

County Offices  
Newland  
Lincoln  
LN1 1YL

13 March 2024

**Pensions Committee**

A meeting of the Pensions Committee will be held on **Thursday, 21 March 2024 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



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  
P Key, District Councils Representative  
Tom Hotchin, Academy Sector Representative  
Jo Balchin, Scheme Member Representative



**PENSIONS COMMITTEE AGENDA  
THURSDAY, 21 MARCH 2024**

<b>Item</b>	<b>Title</b>	<b>Pages</b>
<b>1</b>	<b>Apologies for Absence</b>	
<b>2</b>	<b>Declarations of Members' Interests</b>	
<b>3</b>	<b>Minutes of the previous meeting held on 11 January 2024</b>	5 - 12
<b>4</b>	<b>Report by the Independent Chair of the Lincolnshire Local Pension Board</b> <i>(To receive a report from Roger Buttery, Independent Chair, which updates the Committee on the work of the Pension Board during the last few months)</i>	13 - 16
<b>5</b>	<b>Pension Fund Update Report</b> <i>(To receive a report from Jo Kempton, Head of Pensions, which updates the Committee on Fund matters for the quarter ending 31 December 2023 and any other current issues)</i>	17 - 44
<b>6</b>	<b>Pensions Administration Report</b> <i>(To receive a report from West Yorkshire Pension Fund which updates the Committee on current administration issues)</i>	45 - 72
<b>7</b>	<b>Lincolnshire Pension Fund Policies Review</b> <i>(To receive a report from Jo Kempton, Head of Pensions, which presents the main policies of the Pension Fund for review)</i>	73 - 88
<b>8</b>	<b>Lincolnshire Pension Fund – Business Plan 2024/25</b> <i>(To receive a report from Jo Kempton, Head of Pensions, which brings the Lincolnshire Pension Fund Business Plan 2024/25 to the Committee for approval)</i>	89 - 106
<b>9</b>	<b>Annual Report and Accounts 2023-24: Review of Accounting Arrangements and Accounting Policies</b> <i>(To receive a report by Claire Machej, Accounting, Investment and Governance Manager, which enables the Committee to consider the accounting arrangements and accounting policies for 2023-24)</i>	107 - 124
<b>10</b>	<b>CONSIDERATION OF EXEMPT INFORMATION</b> 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.	

**11 The Pension Regulators new General Code of Practice**

125 - 126

*(To receive an exempt report from Jo Kempton, Head of Pensions, which introduces a training session on the Pension Regulator's new General Code of Practice)*

**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, 21st March, 2024, 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  
11 JANUARY 2024**

**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: Tom Hotchin (Academy Sector Representative) and Jo Balchin (Scheme Member Representative)

Councillor R D Butroid (People Management, Legal and Corporate Property) attended the meeting as an observer

Officers in attendance:-

Michelle Grady (Assistant Director – Finance), Jo Kempton (Head of pensions), Claire Machej (Accounting, Investments and Governance Manager), Josh Drotleff (Finance Technician) and Thomas Crofts (Democratic Services Officer)

Others in attendance:-

Roger Buttery (Independent Chair – LGPS Pension Board), Peter Allan (Employer Representative – LGPS Pension Board), Colin Mayger (Barnett Waddingham), Melanie Durrant (Barnett Waddingham) and Matt Mott (West Yorkshire Pension Fund)

10 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors P Dilks and P Key, and Steve Larter.

11 DECLARATIONS OF MEMBERS' INTERESTS

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

Jo Balchin (Scheme Member Representative) declared an interest as an active member of the Pension Fund.

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

12 MINUTES OF THE PREVIOUS MEETING HELD ON 14 DECEMBER 2023

RESOLVED

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### PENSIONS COMMITTEE

11 JANUARY 2024

That the minutes of the meeting held on 14 December 2023 be approved as a correct record and signed by Chairman.

#### 13 REPORT BY THE INDEPENDENT CHAIR OF THE LINCOLNSHIRE LOCAL PENSION BOARD

Consideration was given to a report by the Independent Chair of the Lincolnshire Local Pension Board which updated the Pensions Committee on the work of the Board during the past few months. The following matters were reported:

- The Board had recognised the pension administrator's progress concerning key performance indicators. However, further improvement was necessary, especially regarding the tracing of unclaimed benefits and the amount of temporary bank accounts.
- The Board was concerned by the low uptake and completion of the pension regulator's training toolkit by the Committee.
- The Board commended the Fund for receiving an unqualified sign off of the accounts by the external auditor.

RESOLVED

That the report and comments made be noted.

#### 14 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters for the quarter ending 30 September 2023 and any other current issues. The Committee was guided through the report and the following key points were highlighted:

- The Committee were asked if they wished to recruit an independent investment advisor or wait for the government's good governance review to ensure any appointments were compliant with new recommendations.
- The fund was currently 94% funded and no longer over 100% funded, as a result of amendments to the funding model of the Actuary.
- New risks had been added to the risk register regarding asset pooling following the government's consultation.
- The Council's accounts and the fund's accounts had been signed off by the external auditors for both 21/22 and 22/23.
- The key points from the Pension Regulator's annual survey were highlighted.

The Chairman reported that they had attended the LAPFF Annual Conference on 6-8 December 2023 which covered the following topics:

- Impact and stewardship in relation to crises.
- ESG backlash.

- Combating modern day slavery.
- Environmental impacts.
- Talk from Dave Fishwick, founder of Burnley Savings and Loans (Bank of Dave).

The Committee discussed the report and the following comments were raised:

- The fund's funding position was currently not of concern and presented no additional risk. Changes reflected the amendments to the funding model which were brought in to better reflect the volatility of the market.
- It was agreed that an independent investment advisor should be recruited as there were no firm timescales to wait for the good governance review and the resource had proven valuable to the work of the Committee.

#### RESOLVED

1. That the report and comments made be noted.
2. That the Fund go out to recruit a new Independent Investment Advisor.

#### 15 PENSIONS ADMINISTRATION REPORT

Consideration was given to a report prepared by the Fund's pension administrator, West Yorkshire Pension Fund (WYPF). The Committee was guided through the report, and the following matters were highlighted:

- Further progress had been made regarding staffing and resourcing, and performance across key areas was improving.
- There was a backlog of cases as there had been an increase in the number of transfer requests on top of the fact that processing had to be paused due to the removal of GAD factors and a delay by GAD in providing revised factors. The backlog of cases was now being processed in date order.
- Recruitment was a rolling process as there was a nationwide shortage of qualified personnel.
- The shared service risk register had been reviewed and it was highlighted that Risk 2 needed further review once the Shared Service Refresh has been completed.
- The resource plan was also under review.
- Guidance for scheme members regarding McCloud had been distributed via the Winter newsletter.

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

- Recruitment was an ongoing issue. New initiatives were being rolled out to attract and train new staff including a graduate scheme and locally targeted recruitment drives.
- KPI reporting provided intel to the Committee and was not intended to be used as disciplinary tool or means to fine the service.

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#### **PENSIONS COMMITTEE**

**11 JANUARY 2024**

- It was noted that very few complaints had been made against the administrator, which was an indication of a well-run service.

The Committee felt that it would be beneficial to invite Euan Miller, Managing Director – WYPF, to a subsequent meeting to hear more about the administrator’s position.

RESOLVED

1. That the report and comments made be noted.
2. That Euan Miller, Managing Director – WYPF, be invited to a subsequent meeting of the Pensions Committee.

#### 16 DATA QUALITY REPORT

Consideration was given to a report prepared by the Fund’s pension administrator, West Yorkshire Pension Fund (WYPF). The Committee was guided through the report and the following matters were highlighted:

- Common data scores were at 96.18% and that the scheme specific data score was at 87.68%.
- There were 2,488 addresses missing for deferred members – an increase of 107.
- As a result of the data scores, WYPF had devised a Data Improvement Plan which identified the issues with the data and the resolutions required.
- Automated software had been explored under the Data Improvement Plan but was found not to give good value for money.
- The Pensions Regulator provided a report on WYPF which had an overall green (good) rating with further recommendations that were considered and captured under the Data Improvement Plan.

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

- There were no significant concerns regarding risk to the Fund as a consequence of missing addresses and deferred payment of benefits.
- Work was underway to decrease the number of missing addresses including the use of tracing agencies, door-knocking, and referencing with national fraud data regarding deaths. The Committee expressed concern that the number was nonetheless increasing.
- Many data quality issues had been inherited from Lincolnshire Pension Fund’s historic payroll administration by Mouchel.
- It was anticipated that the rollout of the Pension Dashboard would help improve data quality and member self-reporting.

RESOLVED

That the report and comments made be noted.



17      ANNUAL EMPLOYER ACTIVITY AND MONITORING REPORT

Consideration was given to a report from the Accounting, Investments and Governance Manager. The Committee was guided through the report, and the following matters were highlighted:

- Eleven new employers had joined the Fund and three employers had left over the past year.
- Late and/or inaccurate employer submissions were low in number and there were no significant concerns to report regarding the matter.
- A list of fines issued was outlined within the report.
- Targeted work was underway to improve the data quality submitted by employers.

The Committee discussed the report, and it was explained that school academies did not receive any additional funding towards their local government pension liabilities and funds had to be sourced from their own budgets. This was unlike teacher pension liabilities which benefited from specific grant monies from central government.

RESOLVED

That the report and comments made be noted.

18      ANNUAL REPORT AND ACCOUNTS 2022/23: THE EXTERNAL AUDITOR'S AUDIT COMPLETION REPORT

Consideration was given to a report presented by the Accounting, Investment and Governance Manager which provided the Committee with an update on the completion of the account sign off for 2022/23. It was reported that the external auditor's opinion had been received for the accounts and that their work had been concluded. It was noted that the updated valuations received over the summer in unquoted holdings totalled £8million, and the final accounts had been adjusted accordingly.

The Committee noted the report and welcomed the conclusion of the accounts' sign off.

RESOLVED

That the report and comments made be noted.

19      DLUHC POOLING CONSULTATION AND TRANSITION PLAN REPORT

Consideration was given to a report presented by the Head of Pensions which provided the Committee with an update on the pension pooling consultation by the Department for Levelling Up, Housing and Communities (DLUHC), and presented a transition plan for the Fund. Attention was drawn to the following matters:

- The consultation period had concluded and there had been 152 responses. The Government had resolved to implement the proposals with no material changes following the consultation.
- The Government wished to accelerate and expand pooling, and to increase investment in levelling up and in private equity.
- If pension funds were not compliant in any of these expectations, they would have to provide detailed explanations. Central government also held powers to enforce compliance.
- It was anticipated that the reporting requirements set out in the consultation response would increase officer workload.

The Committee noted the report and the following comments were raised:

- Pensions Committees and professionals within the industry had raised a number of concerns about some of the areas within the consultation.
- It was clarified that no other fund was allowed to join the Border to Coast asset pool without the approval of the existing member funds.
- It was anticipated that Border to Coast could meet central government's expected pool size by 2040 via normal growth without having to accept other funds joining.
- The Fund currently held 2% of assets that met the requirements of the government's Levelling Up missions and needed to plan to achieve 5%, as per the DLUHC's requirements. Border to Coast was in the process of establishing a UK opportunities fund in order to provide an investment vehicle to target this area.
- It was anticipated that private equity holdings, which currently made up 8% of the Fund's holdings, would achieve DLUHC's requirements via natural growth.
- The Committee was disappointed that their autonomy to make decisions in relation the fund was undermined by legislation that compelled them to make certain investment decisions.

RESOLVED

That the report and comments made be noted.

20 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That in accordance with Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that if they were present they could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Section 12A of the Local Government Act 1972, as amended.

21 BORDER TO COAST FUNDING MODEL CHANGES

Consideration was given to an exempt report on funding model changes to the pensions pool.

Questions were raised by the Committee and discussed.

RESOLVED

That the exempt report be noted.

22     TRAINING: THE IMPACT OF CLIMATE RISK ON PENSION FUNDS

Consideration was given to an exempt report which introduced a training presentation from Barnett Waddingham.

Questions were raised by the Committee and discussed.

RESOLVED

That the exempt report be noted.

The meeting closed at 12.38 pm

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

Report to:	<b>Pensions Committee</b>
Date:	<b>21 March 2024</b>
Subject:	<b>Report by the Independent Chair of the Lincolnshire Local Pension Board</b>

**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 to consider recommendations from the PB.

**Recommendation(s):**

That the Committee considers and notes the report.

**Background**

**1. OUTCOMES FROM PENSION BOARD MEETING ON 9 NOVEMBER 2023**

1.1 The PB met on the 11<sup>th</sup> January and the main focus was on the following issues:

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

1.2 **TPR Checklist Dashboard** – the PB considers that compliance to the Code as very important in terms of governance and accountability of the pension scheme. 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 the end of December 2023, there were 94 green and 1 not relevant. There were 4 partially compliant – 1 related to knowledge and understanding. The other 3 related to certain aspects which are outside direct control. The Board continues to be concerned at the length of time it is taking to return the “knowledge and understanding” to green.

- 1.3 **Pensions Administration Report** – there was a lengthy discussion on the report from WYPF. Recruitment and resourcing were ongoing issues and WYPF had experienced peaks and troughs which had impacted workflows at various points throughout the year. The good news was that some vacancies had been filled and performance across key areas had improved. Recruitment was a rolling process as there was a nationwide shortage of qualified personnel. There were long delays in the processing of appeal cases by the Pensions Ombudsman. The administration performance will be kept under close review.
- 1.4 **Data Quality Report** – WYPF updated the PB on data issues and the data improvement plan. The Common data scores was 96.18% at November 2023 compared with 96.17% at June 2023. The Scheme specific data score was 87.68% at November compared with 87.91% at June 2023. WYPF had recently completed an exercise with the TPR. Information and documentation had been shared with TPR who in turn gave guidance and advice, some of which WYPF had been able to act upon immediately. TPR had provided a report which had an overall green rating for both Management & Governance and Systems & Processes. The PB will continue to keep data quality under review.
- 1.5 **Annual Employer Activity and Monitoring Report** - the PB noted that there had been a net gain of eight new employers during the year. Late and/or inaccurate employer submissions were low in number and there were no significant concerns to report. Disappointingly, there were 37 late payment of contributions which, given the number of employers (257), means that compliance is good. Even so, the PB remains disappointed that some employers fail to pay the pension contributions by the statutory deadline of 19<sup>th</sup> of the month following the month the salary payments were made. The PB recognised that a large proportion of late submissions were due to issues with the employers’ payroll providers.
- 1.6 **Annual Report & Accounts 2022/2023** – the PB was delighted that the external audit of the Annual Report & Accounts for 2022/2023 Accounts had been completed with an unqualified opinion in November and subsequently signed off. This places Lincolnshire in a very good position and well ahead of most local authorities. The PB has been monitoring the national scene and for those interested, I can report that a consultation document has been issued recently on “Local audit delays: Joint statement on update to proposals to clear the backlog and embed timely audit”. Lincolnshire does not fall in to this category and the officers are to be congratulated on their work and achievements.

## **Conclusion**

### **2. ASSURANCES GAINED BY THE BOARD**

- 2.1 The PB considered that the compliance to TPR's Code was good but concern was expressed in respect of the timely completion of the training requirements by several members of the Pensions Committee.
- 2.2 Despite the problems over staffing, the PB concluded that WYPF offers members a very good pensions administration service.
- 2.3 The PB recognises the work being undertaken on data issues but continues to have concerns about the progress on data scores and cannot provide full assurance on this aspect.
- 2.4 The PB concluded that the vast majority of employers comply with the rules on the payment of contributions and the submission of monthly returns.
- 2.6 The PB is delighted that the Report & Accounts for 2022/2023 were signed off by the end of December.

**Roger BATTERY**  
**Independent Chairman**

March 2024

## **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](mailto:jo.kempton@lincolnshire.gov.uk).

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

Report to:	<b>Pensions Committee</b>
Date:	<b>21 March 2024</b>
Subject:	<b>Pension Fund Update Report</b>

**Summary:**

This report updates the Committee on Fund matters for the quarter ending 31 December 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. Regulatory 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 £112.7m (+3.6%) to £3,233.7m on 31 December 2023.

**Asset Allocation**

- 1.2 Appendix A shows the Fund's distribution as at 31 December. 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 property drawdowns.

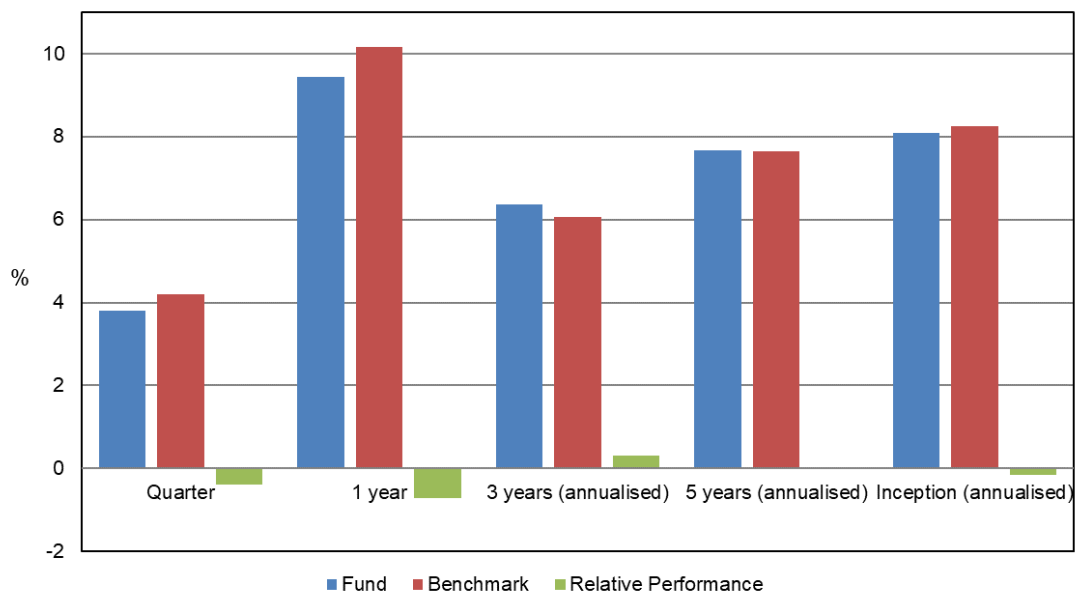
1.3 The Fund's overall position relative to its benchmark is set out in the table below.

