



# **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:

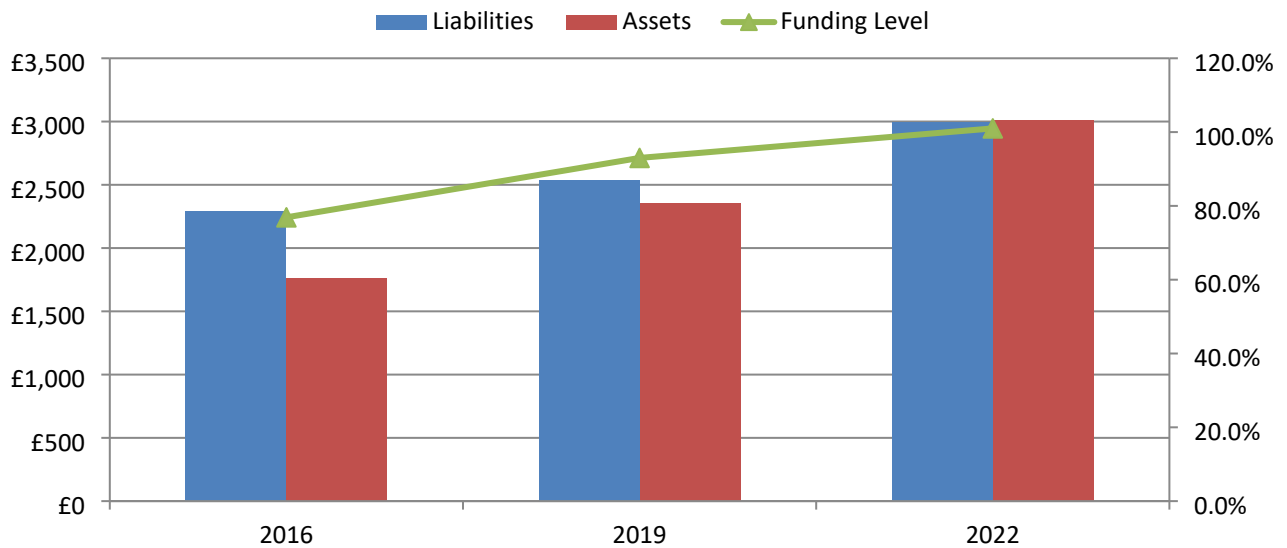
- **Governance:** To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise;
- **Investments and Funding:** To maximise returns from investments within reasonable risk parameters 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.

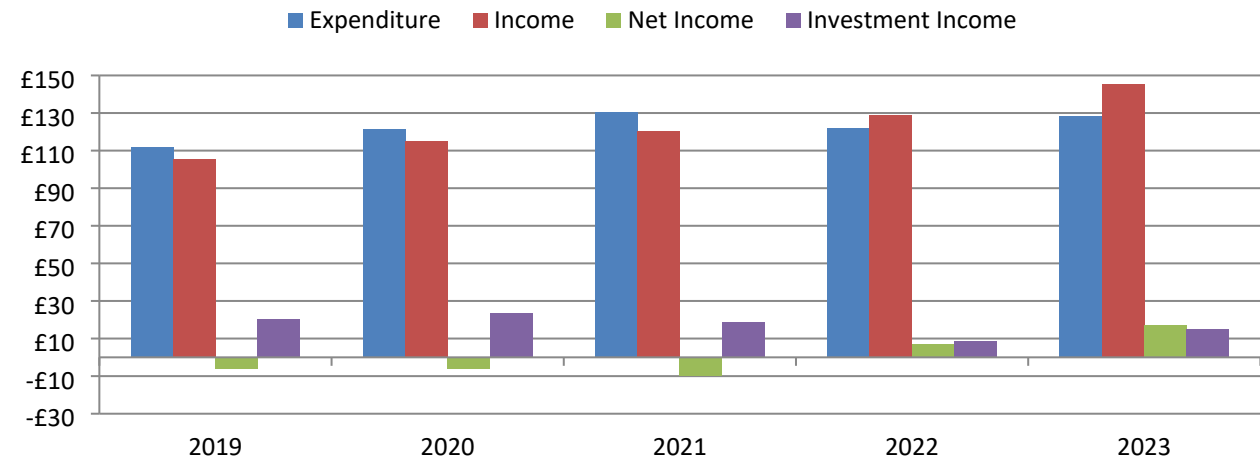
Actuarial valuations are carried out every three years, with the latest being as at 31 March 2022. The valuation provides a value for the liabilities and assets of the Fund and for each employer, to determine the overall funding level and to calculate individual employer contribution rates. The charts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

