employers 			Substantial		Existing <ul style="list-style-type: none"> • Admission agreements • Pass through policy • Exit credit policy • Bonds • Employer covenant monitoring • Contribution monitoring • Employer communication • PFR roles New & Developing <ul style="list-style-type: none"> • Actuaries Employer Database now live • Developing additional employer monitoring internally 	Discussions with two employers regarding leaving the Fund.
O4	Head of Pensions	Fraud risk not managed			Substantial		Existing <ul style="list-style-type: none"> • Separation of duties • Internal & external audit • Monthly reporting • Reconciliation procedures • Regular National Fraud Initiative reporting New & Developing <ul style="list-style-type: none"> • Ongoing review of high risk pensioners 	

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix) 	Target Risk Score (Copy and paste the white dot onto the matrix) 	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining) 	Actions	Notes / Comments
O5	Head of Pensions	Changes in legislation not implemented correctly, currently McCloud and Pensions Dashboard			Substantial		<p>Existing</p> <ul style="list-style-type: none"> • Regular meetings with and reporting from WYPF • LCC staff appropriately qualified and aware of legal requirements • Pension Fund managed in line with statutory regulations • Membership of professional networks e.g. PLSA • Pension Board oversight <p>New & Developing</p> <ul style="list-style-type: none"> • working closely with software supplier to develop admin system • Head of Pensions member of the PLSA LA Policy Committee 	Head of Pensions position on the PLSA Local Authority Policy Committee provides earlier insight into challenges and solutions.
People								
T33Q33	Head of Pensions	Loss of key staff and loss of knowledge and skills			Limited		<p>Existing</p> <ul style="list-style-type: none"> • Diversified staff / team • Look at other authorities with best practices to ensure LCC positions still desirable • Attendance at pensions user groups, both WYPF and LCC • Procedural notes which includes new systems as and when (LCC & WYPF) • Section meetings / appraisals (LCC & WYPF) • Regular team building (LCC & WYPF) • B2C and partner funds relationships - increased collaboration • Training requirements and qualifications <p>New & Developing</p> <ul style="list-style-type: none"> • LCC Team structure increase by two posts 	Two additional career grade posts approved a Aim to appoint in November and begin Jan/Feb 24.



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

Report to:	Pensions Committee
Date:	12 October 2023
Subject:	Performance Measurement Annual Report

Summary:

This report sets out the Pension Fund's longer term investment performance for the period ending 31st March 2023.

Recommendation(s):

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

Background

1 INTRODUCTION

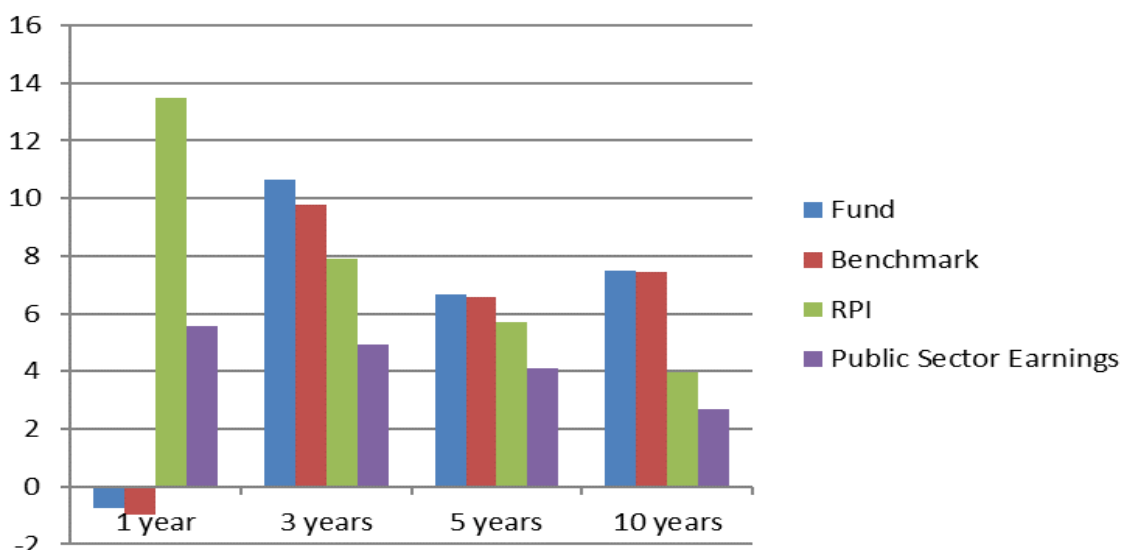
1.1 The Pension Fund uses two suppliers for the measurement of the Fund's performance. Northern Trust, the Fund's custodian (since 1 April 2019), calculates the Fund's investment performance and compares it with the returns of the strategic asset allocation benchmark (i.e. the return achieved by the mix of assets as recommended by the Investment Consultant) and PIRC compare the Fund's performance against the average Local Authority Pension Fund. The Fund's long-term aim is to outperform the strategic benchmark by 0.75% per annum.

