

County Offices
Newland
Lincoln
LN1 1YL

3 January 2018

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 11 January 2018** in **Committee Room One, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely



Tony McArdle
Chief Executive

Membership of the Pensions Committee
(8 Members of the Council and 3 Co-Opted Members)

Councillors E W Strenziel (Chairman), P E Coupland (Vice-Chairman), R D Butroid, B Adams, Mrs M J Overton MBE, Mrs S Rawlins, A J Spencer and Dr M E Thompson

Co-Opted Members

Mr A N Antcliff, Employee Representative
Mr J Grant, Non-District Council Employers Representative
Cllr J Summers, District Councils Representative

**PENSIONS COMMITTEE AGENDA
THURSDAY, 11 JANUARY 2018**

| Item | Title | Pages |
|-------------|---|--------------|
| 1 | Apologies for Absence | |
| 2 | Declaration of Members' Interests | |
| 3 | Minutes of previous meeting of the Committee held on 14 December 2017 | 5 - 8 |
| 4 | Independent Investment Advisor's Report <i>(To receive a report which provides a market commentary by the Committee's Independent Investment Advisor on the current state of the global investment markets)</i> | 9 - 12 |
| 5 | Pensions Administration Report <i>(To receive a report which presents the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund)</i> | 13 - 28 |
| 6 | General Data Protection Regulation and Pensions Administration <i>(To receive a report which introduces a presentation by Yunus Gajra, the Business Development Manager from WYPF, on the implementation of the General Data Protection Regulation (GDPR) within the Pensions Administration service)</i> | 29 - 42 |
| 7 | Pension Fund Update Report <i>(To receive a report which updates the Committee on Fund matters over the quarter ending 30 September 2017 and any current issues)</i> | 43 - 60 |
| 8 | Investment Management Report <i>(To receive a report which covers the management of the Lincolnshire Pension Fund assets over the period from 1st July to 30th September 2017)</i> | 61 - 82 |
| 9 | Lincolnshire Pension Fund AVC Provider - Prudential Presentation <i>(To receive a report introduces a presentation from Prudential, the Fund's AVC provider)</i> | 83 - 84 |

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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
- Copies of reports

Contact details set out above.

All papers for council meetings are available on:
www.lincolnshire.gov.uk/committeerecords



PENSIONS COMMITTEE 14 DECEMBER 2017

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), R D Butroid, Mrs M J Overton MBE and Dr M E Thompson

Co-Opted Members: Mr A N Antcliff (Employee Representative)

Officers in attendance:- Roger Buttery (Independent Chair, LGPS Pension Board), Claire Machej (Accounting, Investment and Governance Manager), Pete Moore (Executive Director, Finance and Public Protection), Jo Ray (Pension Fund Manager) and Catherine Wilman (Democratic Services Officer)

Also in attendance: Peter Jones (Independent Advisor), Paul Potter (Hymans Robertson)

35 APOLOGIES

Apologies were received from Councillors B Adams, A J Spencer and Mrs S Rawlins.

36 DECLARATIONS OF MEMBERS' INTERESTS

The Chairman reminded County Council members of the Committee that there was no need to declare an interest if it had already been recorded on the register of disclosable pecuniary interests (DPIs) or notified to the Monitoring Officer in accordance with the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012.

Mr A N Antcliff declared an interest as an employee of Lincolnshire County Council and a contributing member of the Pension Fund.

37 MINUTES OF THE PREVIOUS MEETING OF THE COMMITTEE HELD ON 5 OCTOBER 2017

RESOLVED

That the minutes of the meeting held on 5 October 2017 be approved and signed by the Chairman as a correct record.

2
PENSIONS COMMITTEE
14 DECEMBER 2017

38 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

That in accordance with section 100(A) (4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following two items of business on the grounds that if they were present there could be a disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended.

39 MANAGER PRESENTATION - SCHRODER INVESTMENT MANAGEMENT
- GLOBAL EQUITIES

Consideration was given to a report which introduced a presentation from Schroder Investment Management, who managed an active portfolio of Global Equities for the Fund.

The presentation outlined the manager's performance over the medium term together with the factors that influence that performance.

The Committee asked a range of questions in order to gain a better understanding of the relevant issues.

RESOLVED

That the report be noted.

40 MANAGER PRESENTATION - COLUMBIA THREADNEEDLE - GLOBAL
EQUITIES

The Committee considered a report which introduced a presentation from Columbia Threadneedle who managed an active portfolio of Global Equities for the Fund.

The presentation outlined the manager's performance over the medium term together with the major factors that influenced that performance.

The Committee asked a range of questions in order to gain a better understanding of the relevant issues.

RESOLVED

That the report be noted.

41 BORDER TO COAST PENSIONS PARTNERSHIP - CEO PRESENTATION

It was noted that the Committee was now back in public session following the consideration of the two exempt items.

For over two years, the Fund had worked hard to meet the Government's LGPS asset pooling requirements. Lincolnshire Pension Fund's solution had been to be a partner fund in the Border to Coast Pension Partnership (BCPP) asset pool.

A report which introduced a presentation from Rachel Elwell, the Chief Executive of Border to Coast Pensions Partnership (BCPP) was considered. Rachel had commenced her new role in November 2017 and presented to the Committee her vision for the development and future operation of BCPP Ltd. During the presentation, the following points were noted:

- Over a period of weeks, Rachel was presenting to all partners within the BCPP to try and understand what each partner was expecting from the new arrangements;
- In the longer term, time would need to be spent making sure BCPP's external profile was effective;
- The selected office building in Leeds city centre was expected to be up and running from April 2018, with staff transferring in June;
- An office designer had been selected and shop fitters would be starting work in the new year;
- BCPP Joint Committee meetings would be held quarterly so that the 12 partners could see how the pool was performing;
- Client Relationship Managers would attend Committee meetings to ensure everything was operating well from each of the Partners' perspectives. In return, the Committee was welcome to visit the offices in Leeds to see operations;
- It was clarified that the Committee would no longer receive presentations directly from Fund managers. Updates would instead come from BCPP. There would however still be opportunity for the Committee to meet with fund managers at the BCPP offices.

The Committee thanked Rachel for her visit and presentation.

RESOLVED

That the presentation be noted.

The meeting closed at 1.10pm

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Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

| | |
|------------|--|
| Report to: | Pensions Committee |
| Date: | 11 January 2018 |
| Subject: | Independent Investment Advisor's Report |

Summary:

This report provides a market commentary by the Committee's Independent Investment Advisor on the current state of the global investment markets.

Recommendation(s):

That the committee note the report.

Background

Stock markets close to a peak in 2018?

Favourable economic prospects for 2018

The economic prospects for the global economy in 2018 are benign – just as they were in 2017. Growth in 2017 was around 3.5% globally, over 2% in the USA, somewhat under 2% in the Eurozone and around 6% in China: the UK was the laggard at say 1.5%. Most commentators have growth forecasts that are not materially different in 2018. A “goldilocks” scenario is the expression that springs to mind – neither too hot nor too cold. In other words, a scenario that is unlikely to trigger decisive central bank action to rein in excessive economic growth.

Central banks are especially alert to economic circumstances that are likely to lead to excessive inflation. The problem for the past decade, as the committee will be aware, is inadequate inflation. Most central banks have actual or implied inflation targets of around 2% per annum. Generally, current rates (with wide variation in emerging markets) are below that level and likely to remain so. The exception of course amongst the western economies is the UK - where the Brexit inspired depreciation of sterling has caused a temporary surge in inflation to around 3%. So, inflation in a global context is unlikely to be a problem in 2018.

So why the caution about markets?

The principal reason for caution is the magnitude and duration of the bull market in equities. Is this – in itself – a sufficient reason to trigger a bear market? No. But the

surge in share prices in recent years has been phenomenal. In round figures, the US market rose 25% in 2017, Germany and France around 15%, with the UK, despite legitimate Brexit anxieties, the laggard at 10%. Nothing rises forever – as the old stock market adage goes. The longer term picture shows the US equity market rising three fold since early 2009, i.e. a period of some 9 years. This duration is not quite without historical precedent, but fast approaching it. Other major equity markets exhibit similar, if less dramatic, patterns.

The committee will be well aware of the decisive influence that the global central banks (the US Federal Reserve, the Bank of England, the European Central Bank and the Bank of Japan, for example) have had over the global economy since the financial crisis of 2008/9. Their decisive cutting of interest rates and more especially of their purchase of prodigious amounts of government and other debt (known as Quantitative Easing) has flooded the world with cash and been the underlying reason for the surge in global stock markets. The rise has largely been a monetary phenomenon – but not entirely. Company earnings have grown strongly in this decade and will continue to do so in 2018.

What triggers a decisive fall in markets?

In global terms, that is usually an economy that is overheating and likely to stimulate inflation rising to levels that are unacceptable to central banks. Their response would be to raise interest rates with a view to slowing economic growth – with the risk that their actions could result in a recession. As we have seen, such a trigger does not seem likely in 2018 because of the “goldilocks” scenario.

Apart from the magnitude and duration of the global equity bull market, it is difficult to see where the trigger lies. Anxiety amongst professional investors perhaps rests in the outlook for Quantitative Easing (“QE”). Two central banks have started to raise short term interest rates (the US Fed four times and the Bank of England only once) and both have been talking about withdrawing QE (i.e. selling off bonds), but have not yet started. In contrast, the European Central Bank and the Bank of Japan are continuing with their programmes and continue to buy bonds to enhance liquidity in their economies. In aggregate, the amount of bonds currently being purchased globally – for this is a global phenomenon – is still increasing. The global stock of bonds held by all the central banks could well peak in 2018 and then start to fall. But any decline will be very modest – as central banks embark very cautiously on their objective of returning the world to a measure of “normality”.

Political worries are never far away, but few are of sufficient magnitude to have global implications. The obvious one is North Korea, and maybe the shenanigans of President Trump. Brexit is a European problem only.

Amount of speculation

The level of speculation present in a market is often taken as an indication of whether a market is close to a high or low point. Often, at a low point, speculation is almost entirely absent – few people have sufficient confidence to take the risk with funds. Conversely, there is often abundant speculation close to market peaks. Just now, the feature is not speculation in equities but in bitcoin and similar digital

currencies – which is very high. Whether this is actually speculation by those who would otherwise dabble in equity markets or money laundering by the criminal fraternity is not clear.

Conclusion

Economic conditions globally remain benign. The markets continue their climb of the “wall of worry” with no obvious trigger point that could bring about the genesis of a fully-fledged bear market. But the risks are clearly rising. It is one thing to forecast that a market is close to a peak – quite another to identify the timing of a turning point. The latter usually defies analysis. So, remaining fully invested is still the right course of action for the Lincolnshire Pension Scheme.

Peter Jones
20th December 2017.

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Background Papers

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

This report was written by Peter Jones, who can be contacted via 01522 553656 or jo.ray@lincolnshire.gov.uk .

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Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

| | |
|------------|---------------------------------------|
| Report to: | Pensions Committee |
| Date: | 11 January 2018 |
| Subject: | Pensions Administration Report |

Summary:

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

Yunus Gajra, the Business Development Manager from WYPF, will update the committee on current administration issues.

Recommendation(s):

That the Committee note the report.

Background

1.0 Performance and Benchmarking

1.1 WYPF uses workflow processes developed internally to organise their daily work with target dates and performance measures built into the system. The performance measures ensure tasks are prioritised on a daily basis, however Team Managers have the flexibility to re-schedule work should time pressure demand.

1.2 The table below shows the performance against key areas of work for the period 1 September 2017 to 30 November 2017.

| LPF - KPI's for the Period 1.9.17 – 30.11.17 | | | | | |
|--|-------------|---------------------------|------------------|-----------------------|--------------------|
| WORKTYPE | TOTAL CASES | TARGET DAYS FOR EACH CASE | TARGET MET CASES | MINIUM TARGET PERCENT | TARGET MET PERCENT |
| AVC In-house (General) | 79 | 10 | 75 | 85 | 94.94 |
| Age 55 Increase LG | 1 | 20 | 1 | 85 | 100 |
| Article 4 Payment Death LG | 3 | 10 | 2 | 85 | 66.67 |
| Article 4 Payment Own Right LG | 58 | 10 | 41 | 85 | 70.69 |

| LPF - KPI's for the Period 1.9.17 – 30.11.17 | | | | | |
|--|-----|----|-----|-----|-------|
| Change of Address LG | 464 | 5 | 454 | 85 | 97.84 |
| Change of Bank Details LG | 129 | 5 | 120 | 85 | 93.02 |
| DG Nomination Form Received LG | 746 | 20 | 744 | 85 | 99.73 |
| DWP request for Information LG | 12 | 10 | 11 | 85 | 91.67 |
| Death Grant to Set Up LG | 30 | 5 | 29 | 85 | 96.67 |
| Death In Retirement LG | 114 | 5 | 95 | 85 | 83.33 |
| Death In Service LG | 6 | 5 | 5 | 85 | 83.33 |
| Death on Deferred LG | 12 | 5 | 11 | 85 | 91.67 |
| Deferred Benefits Into Payment Actual | 171 | 5 | 150 | 90 | 87.72 |
| Deferred Benefits Into Payment Quote | 206 | 35 | 191 | 85 | 92.72 |
| Deferred Benefits Set Up on Leaving | 570 | 20 | 493 | 85 | 86.49 |
| Divorce Quote LG | 66 | 20 | 65 | 85 | 98.48 |
| Divorce Settlement Pension Sharing order Implemented | 1 | 80 | 1 | 100 | 100 |
| Enquiry LG | 2 | 5 | 2 | 85 | 100 |
| General Payroll Changes LG | 35 | 5 | 31 | 85 | 88.57 |
| Initial Letter Death in Service LG | 6 | 5 | 6 | 85 | 100 |
| Initial letter Death in Retirement LG | 114 | 5 | 104 | 85 | 91.23 |
| Initial letter Death on Deferred LG | 12 | 5 | 8 | 85 | 66.67 |
| Life Certificate Received LG | 127 | 10 | 124 | 85 | 97.64 |
| Monthly Posting | 527 | 10 | 442 | 95 | 83.87 |
| NI Modification LG | 6 | 20 | 6 | 85 | 100 |
| Pension Estimate | 265 | 10 | 183 | 75 | 69.06 |
| Refund Payment | 213 | 10 | 205 | 95 | 96.24 |
| Refund Quote | 230 | 35 | 218 | 85 | 94.78 |
| Retirement Actual | 155 | 3 | 146 | 90 | 94.19 |
| Retirement Quote | 200 | 10 | 183 | 85 | 91.5 |
| Set Up New Spouse Pension LG | 61 | 5 | 56 | 85 | 91.8 |
| Spouse Potential LG | 10 | 10 | 7 | 85 | 70 |
| Transfer In Actual | 26 | 35 | 24 | 85 | 92.31 |
| Transfer In Quote | 36 | 35 | 34 | 85 | 94.44 |
| Transfer Out Payment | 15 | 35 | 13 | 85 | 86.66 |
| Transfer Out Quote | 100 | 20 | 88 | 85 | 88 |

Reasons for underperforming KPI's:

| | |
|-------------------------------------|--|
| Transfer in quote | Delays in receiving appropriate documentation. |
| Article 4 Payment Death LG | Complex cases requiring further investigation or information. |
| Article 4 Payment Own Right LG | Complex cases requiring further investigation or information. |
| Initial letter Death on Deferred LG | NFI returns have resulted in new cases where we have no details of next of kin so require further investigation. |
| Monthly Posting | Files that cannot be validated because of errors, queries, mismatches etc. Average time taken across all employers is less than 10 days. |
| Pension Estimate | Larger than normal volumes across all Employers |
| Spouse Potential LG | NFI returns have resulted in new cases where we have no details of next of kin so require further investigation. |