Asset Class	Q4 2023 £m	Q3 2023 £m	Asset Allocation %	Strategic Asset Allocation %	Difference %
UK Equities	395.1	442.8	12.2	11.5	0.7
Global Equities	1,308.6	1,237.6	40.5	40.0	0.5
Alternatives	835.0	780.0	25.8	25.5	0.3
Property	232.6	233.9	7.2	10.0	(2.8)
Fixed Interest	399.7	356.8	12.4	12.0	0.4
Cash	62.8	56.1	1.9	1.0	0.9
<b>Total *</b>	<b>3,233.7</b>	<b>3,121.0</b>	<b>100.0</b>	<b>100.0</b>	

(\* Excludes transactional cash and Border to Coast shareholding)

### Fund Performance

1.4 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	3.80	4.19	-0.39
1 year	9.44	10.15	-0.71
3 years*	6.37	6.07	0.30
5 years*	7.67	7.65	0.02
Inception**	8.09	8.25	-0.16

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

- 1.5 Over the quarter, the Fund produced a positive return of 3.80% (as measured by Northern Trust) but underperformed the benchmark by (0.39%). The Fund was also slightly behind the benchmark over the since inception period but was ahead on the five- and three-year periods. Details of individual managers' performance are covered at the Investment and Responsible Investment meetings of the Pensions Committee.
- 1.6 Appendix B shows the market returns over the three and twelve months to 31 December 2023.

### **Funding Level**

- 1.7 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 December 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.
- 1.8 The latest funding update from Barnett Waddingham (BW) is attached at appendix C. This report details:
- the roll forward method used;
  - the assumptions, both now and at the last valuation; and
  - the results.
- 1.9 Over the period 31 March 2022 to 31 December 2023 the funding level, in real money, has fallen from a surplus of £18m to a deficit of £181m deficit, reflecting the outcome of the changed approach. Since the valuation, contributions and transfers have been slightly greater than the accrual of new benefits, but investment returns and inflation impacts have been negative. The funding level has moved from 101% to 94.6%.

## **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 D. 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 on the Committee who all have a period of six months to complete their training. Two members were due to have completed it before December, but certificates have yet to be received, and one member still has until June to meet the completion deadline.*

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 from the previous administrator. The mass correction of these data issues has been investigated, and it has been found that it is not cost effective to amend, and as they do not impact the benefit entitlement of members, these are rectified on an individual basis as and when a member has an event.*

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 E 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. An annual paper on employer monitoring is taken to the January meeting of this Committee.

### **4. Risk Register Update**

4.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Committee each October to be approved. There have been no changes to the risk register in this quarter.

### **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, which launched in December. This transition will be managed over a period of time as cash is invested and redemptions are received from existing overseas property funds.

5.2 Work is underway on the completion of the UK Property offerings, and it is expected that a paper will be brought to the June meeting of this Committee to detail the proposals for the Lincolnshire Fund's investment in Border to Coast's UK Property funds.

5.3 Officers are working with Border to Coast on a potential multi-factor global equity fund, that would offer a similar solution to the current investment with LGIM, but would potentially offer a better net of fee performance, and would also meet the pooling requirements. Proposals on this will be brought to a future meeting of this Committee.

5.4 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, responsible investment, multi-factor equity and TCFD reporting.

#### **Joint Committee Meetings**

5.5 The next meeting of the Joint Committee is being held on 26 March 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**

- 5.6 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.
- 5.7 Ahead of any shareholder approvals, officers, including S151 officers, work closely with Border to Coast to ensure full understanding of the resolution, the impact of it not being approved and discuss this with the JC ahead of any resolution being sent for approval. An informal shareholder meeting is also held on the date of each Joint Committee meeting.
- 5.8 There has been one shareholder resolution since the last Committee meeting, which all partner funds approved:
- Approving the Border to Coast Strategic Plan for 2024-27

## **6 Regulatory Update**

- 6.1 The Economic Activities of Public Bodies (Overseas Matters) Bill cleared the House of Commons and had its second reading in the House of Lords on 20 February 2024, and is now approaching the final stages of approval. The Bill covers both procurement and investment decisions and seeks to prohibit certain actions by public authorities. There is the potential this could result in the risk of legal challenge to LGPS funds, so when it becomes law, LGPS funds will need to ensure both their investment decisions, and the governance process leading to them, take account of the provisions of the Bill.
- 6.2 The Bill will:
- prohibit public authorities from making a decision to invest or divest based on its moral or political opinion (or the opinion of any pressure groups which are seeking to influence it) of the actions of foreign states abroad.
  - prohibit the authority going on record saying it would have made that investment or divestment decision if not for the existence of this legislation.
  - include a number of exemptions, although these are in the main restricted to actions which are illegal.

- provide for sufficiently interested parties to bring about legal proceedings against the authority and/or report the authority to the Pensions Regulator (TPR) if they consider an investment decision to be, or likely to be, in contravention of the above prohibitions.
- mean LGPS authorities should carefully consider not only the potential for decisions actually being in contravention of the legislation, but also the potential for third parties to bring about costly and time-consuming legal proceedings in relation to decisions they do not agree with, and in doing so, authorities may want to revisit their governance arrangements particularly in relation to investment decisions in order to minimise the risk of challenge.

6.3 In summary, the Bill is designed to prevent public authorities making decisions or statements of intent about investment which results from political or moral disapproval of the actions of a foreign state which has an overseas impact. The stated purpose of the Bill is to catch both open participation in boycotts or divestment campaigns, and more subtle ways of singling out countries or territories that could produce similar results. An example of this would be expressing support for engaging in boycotts and divestment campaigns. The Bill will not, however, prevent public authorities from complying with formal UK Government legal sanctions, embargoes and restrictions.

6.4 To mitigate the possibility for, and the impact of, any such proceedings, it is suggested that:

- the Committee receives clear, independent and documented advice on the implications of potentially contentious decisions prior to the meetings at which they are to be considered.
- officers ensure minutes in respect of investment decisions include clear references to the grounds on which they were taken and the advice received in connection with them.
- such decisions, which would in the main constitute the implementation rather than the strategy of investments, are delegated to officers and/or their pool.

6.5 Officers will work with the investment consultant to ensure any potentially contentious decisions are not open to challenge and are made based on valid investment reasons and that this is properly documented.

## **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 LGA Governance Conference was held on 18/19 January and covered a wide range of topics, including Scheme Advisory Board, LGPC and DLUHC updates, the employer landscape, responsible investment, de-risking, and cyber security. Conference notes produced by Hymans Robertson are attached at appendix F.
- The LGC Investment Seminar was held on 14/15 March and covered the following:
  - Economic market scene-setter discussing the latest trends and future outlook
  - Run up to the Valuation 2025 - providing the latest thinking
  - Workshops focusing on innovation in investment with returns
  - Examining the fiduciary duty – is it the cornerstone of the LGPS or something to hide behind
  - Being bold and leading the way – how the LGPS is more than just a pension scheme
  - Discussing the next steps on investments (and the pooling consultation)
  - Considering how we can boost investment in the UK
  - Looking ahead to the future – what the political landscape tells usConference notes are not available at the time of writing, but can be shared following the meeting if requested.

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

7.4 Upcoming training opportunities are shared in the weekly and monthly email. Any member wishing to attend or require more information should contact Jon Haw ([jonathan.haw@lincolnshire.gov.uk](mailto:jonathan.haw@lincolnshire.gov.uk)).

## **Conclusion**

8. The Fund is 94.6% funded (on a roll-forward basis, following the adjustments made to the Barnet Waddingham funding model) as at the end of December, with an overall value of invested assets of £3,233.7m.
9. There are three members who have still to complete TPR's toolkit, as part of the mandatory training agreed by this Committee. Certificates of completion should be forwarded to the Head of Pensions as soon as possible.

## **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	BW Funding Update
Appendix D	TPR Checklist Dashboard
Appendix E	Breaches Register
Appendix F	Conference Highlights – LGA Governance Conference

## **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](mailto:jo.kempton@lincolnshire.gov.uk).

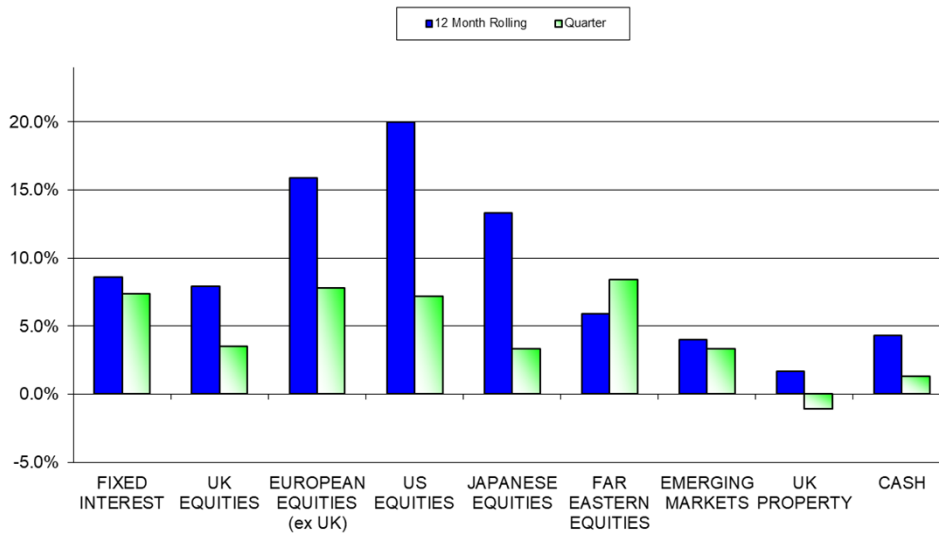
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## DISTRIBUTION OF INVESTMENTS

INVESTMENT	31 December 2023			30 September 2023			COMPARATIVE STRATEGIC BENCHMARK	
	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	%	TOLERANCE
<b>UK EQUITIES</b>								
Border to Coast UK Listed Equity	395,135,050	23.2%	12.2%	442,805,094	26.4%	14.3%	11.5%	+/- 2.0%
<b>TOTAL UK EQUITIES</b>	<b>395,135,050</b>		<b>12.2%</b>	<b>442,805,094</b>		<b>14.3%</b>	<b>11.5%</b>	
<b>GLOBAL EQUITIES</b>								
LGIM Future World	488,238,662	28.7%	15.1%	462,815,138	27.5%	14.9%	15.0%	+/- 2.0%
Border to Coast Global Equity Alpha	658,115,517	38.6%	20.5%	774,791,167	46.2%	24.8%	20.0%	+/- 2.5%
Border to Coast O'Seas Dev. Equities	162,262,737	9.5%	5.0%				5.0%	+/- 1.0%
<b>TOTAL GLOBAL EQUITIES</b>	<b>1,308,616,916</b>		<b>40.6%</b>	<b>1,237,606,305</b>		<b>39.7%</b>	<b>40.0%</b>	
<b>TOTAL EQUITIES</b>	<b>1,703,751,966</b>	<b>100.0%</b>	<b>52.8%</b>	<b>1,680,411,399</b>	<b>100.0%</b>	<b>54.0%</b>	<b>51.5%</b>	
<b>ALTERNATIVES</b>								
Morgan Stanley Private Markets	537,624,245	64.4%	16.6%	493,010,790	63.2%	15.9%	} 18.5%	+/- 2.5%
ivate Equity	4,341,728	0.5%	0.1%	5,414,123	0.7%	0.2%		
Infrastructure	66,676,934	8.0%	2.1%	67,889,115	8.7%	2.2%	} 7.0%	+/- 1.0%
Border to Coast Multi Asset Credit	226,316,136	27.1%	7.0%	213,649,432	27.4%	6.9%		
<b>TOTAL ALTERNATIVES</b>	<b>834,959,043</b>		<b>25.8%</b>	<b>779,963,460</b>		<b>25.2%</b>	<b>25.5%</b>	<b>+/- 3.0%</b>
<b>PROPERTY</b>	<b>232,585,080</b>		<b>7.2%</b>	<b>233,889,272</b>		<b>7.5%</b>	<b>10.0%</b>	<b>+/- 1.5%</b>
<b>FIXED INTEREST</b>								
Border to Coast Investment Grade Credit	399,667,053		12.4%	356,759,594		11.5%	12.0%	+/- 1.0%
<b>TOTAL FIXED INTEREST</b>	<b>399,667,053</b>		<b>12.4%</b>	<b>356,759,594</b>		<b>11.5%</b>	<b>12.0%</b>	<b>+/- 1.5%</b>
<b>TOTAL INVESTED CASH</b>	<b>62,782,070</b>		<b>1.9%</b>	<b>56,145,728</b>		<b>1.8%</b>	<b>1.0%</b>	<b>+ 0.5%</b>
<b>TOTAL INVESTED ASSETS</b>	<b>3,233,745,212</b>		<b>100%</b>	<b>3,107,169,453</b>		<b>100%</b>	<b>100.0%</b>	

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## CHANGES IN MARKET INDICES MARKET RETURNS TO 31 DECEMBER 2023



INDEX RETURNS	12 Months to Dec 2023 %	Oct-Dec 2023 %
FIXED INTEREST	8.6%	7.4%
UK EQUITIES	7.9%	3.5%
EUROPEAN EQUITIES	15.9%	7.8%
US EQUITIES	20.0%	7.2%
JAPANESE EQUITIES	13.3%	3.3%
FAR EASTERN EQUITIES	5.9%	8.4%
EMERGING MARKETS	4.0%	3.3%
UK PROPERTY	1.7%	-1.1%
CASH	4.3%	1.29%

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# Lincolnshire Pension Fund

## Funding update as at 31 December 2023

### Background

This schedule is provided to Lincolnshire County Council as administering authority to the Lincolnshire Pension Fund (the Fund). Its purpose is to provide an approximate update on the funding position of the Fund as at 31 December 2023. The results in this schedule should be considered alongside the report on the valuation of the Fund as at 31 March 2022. This schedule has been generated from our online monitoring tool **Illuminate: LGPS Monitor**.

The results contained within this schedule are approximate. In particular, the results should not be used by the administering authority to make any significant decisions without our express permission. The schedule may be shared with other interested parties but it does not constitute advice to them. Barnett Waddingham LLP shall not accept liability should the schedule be relied upon for any purpose other than that stated above.

This advice is provided in our capacity as Fund Actuary. This schedule complies with Technical Actuarial Standard 100: General Actuarial Standards (TAS 100) as issued by the Financial Reporting Council (FRC). This is the only TAS that applies to this work.

The Fund participates in the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations). We have taken account of current LGPS Regulations (as amended) as at the date of this report.

### Valuation method, process and assumptions

#### Roll-forward method

To assess the estimated funding position at 31 December 2023, the following calculations have been carried out:

- The value of the Fund's liabilities calculated for the funding valuation at 31 March 2022 have been rolled forward allowing for:
  - Changes in market conditions to 31 December 2023.
  - Cashflows paid to and from the Fund, as provided to 30 November 2023 by the administering authority (estimated thereafter).
  - Changes in CPI inflation to 31 December 2023.

- The value of the Fund's assets are based on the latest asset data provided by the administering authority to 30 November 2023, rolled forward and estimated where necessary.

In particular, no allowance for actual member experience since the last valuation has been made (for example, membership movements (e.g. retirements, leavers or deaths). If there have been significant changes to the membership (such as a large number of transfers or deaths) the results of a full valuation could be materially different from this estimate. The data has been checked for reasonableness, including consistency with previous valuation data where relevant, and we are happy that the data is sufficient for the purposes of this advice.

We assess the funding position on a smoothed basis which is an estimate of the average position over a six month period spanning the reporting date. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are likely to change up until three months after the reporting date. The smoothed results are indicative of the underlying trend.

We also assess the funding position on an unsmoothed basis where assets are taken at market value and the financial assumptions are taken to be the spot rates at the reporting date (and no smoothing is applied).

## Assumptions

The actual investment returns earned by the Fund will affect the value of the Fund's assets. The value of the Fund's liabilities, however, is dependent on the assumptions used to value the future benefits payable.

For the purpose of this update it is appropriate to use the method and assumptions consistent with those set by the Fund actuary for the purpose of the 31 March 2022 actuarial valuation, updated where necessary to reflect market conditions. Further details of the derivation of the financial and demographic assumptions can be found in the latest actuarial valuation report and the Funding Strategy Statement, both of which are available on the Fund's website.

A summary of the key financial assumptions used for this funding update are shown below, alongside the corresponding assumptions at the last triennial valuation date.

Key assumptions	31 December 2023	31 March 2022
CPI inflation	2.43% p.a.	2.88% p.a.
Salary increases	3.43% p.a. (CPI plus 1.00% p.a.)	3.88% p.a. (CPI plus 1.00% p.a.)
Discount rate	3.87% p.a. (CPI plus 1.44% p.a.)	4.00% p.a. (CPI plus 1.12% p.a.)



The discount rate assumption is set with reference to the Fund’s long term investment strategy and therefore reflects the long term expected return on assets for the Fund and incorporates an explicit prudence allowance consistent with the method adopted for the 31 March 2022 valuation. In particular, the investment strategy in place at the previous actuarial valuation has been used to set the assumption.