2 LONGER TERM PERFORMANCE FOR YEAR ENDED 31 MARCH 2023

2.1 The short-term performance of the Fund and the performance of its managers are reported in the quarterly Investment Management report. This report focuses on the longer-term performance of the Fund overall, compared to its strategic benchmark and the pay and price increases that impact the liabilities of the Fund. At the latest valuation, as at March 2022, the Actuary has calculated the employers contribution strategy based on an assumed annual return of 4.0% over the long term.

2.2 The graph and table below show longer term Fund and Benchmark performance, along with the increases in consumer prices and public sector earnings.

INFLATION INCREASES AND INVESTMENT RETURNS - ENDED 31/3/2023



	1 year %	3 years annualised %	5 years annualised %	10 years annualised %
Retail Prices Index increases	13.5	7.9	5.7	4.0
Public Sector Average Earnings increases	5.6	4.9	4.1	2.7
LCC Fund performance	(0.8)	10.6	6.7	7.5
LCC Benchmark Performance	(1.0)	9.8	6.6	7.5
Relative Performance	0.2	0.9	0.1	0.0

2.3 10 Year Returns

The Fund's performance over ten years, at 7.5%, matches the Fund's benchmark return of 7.5%. This return is well ahead of both inflation and average earnings over the last ten years, to which the scheme's liabilities are linked, which were 4.0% and 2.7% p.a. respectively.

2.4 5 Year Returns

Five year returns of 6.7% per annum are again ahead of both price and pay inflation. The Fund's actual performance is again marginally ahead of the strategic benchmark return of 6.6%.

2.5 3 Year Returns

Three year returns, at 10.6%, are also ahead of both inflation and average earnings, and ahead of the strategic benchmark return of 9.8%.

3 ATTRIBUTION ANALYSIS

- 3.1 The attribution of the return over any period can be split between asset allocation and stock selection. The asset allocation contribution reflects the extent to which decisions to deviate from the strategic benchmark, e.g. to be overweight cash and underweight equities, added to or detracted from performance, compared to the benchmark. The stock selection contribution reflects the extent to which managers performance has added value.
- 3.2 The Fund’s annual performance over each of the last ten years compared to the Benchmark is set out in the table below. In the last year, on the asset allocation attribution, the underweight position to property was the largest positive contributor, and on the stock selection, the return from the Border to Coast Global Equity Alpha fund contributed the most.
- 3.3 Under asset pooling, the Pensions Committee remains responsible for the asset allocation, however Border to Coast will be accountable for the stock selection element of the Fund's performance, as for any appointed external manager.

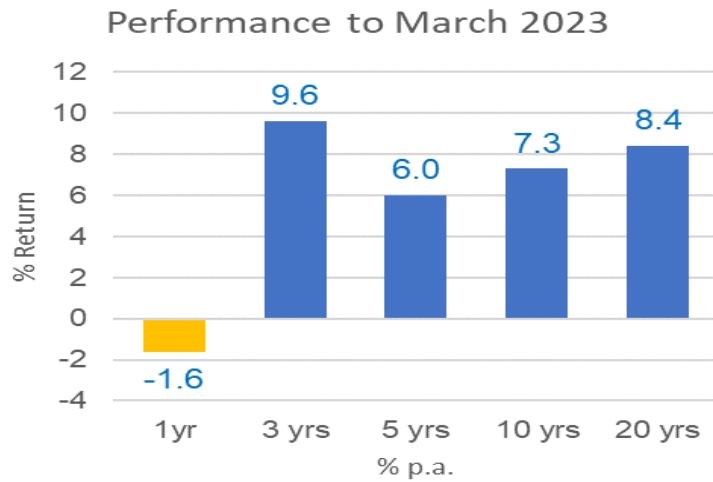
Long Term Performance Analysis and Attribution