2.0 Scheme Information

2.1 Membership numbers as at 15 December '17 were as follows:

| Numbers | Active | Deferred | Undecided | Pensioner | Frozen |
|--------------------|---------------|---------------|--------------|---------------|--------------|
| LGPS | 24,604 | 26,406 | 4,168 | 19,980 | 1,941 |
| Councillors | 1 | 39 | 0 | 43 | - |
| Totals no.s | 24,605 | 26,445 | 4,168 | 20,023 | 1,941 |
| Change | +407 | +229 | -807 | +260 | -20 |

2.2 Age Profile of the Scheme

| Status | Age Groups | | | | | | | | | | | | TOTAL |
|-----------------------|------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|-------|
| | U20 | 20-25 | 26-30 | 31-35 | 36-40 | 41-45 | 46-50 | 51-55 | 56-60 | 61-65 | 66-70 | 70+ | |
| Active | 431 | 1694 | 1598 | 2160 | 2558 | 3331 | 4341 | 3932 | 2878 | 1401 | 229 | 50 | 24603 |
| Beneficiary Pensioner | 96 | 38 | 2 | 4 | 4 | 17 | 39 | 83 | 141 | 216 | 311 | 1523 | 2474 |
| Deferred | 6 | 410 | 1452 | 2082 | 2179 | 3114 | 5238 | 5881 | 4750 | 1208 | 35 | 7 | 26362 |

| | | | | | | | | | | | | | |
|---------------------|----|-----|-----|-----|-----|-----|-----|-----|------|------|------|------|---------------|
| Deferred Ex Spouse | 0 | 0 | 0 | 0 | 3 | 1 | 9 | 15 | 9 | 1 | 0 | 0 | 38 |
| Pensioner | 0 | 0 | 1 | 1 | 6 | 11 | 48 | 122 | 1159 | 4404 | 5019 | 6709 | 17480 |
| Pensioner Deferred | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 2 | 1 | 0 | 0 | 4 |
| Pensioner Ex Spouse | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 12 | 5 | 4 | 23 |
| Preserved Refund | 39 | 186 | 111 | 124 | 143 | 214 | 281 | 300 | 226 | 157 | 107 | 54 | 1942 |
| Undecided | | | | | | | | | | | | | 4168 |
| Councillors | | | | | | | | | | | | | 83 |
| Total | | | | | | | | | | | | | 77,177 |

2.3 Employer Activity

Academies and Prime Account Schools

Between 1 September 2017 to 30 November 2017 two academies became Scheme employers in the Fund.

WYPF are currently working on ten schools that are in the process of converting to academies or Prime Account Schools.

Town and Parish Councils

Between 1 September 2017 to 30 November 2017 no Town and Parish Council became Scheme employers. No decisions are outstanding from Town and Parish Councils as to whether to become Scheme employers in the Fund.

Admission Bodies

Between 1 September 2017 to 30 November 2017 there were two new Admission Bodies in the Fund.

WYPF are currently working on the admissions for four Admission Bodies.

Employers ceasing Participation

Between 1 September 2017 to 30 November 2017 one employer ceased their participation in LPF.

Number of Employers in WYPF

These changes to employers bring the total number of employers in LPF as at 30 November 2017 to 251.

Admission Bodies in progress

| EMPLOYER | ISSUE | CURRENT POSITION | ACTION | NEXT ACTION REQUIRED |
|--------------------------|---------------------------------|---------------------|--|---|
| Future Cleaning Services | Request for admission received. | Need employee data. | Employee data received and application received. | Actuarial assessment completed. Admission agreement issued for signature. Admission |

| | | | | |
|--------------------------------|---------------------------------|--|---|---|
| | | | | still with academy trust. Contacted by Academy Trust - responding to queries re their liability as guarantor. |
| Outspoken Training | Admission due from 1/9/2017. | Application received. | | Admission agreement signed by Outspoken. Now with LCC Legal for signing and sealing of document. |
| Taylor Shaw (Branston Academy) | Request for admission received. | Need employee data and application form. | Employer confirmed willing to act as interim employer. Update on employee data requested. | Chasing up employer for up to date contribution info. |
| Compass Group | Request for admission received. | CGS wish to backdate entry. We are asking academies to confirm if they are willing to act as scheme employer for the interim period. | Conference call held with DRET and Compass Group. | Further conference call due with Dataplan to agree a way forward. |

3.0 Praise and Complaints

3.1 Over the quarter July to September we received **5** online customer responses. **113** Lincolnshire member's sample survey letters were sent out and **13 (11.51%)** returned:

Overall Customer Satisfaction Score;

| July to September 2016 | October to December 2016 | January to March 2017 | April to June 2017 | July to September 2017 |
|------------------------|--------------------------|-----------------------|--------------------|------------------------|
| 79.55% | 77.22% | 87.07% | 78.63% | 89.62% |

Appendix 1 shows full responses.

3.2 Employer Training

Over the quarter July to September one Employer session was held in Lincolnshire (one was cancelled due to lack of attendees). The session was on Employer Responsibilities.

Feedback from the event is attached at Appendix 2.

4.0 Internal Disputes Resolution Procedures

4.1 All occupational pension schemes are required to operate an IDR. The LGPS has a two-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the 'Adjudicator'). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered by the Pension Fund Manager. Stage 2 appeals are considered by a solicitor appointed by Lincolnshire County Council.

Stage 1 appeals against scheme employers

No appeal decisions in this period. Two appeals currently outstanding.

| Date of appeal | Employer | Reason for appeal | Decision | Outcome / comments |
|----------------|---------------------------------|--|----------|--------------------|
| 15/8/2017 | Compass Point Business Services | Appeal against not backdating ill health pension | | |
| 28/11/2017 | Lincolnshire County Council | Appeal against being refused an ill health pension | | |

Stage 2 appeals

One appeal upheld in current period. Two appeals currently outstanding.

| Date of appeal | Employer | Reason for appeal | Decision | Outcome / comments |
|----------------|-----------------------------|--|------------------------------------|--------------------|
| 27/7/2017 | Lincolnshire County Council | Appeal against refusal to pay deferred benefit on unreduced basis. | Referred back for reconsideration. | |
| 2/10/2017 | Boston Borough Council | Appeal against service used in pension calculation. | | |

| | | | | |
|-----------|-----------------------------------|---|--|--|
| 27/9/2017 | Lincolnshire County Council | Actual value of benefits paid was less than shown on annual statements - qualifying service incorrectly shown. | | |
|-----------|-----------------------------------|---|--|--|

4.2 The Pensions Ombudsman can consider appeals and allegations of maladministration, once the two stages of the IDRPs have been exhausted. There were no new appeals to the PO.

5.0 Administration Update

5.1 Outstanding Leaver forms

A meeting took place recently between LCC, Serco, LPF and WYPF to discuss the large volume of outstanding leaver forms. Serco has promised to provide an action plan which will highlight how the backlog of forms will be completed and the timescales for completion.

6.0 Current Issues

6.1 Assistant coroners & eligibility for LGPS

The LGPC Secretariat have received a Counsel's view on the eligibility of assistant coroners for membership of the LGPS in England and Wales, which concludes that assistant coroners are eligible for membership of the scheme.

6.2 Publication of LGPS statistics for 2016/17

DCLG have [published their annual statistics](#) on the LGPS in England and Wales, covering the 2016/17 scheme year.

The statistics are collated from the SF3 forms completed by LGPS funds each year and show the following (removing the effect of the merger of the Richmond and Wandsworth pension funds during 2016/17):

- Total expenditure in 2016/17 was £11.8 billion, up £0.4 billion from 2015/16.
- Total income in 2016/17 was £14.7 billion, up £0.7 billion from 2015/16.
- Overall, total expenditure was 81% of income in 2016/17, the same as in 2015/16.
- The market value of LGPS funds was £259 billion at the end of March

2017, an increase of £45 billion or 21% on March 2016.

- Active membership was up to 1,964,000 in 2016/17, from 1,943,000 in 2015/16.
- Active membership as a proportion of total membership was 35.16% in 2016/17, down from 36.00% in 2015/16.

6.3 **September 2017 rate of CPI**

On 17 October 2017, [the Office for National Statistics \(ONS\) announced](#) that the Consumer Prices Index (CPI) rate of inflation for September 2017 was 3.0%.

Government policy in recent years has been to base both pensions increase 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 for September of the previous year.

We await confirmation from the Government that revaluation and pensions increase for April 2018 will apply in the LGPS at a rate of 3.0%.

6.4 **SAB tier 3 employer project – publication of surveys**

The Scheme Advisory Board for the LGPS in England and Wales (SAB) has appointed Aon Hewitt to help them in their review of Tier 3 employers in the LGPS. Tier 3 employers are all those with no tax-payer backing (i.e. colleges, universities, housing associations, charities and any admission bodies with no guarantee from a Council, academy or other tax-payer backed employer).

For clarity, admission bodies falling within paragraph 1(d) of Part 3 of Schedule 2 to the LGPS 2013 Regulations, i.e. bodies formerly known as transferee admission bodies, are not classed as Tier 3 employers because they have a statutory guarantee from the related employer.

The aims of the exercise are to identify:

- the duties, benefits, issues and challenges for LGPS funds, Tier 3 employers and their scheme members with regard to their participation in the LGPS
- options for change that would improve the funding, administration, participation and member experience with regard to Tier 3 employers.

A key element of this project is information gathering and, on 27th November, the SAB launched three surveys for completion by:

- a) LGPS administering authorities – <http://lgpsregs.org/survey/administering-authorities.php>,

- b) Tier 3 employers - <http://lgpsregs.org/survey/employer.php>,
and
- c) LGPS members employed by tier 3 employers -
<https://lgpsmember.org/survey/member.php>

The surveys are due to close on 31st December 2017.

6.5 **SAB letter to the Minister regarding survivor benefits**

As agreed by the Scheme Advisory Board on the 16th November, the Chair, Councillor Roger Phillips, wrote to the Local Government Minister, Marcus Jones on the 27th November setting out the Board's intention to explore the scope for eliminating any existing inequalities in the scheme regarding survivor benefits.

The letter went on to confirm that the Government Actuary's Department should be commissioned to cost any such proposal ranging from full retrospective to equalising future survivor benefits only. At this stage, and in the absence of any such costing, the Board has no firm view on how any such proposal should be applied.

In the meantime, representations will continue to be made to DCLG for clarification on the extent to which the Brewster judgement applies to the LGPS in England and Wales.

6.6 **Legal opinion on GDPR and the LGPS**

LGPC Secretariat circulated a legal opinion from the legal firm Squire Patton Boggs on a number of questions regarding the implications of the EU's General Data Protection Regulation (GDPR) for the LGPS.

The topics Squire Patton Boggs have considered in the opinion include:

- Whether member consent is needed to process LGPS members' personal data for the purposes of the basic administration of the scheme.
- The legal power for administering authorities to share personal data with AVC providers, a) where a member has entered into an AVC arrangement, and b) for marketing purposes to those who have not entered into AVC arrangements.
- The retention of personal data by an administering authority where there is no remaining liability for an individual.
- The 'right to erasure' and how this relates to the LGPS.
- The 'right to restrict processing' and how this relates to the LGPS.
- 'Privacy by design' and how this relates to the LGPS.

- The formal role each of the following parties has in respect of LGPS member data under GDPR – i.e. whether data controller, data processor or joint data controller:
 - administering authority
 - scheme employer
 - fund actuary
- What GDPR means for practices whereby the administering authority gives the scheme employer access to parts of the pension administration system in order to view or update member records.

Work is also underway at a national level by the communications working group to produce a number of sample documents for LGPS administering authorities to make use of in their preparations for GDPR. These consist of the following:

- A privacy impact assessment (PIA),
- A Fair Processing notice (FPN),
- An incident report form, and
- A data protection policy.

6.7 Pensions Dashboard update

The Association of British Insurers (ABI), the organisation which steered the development of the Dashboard prototype, [published a report](#) containing a series of policy recommendations on how to develop a Dashboard that would bring about lasting benefits for pensions savers in the UK.

At the PLSA Conference, Guy Opperman MP, Minister for Pensions and Financial Inclusion, announced that DWP will take over responsibility for the introduction of the Pensions Dashboard from HM Treasury. DWP's involvement will begin with the undertaking of a feasibility study in the coming months, with the Department due to provide a fuller update on its plans in spring.

6.8 Ban on pensions cold calling – draft legislation to be brought forward in 2018

The Government intend to bring forward measures to restrict the likelihood of pension scams occurring, including the introduction of a cold calling ban.

6.9 Autumn Budget 2017

On 22nd November 2017, the Chancellor of the Exchequer delivered the [Autumn Budget 2017](#).

The Budget was a relatively quiet one for pensions but did include confirmation that the lifetime allowance will be going up to £1,030,000 from

6th April 2018. This increase is in line with the policy that the Government announced in the March 2015 Budget.

7 Finance

7.1 Cost per member

Shared service cost per member 2017/18 £13.62 (£15.05 for 2018/19 initial budget)

The shared service pension admin cost per member of £13.62 has been used to recharge LPF for this year. Our cost target for shared service pension admin is to maintain a cost target of £17. The projected cost for 2018/10 Pension Admin shared services has been estimated at £15.05. Our projected cost per member is therefore below our target cost of £17.

8 News

8.1 Awards

WYPF has been shortlisted by Pensions Age Awards under the following categories:

DB Scheme of the Year

Pension Scheme Communication Award

Pension Administration award

Pension Scheme Innovation Award

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 1 | Customer Survey Results |
| Appendix 2 | Feedback Summary |

Consultation

a) Have Risks and Impact Analysis been carried out??

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Background Papers

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

This report was written by Yunus Gajra, who can be contacted on 01274 432343 or Yunus.gajra@wypf.org.uk.