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As we see, the real discount rate is more than at the 31 March 2022 valuation, decreasing the value of liabilities used for funding purposes

The ongoing demographic assumptions are as set out in the actuarial valuation report as at 31 March 2022 and the Funding Strategy Statement, both of which are available on the Fund’s website.

The following table shows the equivalent unsmoothed financial assumptions at the same dates. These are provided for information, however, please note that the unsmoothed basis has no bearing on the calculation of the ongoing funding position or the contribution rates.

Key assumptions	31 December 2023	31 March 2022
CPI inflation	2.35% p.a.	3.02% p.a.
Salary increases	3.35% p.a. (CPI plus 1.00% p.a.)	4.02% p.a. (CPI plus 1.00% p.a.)
Discount rate	3.66% p.a. (CPI plus 1.31% p.a.)	4.01% p.a. (CPI plus 0.99% p.a.)

## Results

The table below shows the approximate updated funding position of the Fund as at 31 December 2023. The results of the previous actuarial valuation are also shown for comparison. Charts showing the full funding level progression and an analysis of change since the last valuation date are included in the appendix to this schedule.

The ongoing assets for the purposes of this update are calculated as a six-month smoothed market value straddling the valuation date.

Ongoing results	31 December 2023	31 March 2022
Liabilities	£3.338bn	£2.996bn
Assets	£3.157bn	£3.014bn
Surplus / (Deficit)	(£181m)	£18m
Funding level	94.6%	100.6%

The Fund has a funding deficit of £181m at 31 December 2023 relating to a funding level of 94.6%. This compares to a funding surplus of £18m at 31 March 2022, relating to a funding level of 100.6%.

## Final comments

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund include longevity risk and financial risks (including inflation and investment risk). There is more detail on this contained within the Fund's Funding Strategy Statement and the latest actuarial valuation report.

The funding position at future dates will be dependent on the investment performance of the Fund as well as future market conditions which determine the financial assumptions.

If you have any questions arising from this schedule, please contact the team in the usual way and we will be happy to help.

### **Barnett Waddingham LLP**

## Appendix 1 Funding level progression

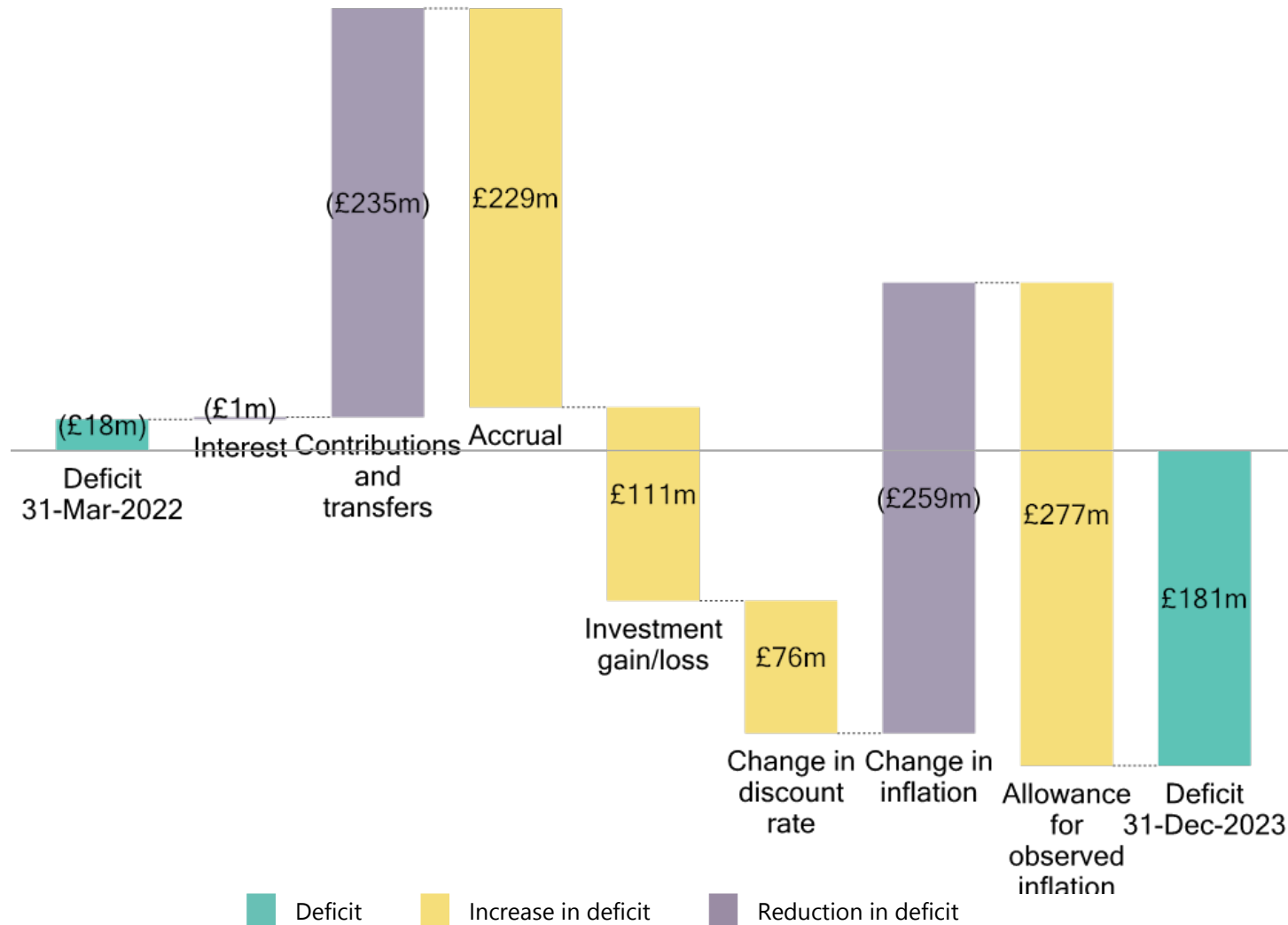
The chart below illustrates the approximate development of the Fund's ongoing funding levels from 31 March 2022 to 31 December 2023. As the smoothing adjustment reflects average market conditions spanning a six month period straddling the reporting date, the smoothed figures are likely to change up until three months after the reporting date.

The chart also illustrates the approximate development of the unsmoothed position over the same time period for comparison.



## Appendix 2 Analysis of change

The chart below shows the analysis of the change in the ongoing funding position from 31 March 2022 to 31 December 2023.



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

### Summary Results Dashboard

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

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

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

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

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

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## Lincolnshire Pension Fund Record of Breaches

<b>Date</b>	<b>Category (e.g. administration, contributions, funding, investment, criminal activity)</b>	<b>Description and cause of breach</b>	<b>Possible effect of breach and wider implications</b>	<b>Reaction of relevant parties to breach</b>	<b>Reported / Not reported (with justification if not reported and dates)</b>	<b>Outcome of report and/or investigations</b>	<b>Outstanding actions</b>
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
Sept 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
Dec 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

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# Conference highlights

LGA Governance Conference 18-19 January 2024



Susan Black  
Head of LGPS Governance,  
Administration & Projects



Ian Colvin  
Senior Governance, Administration &  
Projects Consultant

The 2024 LGA Governance Conference took place in York on 18 and 19 January and was expertly chaired by Jo Donnelly, Head of Pensions at the LGA. The conference covered a wide range of topics, including Scheme Advisory Board, LGPC and DLUHC updates, the employer landscape, responsible investment, de-risking and cyber security.

## Day 1: Welcome from the Chair

### Jo Donnelly, Head of Pensions (LGA)

- Jo welcomed delegates to the conference.

## Keynote address

### Dominic Harris, The Pensions Ombudsman (TPO)

- Dominic, formerly a pension lawyer, became the Pensions Ombudsman a year ago and set out his priorities for the next four years, against a backdrop of increasing cases and resource challenges. In particular, working efficiently, early resolution and creating a Pensions Dishonesty Unit will feature in TPO's plans.
- A cyber-attack in June affected their ability to process cases. Still working on getting back to full capability. Pension transfers, overpayments and misinformation continue to be the key complaint topics with ill-health complaints particularly relevant in the LGPS.
- He covered recent determinations, highlighting that a pragmatic approach would be taken by him in decisions eg in relation to topics such as divergences between legislation and DWP guidance in relation to pensions transfers.
- The Court of Appeal recently found that TPO is not a competent court for the purposes of schemes recovering overpayments from members. Schemes will need to go to the County Courts to recoup overpayments if a scheme member disputes recovery. Determination CAS-39869-Q8J7 is the first one since this finding so provides an indication of how such cases may be dealt with.

- He covered other recent important cases. CAS-38681-W2H9B (with lessons for funds regarding spotting fraudsters), CAS-93568-H0D0 (regarding the interpretation of “overseas assets”) and CAS-56210-B2T3 (where a flawed process can still produce a reasonable outcome as long as all relevant matters in the exercise of a discretion are considered).

## Scheme Advisory Board (SAB) and LGPC update

### **Cllr Roger Phillips, SAB (England and Wales) Chair; Cllr Nathan Yeowell, LGPC Chair**

- A video message from the Minister, Simon Hoare MP, was played. The Minister apologised for not attending and confirmed that pensions is a key focus in local government. He is committed to:
  - Knowledge and training in the LGPS.
  - Stronger policies on how decisions are made, and conflicts of interest managed; and
  - Focus on investment governance and give serious thought to the prudence of retaining as many funds.
- Cllr Yeowell provided more information on the LGPC, explaining how it represents the sector by responding to consultations, and working with bodies such as TPO, the Pensions Regulator (TPR) and the Department for Levelling Up, Housing and Communities (DLUHC). He emphasised the communications and technical expertise available to funds and employers together with ongoing engagement with the Pensions Management Institute to create national LGPS qualifications. Other priorities include implementing McCloud, getting ready for dashboards and implementing changes to the tax regime.
- Cllr Phillips described how SAB works with government. He discussed his meeting with the Minister; given fund consolidations over the last ten years, a natural reduction of numbers to increase efficiency didn't seem unlikely. Responsible Investment will remain a key issue and he impressed the need for Task Force on Climate-Related Financial Disclosures (TCFD) legislation for the LGPS on the Minister. On pooling, he urged funds to take on leadership, and reiterated that funds should act in the meantime to benefit from improved governance.

## The employer landscape – panel session

### **Lisa Clarkson, LGA; Andrew Dobbie, Unison; Debbie Sharp, South Yorkshire Pensions Authority; Jennie Mulrooney, Education & Skills Funding Agency**

- Lisa discussed the huge growth in employer volumes, driven by academisation and outsourcings.
- Debbie discussed the challenges of obtaining timely information about when academisation is happening and that, at all stages, getting the right data is key.
- Jennie provided an overview of ESFA work, with reference to the LGPS academies' guarantee and the powers to investigate and take action where employers may not be meeting their regulatory requirements. She mentioned challenges around employers understanding their role and that LGPS funds were not created for multi-fund employers.
- Andrew provided a union perspective. All scheme members should receive the same quality and accessibility of their rights and entitlements, and outsourcing should not be an impediment to that.
- All of the panel recognised challenges with outsourcing, the regulations and impact on administration teams.

## Legal update – how to keep on the right side of the law

### Kirsty McLean, Squire Patton Boggs

- Kirsty called out the publication of TPR's General Code of Practice and flagged the reference to the knowledge and understanding requirements being directly applicable to Local Pension Board members. DLUHC are expected to replicate for Pension Committee members. Funds should complete a 'gap analysis' on the Code and create plans to comply.
- To prepare for Pensions Dashboards, funds should consider the national LGPS Technical Group draft guidance published in Nov 2023.
- On Transfer Regulations, she recommended that funds follow the regulations as written but welcomed the pragmatic approach that TPO has taken.
- On data protection and cyber risk, she referenced the updated TPR guidance issued in December 2003 and the ICO's recent £1.7m fine for poor privacy notices.

## Responsible investment – panel session

### Jeremy Hughes, LGA; Edina Molnar, Redington; Marion Maloney, Environment Agency; Jane Firth, Border to Coast

- The panel discussed measuring and reporting on climate and nature risk. Although we're still waiting for the legislation, it is possible to carry out climate risk reporting. TCFD is a great tool to do this.
- Pools are a centre of expertise in this and can share their experience with their partner funds and between pools. Border to Coast produced its first climate risk report in 2019/20.
- The Environment Agency has been carrying out climate reporting for a number of years. Members want to know if the Fund's net zero target is being met.
- Measuring nature loss and bio-diversity is still new on most agendas, but its significance is increasing. Consideration of nature and bio-diversity is a continuation of the climate journey.

## Day 2: DLUHC update

### Con Hargrave, Department for Levelling Up, Housing & Communities

- DLUHC's role is to set the rules and regulations for the LGPS in England and Wales. Con mentioned that Simon Hoare, the new Minister, is a former councillor with finance experience.
- Its role is one of stewardship and policy reform, and a mix of the apolitical and political. Their LGPS team is small – he acknowledged that this, combined with the scheme's complexity and multitude of stakeholders within government, can cause delays.
- DLUHC's priorities include proposals in relation to investment issues in the LGPS, with many consultation responses received and considered. The responses highlighted the controversy around government interference in asset allocation matters. Con reiterated that the government is clear that this is an ambition for funds rather than a requirement upon funds.
- Work is ongoing towards a TCFD consultation and on an anticipated consultation on LGPS governance, following SAB's Good Governance Project. Statutory guidance and technical regulations are expected in relation to the McCloud regulations, with a key message around ensuring that administration functions are adequately resourced.
- Finally, the 2020 cost control process will conclude shortly, with reforms including an 'expanded corridor' and an 'economic check'. The 2022 'section 13 valuation' report is due to be published in summer/autumn this year with engagement starting now to ensure there are no surprises.

## The risk of de-risking – panel session

**Steve Lee, Ninety One; Tony English, Mercer; Melanie Durrant, Barnett Waddingham; George Graham, South Yorkshire Pensions Authority**

- Mel discussed what de-risking is, the ways in which it can be achieved and how all stakeholders, including employers, could be engaged.
- Tony discussed the more complex ways in which de-risking can be achieved and the benefits of looking at the valuation and investment strategy review in tandem.
- George explained that the role of the Committee is to set the fund's risk appetite. It reflects the culture of the fund; the role of officers and advisers is to translate this into a strategy.
- The panel all discussed the need for training on these topics to allow Committee members to make good decisions especially if meetings only take place four times a year.

## Cyber security

**Representative from National Cyber Security Centre**

- Closed session.

## Improving and measuring your knowledge & skills – interactive session

**Becky Clough, LGA**

- Becky began by running through the work that the SAB's Compliance and Reporting Committee (CRC) do to support committee and board members.
- CRC's surveys show that 22% of newly appointed committee members have little or no knowledge of the LGPS at appointment, suggesting they face a steep learning curve.
- Delegates were then split into groups and asked to consider a range of questions about the issues they face and the support they would like from CRC.

## Investment outlook

**Atul Shinh, Ninety One**

- Atul began by reflecting on some of the more common economic predictions being made this time last year. Pretty much none of them came to pass.
- Atul took delegates through some of the forces that will shape global economics this year including geopolitics, the biggest year for democracy in history, climate change and AI.
- In conclusion "Winter is coming but spring will follow".

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

Report to:	<b>Pensions Committee</b>
Date:	<b>21 March 2024</b>
Subject:	<b>Pensions Administration Report</b>

**Summary:**

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

Matt Mott, Head of Governance and Business Development 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 October 2023 to 31 December 2023.

The full table of KPIs are in Appendix A.

<b>Work Type</b>	<b>Reason for underperformance</b>	<b>Target % met</b>
Deferred Benefits Set Up on Leaving	The Early Leaver Team are dealing with older cases. The Team continues to split the work between older cases and BAU to ensure the new work coming in is completed in time but the number of older cases are also being reduced.	42.55%
Interfund Linking In Actual	The Team have been processing older cases so members will receive an ABS. Training has started for the final two members of staff on the update of records for linking interfund actuals. This will take time but as a result the two Senior Pensions Officers in the team will be moving onto checking these cases.	30%
Interfund Out Actual	Cases were stockpiled due to the revised GAD factors. This has been further impacted by staff sickness, vacancies and the need to prioritise other work including annual allowance, transfers out to other arrangements and divorce.	76.14%
Interfund Out Quote	Cases were stockpiled due to the revised GAD factors. This has been further impacted by staff sickness, vacancies and the need to prioritise other work including annual allowance, transfers out to other arrangements and divorce.	64.44%
Pension Estimate	A number of estimates received were for future dates. The Team have recently received several hundred estimate requests from some of the larger employers who are currently looking at reducing staff costs and these have been done in date order and has impacted the time to process some estimate requests.	84.38%
Transfer In Quote	Due to the receipt of revised factors, cases had to be stockpiled whilst we waited for the factors to be confirmed and then updated in UPM. The Team are now working their way through the cases which had been put on hold in date order.	76.56%
Transfer Out Payment	The Team continues to work through the cases that were stockpiled awaiting revised factors. Two new starters are currently in training in this work area, and absence in the team (for various reasons) has also impacted outputs. The Team continues to work through cases in date order, but remain unable to process any	61.11%

	Transfer Out (Quote or Payment) where the record may be impacted by the McCloud Remedy.	
Transfer Out Quote	The Team continues to work through the cases that were stockpiled awaiting revised factors. Two new starters are currently in training in this work area, and absence in the team (for various reasons) has also impacted outputs. The Team continues to work through cases in date order but remain unable to process any Transfer Out (Quote or Payment) where the record may be impacted by the McCloud Remedy.	82.09%
Update Member Details	One form was processed outside the target days. However, overall, the forms are dealt with well within the process target.	99.79%

## 2.0 Shared Service Update

### 2.1 Staffing

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

**Service Centre** – Interviewing has been ongoing to fill the vacant Pension Officer posts. The Senior Pension Officer posts remain vacant as no suitable candidates were shortlisted from the last recruitment drive.