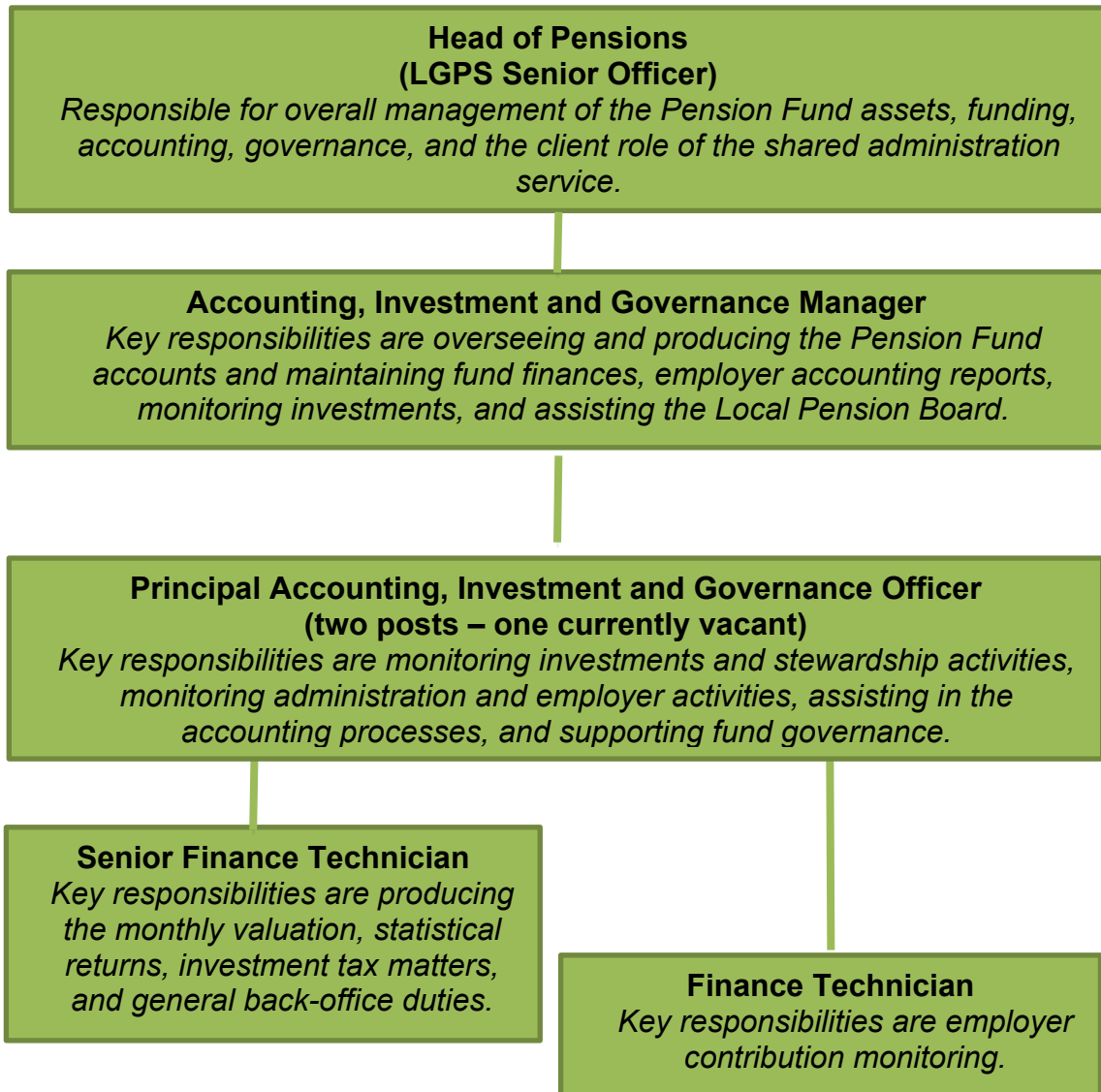


Axis - Left hand side - £m

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.

	Profiled Budgets				
	Budget	Budget	Budget	Budget	Budget
	2024/25	Q1	Q2	Q3	Q4
	£'000	£'000	£'000	£'000	£'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

This page is intentionally left blank