Customer Survey Results - Lincolnshire Members (1st July to 30th September 2017)

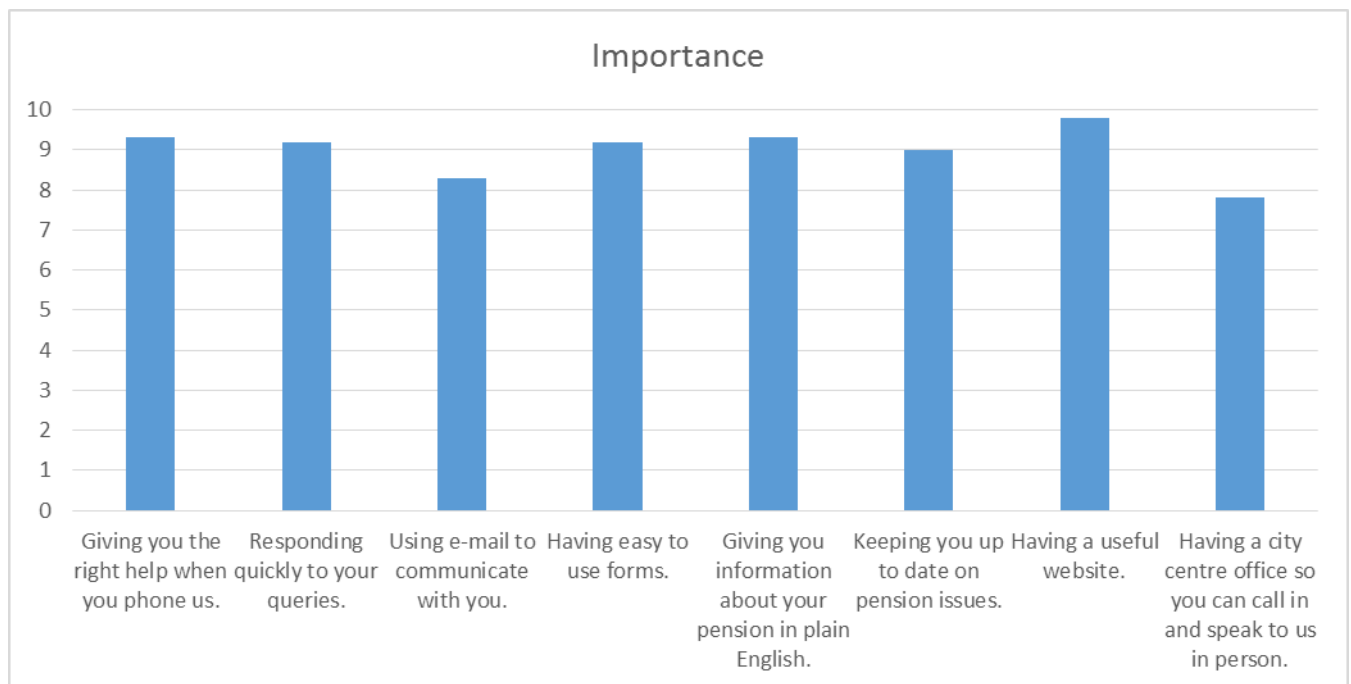
Over the quarter July to September we received **5** online customer responses.

Over the quarter July to September **113** Lincolnshire member's sample survey letters were sent out and **13 (11.51%)** returned:

Overall Customer Satisfaction Score;

| July to September 2016 | October to December 2016 | January to March 2017 | April to June 2017 | July to September 2017 |
|------------------------|--------------------------|-----------------------|--------------------|------------------------|
| 79.55% | 77.22% | 87.07% | 78.63% | 89.62% |

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



Sample of positive comments:

| Member Number | Comments |
|----------------------|--|
| Online | Got straight through without the annoying selection stuff and I talked to Nicola who was straight and understood what I wanted. Excellent service. Can't think of any improvements needed. |
| Online | Generally satisfactory since website available. I would like to see information become available on an ongoing basis regarding the amount a spouse would receive on death of the pensioner so they know what they are likely to receive. |
| 8030755 | Very good service which gave me peace of mind |

Complaints/Suggestions:

| Member Number | Comments | Corrective/ Preventive Actions |
|----------------------|-----------------|---------------------------------------|
| None | | |

**Employer Feedback (LPF)
Quarter 3 July – September 2017**

Pensionable Pay – 10 July 2017

Feedback score: N/A

- Workshop cancelled due to lack of attendees booked on.

Employer Responsibilities – 21 September 2017

Feedback score: 95.87%

| Comment | Action taken |
|---|--|
| The IDRPs slides were too Bradford Council focussed at stage 2. | Agreed, however the difference was discussed during the presentation. |
| Found the exercises to be a waste of time, some not used. Better use of time to talk through. | There is an ongoing discussion about the form of this workshop and what constitutes a relevant exercise. |

A summary of the compliments

- Made to feel comfortable and welcome. David was helpful and fun to learn with, kept it interesting.
- David - well presented. Learned a few things today & got list of things to check back at the office.

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Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

| | |
|------------|---|
| Report to: | Pensions Committee |
| Date: | 11 January 2018 |
| Subject: | General Data Protection Regulation and Pensions Administration |

Summary:

This report introduces a presentation by Yunus Gajra, the Business Development Manager from WYPF, on the implementation of the General Data Protection Regulation (GDPR) within the Pensions Administration service.

Recommendation(s):

That the Committee note the presentation and report.

Background

1. The General Data Protection Regulation (GDPR) was devised by European Parliament, Council and Commission to strengthen and unify how we use and protect data for individuals situated within the European Union. GDPR is replacing the current Data Protection Act 1998, and must be fully implemented by 25 May 2018.
2. LCC, as the administering authority of the Lincolnshire Pension Fund, is ultimately responsible for any data held in relation to the provision of pensions administration, however WYPF, as the Pension Administration service provider, is the required to put all practices and policies in place to ensure compliance with the new regulation.
3. Yunus Gajra, the Business Development Manager from the Fund's administrator, West Yorkshire Pension Fund, will present to the Committee explaining the changes required under GDPR and what WYPF are doing to ensure that they are compliant with the new regulation for the May deadline. The presentation is attached at appendix A.

Conclusion

4. GDPR comes into force on 28th May 2018, replacing the current Data Protection legislation. WYPF, as the Pensions Administration service provider will be responsible for ensuring that they are fully compliant with the new requirements ahead of the deadline.

Appendices

| | |
|---|-------------------|
| These are listed below and attached at the back of the report | |
| Appendix A | GDPR Presentation |

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Background Papers

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

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

West Yorkshire Pension Fund

General Data Protection Regulation (GDPR)

What is GDPR?

The General Data Protection Regulation (Regulation (EU) 2016/679) was devised by European Parliament, Council and Commission to strengthen and unify how we use and protect data for individuals situated within the European Union.

GDPR is replacing the Data Protection Act 1998.

Must be fully implemented by 25 May 2018.

BREXIT – does GDPR still apply?

Will come into effect before Brexit is completed and the UK Government is seeking to transpose existing EU legislation in to UK as part of Brexit.

Any individual within an EU country is to be provided data security in line with the GDPR.

Data Protection Roles

- **Information commissioner:** person who has the power to enforce the Act
- **Data controller:** person or organisation that collects and keeps data about people
- **Data processor:** person or organisation that processes data on behalf of the data controller
- **Data subject:** person who has data about them stored outside their direct control

GDPR applies to Data Processors as well as Data Controllers with effect 25 May 2018.

Data Protection Principles

Personal information must be fairly and lawfully processed

Personal information must be processed for limited purposes

Personal information must be adequate, relevant and not excessive

Personal information must be accurate and up to date

Personal information must not be kept for longer than necessary

Personal information must be processed in line with data subjects' rights

Personal information must be secure

Personal information must not be transferred to other countries without adequate protection

An Individual's Rights - GDPR

1. The right to be informed
2. The right of access
3. The right to rectification
4. The right to erasure
5. The right to restrict processing
6. The right to data portability
7. The right to object
8. Rights in relation to automated decision making and profiling.

Changes under GDPR

1. Breach notifications
72 hours to report from becoming aware of a breach
2. Right to access (Data Subject Access Requests – SAR's)
Timescale changed from 40 calendar days and optional £10 fee to 30 calendar days and free of charge
3. Right to be forgotten (aka data erasure)
Individuals can ask for any or all of their information to be removed from all systems
4. Data portability
Individual's data must be able to be transferred in a "commonly used" and machine readable format
5. Compliance by design
Inclusion of data protection from the onset of designing systems, policies and procedures – including PIA's (privacy impact assessments)
6. Data Protection Officer
DPO is a mandatory only for controllers and processors whose core activities consist of processing and monitoring on a large scale or of special categories of data or data relating to criminal convictions and offences.

Changes under GDPR

1. Privacy Impact Assessments
For each process and each change of process, must be published
2. Privacy Statement
Published on the website confirming adherence to GDPR and how we comply
3. Fair processing notice
Why we hold the data and what we use it for (including sharing with third parties)
4. Consent
Must be proactively given, not passive
5. Children's data
Where we hold Children's data all of the above information must be written in a way for them to understand.
6. Overseas members
May be subject to a different version of GDPR depending on individual member state adoption.

Sanctions for non-compliance

- a warning in writing in cases of first and non-intentional non-compliance
- regular periodic data protection audits
- a fine up to 20,000,000 EUR or up to 4% of the annual worldwide turnover of the preceding financial year, whichever is greater



West Yorkshire Pension Fund



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Where is data stored?



Laptops/
devices



Spreadsheets



Paper
records



Meeting
papers



USB
sticks



Microfiche



Database



Cloud based
storage



Emails

Who is processing our data?



What personal data is held?

| | | | |
|---------------------------|-------------------------|----------------------------|------------------------|
| <i>Names</i> | <i>ID numbers</i> | <i>Gender</i> | <i>Medical records</i> |
| <i>Dates of birth</i> | <i>Criminal records</i> | <i>Contact details</i> | <i>Salaries</i> |
| <i>Pension payments</i> | <i>Marital status</i> | <i>Dependants' details</i> | <i>Service dates</i> |
| <i>Employment history</i> | <i>Bank details</i> | <i>Benefits</i> | <i>Contributions</i> |

What is data being used for?



Scheme administration



Actuarial valuations



Preparing accounts

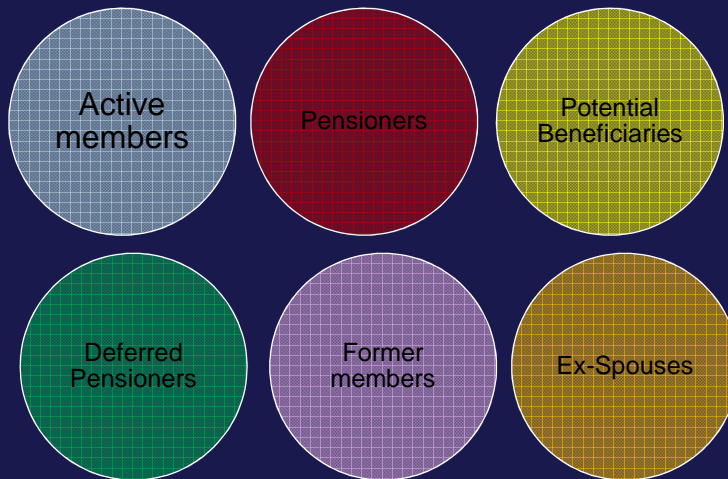


Providing legal advice



Exercising discretionary powers

Who are the data subjects?



Who is data shared with and how?

DOCUMENT ALL DATA FLOWS

- *How is data stored?*
- *Is it secure?*
- *Is data shared outside the EU?*
- *Are there any alternatives?*



How long is the data kept?

- *How long should you keep data?*
- *What about former members?*
- *How long are our processors keeping data?*
- *How is data destroyed?*
- *Ask to see each party's policy on data destruction*



RECORD OF PROCESSING ACTIVITIES

Processing details

| <i>Who holds the data?</i> | <i>Processor or controller?</i> | <i>What personal data do they hold?</i> | <i>Why are they using the data?</i> | <i>Who are the data subjects?</i> | <i>Will the data be shared with any third parties?</i> | <i>Is data transferred outside EEA?</i> | <i>How long is data kept?</i> | <i>How is the data secured?</i> |
|----------------------------|---------------------------------|---|--|---|--|---|-------------------------------|---------------------------------|
| Trustees | Joint Controller | | Scheme administration | | Administrators | No | Lifetime of scheme | |
| Administrators | Processor | Names, DOB, gender, contact details, service dates, salaries, benefits | Scheme administration | Active members, deferred members, pensioners, former members, potential beneficiaries, ex-spouses | Trustees, Actuary, Legal Advisers, IFAs, etc | No | Lifetime of scheme | |
| | | Special categories of data - medical records, sexual orientation | Ill-health retirements, nomination forms | | | No | x years after event | |
| Employer | Controller in common | | | | Administrators | No | | |

Is data secure?

- Pseudonymisation/encryption
- Is security regularly tested?
- How quickly can data be restored
- Relevant accreditations
- Ask to see each processors security policy



Summary

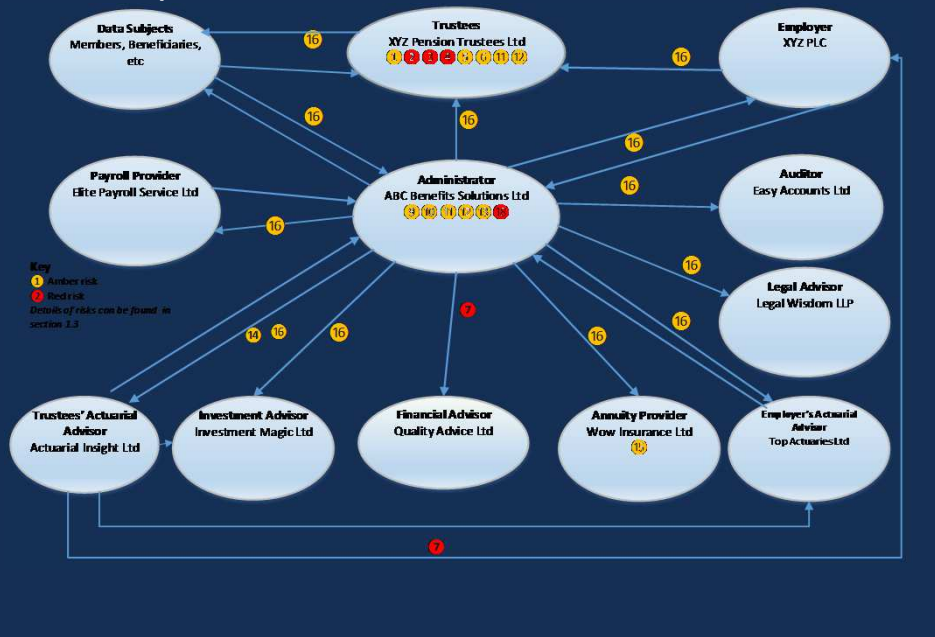
- 1. Coordinate data mapping and ongoing requirement for records of processing activities*
- 2. Keep in mind all the locations data is stored*
- 3. Consider each processor in turn*
- 4. Don't forget former advisers and former trustees*
- 5. Make sure your data is current*
- 6. Keep it simple and focussed but legal*
- 7. Don't forget data on trustees/advisers themselves*
- 8. Don't forget sub-processor*
- 9. Don't be afraid to keep data long term as long as you can justify it.*
- 10 Document policies via links in spreadsheet*

Summary of tips

- 1 / Coordinate data mapping and ongoing requirement for records of processing activities
- 2 / Keep in mind all the locations data is stored
- 3 / Consider each processor in turn
- 4 / Don't forget former advisers and former trustees
- 5 / Make sure your data is current
- 6 / Keep it simple and focussed but legal
- 7 / Don't forget data on trustees/advisers themselves
- 8 / Don't forget sub-processor
- 9 / Don't be afraid to keep data long term as long as you can justify it
- 10 / Document policies via links in spreadsheet

Data / Systems / Consultancy

Data map with risks



Questions



West Yorkshire Pension Fund



Lincolnshire Pension Fund

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Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

| | |
|------------|-----------------------------------|
| Report to: | Pensions Committee |
| Date: | 11 January 2018 |
| Subject: | Pension Fund Update Report |

Summary:

This report updates the Committee on Fund matters over the quarter ending 30th September 2017 and any current issues.

Recommendation(s):

That the Committee notes the report.

Background

Fund Summary

- 1.1 Over the period covered by this report, the value of the Fund increased in value by £39m (1.8%) to £2,160.7m on 30th September 2017. Fund performance and individual manager returns are covered in the separate Investment Management report, item 7 on the agenda.
- 1.2 Appendix A shows the Fund's distribution as at 30th September. All asset classes were within the agreed tolerances. The Fund's overall position relative to its benchmark can be described as follows:

Overweight Equities by 2.2%

UK Equities underweight by 0.9%
Global Equities overweight by 3.1%

Underweight Alternatives by 0.9%

Overweight Property by 0.4%

Underweight Infrastructure by 1.0%

Underweight Bonds by 1.4%

Overweight Cash by 0.8%

Movements in weight are due to the relative performance of the different asset classes.