**Technical Team** - There is one vacancy in the Technical Team for a Technical Advisor which is an additional post and this has been advertised. The closing date for applications was 16 January 2024 and interviews will commence once the shortlisting has been finalised.

**Employer Relations Team** - An appointment has now been made to the additional Pension Fund Representative post and the appointee started on 15<sup>th</sup> January 2024. There are currently no vacancies in the Team.

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

There were no audits in this period for the Shared Service.

## 2.3 Shared Service Budget

LINCOLNSHIRE LGPS	DETAILS	INVOICE	FORECAST PD09 2023/24
2022/23 ESTIMATE MEMBER 31MAR2022	79,131		
2022/23 MEMBER NO 31MAR2023 (ADJ)	82,776		
2022/23 ESTIMATE COST PER MEMBER	£16.67		
2022/23 ESTIMATE M-CLOUD COST PER MEMBER	£1.00		
2022/23 TOTAL ESTIMATE COST PER MEMBER	£17.67		
2022/23 ESTIMATE CHARGE (INC PREV YEARS ADJ)	£1,378,752.45		
2022/23 ACTUAL COST PER MEMBER	£15.92		
2022/23 ACTUAL M-CLOUD COST PER MEMBER	£0.80		
2022/23 TOTAL ACTUAL COST PER MEMBER	£16.72		
2022/23 ACTUAL COST	£1,383,940.22		
<b>2022/23 ADJ</b>		<b>£5,187.77</b>	
<b>2023/24</b>			
2023/24 ESTIMATE MEMBER NUMBER	82,776		83,633
2023/24 ESTIMATE COST PER MBR	£17.64		£17.79
2023/24 ESTIMATE M-CLOUD COST PER MEMBER	£1.00		£0.79
2023/24 TOTAL ESTIMATE COST PER MEMBER	£18.64		£18.58
2023/24 ESTIMATE CHARGE	£1,542,944.64	<b>£1,542,944.64</b>	£1,553,901.14

## 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 was reviewed at the Shared Service meeting in November 2023 and it was highlighted that Risk 2 will need a further review once the Shared Service Refresh has been completed.

Appendix B – Shared Service Risk Register

## 2.5 Policy Changes

The policy changes for the period 1 October 2023 to 31 December 2023 are –

### Shared Service Refresh

- A meeting to discuss the Shared Service Refresh took place in London in September 23 between all the LG Shared Service Partners. The document has



now been re-drafted following the meeting and is with Bradford Legal Services for approval.

## 2.6 Pensions Dashboard

Pensions Dashboard regulations enable all people who have a pension in the UK, 52 million, to see their pension provision via an online digital portal. There are a number of key aims for the Pensions Dashboard:

- to change the way people engage with and prepare for retirement by enabling individuals to see all their pensions information in one place online, including their state pension
- enable savers to better plan for their future
- increase competition in the pensions market therefore driving down costs e.g., highlighting expensive older funds
- making dashboard free to use enabling universal coverage

Since March 23, Department Work & Pensions (DWP) and Pensions Dashboard Programme (PDP) have been reviewing the Government's own delivery program required to launch Pensions Dashboard nationally. Both industry and public bodies have been directed to wait for the outcome of this re-set. This work has now been completed and DWP, The Pensions Regulator (TPR) and the FCA are engaging on a private and confidential basis on the way forward. The announcement regarding new connection dates will not formally be made by the Minister until this Spring.

The LGPS have written to DWP to raise concerns at the changes in operation for Additional Voluntary Contributions (AVC's). The changes transfer the data quality responsibility of AVC's from providers to the LGPS and the LGPS becomes responsible for the AVC's digital accessibility to Pensions Dashboard. The original legislation required the AVC provider to ensure compliance with Pensions Dashboard requirements.

## 3.0 Regulatory Update

### a) Lifetime Allowance

HM Treasury announced in November 23 that it will legislate in the Finance Bill 2023 to fully abolish the lifetime allowance from 6 April 2024. HM Treasury announced in November 23 that it will legislate in the Finance Bill 2023 to fully abolish the lifetime allowance from 6 April 2024. HMRC have confirmed that the Finance Bill 2023-24, which contains legislation to complete the abolition of the lifetime allowance, was passed through the House of Lords on Wednesday 21 February 2024 and will shortly receive Royal Assent.

HMRC have confirmed that they will publish another lifetime newsletter with further information and guidance in the next 2 weeks from 23 February 2024. From 6 April 2024 the LTA will be replaced by three new allowances –

1. Tax-free cash from a pension fund will be limited by the Lump Sum Allowance (LSA) which is set at £268,275 (25% of the LTA) or 25% of a members protected LTA.
2. A Lump Sum and Death Benefit Allowance (LSDBA) of £1,073,100 (the same as the current LTA) or the member's protected LTA will test both tax-free cash sums and pension benefit lump sums.
3. An Overseas Transfer Allowance (OTA) of £1,073,100 will be introduced for transfers to qualifying recognised overseas pension scheme (QROPS).

Full guidance has not yet been received and the Local Government Association (LGA) have confirmed that they are working with Aon to produce guidance for administering authorities on the changes. This will include a template declaration form.

WYPF are reviewing what changes need to be made internally and are awaiting the full guidance to be issued. As this will only affect a small number of members WYPF are looking at each affected member on a case-by-case basis.

#### 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.

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
















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

# Appendix A






## Appendix A

KPI's for the period 01.10.23 to 31.12.23							
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN	DIRECTION OF TRAVEL
AVC In-house (General)	51	20	51	85	100	3.08	
Change of Address	119	20	118	85	99.16	2.39	
Change of Bank Details	78	20	78	85	100	2	
Death Grant to Set Up	32	10	30	85	93.75	7.26	
Death In Retirement	141	10	138	85	97.87	6.09	
Death In Service	9	10	9	85	100	5.56	
Death on Deferred	5	10	5	85	100	2.4	
Deferred Benefits Into Payment Actual	237	10	233	90	98.31	4.05	
Deferred Benefits Into Payment Quote	267	35	239	85	89.51	35.2	
Deferred Benefits Set Up on Leaving	1241	20	528	85	42.55	133.73	
Dependant Pension To Set Up	61	5	57	90	93.44	3.82	
Divorce Quote	61	40	60	85	98.36	8.75	
Estimates for Deferred Benefits into Payment	4	10	4	90	100	4.75	
General Payroll Changes	84	20	84	85	100	1.89	

## Appendix A

Initial letter Death in Retirement	141	10	138	85	97.96	1.39	
Initial Letter Death in Service	9	10	9	85	100	1	
Initial letter Death on Deferred	5	10	5	85	100	1	
Interfund Linking In Actual	80	35	24	85	30	147.39	
Interfund Linking In Quote	81	35	76	85	93.83	22.37	
Interfund Out Actual	88	35	67	85	76.14	27.78	
Interfund Out Quote	90	35	58	85	64.44	28.29	
Life Certificate	24	10	24	85	100	2.33	
Monthly Posting	701	10	685	95	97.72	3.27	
NI adjustment to Pension at State Pension Age	6	20	6	85	100	5.67	
Pension Estimate	32	10	27	90	84.38	6.66	
Pension Saving Statement	1	20	1	100	100	1	
Phone Call Received	736	3	714	95	97.01	1.31	
Refund Actual	172	10	172	90	100	2.52	
Refund Quote	317	35	317	85	100	4.23	
Retirement Actual	182	10	176	90	96.7	3.96	
Retirement Quote	158	10	149	85	94.3	14.33	

## Appendix A

Transfer In Actual	31	35	28	85	90.32	30.75	
Transfer In Quote	64	35	49	85	76.56	20.81	
Transfer Out Payment	18	35	11	85	61.11	36.44	
Transfer Out Quote	67	35	55	85	82.09	21.3	
Update Member Details	478	20	477	100	99.79	1.97	

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## 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 2024

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
	7.	Fraudulent activity by Shared Service staff, employers & scheme members	E 1
Service Delivery	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

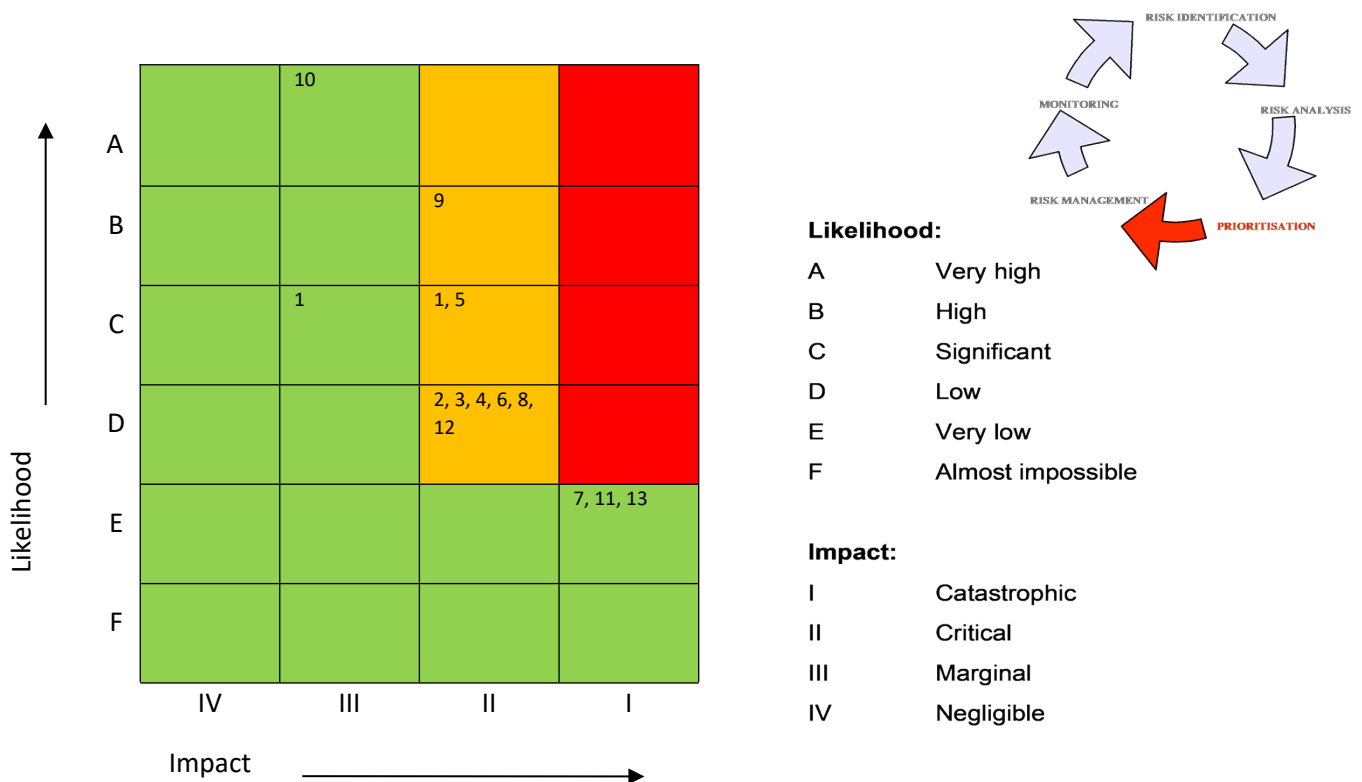
The first stage of the risk management cycle requires risk identification. This has been achieved through discussion with Key personnel at each of the Pension Funds within the Shared Service.

### 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 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 ensure KPI &amp; SLA standards are met as a minimum, 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.</p> <p>Shared Service costs remain value for money</p>	Quarterly	1 April 2022	To increase knowledge and skills within Shared Service Or opportunity to hone exiting talent
2.	D 2	<p>Failure to meet minimum standards as set out in the SLA and policy documents.</p> <p>Policies written and shared with all stakeholders by all Shared Service partners</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</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.</p> <p>All parties to review their part of the processes and deliver minimum expected standards</p>	<p>Minimum SLA standards met.</p> <p>Satisfactory reporting, met KPIs with no data or training issues required.</p>	<p>Monthly reporting and Quarterly review</p>	1 Feb 2022	Opportunity to understand current outputs and to review and train where appropriate.

		Regular reporting and KPIs produced and discussed at regular meetings to determine if all parties meet the required standard.	which key information relating to the administration of the Scheme(s) is provided. Ad hoc meetings can also be arranged for urgent items						
<b>3.</b>	<b>D 2</b>	<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 Feb	Opportunity to build relationship, joined up thinking and work seamlessly as one service
<b>4.</b>	<b>D 2</b>	<p>Failure to meet LGPS regulation &amp; 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 &amp; 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>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 Oct 2022	Opportunity to improve knowledge and process to deliver our statutory obligation

## Appendix B

			<p>Ensure software updated and maintained</p> <p>Communicate &amp; discuss with shared service partners</p>						
<b>5.</b>	<b>C 2</b>	<p>Incorrect data/information 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 19<sup>th</sup> of following month and WYPF have processes to communicate and chase stakeholders for information.</p>	<p>WYPF unable to complete 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>WYPF to inform Shared Service.</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 &amp; implement automated processes.</p> <p>Review and where applicable amend existing processes</p>	<p>If data not received following communication/chasing and or training shared service members to liaise with employers</p>	<p>Shared Service and WYPF support each other, communications clear and employers understand their responsibility and liability.</p>	<p>Monthly</p>	<p>1 Feb 2022</p>	<p>To improve data accuracy and reduce work required to collect data. Leading to better processes and improved KPIs</p> <p>Develop and introduce automation</p>
<b>6.</b>	<b>D 2</b>	<p>Failure to communicate all necessary and required information to scheme members including documents, website, emails and scheme guides</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 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>April 2022</p>	<p>To ensure scheme information is compliant</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 &amp; loss of reputation</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>						
7.	E 1	<p>Fraudulent activity by Shared Service staff, employers &amp; 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 transfer regulations wef 30 November 2021</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 information on website</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>April 2022</p>	<p>To ensure scheme information is compliant</p>
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>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</p>	<p>To ensure there is not any dissatisfaction resulting in partner leaving the shared service</p>	<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>	<p>Members do not leave or if leave no detrimental effect to remaining Funds</p>	<p>Quarterly</p>	<p>1 April 2022</p>	<p>Opportunity to deliver a successful service together or consolidate Shared Service membership to maintain standards upon an exit</p>

## Appendix B

		Cost of Shared Service now spread across remaining members but may not provide good value for the level of service delivered.”	maintained for existing shared service partners, costs are maintained and do not increase for remaining partners if there is an exit						
<b>9.</b>	<b>B 2</b>	<p>High or increased volumes of work &amp; 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.</p> <p>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 Oct 2022	Opportunity to ensure resource is sufficient, improve processes and provision of software and introduce automation.
<b>10.</b>	<b>A 3</b>	Failure to meet statutory obligations due to pandemic, epidemic and “acts of god”	Ensure staff, colleagues and peers are well and able to work.	Alternative working arrangements, including communication, WFH and virtual	WYPF & all Shared Service	Stakeholder ability to be flexible in working arrangements, including DR	Monthly	1 Oct 2022	Learn/continue to work in a different way.

## Appendix B

		<p>staff unable to travel and or are ill.</p> <p>Increased volumes of work and backlogs.</p> <p>Failure to meet statutory obligations</p> <p>that has potential to create new working environments and challenges in delivery of scheme administration</p>	<p>Review all process and consider system development for automation.</p> <p>Concentrate on key areas as identified by TPR, SAB &amp; LGA so that pensioners are paid and the most at risk treated as priority</p>	<p>meetings and training.</p> <p>Develop and implement automation processes</p>		<p>and ability to effectively work remotely.</p>			<p>Develop new ways of processing and increase automation</p>
<b>11.</b>	<b>E 1</b>	<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 Feb 2022	<p>Opportunity to ensure software is best in class.</p> <p>Ensure staff have appropriate knowledge and skills to deliver manually.</p>
<b>12.</b>	<b>D 2</b>	<p>Failure of Cyber security.</p> <p>Failure to protect data and scheme</p>	<p>Ensure data received, sent and stored is protected, transferred and stored in compliance with DPA18 and is supported by AA</p>	<p>IT provide necessary industry protections including system daily backups and staff educated in</p>	All stakeholders to review IT and data protection provision, train staff and review	<p>Fully trained staff. No cyber or data breaches</p>	Daily, Monthly, Yearly	1 Feb 2022	<p>To ensure new ways of working (WFH) are as secure, reliable, efficient and safe as office based cyber security.</p>

## Appendix B

		<p>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>	IT and software provider	<p>cyber security issues</p> <p>Data protection retention policies &amp; privacy notices to be shared between all stakeholders and retained by WYPF</p>				<p>Staff awareness periodically updated.</p> <p>Data policies and stamen shared by between all data processors.</p>	
<b>13.</b>	<b>E 1</b>	<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 partied are aware of how</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>	Shared Service and then all other stakeholders	Ability to function, communicate and meet statutory obligations in the event of a disaster.	Annually	1 Oct 2022	Opportunity to assist all stakeholders and to deliver a joined up service in the event of a disaster.

		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.						
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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**

**Jan 2024**



### Regulatory Update

[LGPC Bulletin 243 October 2023 \(lgpslibrary.org\)](#) , [LGPC Bulletin 244 November 2023 \(lgpslibrary.org\)](#) , [LGPC Bulletin 245 \(lgpslibrary.org\)](#) have now been published, please take a few minutes to read the bulletins.

#### LGPS England & Wales

##### **LGPS statistics for 2022/23 published**

On 25 October 2023, the Department for Levelling up and Communities (DLUHC) published the [LGPS statistics for England and Wales: 2022 to 2023](#).