Year ended March	Fund %	Benchmark %	Relative Performance %	Asset allocation %	Stock Selection %
2014	6.3	6.2	0.1	0.2	(0.1)
2015	12.3	12.4	(0.1)	(0.1)	0.0
2016	0.0	1.4	(1.4)	(0.6)	(0.8)
2017	19.8	19.3	0.3	0.0	0.3
2018	3.3	3.0	0.3	(0.4)	0.7
2019	8.2	8.1	0.1	0.0	0.1
2020	(5.8)	(3.9)	(2.0)	(0.3)	(1.6)
2021	23.3	22.1	1.1	(1.4)	2.75
2022	10.7	9.4	1.2	(0.2)	1.4
2023	(0.8)	(1.0)	0.2	0.7	(0.5)

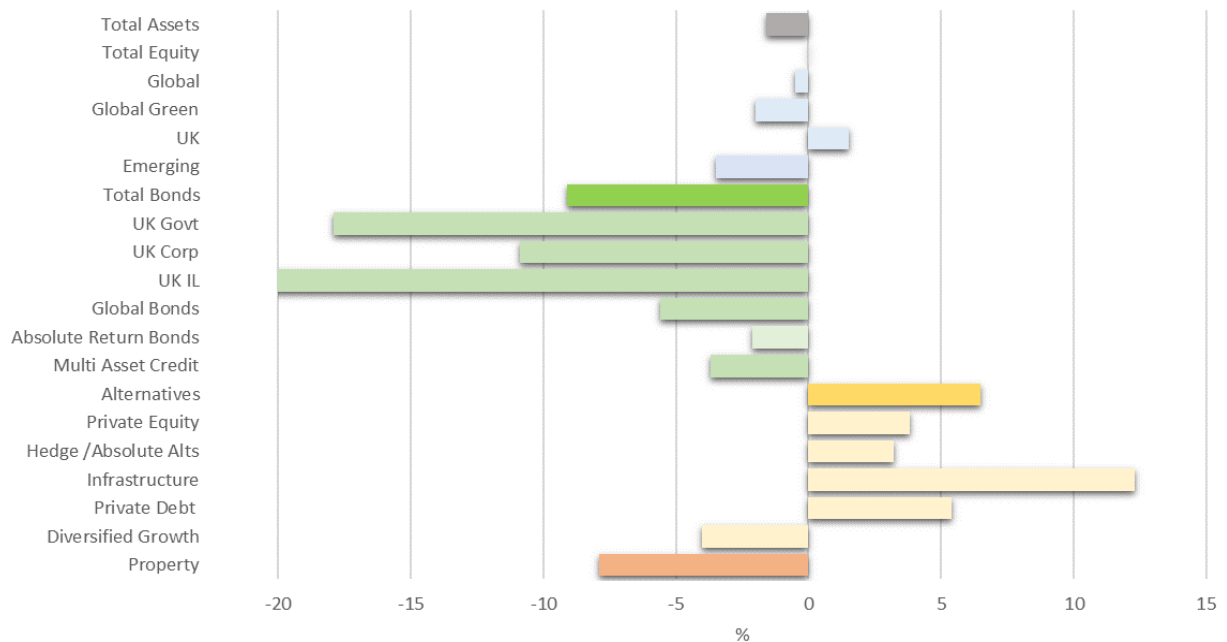
4 PIRC LOCAL AUTHORITY UNIVERSE

- 4.1 The PIRC Local Authority (LA) Universe is an aggregation of 63 funds covering £243bn of assets within the LGPS sector and is used for peer group comparisons. This represents some two thirds of local authority pension fund assets.
- 4.2 The average fund delivered a negative investment return in the latest year (at -1.6%). Asset class results strongly diverged, and the range of results widened. The average

return was well ahead of the median (three quarters of funds underperformed the average). Longer term results are still well ahead of inflation and funds' actuarial assumptions.