- 1.3 The purchases and sales made by the Fund's portfolio managers over the period (including those transactions resulting from corporate activity such as take-overs) are summarised in Appendix B.
- 1.4 Appendix C shows the market returns over the three and twelve months to 30th September 2017.
- 1.5 The table below shows the Fund's ten largest single company investments (equity only and includes pooled investments) at 30th September, accounting for 9.3% of the Fund, compared to 10.1% in the last quarter. Direct equity holdings in the Fund are now shown on the Pensions shared website (www.wypf.org.uk), and updated on a quarterly basis.

| | Company | Total Value £M | % of Fund |
|----|--------------------------|---------------------------|------------------|
| 1 | ROYAL DUTCH SHELL | 34.0 | 1.6 |
| 2 | UNILEVER | 28.2 | 1.3 |
| 3 | HSBC | 25.8 | 1.2 |
| 4 | MICROSOFT | 20.8 | 1.0 |
| 5 | BRITISH AMERICAN TOBACCO | 19.4 | 0.9 |
| 6 | BP | 16.1 | 0.8 |
| 7 | APPLE | 15.3 | 0.7 |
| 8 | RECKITT BENCKISER | 14.8 | 0.7 |
| 9 | JP MORGAN | 14.0 | 0.7 |
| 10 | ALPHABET | 12.8 | 0.6 |
| | TOTAL | 201.2 | 9.3 |

- 1.6 Appendix D presents summarised information in respect of votes cast by the Manifest Voting Agency, in relation to the Fund's equity holdings. Over the three months covered by this report, the Fund voted at 22 company events and cast votes in respect of 242 resolutions. Of these resolutions, the Fund voted 'For' 170, 'Against' 47, abstained on 6 and withheld votes on 19.
- 1.7 A breakdown of the issues covered by these resolutions together with an analysis of how the votes were cast between 'For', 'Abstain' or 'Against' a resolution is given in Appendix D. Votes were cast in accordance with the voting template last reviewed at the 9th January 2014 meeting of this Committee, and effective from 1st March 2014.

2 Local Authority Pension Fund Forum

- 2.1 The Fund participates in the Local Authority Pension Fund Forum that has a work plan addressing the following matters:

- **Corporate Governance** – to develop and monitor, in consultation with Fund Managers, effective company reporting and engagement on governance issues.
- **Overseas employment standards and workforce management** - to develop an engagement programme in respect of large companies with operations and supply chains in China.
- **Climate Change** - to review the latest developments in Climate Change policy and engage with companies concerning the likely impacts of climate change.
- **Mergers and Acquisitions** - develop guidance on strategic and other issues to be considered by pension fund trustees when assessing M&A situations.
- **Consultations** – to respond to any relevant consultations.

2.2 The latest LAPFF engagement report can be found on their website at www.lapfforum.org. Some of the highlights during the quarter included:

- LAPFF's engagement with Sports Direct International continued through correspondence over voting recommendations for the 2017 AGM. Sports Direct has been embroiled for some time in a controversy over poor corporate governance and workplace practices at its Shirebrook warehouse. At the AGM, employment practices remained a focus, and LAPFF called for an independent review of current employment practices.
- A LAPFF representative attended Ashtead Group's AGM to discuss the company's remuneration in light of the new Department for Business, Energy and Industrial Strategy's green paper. The Forum was pleased that the company listened to shareholders following the 2016 AGM by changing the leverage incentive in the Performance Share Plan (PSP) pay scheme. The Forum further inquired whether the company welcomed the Government's Green Paper proposals, specifically in regards to executive pay and whether the company thinks that comparisons of CEO pay to median worker pay is a useful disclosure item for the company's stakeholders.
- Cllr Toby Simon of LAPFF met with Lonmin Plc to obtain an explanation of how the company will meet its commitments to its Social Labour Plan (SLP), to understand the company's position on carbon price and to confirm the company's ability to sustain long-term performance. The Forum was pleased with Lonmin's openness to dialogue and asked about the poor conditions of the platinum market, the company's ability to increase its net cash under these conditions, and the effectiveness of the recent rights issues.

- The Forum met with Richard Burrows, the Chair of British American Tobacco to understand the role public health plays in influencing the company's business strategy and business model. The meeting followed a previous meeting in 2013 on similar concerns and followed up with discussions about the necessary steps taken to address public health issues and comply with anti-smoking regulations, including the introduction of new next generation products.
- LAPFF has written to the Chairmen of HSBC Holdings, Standard Chartered, WPP, Aviva and International Consolidated Airlines Group SA, seeking meetings to better understand each company's respective approaches to cybersecurity and how this issue is managed at the board level.
- LAPFF attended the National Grid AGM, and asked the Chair, Sir Peter Gershon, how the final recommendations of the Taskforce on Climate-Related Financial Disclosure (TCFD) would affect the company's reporting on climate change and in particular on scenario planning. Notably the Finance Director responded, who is aiming to see if other finance directors can commit to the TCFD and noted that there will be a statement around the release of next year's annual report.

2.3 Members of the Committee should contact the author of this report if they would like further information on the Forum's activities.

3 Treasury Management

3.1 At the April 2010 meeting, the Pensions Committee agreed a Service Level Agreement with the Treasury team within Lincolnshire County Council, for the continued provision of cash management services to the Pension Fund.

3.2 The Treasury Manager has produced the outturn report detailing the performance of the cash balances managed by the Treasury. This shows an average cash balance of £14.5m. The invested cash has outperformed the benchmark from 1st April 2016 by 0.34%, annualised, as shown in the table below, and earned interest of £37.5k.

3.3 A weighted benchmark (combining both 7 day and 3 month LIBID) has been adopted by the Council, which is more reflective of the investment portfolio maturity profile.

| Pension Fund Balance – Q1 to 30th September 2017 | | | | |
|--|----------------------------------|--|---|--------------------------|
| Pension Fund Average Balance £'000 | Interest Earned £'000 | Cumulative Average Yield Annualised % | Cumulative Weighted Benchmark Annualised % | Performance % |
| 14,542.7 | 37.5 | 0.52 | 0.17 | 0.34 |

4 TPR Checklist Dashboard

- 4.1 The Pension Regulator's (TPR's) checklist for how Lincolnshire meets the code of practice 14 for public service pension schemes is attached at Appendix E.
- 4.2 The Areas that are not fully completed and compliant are listed below. There have been no changes since the last update report.

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 – It is the intention that all PB and PC members carry this out, and provide copies of the completion certificate to the Pension Fund Manager, however completion certificates have not been received for all members.

F1 – Maintaining Accurate Member Data - Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?

Amber - Scheme member records are maintained by WYPF. Therefore much of the information here and in later questions relates to the records they hold on LCC's behalf. However, as the scheme manager, LCC is required to be satisfied the regulations are being adhered to. Data accuracy is checked as part of the valuation process and the annual benefits statement process. Monthly data submission will improve data accuracy going forwards, however there are a number of historical data issues that are in the process of being identified and rectified.

F5 - Maintaining Accurate Member Data - Are records kept of decisions made by the Pension Board, outside of meetings as required by the Record Keeping Regulations?

Grey – not relevant as we do not expect there to be decisions outside of the PB. This will be monitored.

H5 - Maintaining Contributions - Has an annual benefit statement been provided to all members with AVCs within the required timescales?

Grey – provided directly by Prudential, with no Pension Fund involvement.

H6 – Maintaining Contributions - Do these meet the legal requirements in relation to format?

Grey – provided directly by Prudential, with no Pension Fund involvement.

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 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 - Annual Training Plan of Committee shared with PB and all PB members invited to attend. Self-assessments were carried out in March, however no personal training plans have been put in place, as the assessments have been used to identify training areas required across the Board.

5 Risk Register Update

- 5.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Committee to be approved.
- 5.2 Two risks have changed status over the quarter. Risk 28, concerning opting up to professional investor status, under the MIFIDII requirements has moved from red to green, as all managers have now accepted the opt-up requests. Risk 22, concerning resourcing issues within the LCC team, has also moved from red to blue. The Accounting, Investment and Governance Manager has now been appointed, however it has not yet gone to green due to the 6 month phased transition into the team, which will still mean additional workloads for the Pension Fund Manager.

| Risk 28 | Consequences | Controls | Risk Score | |
|--|---|--|------------|---|
| | | | L | I |
| Failure to be opted up to professional investor status following the implementation of MIFIDII | Fire sale of assets, inability to implement investment strategy | Use of LGA/SAB templates and letters, trained Committee, professional officers, use of investment advisors and consultants | 1 | 2 |

| Risk 22 | Consequences | Controls | Risk Score | |
|---|---|---|------------|---|
| | | | L | I |
| LCC team - workloads and resources - additional work of asset pooling along with team | Statutory requirements not met Reputational risk Increase in key man risk | Monthly meetings with County Finance Officer Concerns reported to Pensions Committee and Pension Board | 2 | 3 |

| | | | | |
|--|--|--|--|--|
| losses, means resources will be very stretched for the coming months | | | | |
|--|--|--|--|--|

5.3 One new risk has been added over the quarter, risk 29 – concerning the implementation of the Global Data Protection Regulations (GDPR) from May 2018. This impacts how data is held and shared, and requires additional policies and procedures being put in place by WYPF as the Fund's administrator. This is not as onerous as first thought. Legal advice obtained by LGA confirms that the statutory requirements of managing the pension fund remove some of the most time-consuming and difficult requirements – such as explicit consent to hold data.

| Risk 29 | Consequences | Controls | Risk Score | |
|---|-------------------------------------|--|------------|---|
| | | | L | I |
| Failure to meet the timescales to implement the requirements under GDPR | Reputational risk, referrals to ICO | WYPF project plan, monitoring, use of LGA guidance | 1 | 3 |

5.4 There is now one red risk, risk 24, which was added in June '16 as a result of the Brexit vote, and given the continuing uncertainty as to how this will play out, it is felt that the red status is still appropriate.

| Risk 24 | Consequences | Controls | Risk Score | |
|-------------------|--|---|------------|---|
| | | | L | I |
| UK leaving the EU | Volatility of market Lower gilt yields leading to higher liabilities Inflation increasing liabilities Uncertainty of political direction re pooling | Increased monitoring of managers Review investment strategy Regular communications with Committee and Board | 4 | 3 |

5.4 The full risk register is available from officers should any member of the Committee wish to see it.

6 Asset Pooling Update

- 6.1 The Joint Committee of BCPP met on 20th October and the papers and minutes have been shared with the Committee. Papers included:
- Briefing from the Chairman and Chief Executive Officer
 - Update on Executive and Non-Executive appointments
 - Update on general staff terms and conditions
 - Discussion on BCPP Board structure
 - Update on FCA submissions
 - Updates on project workstreams
- 6.2 At the time of the meeting, it was expected that the Chief Investment Officer (CIO) and Chief Risk Officer (CRO) would be appointed in November. However, at the time of writing, these posts have not been filled. Recruitment for the posts of Head of Client Services, Head of Finance and Reporting, Head of Compliance and Head of Legal and Company Secretary has been started.
- 6.3 The CEO, Rachel Elwell has been visiting all partner funds to meet their Committees and share her vision of the development and future operation of BCPP. In addition, she has been meeting with officers to discuss their asset allocations and how the sub funds being developed will meet the funds' investment strategy requirements.
- 6.3 Progress across the workstreams continues at some pace, and the project is still on track for the June 2018 implementation date. Key milestones that have been met include the appointment of the service provider for the operation of BCPP, the third party administrator, and the site for the office accommodation in Leeds.
- 6.4 The next meeting of the Joint Committee is on Monday 16th January in Northallerton. The proposed budget and cost sharing principles will be taken to this meeting. Papers will be shared once received. Having seen the papers, should any member of the Committee have any questions that they would like raising at the meeting, please let the Lincolnshire representative, Councillor Strengiel, know.

8 Custodian Extension Request - Update

- 8.1 The Lincolnshire Pension Fund entered into a seven year contract (five plus two) with JPMorgan, as its custodian, on 1st April 2011. This was reviewed in 2015 and the two year extension granted. The contract was due to expire on 31st March 2018, having taken the extension. At the October meeting of this Committee, Officers requested an additional maximum three year extension to this contract, by direct award, taking it to 31st March 2021. The Committee approve the request and a paper was prepared for the Executive Director of Finance and Public Protection, which was also approved.

8.2 Following further discussion with JPMorgan, it has now been agreed that the extension will be for one year, rather than three, and that the Fund will tender for a new custodian to be in place for April 2019.

Conclusion

9 This reporting period saw the value of the Fund rise, decreasing by £39m to £2,160.7m. At the end of the period the asset allocation, compared to the strategic allocation, was;

- overweight equities, property and cash; and
- underweight fixed interest, infrastructure and alternatives.

10 The contract with the Fund's custodian, JPMorgan, will be extended by direct award for an additional year, to March 2019, rather than the three year period agreed at the last meeting of the Pensions Committee.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Appendices

| | |
|---|------------------------------------|
| These are listed below and attached at the back of the report | |
| Appendix A | Distribution of Investments |
| Appendix B | Purchases and Sales of Investments |
| Appendix C | Changes in Market Indices |
| Appendix D | Equity Voting Activity |
| Appendix E | TPR Checklist Dashboard |

Background Papers

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

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

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APPENDIX A

DISTRIBUTION OF INVESTMENTS

| INVESTMENT | 30 Sept 2017 | | | 30 Jun 2017 | | | COMPARATIVE STRATEGIC BENCHMARK | |
|-------------------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|-----------------------|---------------------------------|-----------------|
| | VALUE £ | % OF INV CATEGORY | % OF TOTAL FUND | VALUE £ | % OF INV CATEGORY | % OF TOTAL FUND | % | TOLERANCE |
| UK EQUITIES | | | | | | | | |
| UK Index Tracker | 170,329 | 0.0% | 0.0% | 170,252 | 0.0% | 0.0% | | |
| Legal & General | 412,821,914 | 30.7% | 19.1% | 403,973,879 | 30.6% | 19.0% | 20.0% | +/- 2% |
| TOTAL UK EQUITIES | 412,992,243 | | 19.1% | 404,144,131 | | 19.0% | 20.0% | |
| GLOBAL EQUITIES | | | | | | | | |
| Invesco | 500,193,978 | 37.2% | 23.1% | 489,896,500 | 37.1% | 23.1% | 22.5% | +/- 2.5% |
| Threadneedle | 129,173,578 | 9.6% | 6.0% | 125,484,056 | 9.5% | 5.9% | 5.0% | +/- 1% |
| Schroder | 123,955,124 | 9.2% | 5.7% | 120,218,612 | 9.1% | 5.7% | 5.0% | +/- 1% |
| Morgan Stanley | 177,386,063 | 13.2% | 8.2% | 181,969,012 | 13.8% | 8.6% | 7.5% | +/- 1% |
| TOTAL GLOBAL EQUITIES | 930,708,743 | | 43.1% | 917,568,180 | | 43.2% | 40.0% | |
| TOTAL EQUITIES | 1,343,700,986 | 100% | 62.2% | 1,321,712,312 | 100% | 62.3% | 60.0% | +/- 6% |
| ALTERNATIVES | 303,718,336 | | 14.1% | 298,028,352 | | 14.0% | 15.0% | +/- 1.5% |
| PROPERTY | 203,043,607 | | 9.4% | 198,097,437 | | 9.3% | 9.0% | +/- 1.5% |
| INFRASTRUCTURE | 31,796,434 | | 1.5% | 31,376,182 | | 1.5% | 2.5% | +/- 1.5% |
| FIXED INTEREST | | | | | | | | |
| Blackrock Interim | 135,010,965 | 51.7% | 6.2% | 135,344,105 | 51.8% | 6.4% | 6.75% | +/- 1% |
| Blackrock | 126,201,580 | 48.3% | 5.8% | 126,074,518 | 48.2% | 5.9% | 6.75% | +/- 1% |
| TOTAL FIXED INTEREST | 261,212,545 | 100% | 12.1% | 261,418,623 | 100% | 12.3% | 13.5% | +/- 1.5% |
| TOTAL UNALLOCATED CASH | 17,255,7963 | | 0.8% | 11,092,443 | | 0.5% | 0.0% | + 0.5% |
| TOTAL FUND | 2,160,727,704 | | 100% | 2,121,725,348 | | 100% | 100% | |