Highlights include:

- total expenditure was £15.2 billion, an increase of 5.1 per cent on 2021/22
- total income was £17.3 billion, an increase of 8.5 per cent on 2021/22
- employers' contributions amounted to £8.4 billion, an increase of 7.8 per cent on 2021/22
- employee contributions were £2.8 billion, an increase of 9.5 per cent on 2021/22
- the market value of the LGPS funds at the end of March 2023 was £357.2 billion, a decrease of 1.9 per cent
- there were 6.2 million scheme members on 31 March 2023: 2 million active members, 1.9 million pensioners and 2.3 million deferred members
- there were 87,129 retirements, a decrease of 8 per cent compared with 2021/22.

##### **SCAPE rate change – transitional arrangements table updated**

On 14 November 2023, Jayne Wiberg emailed administering authorities confirming we have published a revised version of the transitional arrangements table. The table sets out how to implement the new GAD factors following the SCAPE rate change in March 2023.

The revisions clarify non-club transfers in following queries raised by administering authorities. If an authority received the transfer-in election before 30 March 2023, they should use the old factors, even if the relevant date is after 29 March 2023.

The only exception is if there was a guarantee period from the sending scheme and the member elected after that period. In this case, the transfer process will start again. The member would need to ask for a new guaranteed transfer value from the sending scheme. If they get it, the administering authority would give a new quote using the new factors.

You can access the updated transitional arrangements table on the [actuarial guidance](#) page of [www.lgpsregs.org](http://www.lgpsregs.org).

**Action for administering authorities - Review and implement the latest transitional arrangements table.**

### **SAB commissions report on the LGPS and Sharia law**

In 2022, the Board received [legal advice from Lydia Seymour](#) (Counsel) on members opting out of the LGPS on the basis of their (principally Islamic) religious belief, and whether this might constitute unlawful discrimination. In order to give a definitive opinion, Counsel advised that she needed to understand better the basis of those beliefs and the extent to which they would be broadly shared across the Muslim community.

The Board commissioned [Mufti Faraz Adam](#) of Amanah Associates, an Islamic finance expert, to produce a report on Sharia law and the LGPS. The aim being to address any possible legal risk for scheme employers and to ensure the scheme is as inclusive as possible. The Board secretariat recently received the report and thanks Mufti Faraz Adam for providing a comprehensive and considered opinion.

The Board will now go back to Counsel for a follow-up opinion and will consider this advice alongside the full report, which is to be published in the new year.

### **September 2023 CPI rate announced**

On 18 October 2023, the Office for National Statistics announced the [Consumer Prices Index \(CPI\) rate of inflation for September 2023 as 6.7 per cent](#).

Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year. We await confirmation from Government that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2024 will be 6.7 per cent.

### **McCloud update**

#### **Public service pensions remedy newsletter**

HMRC has published [the remedy newsletter – October 2023](#).

The newsletter introduces the [‘Calculate your public service pension adjustment service’](#). This is for members who need to correct their tax position because of the McCloud remedy. The service will help members to:

- work out any repayments they are due for a lifetime allowance or annual allowance charge they have previously paid
- work out new, reduced or extra lifetime allowance or annual allowance charges that they may have to pay
- submit information for HMRC to review.

The newsletter also announces the launch of:

- [interactive guidance for members](#) to check if they are affected by the McCloud remedy
- [full guidance on the remedy for members](#)
- [full guidance on the remedy for administrators](#).

The guidance for administrators covers the pension tax rules they need to follow when implementing the McCloud remedy.

### **Compensation cases**

The Department for Levelling Up, Housing and Communities (DLUHC) would like to know if administering authorities receive any applications for McCloud compensation.

For example, an authority might receive an application from a member who overpaid an annual allowance charge that HMRC will not refund.

**Action for administering authorities - Send depersonalised details of each case to [lgpensions@levellingup.gov.uk](mailto:lgpensions@levellingup.gov.uk).**

### **Dedicated areas of member websites**

We have created new areas in the member websites dedicated to the McCloud remedy for England & Wales and Scotland.

The new pages include:

- a short video
- frequently asked questions
- an interactive 'Am I affected?' tool
- examples of how members might be affected
- detailed information about how the remedy will affect different types of members.

Please publicise the new McCloud pages to your members and employers:

- [LGPS \(England and Wales\) McCloud for members](#)

### **Initial prioritisation policy**

On 12 October 2023, on behalf of DLUHC, we emailed administering authorities in England and Wales. The email included a link to DLUHC's initial policy on how to prioritise cases affected by the McCloud remedy.

The policies are not yet final. They will be discussed with the McCloud statutory guidance working group. DLUHC will also consult on the policies before a final version is issued early next year.

You can view each policy on the:

- [Administrator guides and documents page \(England and Wales\)](#)

### **Interfund transfers and the underpin**

Certain transfers for members with underpin protection are on hold until the actuarial guidance for transfers is updated for the McCloud remedy. DLUHC confirm:

- administering authorities can continue paying interfund transfers for members with underpin protection using the methodology in the current actuarial guidance
- authorities will not need to review these payments when the guidance is updated.

The sending authority must make sure they provide the receiving authority with the information they need to perform accurate underpin calculations. The sending authority should have:

- loaded any hours changes and service breaks for the remedy period,
- validated that information, and
- if the member is over age 65, supplied the provisional underpin amount, provisional assumed benefits and the underpin date.

It should not be necessary for the receiving authority to take any additional steps to verify the information they receive. On 24 October 2023, Rachel Abbey emailed administering authorities in England and Wales to tell them about this approach.

You can find the actuarial guidance on the:

- [Actuarial guidance page \(England and Wales\)](#)

**Action for administering authorities - Apply the approach set out by DLUHC for interfund transfers.**

### **McCloud survey**

On 20 October 2023 Jayne Wiberg, on behalf of the National LGPS Technical Group, emailed administering authorities with a McCloud survey. The survey closes on 23 November 2023.

The survey gathers information about administering authorities progress in implementing the McCloud remedy.

All results are published anonymously and shared with the relevant Scheme Advisory Boards and the Pensions Regulator. You can see results of previous surveys on the:

- [Technical group page \(England and Wales\)](#)

We strongly urge authorities to complete the survey so the Technical Group has a full picture of the implementation progress across England & Wales, Scotland and Northern Ireland.

If you have not received the survey and believe you should have done so, please contact [jayne.wiberg@local.gov.uk](mailto:jayne.wiberg@local.gov.uk).

**Action for administering authorities - Complete the survey by 23 November 2023.**

### **Teachers' excess service – TPS communications in England and Wales**

The Teachers' Pension Scheme (TPS) has issued further communications to employers in England and Wales about the McCloud remedy for teachers with excess service. The [November 2023 TPS employer bulletin](#) includes a link to the updated [Transitional Protection and members with LGPS linked excess service](#) page of their website.

You can read more about how the McCloud remedy will operate for this group in [Bulletin 229](#).

### **Factsheet for members**

On 6 November 2023, Rachel Abbey emailed administering authorities letting them know we have published a McCloud factsheet for members.

About the factsheet:

- it is designed to be issued as a 'hard copy' so authorities can give it to members at in-person member events or post it to those members who have opted out of digital communications
- if authorities want to make a pdf version available online, they will need to take steps to make sure it meets the [public sector website accessibility standards](#)
- it is published in Word so authorities can add their own contact details or other 'local' information
- we have published a 4-page and a 5-page version so authorities can choose the version that best suits their needs. This may depend on how much 'local' information that they want to add about events they have arranged or resources they have produced. 10 You can find the factsheets on the:
  - [Administrator guides and documents \(England and Wales\) page](#)
  - [Administrator guides and documents \(Scotland\) page.](#)

You can use the 'filter' tool on the right hand side of the page to find all documents related to McCloud or any other subject. We produced the factsheet with the Communications Working Group and thank them for their hard work.

**Action for administering authorities** - Consider using the McCloud factsheet with your McCloud remedy communications.

### HMRC

Annual and lifetime allowance event report data 2022/23

On 20 October 2022, we forwarded an email from HM Revenue and Customs (HMRC) to all administering authorities.

The email confirms that HMRC will accept the annual allowance event report data for 2022/23 on an excel spreadsheet, rather than through the event report. You must submit this data by 31 January 2024.

HMRC has not yet updated the event report to include lifetime allowance protections that members applied for online. You can also submit these details to HMRC on a password-protected spreadsheet. You must submit this by 31 January 2024.

Further information about providing the data was included in the email.

If you choose to supply information to HMRC in this way, this is at your own risk.

**Action for administering authorities** - Review the email and follow the instructions when submitting the annual and lifetime allowance event report data for 2022/23.

Lifetime allowance guidance newsletter – December 2023

HMRC has published the [Lifetime allowance guidance newsletter – December 2023](#).

The Government is legislating through the [Finance Bill 2023/24](#) to fully abolish the lifetime allowance from 6 April 2024 and put in place new rules to determine the tax treatment of pension lump sums.

The newsletter gives information to support pension schemes to understand the changes.

It covers:

- the changes to certain lump sums
- the impact on lifetime allowance protections
- changes to reporting and disclosure
- the transitional arrangements.

HMRC wants to help pension schemes get ready for the changes and is keen to hear from them. The newsletter invites schemes to share their views on what topics they would like to see covered in future communications and whether they would find it useful to have more working groups to discuss the detail.

We are working with Aon to produce guidance for administering authorities on the changes. This will include a template declaration form.

### HMT

#### HMT confirms LTA abolition next April

HM Treasury (HMT) announced in the [Autumn Statement](#) on 22 November 2023 that it will legislate in the Finance Bill 2023 to fully abolish the lifetime allowance (LTA) from 6 April 2024.

On the same day, it also published a [policy paper](#) explaining:

- how lump sums and lump sum death benefits will be taxed without the LTA
- what will happen to people with LTA protections, lump sum protections or LTA enhancement factors
- the function of benefit crystallisation events
- the tax treatment of transfers to qualifying recognised overseas pension schemes
- the transitional arrangements
- the reporting requirements. On 29 November 2023, HMT published the [draft Finance Bill 2023](#).

### TPO

#### Court of Appeal rule TPO is not a competent court

The Court of Appeal has ruled in the case of [The Pensions Ombudsman v CMG Pension Trustees Limited & Anor](#) the Pensions Ombudsman (TPO) is not a 'competent court' for the purposes of enforcing a dispute regarding a monetary obligation under section 91(6) of the Pensions Act 1995.

This could affect how overpayments are recouped and monetary obligations due to misconduct are recovered from pension benefits when there is a disagreement over the amount. A TPO decision that allows recoupment / recovery may not be enough for enforcement; an order from a county court or another competent court may be needed.

TPO is currently reviewing its position and will [provide an update shortly](#) .

#### Response to Court of Appeal ruling

TPO has [expressed its disappointment about the recent Court of Appeal ruling](#) that it is not a competent court for enforcing a dispute about a monetary obligation under section 91(6) of the Pensions Act 1995. You can read more about the case in [Bulletin 244](#).

The ruling means that a TPO decision to allow recoupment / recovery from a pension is not enough to enforce it. The scheme also needs an order from a County Court.

The Department for Work and Pensions is supporting legislative changes to formally empower TPO to bring these disputes to an end without needing a County Court Order.

In the meantime, TPO has been working with stakeholders across the sector to review the management of such disputes to minimise the additional time and cost that has been added to the process. It has also published [a recovery in overpayment cases factsheet](#) to provide guidance to help schemes manage these disputes.

### Legislation

#### Useful links

[LGA Pension page](#)

[LGPS members' website](#)

[LGPS Advisory Board website](#)

[LGPS Regulations and Guidance website](#)

[LGPS Discretions](#) - lists all the potential discretions available within the LGPS

[The Timeline Regulations for Final Salary Schemes](#)

[The Timeline Regulations for the current scheme](#)





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

Report to:	<b>Pensions Committee</b>
Date:	<b>21 March 2024</b>
Subject:	<b>Lincolnshire Pension Fund Policies Review</b>

**Summary:**

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

**Recommendation(s):**

That the Committee discuss and consider the report and approve the Fund's updated Investment Strategy Statement.

## **Background**

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

### **Policies for Approval**

2. All key policies have been reviewed, and where material changes have been made these policies are attached as Annexes to this report, for the Committee to approve. Any significant changes will be brought to the Committee's attention and explained during the meeting. There is only one policy with key changes to bring in this report.

### **Appendix A – Investment Strategy Statement**

3. The Investment Strategy Statement (ISS) sets out the Fund's approach to the investment of the Fund's assets, in accordance with the guidance issued by the Secretary of State. This has been updated following the changes agreed by the Committee to the strategic asset allocation, and additional information has been

added to reflect the future requirements on reporting on assets pooled and transition plans. The changes to the policy are:

- a) updating the table of the strategic asset allocation to reflect the changes made last year;
- b) adding a table to show assets pooled with Border to Coast; and
- c) adding a table to show the transition plan that was taken to the January 2024 Pensions Committee to explain how we would be pooling those assets that are not yet pooled.

### **Other Policies**

4. The other key policies of the Lincolnshire Fund have not had any changes at this time or are brought separately to this meeting. To enable Committee members to remind themselves of the content of these policies, they can all be found on the Council's website at:

[Lincolnshire Pension Fund – Fund publications - Lincolnshire County Council.](#)

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

### **Funding Strategy Statement**

5. The FSS sets out the Fund's approach to managing its solvency and is generally updated every three years, in line with the Triennial Valuation. It is the framework that guides the Fund Actuary and informs the employers.

### **Governance Compliance Statement**

6. The Governance and Compliance Statement sets out the arrangements for the management of the Pension Fund, and the Compliance Statement sets out the extent to which this policy complies with best practice, on a comply or explain basis.

### **Communications Policy**

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

### **Pensions Administration Strategy**

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

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

### **Breaches Reporting Procedure**

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

### **Pension Fund Code of Conduct and Conflicts of Interest**

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

### **Stewardship Code Statement**

11. This sets out how the Fund meets the twelve principles set out within the FRC's Stewardship Code, and the draft was brought to the September meeting of the Committee within the Responsible Investment Update Report. The FRC approved the Statement and the Fund remains a signatory.

### **Conclusion**

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

### **Consultation**

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

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

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Investment Strategy Statement

## Background Papers

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

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

# Investment Strategy Statement

# Investment strategy statement

## Introduction

The Lincolnshire Pension Fund (“the Fund”), which is administered by Lincolnshire County Council (“the Administering Authority”), is required to maintain an Investment Strategy Statement (“ISS”) in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016.

The Administering Authority has delegated its functions as administering authority to the Pensions Committee (“the Committee”). The investment strategy set out within this document has been agreed by the Committee, having taken advice from the Investment Consultant and Head of Pensions.

The ISS is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Fund is also required to maintain a Funding Strategy Statements (“FSS”) in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended). The FSS is published on the Council’s website and complies with these Regulations.

## Investment strategy

The primary objective of the Lincolnshire Pension Fund is to provide pension benefits for members on their retirement and/or benefits on death, whether before or after retirement, and for their dependents.

The Committee aims to fund the benefits in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund’s assets and that an appropriate level of contributions is agreed by the employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed and final salary (pre 1 April 2014) and/or the accumulation of individual years built up through the career average pension scheme (post 1 April 2014) and will take account of future inflation increases. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

## Investment Beliefs

These beliefs form the foundation of discussions, and assist decisions, regarding the structure of the Fund and the strategic asset allocation. In addition, they are used to ensure that new members on the Pensions Committee understand previous investment decisions taken. It is recognised that environmental, social and governance (ESG) issues are important to the long-term success of the Fund, and the Committee aims to integrate consideration of these issues into all aspects of the Fund’s investment arrangements.

Belief 1:

The Fund should take no more investment risk than is necessary to have a reasonable chance of achieving its objectives, and only where the Committee believes it will be rewarded over the longer term.

*It is recognised that investment risk is needed in the Fund to generate the required returns, however this needs to be considered on an on-going basis to ensure it is appropriate (i.e. not too high or too low) given the Fund's objectives*

Belief 2:

Funding, contribution requirements, and investment strategy are linked; as the funding position and contribution requirements change, the level of investment risk should be adjusted accordingly.

*The Committee's aim is to strike a reasonable balance between 1) building up a pool of assets to meet members' benefits when they fall due, 2) maintaining contribution requirements at a reasonable and affordable level, and 3) minimising investment risk.*

Belief 3:

Investing in illiquid assets provides opportunities for enhancing returns, and investing in alternative asset classes helps to diversify the Fund structure.

*The Committee accepts that by "locking away" funds for longer periods of time, the Fund should expect to be compensated for the lack of liquidity in the form of higher expected returns. However it is understood that this is not suitable for all the assets in the Fund. The Fund's investments should be diversified by combining assets with different risk, return and liquidity characteristics, whilst maintaining realistic expectations about the potential for sources of return to become correlated under market stress. The Committee believes an appropriate portion of the Fund should be invested in non-core asset classes, i.e. alternative assets, to provide diversification and reduce overall volatility of returns.*

Belief 4:

Passive and active management both have roles to play in the Fund's structure; passive to deliver low cost asset class exposure and active to add potential value, understanding that active managers' success should be measured over a reasonable timeframe.

*The Committee believes that active managers can add a return premium over investment markets, over the longer term, but accept that this has a cost. Therefore this is balanced with allocations to passive management to produce market returns at a very low cost.*

**Belief 5:**

Although fees and costs matter, it is the expected return net of all fees and costs that should be the Committee's focus, however it is important that the value provided by an investment is commensurate with its cost.