4.3 The returns across asset classes over the last year are shown below. It was a good year for alternative investments, the only area to deliver positive results. Equity performance was flat and most active managers failed to add value. Bond performance was deeply negative with diversified strategies performing least badly, and property saw a strong decline in values over the year.



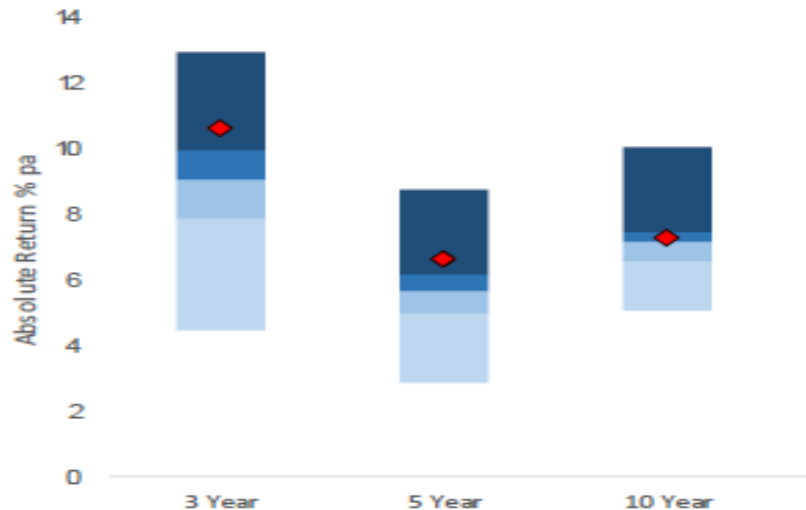
4.4 Since the 1990's, Funds have been using specific strategic benchmarks linked to their individual liability profiles, rather than a standard asset allocation. This means that comparison across the Universe can be misleading, as funds are trying to meet their own return requirements rather than compete for the highest return.

- 4.5 Given this move to fund specific strategic benchmarks, the peer group comparison is only a reference point, and not directly comparable. Strategic benchmarks, and the overall return requirement, are linked to the individual liability profile of each fund and their funding levels. The most important performance comparison is actual performance against the individual funds strategic benchmark.
- 4.6 The table below shows how the strategic asset allocation for the Lincolnshire Fund (currently in transition) compared with the average Local Authority Pension Fund actual asset allocation in 2023 and 2022.

Asset Class	Lincolnshire	LA Average	
		2023	2022
Equities	55.0	51	52
Bonds (incl. MAC)	12.5	17	18
Property	10.5	9	9
Diversified Alternatives	21.0	20	17
Diversified Growth	0.0	2	2
Cash	1.0	2	2

- 4.7 Within the LA Universe, Funds have reallocated 12% of total assets from equities into alternatives over the last decade, which has been the key structural change. Infrastructure has emerged into a significant proportion of assets (7% at 31/3/23), and funds have diversified bond exposure away from government bonds to alternative forms of credit (such as Multi Asset Credit).
- 4.8 The performance of the Fund against the average of those Funds subscribing to the Local Authority universe ranked at the 15th percentile, having been at the 12th percentile last year.
- 4.9 The table below shows the position of the Lincolnshire Fund over 1, 3, 5 and 10 years, and the chart shows the large dispersion in the range of results across the longer-term periods. The Fund is well ahead of the average over the three and five year periods and in line over the last ten. Equity performance has been strong over all bar the longest term, and has been a key factor in the outperformance.

	1 year %	3 years annualised %	5 years annualised %	10 years annualised %
LCC Fund performance	(0.8)	10.7	6.7	7.5
Universe Average	(1.6)	9.6	6.0	7.3
Ranking (percentile)	15	15	15	36



5 Conclusion

- 5.1 The Pension Fund's investment performance of 7.5% (as measured by Northern Trust) over the 10-year period ended 31st March 2023 matched the strategic benchmark. The Fund is seeking to outperform the Benchmark by 0.75% per annum over rolling three year periods. Annualised returns over all periods are ahead of inflation in pay and prices. At an absolute level, the ten year performance is comfortably ahead of the current actuarial assumption for investment return of around 4.0% per annum.
- 5.2 Looking at the last year, there were positive contributions from stock selection and a negative contribution from asset allocation, and the Fund was ranked at the 15th percentile of the Local Authority Universe.

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.

Agenda Item 10

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

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