APPENDIX B

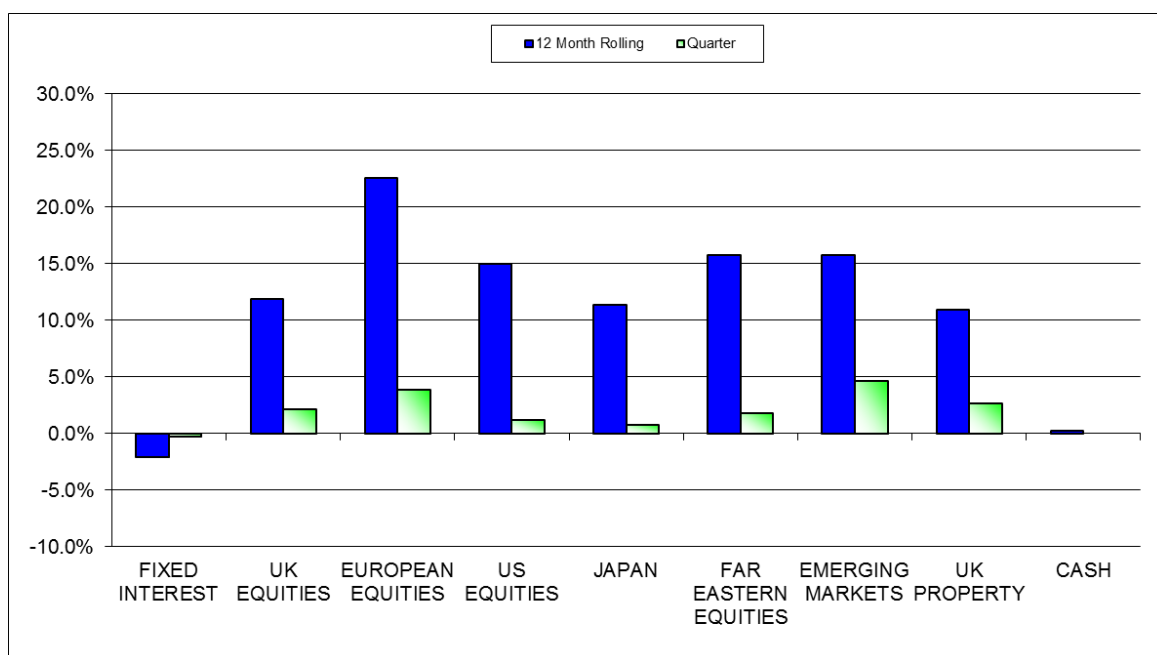
PURCHASES AND SALES OF INVESTMENTS
Quarter Ended 30th September 2017

| Investment | Purchases £000's | Sales (£000's) | Net Investment £000's |
|------------------------------|-----------------------------|---------------------------|--------------------------------------|
| UK Equities | | | |
| Legal & General | 0 | 0 | 0 |
| Global Equities | | | |
| Invesco | 53,247 | (50,045) | 3,202 |
| Threadneedle | 7,557 | (7,698) | (141) |
| Schroders | 16,950 | (14,524) | 2,426 |
| Morgan Stanley Global Brands | 0 | 0 | 0 |
| Total Equities | 77,754 | (72,267) | 5,487 |
| Alternatives | | | |
| Morgan Stanley | 0 | 0 | 0 |
| Total Alternatives | 0 | 0 | 0 |
| Property | 3 | (1,533) | (1,530) |
| Infrastructure | 0 | 0 | 0 |
| Fixed Interest | | | |
| BlackRock | 0 | 0 | 0 |
| Blackrock Interim | 0 | 0 | 0 |
| Total FI | 0 | 0 | 0 |
| TOTAL FUND | 77,757 | (73,800) | 3,957 |

NB: Blackrock, Morgan Stanley and Legal & General investments are Pooled Funds and therefore Purchases and Sales are only shown when new money is given to the manager or withdrawn from the manager.

APPENDIX C

MARKET RETURNS TO 30th SEPTEMBER 2017



| INDEX RETURNS | 12 Months to Sept 17 % | Jul-Sept 17 % |
|-----------------------------|------------------------|---------------|
| FIXED INTEREST | -2.1% | -0.3% |
| UK EQUITIES | 11.9% | 2.1% |
| EUROPEAN EQUITIES | 22.6% | 3.9% |
| US EQUITIES | 15.0% | 1.2% |
| JAPANESE EQUITIES | 11.4% | 0.8% |
| FAR EASTERN EQUITIES | 15.8% | 1.8% |
| EMERGING MARKETS | 15.8% | 4.6% |
| UK PROPERTY | 10.9% | 2.7% |
| CASH | 0.2% | 0.0% |

APPENDIX D

| Votes Summarised by Votes Cast | | | | |
|---|-----|---------|---------|-------|
| Votes Cast at Management Group Level | | | | |
| Report Period: 01 July 2017 to 30 September 2017 | | | | |
| Voting Guideline Code | For | Abstain | Against | Total |
| Adjourn Meeting | 2 | 0 | 0 | 2 |
| All Employee Share Schemes | 1 | 0 | 0 | 1 |
| Annual Incentive Plan Metrics | 2 | 0 | 0 | 2 |
| Approval of Executive's Remuneration Package | 1 | 0 | 0 | 1 |
| Auditor - Appointment | 14 | 0 | 4 | 18 |
| Auditor - Remuneration | 4 | 0 | 2 | 6 |
| Auth Board to Issue Shares | 2 | 0 | 1 | 3 |
| Auth Board to Issue Shares w/o Pre-emption | 1 | 0 | 1 | 2 |
| Authorise Option Grants/Dilution | 1 | 0 | 0 | 1 |
| Authorise Political Donations & Expenditure | 1 | 0 | 0 | 1 |
| Cancel Treasury Shares | 1 | 0 | 0 | 1 |
| Delegate Powers | 3 | 0 | 0 | 3 |
| Director Election - All Directors [Single] | 109 | 0 | 26 | 135 |
| Director Election - Chairman | 3 | 0 | 8 | 11 |
| Director Election - Chairs Audit Committee | 9 | 0 | 3 | 12 |
| Director Election - Chairs Nomination Committee | 5 | 0 | 3 | 8 |
| Director Election - Chairs Remuneration Committee | 8 | 0 | 1 | 9 |
| Director Election - Chairs Risk Committee | 2 | 0 | 0 | 2 |
| Director Election - Executives | 17 | 0 | 4 | 21 |
| Director Election - Lead Ind. Director/DepCH | 3 | 0 | 1 | 4 |
| Director Election - Non-executive/Sup Board | 92 | 0 | 21 | 113 |
| Director Election - Sits on Audit Committee | 28 | 0 | 7 | 35 |
| Director Election - Sits on Nomination Committee | 34 | 0 | 7 | 41 |
| Director Election - Sits on Rem Com | 36 | 0 | 7 | 43 |
| Director Election - Sits on Risk Committee | 5 | 0 | 0 | 5 |
| Distribute/Appropriate Profits/Reserves | 2 | 0 | 0 | 2 |
| Dividends - Ordinary | 7 | 0 | 0 | 7 |
| EGM Notice Periods | 1 | 0 | 0 | 1 |
| Elect Supervisors (China) | 3 | 0 | 0 | 3 |
| Financial Statements | 4 | 0 | 5 | 9 |
| Financial Statements - Environmental Issues | 4 | 0 | 5 | 9 |
| Individual Share Award | 0 | 0 | 1 | 1 |
| Issue Bonds (Other) | 2 | 0 | 0 | 2 |
| Long-term Incentive Plans | 0 | 0 | 3 | 3 |
| Merger Related Compensation [US] | 2 | 0 | 0 | 2 |
| NED Remuneration - Fee Rate/Ceiling | 1 | 0 | 0 | 1 |
| NED Remuneration - Fees proposed for year | 2 | 0 | 0 | 2 |
| NED Remuneration - Policy | 1 | 0 | 0 | 1 |

| | | | | |
|--|------------|-----------|------------|------------|
| NED Share Plan | 1 | 0 | 0 | 1 |
| Other Changes to Governance Arrangements | 1 | 0 | 0 | 1 |
| Reissue (Use) Treasury Shares | 1 | 0 | 0 | 1 |
| Related Party Transaction - Mandate | 1 | 0 | 0 | 1 |
| Related Party Transaction - Specific Transaction | 0 | 0 | 0 | 0 |
| Remuneration Policy | 1 | 0 | 0 | 1 |
| Remuneration Report | 4 | 0 | 10 | 14 |
| Research Pending | 0 | 0 | 0 | 0 |
| Say-on-pay Frequency | 8 | 19 | 0 | 27 |
| Service Contract | 1 | 0 | 0 | 1 |
| SH: Improve CSR Disclosure | 0 | 0 | 0 | 0 |
| SH: Independent Chairman | 1 | 0 | 0 | 1 |
| SH: Other | 0 | 0 | 0 | 0 |
| SH: Political Spending - Improve Disclosure | 1 | 0 | 0 | 1 |
| SH: Right to Nominate Directors - 'Proxy Access' | 1 | 0 | 0 | 1 |
| SH: Shareholder Action by Written Consent | 1 | 0 | 0 | 1 |
| SH: Weapons | 0 | 0 | 0 | 0 |
| Share Buy-back Authority (inc Tender Offer) | 2 | 0 | 1 | 3 |
| Share Issue - Employees - Free Shares | 1 | 0 | 0 | 1 |
| Share Issue - Placement (LR 7.1 ASX & LR 7.35b NZ) | 1 | 0 | 0 | 1 |
| Significant Transactions | 1 | 0 | 0 | 1 |
| Termination Provisions (Contract clauses) | 1 | 0 | 0 | 1 |
| | 441 | 19 | 121 | 581 |

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The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

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

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

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

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

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

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Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

| | |
|------------|-------------------------------------|
| Report to: | Pensions Committee |
| Date: | 11 January 2018 |
| Subject: | Investment Management Report |

Summary:

This report covers the management of the Lincolnshire Pension Fund assets over the period from 1st July to 30th September 2017.

Recommendation(s):

That the committee note this report.

Background

This report is split into four areas:

- Funding Level Update
- Fund Performance & Asset Allocation
- Hymans Robertson Manager Ratings
- Individual Manager Update

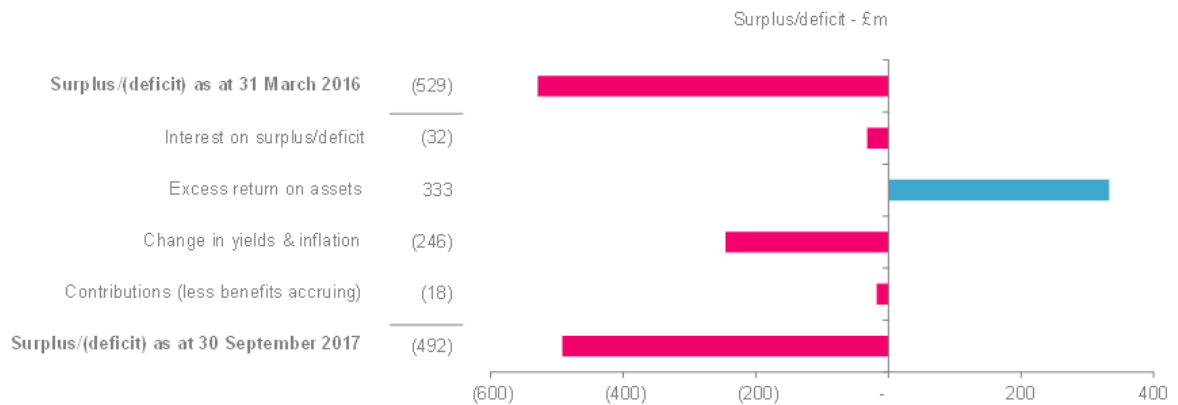
1. Funding Level Update

- 1.1 The funding update is provided to illustrate the estimated development of the funding position of the Lincolnshire Pension Fund from the latest formal valuation, 31st March 2016, to the current quarter end, 30th September 2017. The accuracy of this type of funding update is expected to 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 100% funding level.
- 1.2 The graph below shows the funding level at the latest formal valuation, at 76.9%, and its movement to 30th September 2017, where the funding level has increased to 81.8%.

Change in funding level since last valuation



1.3 Over that same time period the deficit, in real money, has decreased from £529m to £492m. The chart below shows the main impactors on the deficit, with the excess return in assets offsetting the negative changes in yields and inflation.



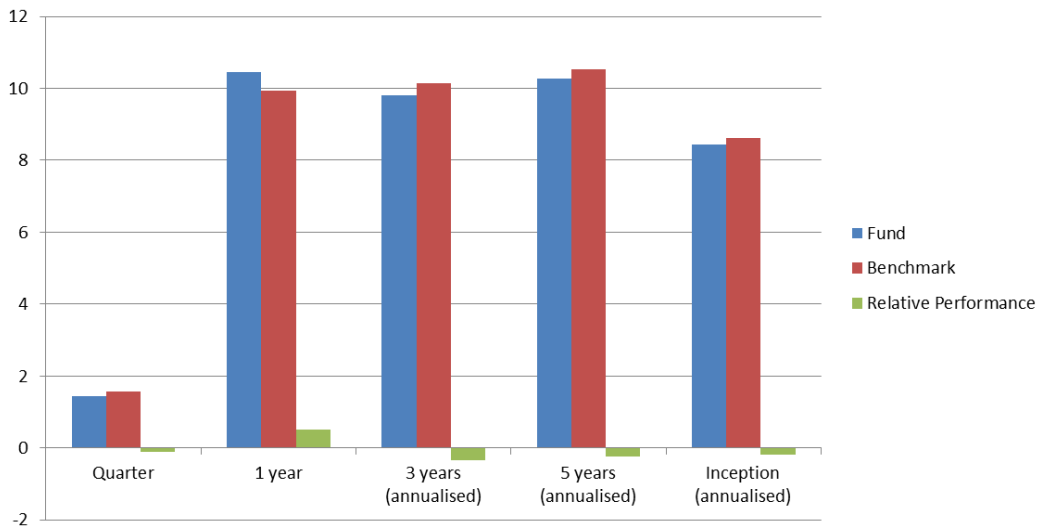
1.4 On a shorter term time horizon, looking at the last quarter, the funding level increased from 80.7% to 81.8% between 30th June and 30th September 2017, and the deficit reduced from £519m to £492m.