*The cost of accessing different asset classes and different management styles must be understood to ensure that the Fund is obtaining value for money, however the expected net return is the most important consideration when assessing investment opportunities and monitoring investment performance. The Fund expects its managers to have signed up to the Cost Transparency Code, and it also participates in fee benchmarking to assess the fees being paid relative to other pension schemes.*

**Investment of money in a wide variety of investments**

It is the Pensions Committee’s policy to invest the assets of the Lincolnshire Pension Fund to spread the risk by ensuring a reasonable balance between different categories of investments. The Pensions Committee takes a long-term approach to investment and invests in asset classes and individual investments that are expected to generate an attractive risk-adjusted return for the Pension Fund.

The Fund may invest in a wide range of investments including quoted and unquoted assets in Equities, Fixed Income, Property and Alternatives, either directly or through pooled investments. The Fund may also make use of derivatives, either directly or in pooled investments, for the purpose of efficient portfolio management or to hedge specific risks.

The Fund’s approved strategic asset allocation is set out below. The table also includes the ranges within which the asset allocation may vary without reference to the Pensions Committee, and the maximum percentage of total Fund value that can be invested in these asset classes. The asset allocation is consistent with the Committee’s views on the appropriate balance between generating a satisfactory long-term return on investments, whilst taking account of market risk and the nature of the Fund’s liabilities. The current allocation may differ in the interim as changes to the strategy are implemented and assets are transferred to the sub funds within Border to Coast.

<b>Asset class</b>	<b>Strategic allocation</b>	<b>Range</b>	<b>Maximum</b>
Equity Assets	45%	+/- 6%	51%
UK equities	5%	+/- 1%	6%
Global equities	40%	+/- 5%	45%
Diversifying Growth Assets	41.5%	+/- 6.5%	48%
Diversified Alternatives (incl. private markets, infrastructure)	21%	+/- 3%	24%



<b>Asset class</b>	<b>Strategic allocation</b>	<b>Range</b>	<b>Maximum</b>
Multi Asset Credit	10%	+/-2%	12%
Property	10.5%	+/- 1.5%	12%
Protection Assets	13.5%	+/- 2%	15.5%
Fixed Income	12.5%	+/- 1.5%	14%
Cash	1%	+/- 0.5%	1.5%

The Regulations do not permit more than 5% of the Fund's value to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e). The investment policy of the Fund does not permit any employer-related investment, other than is necessary to meet the regulatory requirements with regards to pooling.

The Pensions Committee believes that the Fund's portfolio is adequately diversified and has taken professional advice to this effect from their investment consultant.

The strategic asset allocation includes ranges for each asset class within which the asset allocation can vary. In the event that any asset class range is breached, the Pensions Committee will be informed and the Fund's officers will endeavour to bring the asset allocation back within the range within an appropriate period of time.

The Pensions Committee regularly reviews the suitability of the asset allocation, following advice from the officers, investment consultant and independent advisor.

It is intended that the Fund's investment strategy will be reviewed at least every three years, alongside the latest actuarial valuation of the Fund. The investment strategy takes due account of the maturity profile of the Fund and the current funding position.

The Pensions Committee has set the following benchmark against which performance of the Fund will be measured:

<b>Asset class</b>	<b>Benchmark</b>
<b>Equity Assets</b>	
UK Equities	FTSE All Share
Global Equities	MSCI All Countries World Index
<b>Diversifying Growth Assets</b>	
Private Markets	SONIA +6%
Property	
Property Venture	7% Per Annum
Property Unit Trusts	UK IPD Monthly Index
Infrastructure	6% Per Annum
Multi Asset Credit	SONIA +3.5%
<b>Protection Assets</b>	

<b>Asset class</b>	<b>Benchmark</b>
Corporate Bonds	iBoxx £ Non-Gilts Index
Cash	SONIA – 10bps (three month average)

## The suitability of particular investments and types of investments

The actuarial valuation, undertaken by Barnett Waddingham at 31 March 2022, was prepared on the basis of an expected long-term investment return of 4% p.a. and assuming inflation (CPI) to be 2.9%. The Pensions Committee has set the investment objective of producing a long term return of 0.75% p.a. above the strategic benchmark.

In order to monitor the investment objective, the Pensions Committee requires the provision of detailed performance measurement of the Fund's investments. This is provided by the Fund's custodian on a quarterly basis. In addition, the Pensions Committee conducts a formal annual performance review of overall fund performance.

## The approach to risk

The Committee is aware that the Fund has a need to take risk to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below:

<b>Risk</b>	<b>Description</b>	<b>Mitigants</b>
<b>Market</b>	Value of an investment decreases as a result of changing market conditions.	Strategic asset allocation, with suitable diversification and appropriate ranges, determined on a triennial basis.  The Committee has put in place rebalancing arrangements to ensure the Funds actual allocation does not deviate substantially from its target.
<b>Performance</b>	The Fund's investment managers fail to deliver returns in line with the underlying asset classes.	Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis.

Risk	Description	Mitigants
		Key investment managers present to the Committee regularly.
<b>Valuation</b>	Valuations disclosed in the financial statements, particularly for unquoted investments, are not reflective of the value that could be achieved on disposal.	The valuation of investments is derived using a conservative valuation methodology and, where applicable, market observable data. The Fund is externally audited annually.
<b>Liquidity</b>	The Fund is not able to meet its financial obligations as they fall due or can do so only at an excessive cost.	The Fund always maintains sufficient liquidity to ensure that it can meet its financial obligations.
<b>Interest rate</b>	A change in interest rates will result in a change in the valuation of the Fund's assets and liabilities.	The Fund regularly monitors its exposure to interest rates and may consider hedging where appropriate.
<b>Foreign exchange</b>	An adverse movement in foreign exchange rates will impact on the value of the Fund's investments.	The Fund regularly monitors its foreign exchange exposure.
<b>Demographic</b>	Changes, such as increased longevity or ill-health retirement, will increase the value of the Fund's liabilities.	Demographic assumptions are conservative and reviewed on a triennial basis.
<b>Regulatory</b>	Changes to regulations and guidance may increase the cost of administering the Fund or increase the value of the Fund's liabilities.	The Fund ensures that it is aware of any actual or potential changes to regulations and guidance and will participate in consultations where appropriate.
<b>Governance</b>	The administering authority is unaware of changes to the Fund's membership which increases the value of its liabilities.	The Fund regularly monitors membership information and communicates with employers.

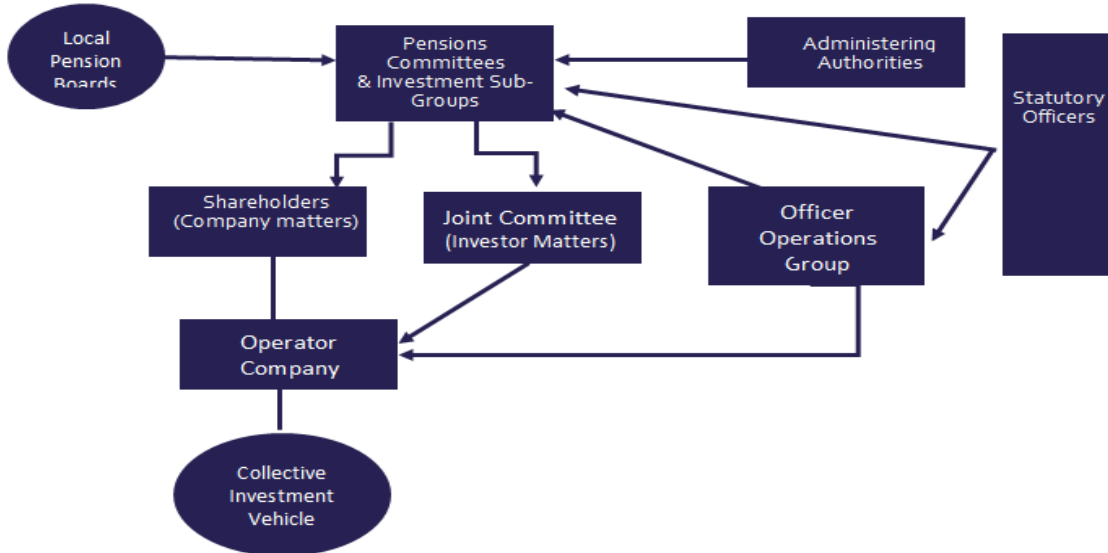
## Investment Pooling

To satisfy the requirements of the “Local Government Pension Scheme: Investment Reform and Guidance” issued by the Department for Communities and Local Government (“DCLG”) in November 2015, the Pension Fund elected to become a shareholder in Border to Coast Pensions Partnership Limited (Border to Coast). Border to Coast is an FCA-regulated Operator and Alternative Investment Fund Manager (“AIFM”).

Border to Coast is a partnership of the administering authorities of the following LGPS Funds:

- Bedfordshire Pension Fund
- Cumbria Pension Fund
- Durham Pension Fund
- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- South Yorkshire Pension Fund
- Surrey Pension Fund
- Teesside Pension Fund
- Tyne and Wear Pension Fund
- Warwickshire Pension Fund

The governance structure of Border to Coast is set out in the diagram below:



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

- Partner fund representatives on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of Border to Coast.
- A representative on the Joint Committee, being the Chair of the Pensions Committee, who will monitor and oversee the investment operations of Border to Coast.
- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group.

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

A significant proportion of the Fund’s investments are already made through Border to Coast, however where it is not practical or cost effective for assets to be transferred into the pool, they will continue to be managed at the Fund level until there is an appropriate pooling option available.

The current position of assets pooled is shown below:

<b>Assets Pooled - strategic asset allocation (actual allocation might differ)</b>	<b>Border to Coast Vehicle</b>
5% UK equity allocation	UK Listed Equity Fund (internally managed)
25% Global equity allocation	15% Global Equity Alpha Fund (externally managed) 10% Overseas Developed Equity Fund (internally managed)
10% Multi Asset Credit	Multi Asset Credit Fund
12.5% Fixed Income	Sterling Investment Grade Credit Fund
52.5% Total strategic asset allocation in Border to Coast vehicles	

The Committee has agreed a transition plan, as set out below, for those assets not pooled, and is working with Border to Coast to implement this once suitable vehicles are available.

<b>Assets Not Pooled (strategic asset allocation)/Levelling Up</b>	<b>Current Arrangement</b>	<b>Plan</b>
15% global equity allocation	LGIM’s Future World Fund (passive), with oversight from Border to Coast.	Working with Border to Coast to assess the feasibility of a vehicle for this. Will only transition if it will be more effective/efficient than the current vehicle.
21% Private Markets allocation	Morgan Stanley (including legacy PE and infrastructure)	Working with Border to Coast on the capability of a full managed service as we currently receive from Morgan Stanley. Any transition would take a number of years due to

		legacy investments that may be required to run off.
10.5% Property allocation	Several managers across UK commercial, Global, and UK residential	Committed to investing in the Border to Coast Overseas and UK Real Estate Funds. Investment period will be across a number of years.
1% Cash allocation	Managed by LCC Treasury Team	No plans to pool, managed alongside LCC cash
5% Levelling Up (no strategic allocation for this as it crosses a number of asset classes)	No specific policy or allocation to levelling up investments.  Approx. 2% of current investments fit within the levelling up missions' definitions (across infrastructure and UK residential property).	To consider investment into the next iteration of the Border to Coast UK Opportunities Fund (first vehicle launching April 2024), specifically developed to meet the levelling up requirements.

The Fund will perform an annual review of assets that are held outside of the pool, to ensure that it continues to demonstrate value for money, and this information will be presented in the Fund's Annual Report. As required, the Fund will submit reports on the progress of asset transfers to the Scheme Advisory Board, in line with the guidance.

### **Approach to environmental, social and corporate governance (ESG) factors**

The Fund considers itself to be a responsible investor, taking ESG matters seriously and monitoring the investment managers' approach to ESG.

### **Responsible Investment Beliefs**

The objective of the statement is to set out the Fund's key responsible investment (RI) beliefs. These beliefs will form the foundation of discussions, and assist decisions, regarding the structure of the Fund and the strategic asset allocation. In addition, they will be used to ensure that new members on the Pensions Committee understand previous investment decisions taken.

Belief 1:

Companies with a responsible ESG policy are expected to outperform companies without an ESG policy, over the longer term.

*The Committee believes that companies that have well developed ESG policies will generally provide better long-term performance than those companies that have not considered ESG factors in their business.*

Belief 2:

The Committee considers that company engagement, rather than disinvestment, would be the better approach to fulfilling their responsible investment objectives. However, should a company not respond to engagement, disinvestment should be considered. Disinvestment on a whole sector basis is not within the Committee's beliefs.

*Disinvestment is a blunt tool that is not believed to provide the best outcomes over the medium to long term. The Fund will, through its managers and other organisations, engage with companies to bring change, but will consider company disinvestment if engagement fails.*

*While disinvestment on a whole sector basis is not considered appropriate, the Fund will not invest in companies whose products do not comply with the Geneva Convention.*

Belief 3:

Climate change and the expected transition to a low carbon economy is a long-term financial risk to Fund outcomes.

*The Committee believes that climate change risk and the transition to a low carbon economy should be factored into asset allocation decisions and also investment decisions by managers to reduce the long-term financial risk, but also to take advantage of the opportunities that may be available.*

Belief 4:

The Committee should focus on meeting its financial obligations to pay benefits to members. Financial considerations should therefore carry more weight than non-financial considerations.

*The main objective of the Pension Fund is to ensure that it can pay benefits to its members as and when they fall due. Therefore, financial considerations will be at the forefront of any investment or asset allocation decisions.*

Belief 5:

The Fund's active investment managers should embed the consideration of ESG factors into their investment process and decision making.

*The Committee believes that the consideration of ESG factors when making investment decisions should not be an add-on but should be embedded into the whole investment selection process. Any active managers appointed by the Fund will be expected to evidence this.*

**Belief 6:**

The Fund should collaborate with other investors if it could have a positive impact, and also engage with them and investment managers to better understand ESG risks.

*The Committee believes that the Fund has a stronger voice when working with others, be it Border to Coast Pensions Partnership, Local Authority Pension Fund Forum (LAPFF) or any other organisations. The Fund will work with them and the investment managers to ensure that it understands the ESG risks and how best to address them. It is considered that the Pensions Committee represents the views of the Fund membership and, in addition, the views of the Local Pension Board are taken into account as part of their review of this document.*

**The exercise of rights attaching to investments (including voting rights)**

The Fund has published its [Responsible Investment Policy and Voting Guidelines](#).

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

As global investors, the Fund expects the principles of good stewardship to apply globally, whilst recognising the need for local market considerations in its application. The Fund successfully met the Financial Reporting Councils standards in its Stewardship Code Statement, which reflects on the activities and outcomes of the Fund against the 12 principles. The Fund’s latest approved [Stewardship Code Statement](#) is published on the website.

**Compliance and monitoring**

The investment managers are required to adhere to the principles set out in this Investment Strategy Statement, and Officers report to the Pensions Committee where any investment managers do not comply.

The Investment Strategy Statement of the Lincolnshire Pension Fund will be reviewed by the Pensions Committee at least every 3 years and more regularly if considered appropriate or amendments are required.





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

Report to:	<b>Pensions Committee</b>
Date:	<b>21 March 2024</b>
Subject:	<b>Lincolnshire Pension Fund – Business Plan 2024/25</b>

**Summary:**

This paper brings the Lincolnshire Pension Fund Business Plan 2024/25 to the Committee for consideration and approval.

**Recommendation(s):**

That the Pensions Committee consider the report and approve the Lincolnshire Pension Fund Business Plan 2024/25.

**Background**

- 1.1.1 This paper brings the Lincolnshire Pension Fund Business Plan covering the financial year 2024/25 to the Committee for approval. The Business Plan is attached at Appendix A and the areas it covers are set out below.
- 1.2 Introduction – a brief background to the Pension Fund and its management.
- 1.3 Objectives – the overarching objectives of the Fund across the headings of governance, investments and funding, and administration and communication.
- 1.4 Pension Fund Statistics – the funding position and cashflow of the Fund.
- 1.5 Resources and Budget – the organisational structure of the Pensions Team and the budget for managing the Fund, covering administration costs, investment management expenses and oversight and governance costs.
- 1.6 Key Tasks 2024/25 – the key tasks for the Pensions Team in the coming year, linked to the Fund's objectives, with a review of the tasks set in the Business Plan last year.
- 1.7 Key Risks – the key risks that the Fund recognises across the themes of governance, investments and funding, and administration and communication, with the actions in place to mitigate or reduce the risks.

1.8 Forward Plan 2024/25 – the Committee and Board meetings and expected papers.

### **Conclusion**

1. The Pension Fund's Business Plan for the year 2024/25 has been produced and is presented to the Committee for approval.