2. Fund Performance & Asset Allocation

2.1 The Fund increased in value by £39.0m during the quarter from £2,121.7m to £2,160.7, as the table below shows.

| Asset Class | Q3 2017 £m | Q2 2017 £m | Asset Allocation % | Strategic Asset Allocation % | Difference % |
|-----------------|----------------|----------------|--------------------------|---------------------------------------|-----------------|
| UK Equities | 413.0 | 404.1 | 19.1 | 20.0 | (0.9) |
| Global Equities | 930.7 | 917.6 | 43.4 | 40.0 | 3.4 |
| Alternatives | 303.7 | 298.0 | 13.9 | 15.0 | (1.1) |
| Property | 203.0 | 198.1 | 9.2 | 9.0 | 0.2 |
| Infrastructure | 31.8 | 31.4 | 1.5 | 2.5 | (1.0) |
| Fixed Interest | 261.2 | 261.4 | 12.2 | 13.5 | (1.3) |
| Cash | 17.3 | 11.1 | 0.8 | 0.0 | 0.8 |
| Total | 2,160.7 | 2,121.7 | 100.0 | 100.0 | |

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



| | Fund | Benchmark | Relative Performance |
|-------------|-------|-----------|----------------------|
| Quarter | 1.45 | 1.56 | (0.11) |
| 1 year | 10.45 | 9.93 | 0.52 |
| 3 years* | 9.8 | 10.14 | (0.34) |
| 5 years* | 10.28 | 10.53 | (0.25) |
| Inception** | 8.43 | 8.62 | (0.19) |

*Annualised from Yr 3 **Since Inception figures are from March 1987

2.3 Over the quarter, the Fund produced a positive return of 1.45% (as measured by JPMorgan), slightly underperforming the benchmark by (0.11%). The Fund was ahead of the benchmark over the one year period, but behind its benchmark over three and five years, and since inception.

3. Hymans Robertson Manager Ratings

3.1 Hymans Robertson, as the Fund's Investment Consultant, regularly meet managers to discuss current issues, management changes and performance. Each manager is then allocated one of five ratings between replace and retain. The table below shows Hymans Robertson's rating of all managers that have been appointed by the Lincolnshire Pension Fund.

3.2 The Fund has eighteen managers and during the quarter there was one rating change where Aviva Pooled Property Fund has been moved from "on watch" to "retain". Seventeen managers remained rated as "retain", and one manager, Rreef Ventures Fund 3, as "on watch". Officers continue to monitor managers closely and arrange meetings to discuss any potential issues

| Manager | Rating | | | |
|---|---------|---|----------|--------|
| | Replace | | On Watch | Retain |
| Invesco Global Equities (Ex-UK) | | | X | |
| Columbia Threadneedle Global Equity | | | X | |
| Schroders Global Equity | | | X | |
| Morgan Stanley Global Brands | | | | X |
| Morgan Stanley Alternative Investments | | | | X |
| Blackrock Fixed Interest | | | | X |
| Standard Life European Property | | | X | |
| Innisfree Continuation Fund 2 | | | | X |
| Innisfree Secondary Fund | | | | X |
| Innisfree Secondary Fund 2 | | | | X |
| Franklin Templeton European Real Estate | | | X | |
| Franklin Templeton Asian Real Estate | | | X | |
| RREEF Ventures Fund 3 | | X | | |
| Igloo Regeneration Partnership | | | X | |
| Aviva Pooled Property Fund | | | X | |
| Royal London PAIF | | | X | |
| Standard Life Pooled Property Fund | | | X | |
| Blackrock Property | | | X | |

4. Individual Manager Update

4.1 The manager returns and index returns for equity, fixed interest and alternative managers are shown in the table below. A detailed report on each manager outlining the investment process, performance, purchases and sales and Hymans Robertson's manager view can be found after the table at 4.2.

4.2 Manager Returns – As shown below it was a good quarter for the Fund with most managers producing a positive absolute return. Only one manager

underperformed their benchmark over that period, Morgan Stanley Global Brands. Over the 12 month period, all managers other than Blackrock (Fixed Interest) have produced a positive absolute return, with only Morgan Stanley Global Brands and Blackrock having underperformed their benchmark.

| Manager | 3 months ended 30/09/17 | | | Previous 12 months | | | Target p.a. % |
|--|-------------------------|----------------|---------------------|--------------------|----------------|---------------------|---------------|
| | Manager Return % | Index Return % | Relative Variance % | Manager Return % | Index Return % | Relative Variance % | |
| Legal & General (UK Equities)* <small>*From February 17</small> | 2.2 | 2.2 | 0.0 | N/A | N/A | N/A | Match Index |
| Invesco (Global Equities (ex UK)) | 2.1 | 1.5 | 0.6 | 15.9 | 14.6 | 1.1 | +1.0 |
| Columbia Threadneedle (Global Equities) | 3.0 | 2.0 | 1.0 | 21.2 | 19.3 | 1.6 | +2.0 |
| Schroder's (Global Equities) | 3.1 | 1.8 | 1.3 | 17.4 | 14.9 | 2.2 | +3.0 |
| Morgan Stanley Global Brands | (2.5) | 1.5 | (4.0) | 11.8 | 14.4 | (2.3) | n/a |
| Blackrock (Fixed Interest) | (0.3) | (0.3) | 0.0 | (2.0) | (2.1) | 0.1 | Match Index |
| Blackrock Interim (Fixed Interest) | 0.1 | 0.1 | 0.0 | 1.1 | 1.2 | (0.1) | Match Index |
| Morgan Stanley (Alternative Investments) | 2.0 | 1.1 | 0.9 | 6.4 | 4.4 | 1.9 | 3M LIBOR + 4% |

Lincolnshire Pension Fund
Global Equities – Invesco (Global Ex UK Enhanced)
Quarterly Report September 2017

Investment Process

This portfolio is mandated to track the MSCI World ex UK Index, with a performance target of +1% and a tracking error of 1%. The aim is to achieve long-term capital growth from a portfolio of investments in large-cap global companies. Active performance is generated through a quantitative bottom-up investment process, driven by stock selection and based on four concepts: Earnings Momentum, Price Trend, Management Action and Relative Value.

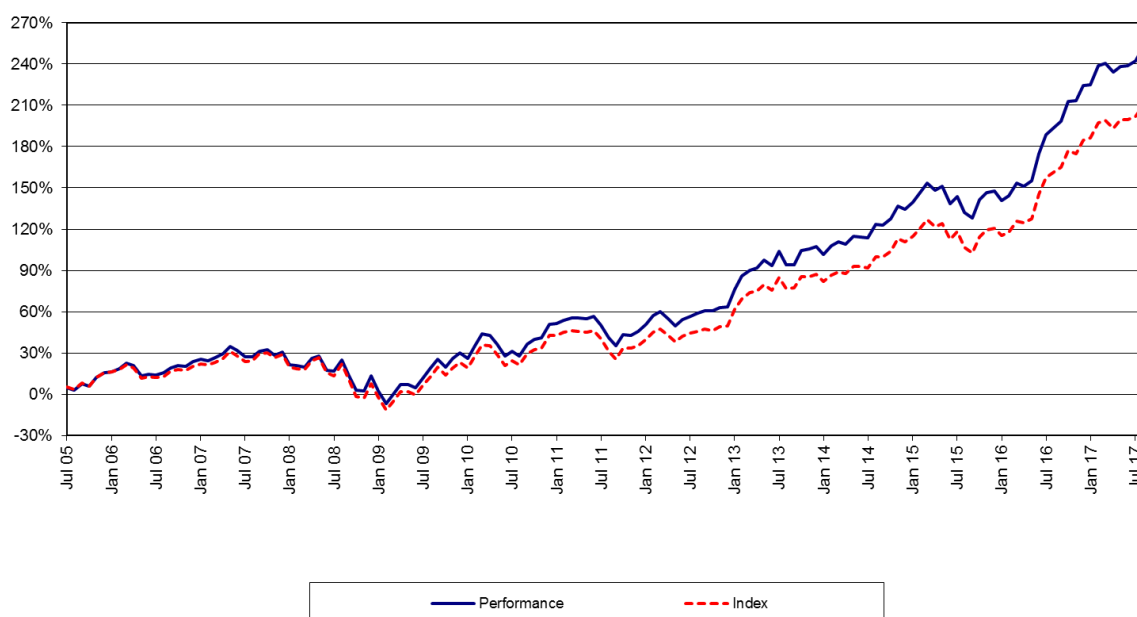
Portfolio Valuation

| | |
|-------------------|-------------------|
| Value at 30.06.17 | Value at 30.09.17 |
| £489,896,500 | £500,193,978 |

Performance

During the quarter Invesco's strategy outperformed its benchmark, with three positive months. As should be expected, stock selection led the outperformance. Within stock selection, the stocks with high value scores were the highest contributors. Performance over the longer term continues to be above the target return of +1%.

Invesco Performance Since Inception



| | Quarter % | 1 Year % | 3 Year* % | 5 Year* % | Inception* % |
|----------------------|-----------|----------|-----------|-----------|--------------|
| Invesco | 2.1 | 15.9 | 15.8 | 16.6 | 10.7 |
| MSCI World ex UK | 1.5 | 14.6 | 15.0 | 15.6 | 9.5 |
| Relative Performance | 0.6 | 1.1 | 0.7 | 0.9 | 1.1 |

* annualised, inception date 1st July 2005

Turnover

| Holdings at 30.06.17 | Holdings at 30.09.17 | Turnover in Qtr % | Turnover in Previous Qtr % |
|----------------------|----------------------|-------------------|----------------------------|
| 471 | 463 | 8.8 | 9.3 |

Purchases and Sales

During the quarter, Invesco made a number of stock adjustments to the portfolio. Top purchases over the quarter included adding Royal Caribbean Cruises, Sumitomo Rubber Industries and Xerox into the portfolio, and increasing their positions in Novartis, American Tower Corporation and Prologis. Top sales over the quarter were in selling out of their positions in Atlas Copco and Darden Restaurants, and decreasing their positions in K's Holding Corporation and Apple.

Largest Overweights

| | |
|----------------------|-------|
| Citigroup | 0.98% |
| Boeing Co | 0.87% |
| Wal-mart | 0.83% |
| JPMorgan Chase | 0.70% |
| Canadian Nat Railway | 0.65% |

Largest Underweights

| | |
|------------------|---------|
| General Electric | (0.54%) |
| Alphabet | (0.54%) |
| Verizon Comms | (0.51%) |
| Amazon | (0.48%) |
| Visa | (0.38%) |

* Measured against MSCI World ex UK (NDR)

Top 10 Holdings

| | | |
|---|----------------|-------------|
| 1 | Apple | £12,833,659 |
| 2 | JPMorgan Chase | £8,143,751 |
| 3 | Microsoft | £8,001,947 |
| 4 | Citigroup | £7,602,291 |
| 5 | Boeing Co | £6,305,763 |

| | | |
|----|-------------------|------------|
| 6 | Wal-mart | £5,751,740 |
| 7 | Johnson & Johnson | £5,556,439 |
| 8 | Procter & Gamble | £5,159,885 |
| 9 | AT&T | £4,952,648 |
| 10 | Bank of America | £4,891,967 |

Hymans Robertson View

This is a quantitative global equity strategy run from Invesco's Frankfurt office. The team aims to implement a factor based strategy in a systematic manner - producing a well-diversified equity portfolio exhibiting a low level of volatility. The portfolio managers carry out a final check on the proposed portfolio / trades but the portfolio construction process is essentially carried out within the model. The strategy has been successful in generating modest levels of outperformance at very low levels of risk.

In August, Invesco announced it had completed the acquisition of Source, a specialist ETF provider. The plan is to combine Source into Invesco's existing PowerShares ETF business.

Risk Control

The predicted tracking error of the portfolio slightly increased to 1.02%, compared to a target of 1%, with 93% of the active risk associated with Stock Selection Factors.

**Lincolnshire Pension Fund
Global Equities – Schroders
Quarterly Report September 2017**

Investment Process

This portfolio is mandated to outperform the MSCI All Countries World Daily Net Index by 2% to 4% over rolling three year periods, gross of fees. This is achieved through an investment approach that is designed to add value relative to the benchmark through both stock selection and asset allocation decisions. Schroders believe that stock markets are inefficient and they can exploit this by undertaking fundamental research and taking a long term view.

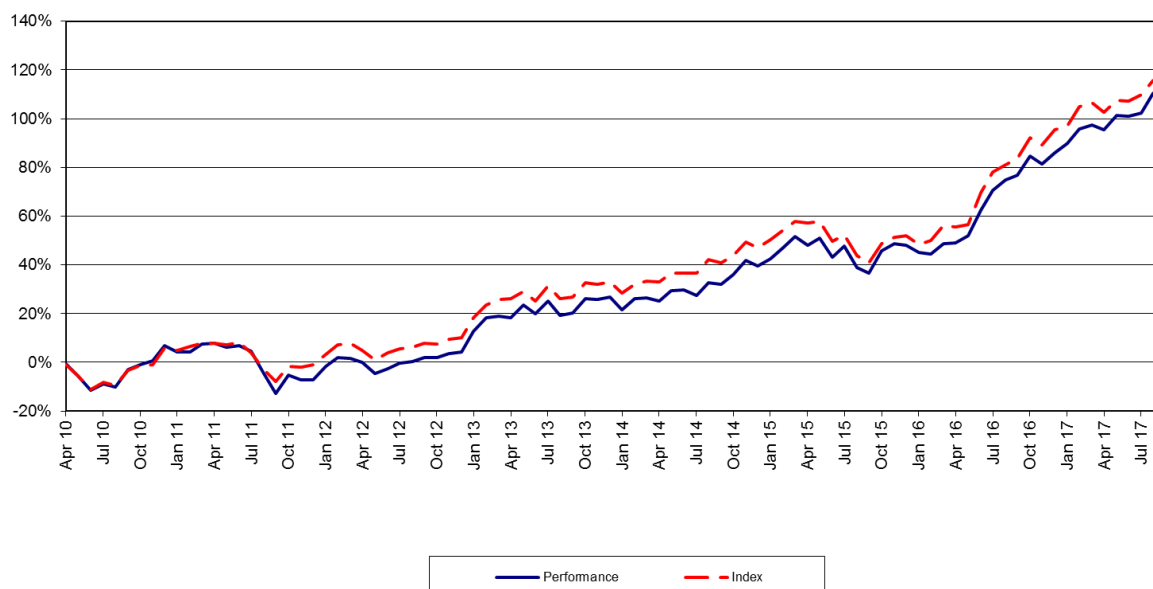
Portfolio Valuation

| | |
|-------------------|-------------------|
| Value at 30.06.17 | Value at 30.09.17 |
| £120,218,612 | £123,955,124 |

Performance

The portfolio outperformed over the quarter with stock selection generating the majority of the positive relative return. Positions in IT and industrials were especially strong, but holdings in most sectors contributed positively. The only exceptions were in consumer stocks – both discretionary and staples - which detracted slightly. Regional performance was also fairly broad-based. The US, emerging markets and Japanese stocks generated the majority of the outperformance, and the UK and Europe stocks posed a modest headwind.