### **Consultation**

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

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

### **Appendices**

These are listed below and attached at the back of the report	
Appendix A	LPF Business Plan 2024/25

### **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](mailto:jo.kempton@lincolnshire.gov.uk).

# **Lincolnshire Pension Fund Business Plan 2024 to 2025**



## Introduction

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

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

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

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

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

## Objectives

The Fund's overarching objectives are:

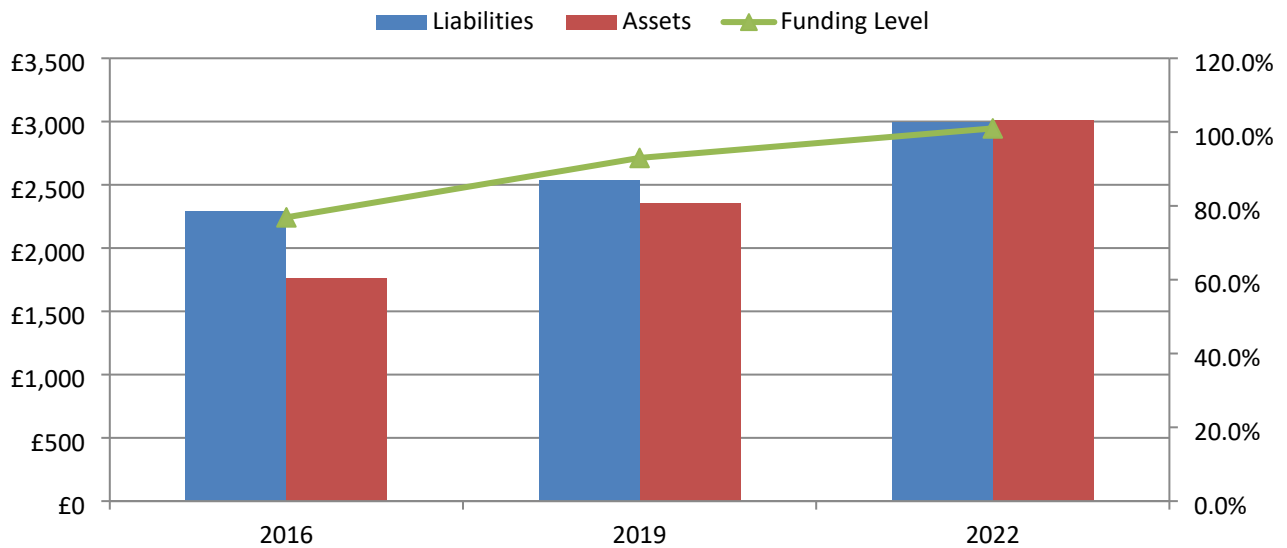
- **Governance:** To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise;
- **Investments and Funding:** To maximise returns from investments within reasonable risk parameters and with clear investment decisions based on a prudent long term funding priorities, given the preference to keep employer contribution rates reasonably stable where appropriate; and
- **Administration and Communications:** In partnership with WYPF, to deliver an effective and efficient Pensions Administration service to all stakeholders, to ensure that the Fund receives all income due and payments are made to the right people at the right time, and to provide clear, appropriate and timely communication and support to all stakeholders;

### Pension fund statistics

The Lincolnshire Pension Fund was valued at £3,251.2 million as at the 31 December 2023.

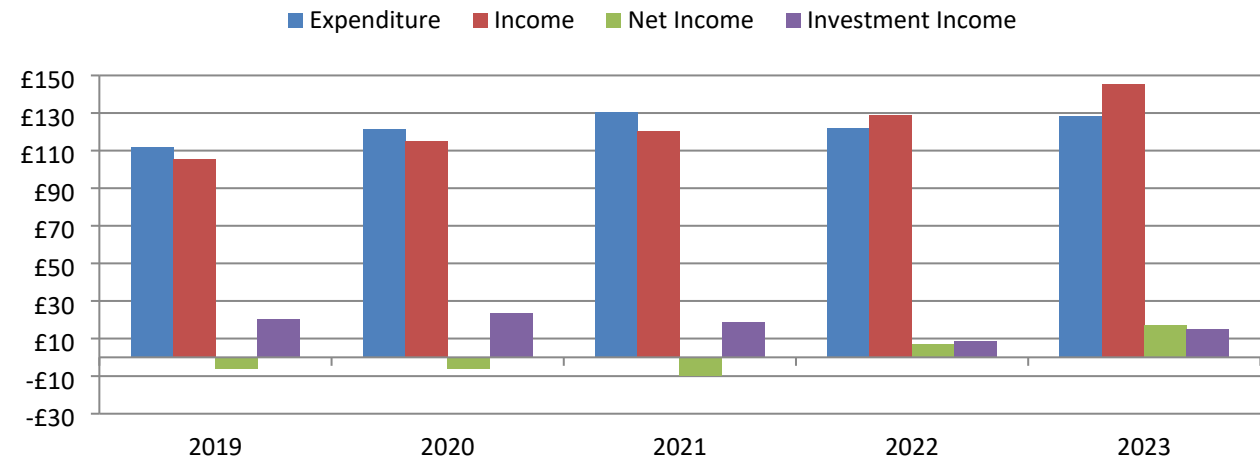
Actuarial valuations are carried out every three years, with the latest being as at 31 March 2022. The valuation provides a value for the liabilities and assets of the Fund and for each employer, to determine the overall funding level and to calculate individual employer contribution rates. The charts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

### Progression of funding position:



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

### Cashflow:

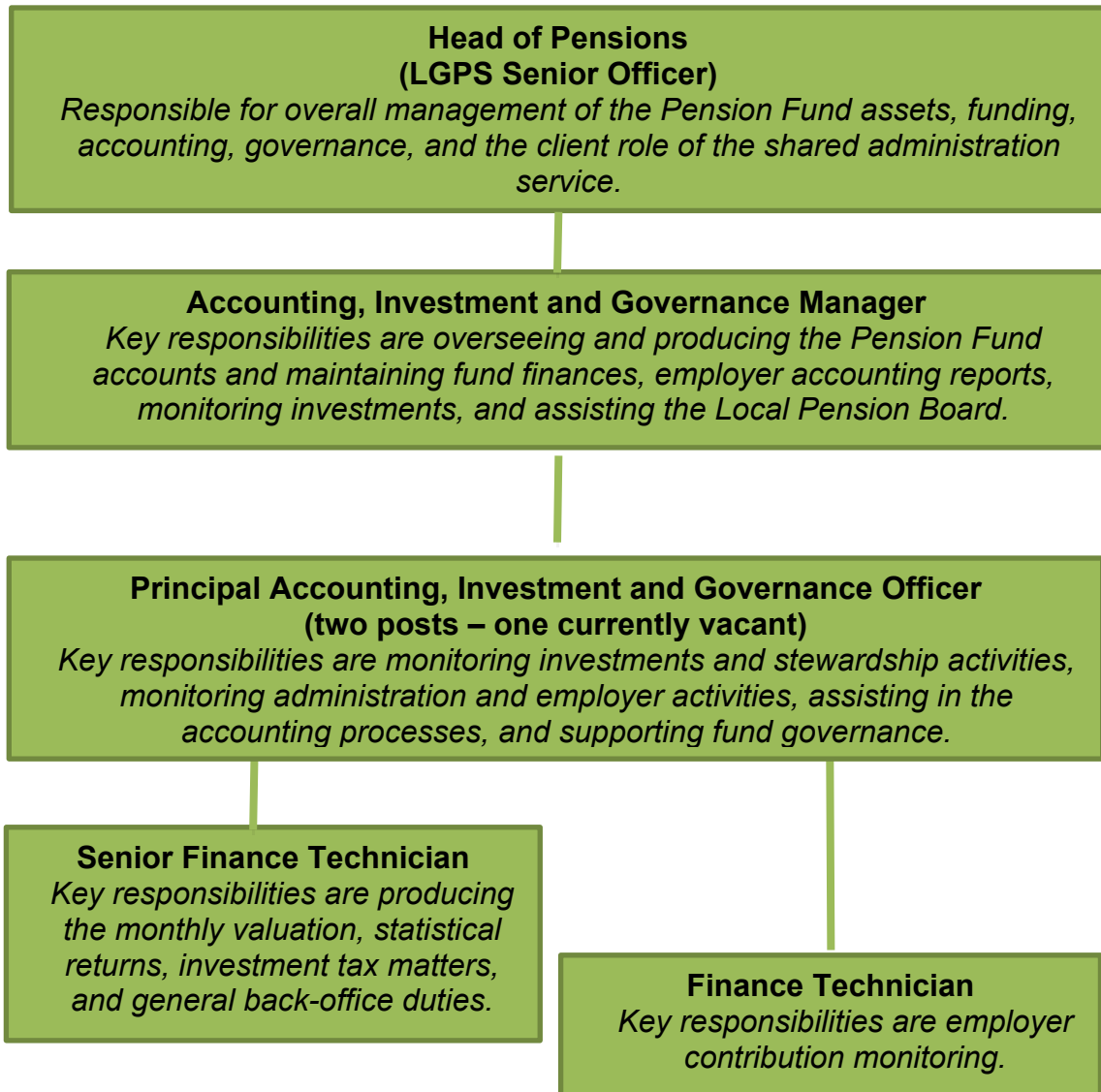


Axis - Left hand side - £m

NB: Expenditure includes all costs of managing the Fund.

**Resources and budget**

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



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

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

A staffing and structure review was undertaken in 2023 following the unsuccessful recruitment in 2022. Two career grade posts of Principal Accounting, Investment and Governance Officer were approved, and one was successfully appointed to in 2023. The recruitment for the second career grade post will be staggered, to enable the first Principal

Accounting, Investment and Governance Officer to progress in their training path before bringing in any new team members.

The estimated costs of operating the Lincolnshire Pension Fund for the financial year 2024/2025 are shown below and profiled over the four quarters. They are split between Administration Costs, Investment Management Expenses and Oversight and Governance Costs.

- **Administration Costs** include the costs of dealing with Fund members and employers in relation to current and future benefits. This service is provided to Lincolnshire Pension Fund through a shared service arrangement with West Yorkshire Pension Fund.
- **Investments Management Expenses** include the cost of Fund Managers and the Fund's Custodian.
- **Oversight and Governance Costs** include the cost of the Fund's actuary, investment consultant, external auditor and other advisors. Actuarial costs incurred by individual employers within the Fund are recharged to that employer. In addition, it includes staffing and accommodation costs associated with running the Fund, costs associated with the Local Pensions Board and governance costs at Border to Coast Pensions Partnership.

	Budget 2024/25 £'000	Profiled Budgets			
		Budget	Budget	Budget	Budget
		Q1 £'000	Q2 £'000	Q3 £'000	Q4 £'000
<u>Administration Costs</u>					
- Charge from Shared Services Administrator	1,600	0	1,600	1,600	1,600
- Other (*1)	1	0.25	0.50	0.75	1
<u>Investment Management Expenses</u>					
- Management Fees	9,540	500	1,000	1,500	9,540
- Performance Related Fees	1,500	0	0	0	1,500
- Other Fees (*2)	1,320	30	60	90	1,320
<u>Oversight and Governance Costs</u>					
- Contracted Services	458	75	150	400	458
- Recharge of Actuarial Services	-104	-15	-30	-80	-104
- Recharge from Administering Authority	326	82	164	246	326
- Border to Coast Governance Costs	336	305	305	305	336
- Other Costs (*3)	23	6	12	18	23
	<b>15,000</b>	<b>983</b>	<b>3,262</b>	<b>4,080</b>	<b>15,000</b>

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

(\*2) Other Fees includes: Custody Fees and Transaction Costs.

(\*3) Other Costs in Oversight and Governance includes: such costs as the Pensions Board, conferences and travel.

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

## Key tasks 2024 to 2025

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

Subject	Context	2023 to 2024 Review	2024 to 2025 Actions	Objective stream
<b>Pensions Committee and Board meetings</b>	The responsibility for the Pension Fund is delegated to the Pensions Committee, with the Pension Board providing an oversight role on the administration and governance of the Fund.	All Pension Committee and Board meetings held as expected. Committee and Board agendas were reviewed. The structural changes implemented from June 2023 to the meetings has been positive.	Ensure all papers are prepared and presented in a clear and concise manner. Ensure that all relevant matters are reported to the Committee and, or Board. Induction and training for any new Committee or Board members to be arranged at the earliest opportunity. Ensure the new Chair of the Pension Board (and Chair of the Pensions Committee if that changes) are supported in their roles.	Governance Investments and Funding Administration and Communications
<b>Asset Pooling with Border to Coast</b>	Border to Coast Pensions Partnership has been created to meet the Government's investment reform criteria. In accordance with regulations and statutory guidance, assets should transition to the management of Border to Coast as appropriate	Oversight meetings held at officer, S151 and Joint Committee levels. Continued development on the property funds. Transition planning on the remaining un-pooled assets undertaken. Transition plan reported to the January 2024	Continued partnership with Border to Coast to develop appropriate sub-funds for investment and ensuring appropriate oversight and governance of the company. Investment into Overseas Further development of the UK property funds and consideration of an ESG tilted index tracking fund. Work	Governance Investments and Funding



Subject	Context	2023 to 2024 Review	2024 to 2025 Actions	Objective stream
	vehicles become available.	Committee and Board meetings.	continuing on the alternatives full service capabilities. Border to Coast 2030 strategy development.	
<b>Administration Service (including employer data quality)</b>	A good performing administration service is key to our stakeholders and for ensuring the quality of information held is appropriate for calculating benefits and liabilities.	Strong KPI figures generally throughout the year and positive customer survey responses, as reported to Committee and Board each quarter. New shared service agreement developed with other shared service partners ready for 1 April 2024 when new term begins. Work continued on McCloud remedy and dashboard preparation.	Continued partnership and oversight of West Yorkshire Pension Fund (WYPF) in the delivery of the administration service and to improve the reporting on data quality and management information. Working with WYPF to improve and clearly document the governance structure of the shared service.	Governance  Administration and Communications
<b>Annual Report and Accounting</b>	The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors.	Delayed receipt of external audit opinion due to an issue with the Council's accounts meant Pension Fund accounts were published by 1 December without the opinion, but with an unqualified opinion was expected. The unqualified opinion was received by the end of December and reported to the Committee	A detailed project plan for the year end process is in place, built on experience from previous years and updated for new requirements. Ongoing engagement with the new external auditors, KPMG, to understand their requirements and ensure they can be met in a timely manner.	Governance

Subject	Context	2023 to 2024 Review	2024 to 2025 Actions	Objective stream
		and Board's January meetings.		
<b>Responsible Investment (RI) Climate Reporting and Net Zero</b>	There is continued focus on how LGPS Funds can best address and manage RI issues such as environmental, social and governance matter (ESG). In particular, the requirement for climate reporting has increased and this will need to be addressed as part of the Fund's net zero ambitions.	The Committee received regular updates and information on RI activity undertaken by managers. The Stewardship Code submission was made to the FRC in October 2023 for the financial year to 31 March 2023 and was successful. Work continued with external managers and Border to Coast to ensure that RI is embedded across all investment decisions. The Committee received training at its January meeting on climate change.	Continued information and training for the Committee to understand the benefits of and the requirements around RI. Working with external managers and Border to Coast to ensure that it is embedded across all investment decisions. Ensure the investment strategy reflects the RI beliefs. Consider and develop climate change policy and any net zero target. Respond to the requirements from the Climate Reporting consultation once the guidelines are published.	Governance Investments and Funding
<b>Work by the Scheme Advisory Board (SAB)</b>	The SAB have a number of projects underway to improve the management or governance of LGPS Funds.	Unfortunately the Good Governance project has still been delayed. The Fund responded to any requests from SAB throughout the year.	Participate in projects were possible and respond to any actions required – for example Good Governance Review, data quality.	Administration and Communications Governance
<b>Employer Accounting</b>	Employers within the Fund require pensions accounting information at various times of the year,	All employers received appropriate accounting reports as required.	Work with employers, the Actuary and WYPF to ensure employers understand their choices, accurate and timely data is sent to the Actuary	Investments and Funding Administration and Communications

Subject	Context	2023 to 2024 Review	2024 to 2025 Actions	Objective stream
	for inclusion in their statutory accounts.		and accounting reports are received and understood by employers.	
<b>Staffing and Structure Review</b>	The workloads and requirements of the team have expanded considerably over the last few years, therefore a review of the current staffing and structure is required to ensure it is fit for purpose.	One of the career grade posts of Principal Accounting, Investment and Governance Officer was successfully recruited to, and they have commenced their CIPFA training. This was an internal appointment and the post they vacated in the team was filled.	N/A	Governance Investments and Funding Administration and Communications
<b>Independent Advisor Review</b>	The Committee's independent advisor is standing down as of 30 April 2023.	The Fund's Investment Consultant provided the information previously covered by the independent advisor, and the Committee reviewed their requirements for independent advice at their December 2023 meeting. It was agreed that the position of Independent Investment Advisor would be advertised.	Following the advertisement of the position of independent investment advisor, to interview and appoint a successful candidate that meets the requirements of the Committee.	Governance Investments and Funding
<b>Independent Chair of the Local Pension Board</b>	The current Independent Chair, who has been on the Board since its inception, is standing down in July 2024.	N/A	Following advertisement and interview to appoint a successful replacement to the current Independent Chair of the Local Pension Board, to	Governance

Subject	Context	2023 to 2024 Review	2024 to 2025 Actions	Objective stream
			ensure they are supported in their new role.	
<b>Custodian Tender</b>	The current contract with the Fund's custodian, Northern Trust, originally expired on 31 March 2024, but following a 12-month extension now expires on 31 March 2025.	This was postponed for one year due to resource issues within the pensions team.	Officers will undertake a call-off from the National Framework for Custody Services and recommend an appointment to the Pensions Committee.	Governance Investments and Funding
<b>The Pensions Regulator General Code of Practice</b>	The Pensions Regulator has issued their new General Code of Practice to replace the previous one applicable to public sector pensions, Code 14.	N/A	Officers will ensure that the Committee and Board are aware of the requirements of the new code. They will undertake a gap analysis to identify any changes required and prepare a plan to implement those changes. Progress on this will be monitored and reported to the Committee and Board as part of the quarterly Fund Update reports.	Governance

## Key risks

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

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

Risk Theme	Key Action
<p>Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).</p>	<p>Regular discussion and reporting from managers and Border to Coast. Stewardship Code, RI Beliefs and appropriate RI policies in place and approved by Committee. Training and education of RI matters and climate reporting requirements with the Committee to begin the planning of the net zero ambitions.</p>
<p>Cashflow issues so not enough income to meet pension payments due, as a result of:</p> <ul style="list-style-type: none"> <li>• increasing pension payments due to inflation</li> <li>• reduction in active members and therefore contributions</li> <li>• increase in retirements and therefore pensioners</li> <li>• reduction in employers' secondary contributions due to higher funding levels</li> </ul>	<p>Cashflow monitoring and consideration of income producing investments as part of strategic asset allocation review. Working with Border to Coast to identify income options in investment vehicles when needed.</p>
<p>Governments direction of investment pooling creates inefficiencies due to:</p> <ul style="list-style-type: none"> <li>• imposed timescale of pooling assets</li> <li>• forced pool or fund mergers</li> <li>• requirements to invest in specific asset classes or to meet specific government policies</li> <li>• distraction from the fund's objectives</li> </ul>	<p>Over 60% of assets pooled already and transition plan in place for the remaining assets. Meetings held with Border to Coast to agree strategy and governance process for any increase in partner funds or potential merger proposals.</p>
<b>Administration and Communication</b>	
<p>The administrator does not perform its functions in accordance with the agreement, including:</p> <ul style="list-style-type: none"> <li>• contribution collection and allocation</li> <li>• benefit calculation and payment</li> <li>• GMP reconciliation and rectification</li> <li>• meeting TPR requirements</li> </ul>	<p>Administration report and performance indicators reported quarterly and presented to Committee. Bi-monthly meetings with WYPF. Regular audits by both LCC and WYPF. Complaint reporting and reviews. Customer surveys undertaken. Shared service policies.</p>
<p>Cyber security breach resulting in personal data being accessed fraudulently.</p>	<p>Strong IT environment for administration system and web-based Portals. Council policies and training. Reporting to Committee and Board.</p>
<p>Increased risk of employers exiting as a result of:</p> <ul style="list-style-type: none"> <li>• reducing employer covenant strength</li> </ul>	<p>Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements.</p>

Risk Theme	Key Action
<ul style="list-style-type: none"> <li>• unaffordability of scheme</li> <li>• reducing membership</li> </ul> Leading to: <ul style="list-style-type: none"> <li>• costly cessation surplus payments</li> <li>• deficit payments not meeting actual long-term liabilities</li> <li>• insolvency of employers</li> </ul>	Proactive engagement with employers. Pass-through and Exit Credit policies in place. Covenant and contribution monitoring.
Fraud risk not managed.	Internal and external audits. Monthly reporting. Clear reconciliation procedures. Regular National Fraud Initiative reporting.
Changes in legislation not implemented correctly, currently McCloud and Pensions Dashboard.	Regular meetings and reporting with WYPF. Membership of professional networks. Pension Board oversight.
People	
Loss of key staff and loss of knowledge and skills.	Diversified team and succession plans in place. Successful recruitment for additional team member. Building on Border to Coast and partner fund relationships.