Schroders Performance Since Inception



| | Quarter % | 1 Year % | 3 Year* % | 5 Year* % | Inception* % |
|----------------------|-----------|----------|-----------|-----------|--------------|
| Schroders | 3.1 | 17.4 | 16.3 | 15.3 | 10.2 |
| MSCI ACWI (Net) | 1.8 | 14.9 | 14.4 | 14.4 | 10.5 |
| Relative Performance | 1.3 | 2.2 | 1.6 | 0.8 | (0.2) |

*annualised, Inception date April 2010

Turnover

| Holdings at 30.06.17 | Holdings at 30.09.17 | Turnover in Qtr % | Turnover in Previous Qtr % |
|----------------------|----------------------|-------------------|----------------------------|
| 77 | 81 | 10.9 | 9.1 |

Purchases and Sales

Several trades were made over the quarter; closing a number of positions as either the investment thesis played out or the stock deviated from Schroders expectations for the business. Proceeds were rotated into higher conviction ideas. The two key transactions were the sale of KBC Group, as the shares appeared fully valued, and the purchase of Infineon Technologies, which has exposure to a number of industrial areas where high growth is expected, such as electric cars and automated driving as well as factory automation and data centres.

Top 5 Contributions to Return

| | |
|-----------------------|------|
| Alcoa | 0.3% |
| Keyence | 0.2% |
| Cimarex Energy | 0.1% |
| Alibaba Group | 0.1% |
| Infineon Technologies | 0.1% |

Bottom 5 Contributions to Return

| | |
|-------------------|--------|
| Reckitt Benckiser | (0.3%) |
| Medtronic Public | (0.2%) |
| Comcast | (0.1%) |
| Nestle | (0.1%) |
| Procter & Gamble | (0.1%) |

Top 10 Holdings

| | | |
|---|----------------|------------|
| 1 | Citigroup | £4,268,627 |
| 2 | Alphabet | £3,646,337 |
| 3 | Comcast Corp | £3,085,945 |
| 4 | JPMorgan Chase | £3,017,514 |
| 5 | DowDuPont | £2,943,199 |

| | | |
|----|----------------------|------------|
| 6 | Taiwan Semiconductor | £2,862,955 |
| 7 | United Health | £2,815,909 |
| 8 | Visa | £2,666,381 |
| 9 | Amazon | £2,560,782 |
| 10 | Nestle | £2,559,213 |

Hymans Robertson View

The Schroder's fundamental equity team has settled down under the leadership of Alex Tedder. We regard his actions in rebuilding the team as being a good foundation for the future and should improve consistency. There have been periods in recent years when portfolios focused on fundamental long term growth have struggled in markets dominated by low growth and risk aversion - though we support the broad philosophy of the team.

In October 2017, Frank Thormann joined the Global Equity team, from Union Investment. The recruitment of Thormann means there are now six Portfolio Managers on the team.

Risk Control

The portfolio can have a maximum 10% off-benchmark exposure; any increase in this would require the consent of the Pension Fund.

**Lincolnshire Pension Fund
Global Equities – Columbia Threadneedle
Quarterly Report September 2017**

Investment Process

This portfolio is mandated to outperform the MSCI All Countries World Index by 2% per annum, gross of fees over rolling three year periods. This is achieved through investment managers who can draw on their own knowledge and that of other parts of the organisation to implement a thematic approach to stock selection.

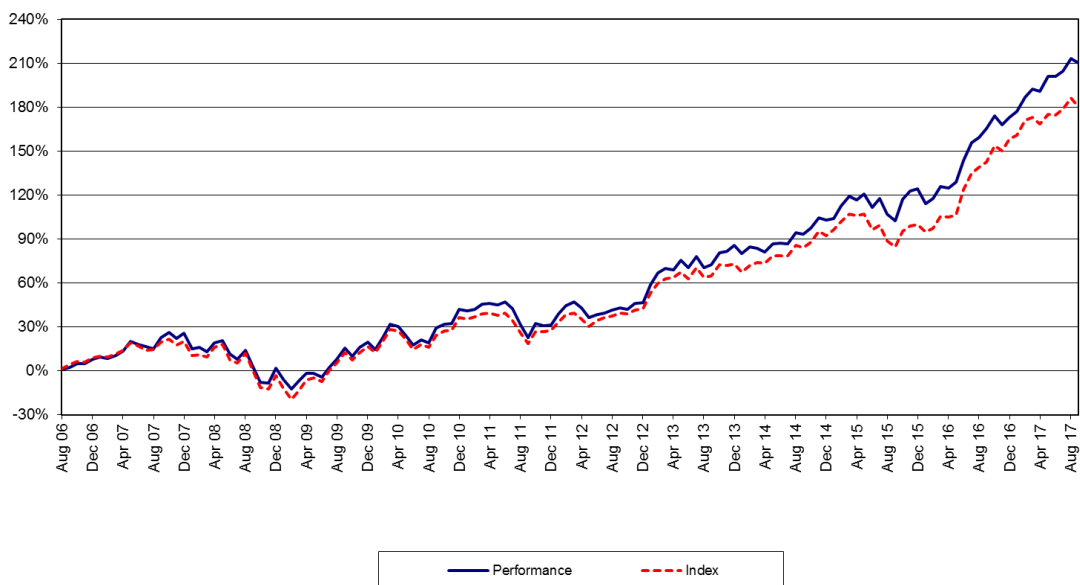
Portfolio Valuation

| | |
|-------------------|-------------------|
| Value at 30.06.17 | Value at 30.09.17 |
| £125,484,056 | 129,173,578 |

Performance

Columbia Threadneedle outperformed its benchmark strongly over the quarter. Stock selection drove returns, with holdings in technology leading the way; positions in consumer staples and healthcare were also notable contributors. Yaskawa Electric continued its recent strong run, strongly outperforming the benchmark over the quarter. The stock was propelled by growing demand for automation technology in industries including packaging and food. Micron Technology also sustained its run of outperformance, as it continued to benefit from secular drivers such as high demand from data centres. Further, equipment-hire company United Rentals was buoyed by positive pricing trends in its industry. Detractors included Nike, which fell after retailer Foot Locker missed earnings expectations; however, this did little to offset a strong month for the fund.

Columbia Threadneedle Performance Since Inception



| | Quarter % | 1 Year % | 3 Year* % | 5 Year* % | Inception* % |
|-----------------------|-----------|----------|-----------|-----------|--------------|
| Columbia Threadneedle | 3.0 | 21.2 | 17.0 | 16.8 | 10.7 |
| MSCI ACWI | 2.0 | 19.3 | 15.0 | 15.0 | 9.7 |
| Relative Performance | 1.0 | 1.6 | 1.7 | 1.6 | 0.9 |

Turnover

| Holdings at 30.06.17 | Holdings at 30.09.17 | Turnover in Qtr % | Turnover in Previous Qtr % |
|----------------------|----------------------|-------------------|----------------------------|
| 86 | 84 | 5.1 | 7.0 |

Purchases and Sales

A new position was opened in Tesaro, which develops cancer therapeutics and supportive care products. Tesaro stands to benefit from developments in its treatments, which could eventually be used to treat more than one cancer type. Tencent was sold, and holdings were reduced in Activision Blizzard and Facebook. All three technology companies' valuations having risen sharply and profits were reallocated into firms retaining stronger long-term growth prospects. The position in Spirit Airlines was also closed; due to concerns about the company's earnings amid pricing pressures and increased competition, and the belief that preferable alternatives now exist elsewhere.

Top 5 Contributions to Return

| | |
|-------------------|-------|
| Micron Technology | 0.36% |
| Yaskawa Electric | 0.34% |
| United Rentals | 0.27% |
| Alibaba Group | 0.25% |
| Mastercard | 0.25% |

Bottom 5 Contributions to Return

| | |
|------------------------|---------|
| Spirit Airlines | (0.42%) |
| Nike | (0.25%) |
| Johnson Controls Int'l | (0.14%) |
| Dentsply Sirona | (0.13%) |
| Criteo SA | (0.13%) |

Top 10 Holdings

| | | |
|---|----------------|------------|
| 1 | Alphabet | £4,470,499 |
| 2 | Amazon | £2,834,972 |
| 3 | JPMorgan Chase | £2,820,811 |
| 4 | Unilever | £2,788,606 |
| 5 | Mastercard | £2,758,388 |

| | | |
|----|------------------|------------|
| 6 | Schwab (Charles) | £2,748,082 |
| 7 | Visa | £2,575,730 |
| 8 | Bank of America | £2,548,179 |
| 9 | Anheuser-Busch | £2,506,201 |
| 10 | Facebook | £2,495,215 |

Hymans Robertson View

The team's investment approach is based on fundamental research with a strong emphasis on inputs from the broader investment research resources at Columbia Threadneedle. The portfolios of around 60 - 70 stocks typically have a growth bias. The team is now well resourced and will hopefully enjoy a period of stability. William Davies is regarded as key to the operation of the team and we will be monitoring whether his expanded role as Head of Equities for EMEA has any detrimental impact in terms of his time spent on portfolio management.

There were no significant developments over the quarter.

Risk Control

The portfolio can have a maximum 10% off-benchmark exposure; any increase in this would require the consent of the Pension Fund.

Lincolnshire Pension Fund
Global Equities – Morgan Stanley Global Brands
Quarterly Report September 2017

Investment Process

The Global Brands Fund is an open-ended investment company incorporated in the United Kingdom. The aim of the Fund is to provide long term capital appreciation through investing in a concentrated high quality global portfolio of companies with strong “intangible assets”. The Fund is benchmarked against the MSCI World Index. Managers aim to gain an absolute return to the Fund rather than a relative return against their benchmark index.

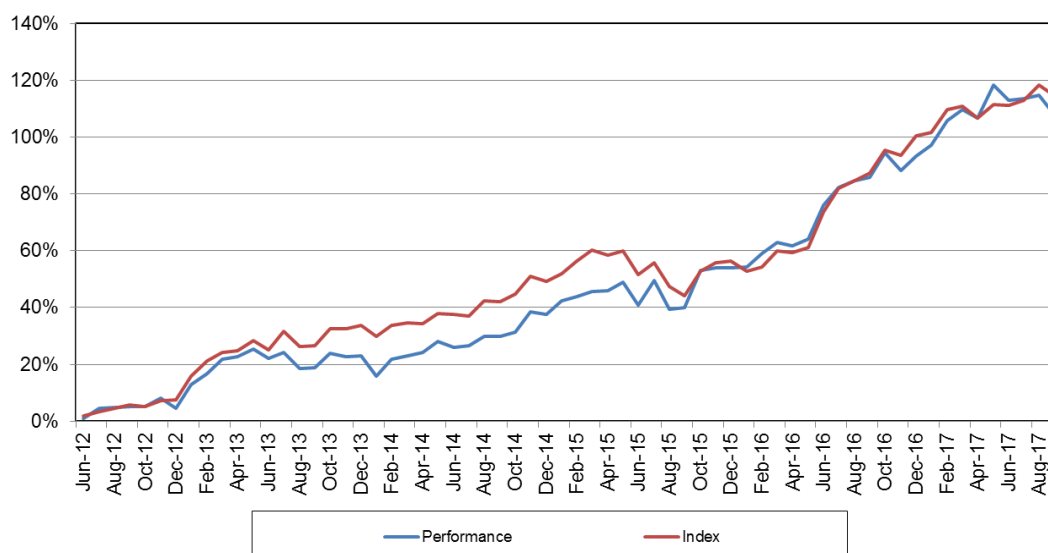
Portfolio Valuation

| | |
|-------------------|-------------------|
| Value at 30.06.17 | Value at 30.09.17 |
| £181,969,012 | £177,386,063 |

Performance

For the quarter the portfolio underperformed in relative terms, returning -2.52% versus 1.50% for the index. The portfolio was hurt by both stock selection and sector allocation. For sector allocation, the dominant issue was the overweight in Consumer Staples, which lagged 5% behind the overall index, while for stock selection both Consumer Discretionary and Consumer Staples showed underperformance against their respective benchmarks. The largest contributors to absolute performance during the quarter were Unilever, Visa and Microsoft. The main absolute detractors were Reckitt Benckiser, British American Tobacco and Altria.

Morgan Stanley Global Brands Performance Since Inception



| | Quarter % | 1 Year % | 3 Year* % | 5 Year* % | Inception* % |
|------------------------------|-----------|----------|-----------|-----------|--------------|
| Morgan Stanley Global Brands | (2.5) | 11.8 | 17.0 | 14.6 | 14.7 |
| MSCI World Index | 1.5 | 14.4 | 14.7 | 15.2 | 15.4 |
| Relative Performance | (4.0) | (2.3) | 1.9 | (0.5) | (0.6) |

Purchases and Sales

During the quarter, a position in Danaher, the US health care/industrial company, was initiated, having been on the radar for a long time. The position in Accenture, the leading IT company, was added to, and the position in British American Tobacco also grew, though this was largely due to the absorption of MS's Reynolds American position as the takeover completed. During the period, positions were also added to and reduced in select Consumer Staples, Information Technology, Industrials, Consumer Discretionary and Health Care names for quality or valuation reasons..

Top Contributors to Return

| | |
|-----------|-------|
| Unilever | 42bps |
| Visa | 36bps |
| Microsoft | 34bps |

Bottom Contributors to Return

| | |
|--------------------------|---------|
| Reckitt Benckiser | (94bps) |
| British American Tobacco | (73bps) |
| Altria | (72bps) |

Top Ten Holdings

| Company | Industry | % Weighting |
|--------------------------|--------------------|-------------|
| Unilever | Personal Products | 9.32 |
| British American Tobacco | Tobacco | 7.75 |
| Accenture | IT Services | 7.27 |
| Reckitt Benckiser | Household Products | 7.23 |
| Microsoft | Software | 7.20 |
| SAP | Software | 4.86 |
| Visa | IT Services | 4.79 |
| L'Oreal | Personal Products | 4.78 |
| Philip Morris | Tobacco | 4.50 |
| Twenty First Century Fox | Media | 4.14 |

Hymans Robertson View

The manager runs concentrated portfolios of 20 - 40 stocks with a strong quality bias, low turnover and low volatility in absolute terms. Companies need to exhibit high returns on capital, be investing to protect their brands and have shareholder friendly management teams. There is a tendency for the portfolio to have large allocations to consumer and technology stocks, often with limited exposure to many other sectors of the market. On a regional basis the strategy is often overweight in UK listed stocks though high levels of revenue earned in emerging markets is a more important feature. The strategy is currently open but with limited capacity available. The long term track record is strong, performing well in relative terms in down markets and generally keeping pace in all but the most extreme up market phases. This provides stability when employed alongside other active equity managers.

No significant developments were reported over the quarter.

**Lincolnshire Pension Fund
Passive Bonds – Blackrock
Quarterly Report September 2017**

Investment Process

Blackrock manage a passive bond mandate for the Pension Fund. Their portfolio is made up of three pooled funds; an index-linked bond fund, a corporate bond fund and an overseas bond fund. All three funds are designed to match the return of their relevant benchmarks. The manager uses two methods to manage index-tracking funds; full replication and stratified sampling.

Full replication involves holding each of an index's constituent bonds in exactly the same proportion as the index. This method is used where the number of constituents in an index is relatively low and liquidity is above a certain level.

Stratified sampling is the method used when full replication is not possible or appropriate. This approach subdivides the benchmark index according to various risk characteristics, such as currency/country, maturity, credit rating, sector of issuer etc. Each subset of bonds is then sampled to select bonds for inclusion within the pooled fund.