### Forward plan – 2024 to 2025 Committee and board meetings

The Pensions Committee meetings are split between Investments and RI, and Administration and Governance, to allow more to time focus on the subjects and introduce training at each meeting.

Below are the planned reports as known at the time of writing – additional reports may be added.

Date	Topics
<b>April 2024</b> Investment and RI Meeting Committee papers	Stewardship Update Report Market Update Report Investment Management Report Carbon Reporting Requirements Training
<b>June 2024</b> Investment and RI Meeting Committee papers	Stewardship Update Report Market Update Report Investment Management Report UK Property Proposition Report

Date	Topics
	Manager Presentation – Border to Coast Fixed Income Funds
<b>July 2024</b> Administration and Governance Meeting Committee papers	Local Board Report Fund Update Report Pensions Administration Update Report Shared Service Update from WYPF Managing Director Draft Annual Report and Accounts Annual Training Plan and Policy Review Training - Annual Report and Accounts
<b>July 2024</b> Board papers	Pension Board Appointments Fund Update Report Pensions Administration Update Shared Service Update from WYPF Managing Director TPR Data Scores Report Draft Annual Report and Accounts Training Paper Work Plan
<b>September 2024</b> Investment and RI Meeting Committee papers	Stewardship Update Report Annual Property and Infrastructure Report Market Update Report Investment Management Report Manager Presentation – Morgan Stanley Training
<b>October 2024</b> Administration and Governance Meeting Committee papers	Local Board Report Fund Update Report Pensions Administration Update Risk Register Review Annual Fund Performance Report External Audit Update Training
<b>Oct 2024</b> Board papers	Fund Update Report Pensions Administration Update Temporary Bank Accounts Report Risk Register Review External Audit Update Pensions Dashboard Update Training Paper



Date	Topics
	Work Plan
<b>December 2024</b> Investment and RI Meeting Committee papers	Stewardship Update Report Market Update Report Border to Coast RI and Voting Policies Investment Management Report Custodian Contract Tender Manager Presentation – Border to Coast Equity Funds Training
<b>January 2025</b> Administration and Governance Meeting Committee papers	Local Board Report Fund Update Report Pensions Administration Update Annual TPR Data Scores Annual Employer Monitoring Report Training
<b>January 2025</b> Board papers	Fund Update Report Pensions Administration Update TPR Data Scores Report Risk Register Review Cyber Security Update Training Paper Work Plan
<b>March 2025</b> Administration and Governance Meeting Committee papers	Local Board Report Fund Update Report Pensions Admin Update Policies Review Annual Report and Accounts Business plan and budget setting Training
<b>March 2025</b> Board papers	Fund Update Report Pensions Admin Update Temporary Bank Accounts Policies Review Annual Report and Accounts Policies Business Plan and Budget Setting Training Paper Work Plan

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

Report to:	<b>Pensions Committee</b>
Date:	<b>21 March 2024</b>
Subject:	<b>Annual Report and Accounts 2023-24: Review of Accounting Arrangements and Accounting Policies</b>

**Summary:**

This report summarises:

- The publication requirements for the Fund's Annual Report and Accounts, and Statement of Accounts for 2023/24;
- Changes to the Annual Report and Account Guidance and the Code of Practice on Local Authority Accounting for 2023/24;
- The review of the Council's Accounting Policies for the Pension Fund Statement of Accounts; and
- An introduction to the Fund's new external auditor for 2023/24.

**Recommendation(s):**

That the Committee:

1. Note the changes required to the Annual Report and Accounts and Statement of Accounts for 2023/24;
4. Approve the Statement of Accounting Policies (Appendix A) for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2024; and
4. Note the update from the External Auditor and indicative audit plan.

## **Background**

### **Publishing the Pension Fund Annual Report and Accounts and the Pension Fund Statement of Accounts**

- 1.1 The Fund is required to comply with the Local Government Pension Scheme (Administration) Regulations 2008 for publishing the Annual Report and the Accounts and Audit Regulations 2015 in preparing, submitting for audit and publishing the accounts.
- 1.2 Regulation 34 of the LGPS (Administration) Regulations 2008 introduced a statutory requirement for LGPS pension funds to produce a separate Annual Report and Accounts which must be published on or before the 1 December each year. The Annual Report must include the Pension Fund accounts and an opinion issued by the external auditor confirming the pension fund accounts and the annual report are consistent with the audited financial statements of the County Council.
- 1.3 The Accounts and Audit Regulations 2015 set out the requirements for local authorities, including Pension Funds, to prepare an annual statement of accounts, to publish such accounts and to have those accounts audited. The regulations also allow for the statement of accounts to be inspected by members of the public within a certain timeframe. For 2023/24, the statutory publication date is 31 May and requires local authorities to make the unaudited accounts available for public inspection for a period that includes the first 10 working days of June.
- 1.4 The Pension Fund notes both publication dates and is working towards publishing draft accounts by 31 May with the County Council and publishing the final Annual Report and Accounts by 1 December. The draft Annual Report and Accounts will be presented to the July Pensions Committee meeting.

### **Annual Report Guidance and the Code of Practice on Local Authority Accounting**

- 1.5 Guidance on the content of the annual report is prepared by the Scheme Advisory Board (SAB). The government response to the "Next Steps on Investments" consultation proposed additional asset and asset pooling information be disclosed within the annual report. The SAB Compliance and Reporting Committee are working to issue new guidance for the preparation of the annual report to bring this in line with the new requirements. This is due to be published before the end of the financial year and will apply from the reporting period 2024/25, however, Funds can adopt elements of the new guidance early. Once the guidance has been received, officers will review and consider if any elements can be reported early in the 2023/24 annual report.
- 1.6 The Pension Fund is required to prepare its Statement of Accounts in accordance with the Local Government Act 2003 and the Code of Practice in Local Authority Accounting in United Kingdom 2023/24 (the Code). These ensure the accounts are prepared using "proper accounting practice". There are no changes to the Code of

Practice for 2023/24 which will have an impact on the Pension Fund Accounts, so the appearance of the accounts will remain largely unchanged from last year.

### **Statement of Accounting Policies**

- 1.7 Accounting policies are defined in the Code as “the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements”. They are an important part of the accounts for ensuring the accounts are prepared using “proper accounting practice’. The accounting policies for the Pension Fund have been reviewed for the 2023/24 accounts and are attached at appendix A.
- 1.8 There have not been any changes to the accounting policies proposed for use in preparing the 2023/24 accounts.
- 1.9 Although the Audit Committee has responsibility for the approval of Lincolnshire County Council’s Statement of Accounts, which contains the Pension Fund Accounts, the Pensions Committee are asked to consider and approve the specific accounting policies used in the preparation of the Pension Fund accounts.

### **External Audit Update**

- 1.10 From 2023/24 KPMG have been appointed as the Fund’s external auditor. Work on the pension fund audit began in February 2024. A copy of the external auditors indicative audit plan is attached at appendix B. KPMG, represented by Rashpal Khangura, Partner, will attend the Committee to introduce KPMG, explain their plan for the audit and answer any questions.

### **Conclusion**

- 2.1 The accounting requirements, disclosures, and timescales, as required by the Audit and Accounts Regulations, the Local Government Pension Scheme (Administration) Regulations, and the Code of Practice, will be incorporated into the preparation of the Statement of Accounts for 2023/24.
- 2.2 The Statement of Accounts will be prepared using the Accounting Policies approved at this meeting.
- 2.3 The Committee should note the external auditors indicative audit plan for the 2023/24.

## Consultation

### a) Risks and Impact Analysis

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

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Statement of Accounting Policies for LGPS Pension Fund financial statements 2023/24
Appendix B	KPMG Indicative Audit Plan (March 2024)

## Background Papers

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

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24	Deputy Chief Executive and Executive Director of Resources

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

## Appendix A

### Lincolnshire Pension Fund Significant Accounting Policies 2023/24

#### **Fund account – revenue recognition**

##### **a. Contributions income**

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

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

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

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

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

##### **b. Transfers to and from other schemes**

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

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

##### **c. Investment Income**

###### **i) Interest income**

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

###### **ii) Dividend income**

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

**iii) Distributions from pooled funds**

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

**iv) Changes in the net market value of investments**

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

**Fund account – expense items**

**d. Benefits payable**

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

**e. Taxation**

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

**f. Management expenses**

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

**i) Administrative expenses**

All costs associated with pensions administration are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

**ii) Oversight and Governance**

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

**iii) Investment management expenses**

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



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

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

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

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

## **Net assets statement**

### **g. Financial assets**

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

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

Private market, infrastructure, private equity and property venture valuations are based on the most recent valuations provided by managers at the year-end date. Where more up-to-date valuations are received during the accounts preparation or audit period, their materiality, both individually and collectively will be considered, and the accounts revised to reflect these valuations if necessary. If valuations are not produced by the manager at 31

March, then the latest available valuation is used, adjusted for purchases and sales which occur between the valuation date and 31 March.

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

#### **h. Foreign currency transactions**

Dividends, distributions, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. Any gains or losses arising from these transactions are treated as part of the change in the value of investments in the Fund Account.

#### **i. Derivatives**

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

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

#### **j. Cash and cash equivalents**

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

#### **k. Financial liabilities**

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

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

**l. Actuarial present value of promised retirement benefits**

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

**m. Additional voluntary contributions**

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

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

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# Lincolnshire Pension Fund

## Report to Audit Committee, Pensions Board and Pensions Committee

Indicative Audit Plan & Strategy for the year  
ending 31 March 2024

March 2024

# Introduction

To: Audit Committee, Pensions Board and Pension Committee of Lincolnshire Pension Fund

We are pleased to have the opportunity to meet with you to discuss our audit of the financial statements of Lincolnshire Pension Fund for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this indicative plan will remain draft until the finalisation of that Code.

This report outlines our initial risk assessment and planned audit approach. Our planning activities, including review of the outgoing auditor's audit file are still ongoing and we will communicate a final audit plan once these areas are complete.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page
Indicative risk assessment	3
Fees	4
Independence	5

## The engagement team

Rashpal Khangura is the engagement director on the audit. He has over 20 years experience in public sector audit.

Rashpal Khangura shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include engagement manager Mehul Aggarwal and in-charge M. Muhammad with 8 years and 4 years of experience respectively.

Yours sincerely,

*R S Khangura*

**Rashpal Khangura**

**Director - KPMG LLP**

**21 March 2024**

## How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. We aim to complete all audit work no later than 2 days before audit signing. As you are aware, we will not issue our audit opinion until we have completed all relevant procedures, including audit documentation.

### **Restrictions on distribution**




*This report is intended solely for the information of those charged with governance of Lincolnshire Pension Fund and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.*

# Lincolnshire Pension Fund - Indicative Risk Assessment

The risk assessment outlined is based on our initial discussions with Fund officers and our preliminary audit procedures.

Our planning activities are still ongoing and we will communicate our audit approach in full as part of our Audit Strategy Memorandum once our risk assessment activities have reached an appropriate stage.

We have determined a single figure for materiality which we will apply to both the Net Asset Statement and Fund Account. This figures disclosed here in respect of materiality are based on the audited financial statements for the FY 2022/23 available on the Authority website. We will reassess materiality on receipt of the draft 2023/24 financial statements.

Materiality	
	Materiality for the financial statements as a whole <b>£30.6m</b> 1% of total assets
	Procedure designed to detect individual errors at this level <b>£19.8m</b>
	Misstatements reported to the Audit and Governance Committee <b>£1.5m</b>

Risks	KPMG's response
<b>Management override of controls</b>	<ul style="list-style-type: none"> <li>Professional standards require us to communicate the fraud risk from management override of controls as significant.</li> <li>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</li> <li>We have not identified any specific additional risks of management override relating to this audit.</li> </ul>
<b>Contributions</b>	<ul style="list-style-type: none"> <li>Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.</li> <li>Revenue in a pension fund equates to contributions. This revenue is recognized based on specific instructions as set out in the appropriate regulations and schedules. There are no subjective issues concerning when contributions need to be recognized. Amounts involved cannot easily be manipulated through accounting policies, issue of credit notes, timing or other policies. There is little incentive for the Fund management to manipulate the financial reporting of contributions.</li> <li>Therefore, in the absence of specific fraud risk factors, the presumption that fraudulent revenue recognition is a significant risk is rebutted for pension fund audits.</li> </ul>
<b>Investments</b>	<ul style="list-style-type: none"> <li>Investments are held to pay benefits of the Fund. They are held with multiple investment managers across a number of asset classes with most in the form of pooled investment vehicles. The investments are material to the financial statements and therefore there is a risk of material misstatement, particularly around their completeness, accuracy, existence and valuation.</li> <li>We do not expect the risk in respect of the valuation of investments to be significant due to the availability of external prices of quoted instruments, and NAV statements and audited financial statements of pooled investment funds. We are however yet to assess individual pooled funds in order to ascertain whether there is any material estimate uncertainty in the valuations.</li> </ul>
<b>Cash</b>	<ul style="list-style-type: none"> <li>The majority of the fund's transactions affect the cash balance. The balance of cash and cash equivalents are usually material to the financial statements and therefore there is a risk of material misstatement, particularly around their completeness, accuracy and existence.</li> </ul>
<b>Actuarial Present Value Of Promised Retirement Benefits</b>	<ul style="list-style-type: none"> <li>The value of the liability is an estimate involving the selection of appropriate actuarial assumptions, most notably the discount rate based on scheme's duration, inflation rates and mortality rates. The selection of these assumptions is inherently subjective.</li> </ul>
<b>General Ledger migration</b>	<ul style="list-style-type: none"> <li>The Council migrated its general ledger software as at the 1st of April 2023.</li> <li>This migration poses a risk of incomplete or inaccurate data having been migrated over and therefore a risk of there being inaccurate ledger balances and inaccurate preparation of the year-end financial statements.</li> <li>As the timing of the migration was during the financial year, there is also an increased risk relating to the control environment as different processes will have in operation before and after the migration.</li> </ul>

# Fees

## Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000) *
Statutory audit	83	29
<b>TOTAL</b>	<b>83</b>	<b>29</b>

*\*fee charged by Mazars LLP - your predecessor auditor.*

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud). Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

## Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

## Basis of fee information

Our fees are subject to the following assumptions:

- The entity's audit evidence files are completed to an appropriate standard

(we will liaise with you separately on this);

- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The entity's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.



# Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Audit Committee, Pensions Board Pension Committee members

## Assessment of our objectivity and independence as auditor of Lincolnshire Pension Fund

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

## General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

## Independence and objectivity considerations relating to the provision of non-audit services

### *Summary of non-audit services*

There are no non-audit services applicable.

# Confirmation of Independence (cont.)

## Summary of fees

We have considered the fees charged by us to the Pension Fund and its affiliates for professional services provided by us during the reporting period.

### Fee ratio

The ratio of non-audit fees to audit fees for the year is anticipated to be 0.0: 1. We do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

	2023/24
	£'000
Statutory audit	83
Other Assurance Services	0
<b>Total Fees</b>	<b>83</b>

## Application of the FRC Ethical Standard 2019

We communicated to you previously the effect of the application of the FRC Ethical Standard 2019. That standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 21 March 2024 we were not providing any non-audit or additional services that required to be grandfathered.

## Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

## Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the director and audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the Council, Pensions Board and Pensions Committee and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

Rashpal Khangura

**KPMG LLP**



[kpmg.com/uk](https://kpmg.com/uk)

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

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# Agenda Item 11

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

Document is Restricted

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