The table below shows the indexing method for each of the three pooled funds in which the Fund invests.

| Pooled Fund | Indexing Method |
|--|------------------------|
| Aquila Life Corporate Bond All Stocks Index Fund | Sampled |
| Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund | Full Replication |
| Aquila Life All Stocks UK Gilt Index Fund | Sampled |

Portfolio Valuation at 30th September 2017

| Portfolio | 30.06.17 £ | 30.09.17 £ |
|--|-----------------------|-----------------------|
| Corporate Bond All Stocks Index Fund | 67,467,917 | 67,566,248 |
| Over 5 Years UK Index-Linked Gilt Index Fund | 40,885,768 | 40,571,464 |
| All Stocks UK Gilts* | 26,990,517 | 26,873,350 |
| Cash (residual) | 1 | 1 |
| Total | 135,344,203 | 135,201,580 |

*Switched from Overseas Bond Index Fund in February 17

Performance

Over all periods the portfolio has performed as expected.

| | Quarter % | 1 Year % | 3 Year* % | 5 Year* % | Inception* % |
|----------------------|------------------|-----------------|------------------|------------------|---------------------|
| Blackrock | (0.3) | (2.0) | 8.2 | 6.7 | 7.4 |
| Composite Benchmark | (0.3) | (2.1) | 8.0 | 6.6 | 7.3 |
| Relative Performance | 0.0 | 0.1 | 0.2 | 0.1 | 0.1 |

*annualised since inception 28/07/10

Hymans Robertson View

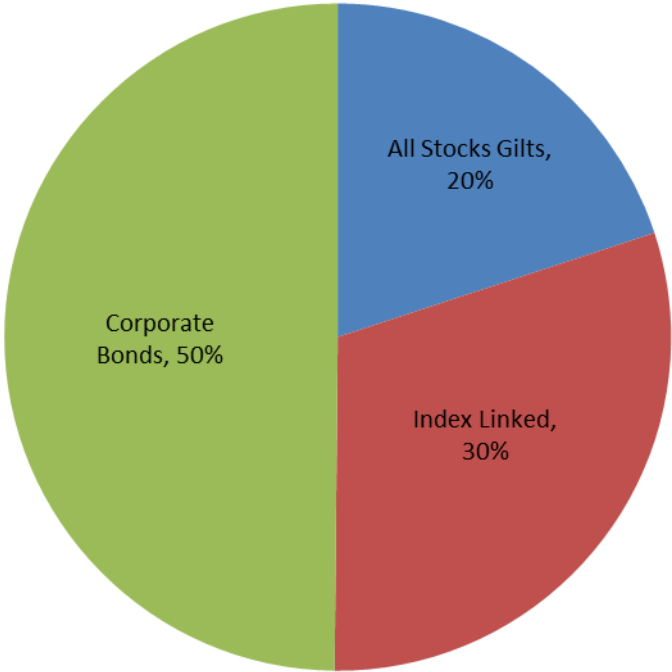
There were no significant developments within the Index Fixed Income team over the quarter.

Allocation

The target allocation between the three funds is:

| | |
|--|-----|
| Aquila Life Corporate Bond All Stocks Index Fund | 50% |
| Aquila Life Over 5 Years UK Index-Linked Gilt Index Fund | 30% |
| Aquila Life All Stocks UK Gilt Index Fund | 20% |

The pie chart below shows the allocation as at 30th September 2017.



**Lincolnshire Pension Fund
Passive Bonds – Blackrock interim
Quarterly Report September 2017**

Investment Process

Since the termination of BMO's Absolute Return bond fund, that element of the Fund's asset allocation has been temporarily housed in an interim Blackrock fund of short dated corporate bonds. The fund is managed passively, and aims to achieve index returns in line with the iBoxx Sterling Non-Gilts 1-5 Year Index.

Portfolio Valuation

| | |
|-------------------|-------------------|
| Value at 30.06.17 | Value at 30.09.17 |
| £126,198,322 | £126,328,641 |

Performance

Over all periods the portfolio has performed as expected.

| | Quarter % | 1 Year % | 3 Year* % | 5 Year* % | Inception* % |
|----------------------|-----------|----------|-----------|-----------|--------------|
| Blackrock Interim | 0.1 | 1.1 | n/a | n/a | 1.3 |
| Benchmark | 0.1 | 1.2 | n/a | n/a | 1.2 |
| Relative Performance | 0.0 | (0.1) | n/a | n/a | 0.1 |

*annualised since inception 14/09/16

Hymans Robertson View

There were no significant developments within the Index Fixed Income team over the quarter.

Lincolnshire Pension Fund
Alternative Investments – Morgan Stanley
Quarterly Report September 2017

Investment Process

Morgan Stanley manages a bespoke absolute return alternative investment mandate for the Fund. The portfolio is invested in alternatives only, with no exposure to traditional equities or bonds. Investments are made to complement our existing Fund allocation. The manager has a target to beat the return of 3 Month LIBOR + 4%. Morgan Stanley also manages the legacy private equity investments, however they are excluded from this report.

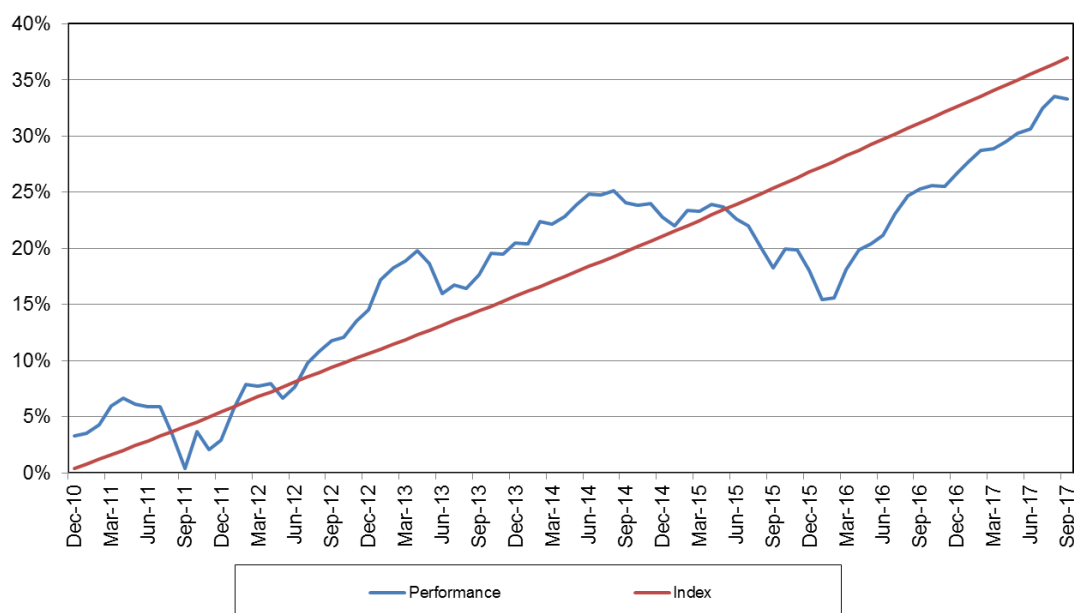
Portfolio Valuation

| | |
|-------------------|-------------------|
| Value at 30.06.17 | Value at 30.09.17 |
| £256,042,873 | £264,390,864 |

Performance

The portfolio outperformed during the quarter. Hedge funds, private market investments and frontier equities drove absolute returns, offsetting losses from catastrophe risk. Tactical decisions were overall additive, particularly increasing the frontier equity exposure, while manager selection modestly detracted from relative returns. Within manager selection, catastrophe risk and frontier equity particularly lagged.

Morgan Stanley AIP Performance Since Inception



| | Quarter % | 1 Year % | 3 Year* % | 5 Year* % | Inception* % |
|----------------------|-----------|----------|-----------|-----------|--------------|
| Morgan Stanley | 2.0 | 6.4 | 2.4 | 3.6 | 4.3 |
| 3 Month LIBOR + 4% | 1.1 | 4.4 | 4.6 | 4.6 | 4.7 |
| Relative Performance | 0.9 | 1.9 | (2.1) | (1.0) | (0.4) |

* annualised since inception date 24/11/2010

Allocation

Morgan Stanley has split out investments into a bespoke portfolio of alternatives comprising five different asset allocations;

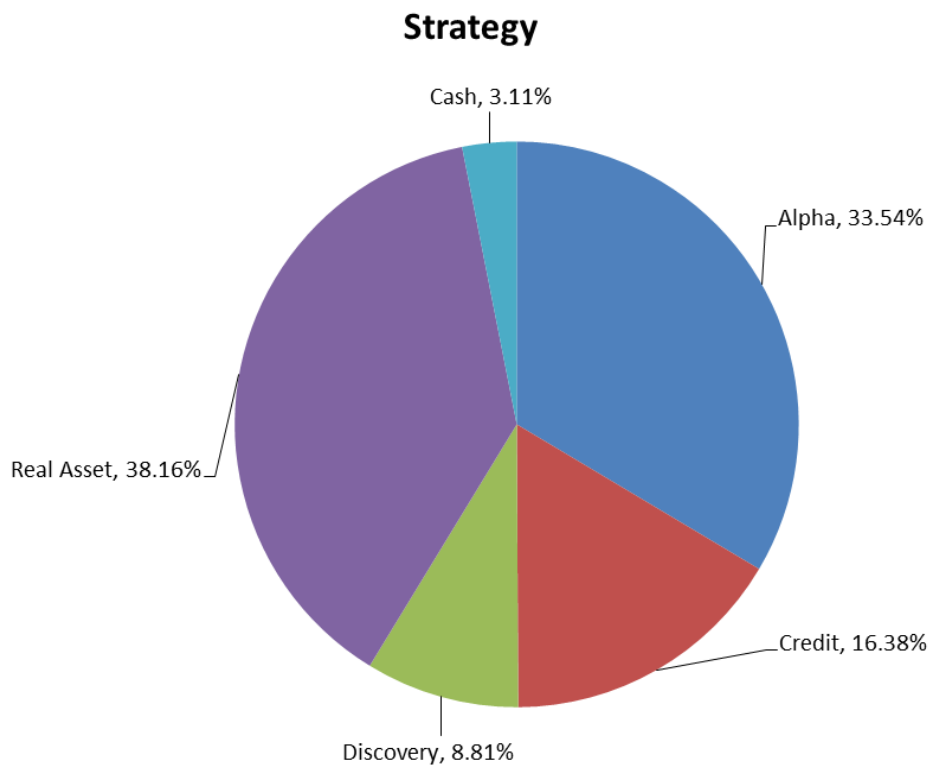
Alpha These are pure return seeking products based on Manager skill. The Alpha investments include Hedge Funds, Global Tactical Asset Allocation (GTAA) and Active Currency.

Long Term Real Asset These are long term investments that seek to access illiquidity premium. Investments include Private Equity, Infrastructure, Real Estate, Commodities and Inflation – linked strategies.

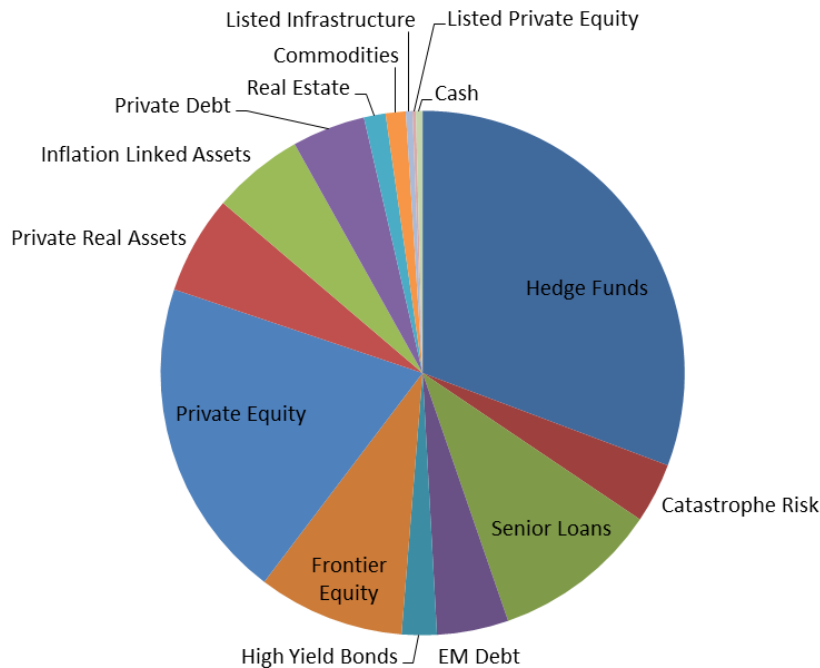
Credit These are the purchase of the lower rated bonds where higher default is more likely. Manager selection is important to ensure the correct bonds are purchased that will appreciate following rating upgrades and merger and acquisition activity. Credit opportunities include Emerging Market Debt, High Yield Bonds, Senior Loans and Convertibles.

Discovery These are new opportunities of investments and can include Frontier Markets, Distressed Opportunities and Volatility.

The pie charts below shows the strategy and asset class positions of the Morgan Stanley portfolio as at 30th September 2017.



Asset Class



Portfolio Positioning

MS continue to expect benign global growth on the signs of investment spending rebounds. The Fed announced the decision to start balance sheet reduction in October, but it is not expected to bring an abrupt end to the current positive market environment, on the assumption that the normalisation process will be gradual and predictable. European Central Bank President Mario Draghi has led markets to expect an announcement in October of a further reduction in Quantitative Easing purchase, which could put further upward pressure on bond yields. Coupled with spread compression, an underweight to credit is being maintained. The credit allocation is comprised of senior loans, Emerging Market debt and a smaller allocation to high yield. Similarly, on the liquid real asset side, a tactical underweight is maintained, based predominantly on valuation levels.

On the hedge fund side, lower beta equity long-short, merger arbitrage, Commercial Mortgage Backed Securities (CMBS) and catalyst-driven relative value investing are areas of emphasis that are expected to perform well in the current environment. These investments are balanced with a positive view on discretionary and systematic macro as a way to help mitigate the downside should the volatility environment shift.

The private markets portfolio continues to be build out. This quarter, diligence was completed on a private debt strategy focused on lending to the lower middle market, which MS believe remains capital-constrained relative to the broader private lending market. In real assets, diligence on a North America focused infrastructure strategy was finalised, that is very well positioned in a market that is very competitive, but offers significant opportunities across both operating assets and development projects. Lastly, MS remain disciplined in their small and mid-cap private equity bias and see an increasing amount of attractive co-investment

opportunities with high quality partners. MS are selective in our pursuit of secondary opportunities, but are participating in some opportunities that include a level of complexity that they believe will limit the competition.

Hymans Robertson View

The manager runs concentrated portfolios of 20 - 40 stocks with a strong quality bias, low turnover and low volatility in absolute terms. Companies need to exhibit high returns on capital, be investing to protect their brands and have shareholder friendly management teams. There is a tendency for the portfolio to have large allocations to consumer and technology stocks, often with limited exposure to many other sectors of the market. On a regional basis the strategy is often overweight in UK listed stocks though high levels of revenue earned in emerging markets is a more important feature. The strategy is currently open but with limited capacity available. The long term track record is strong, performing well in relative terms in down markets and generally keeping pace in all but the most extreme up market phases. This provides stability when employed alongside other active equity managers. No significant developments were reported over the quarter.

There were no significant developments over the quarter.

Risk Control

Portfolio volatility since inception is 3.73%, within the guidelines specified by the mandate.

Conclusion

Over the quarter, the Fund produced a positive return of 1.45%, underperforming the benchmark which returned 1.56%.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a Risk Register which can be obtained by contacting the author of this report.

Background Papers

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

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

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Open Report on behalf of Pete Moore, Executive Director of Finance and Public Protection

| | |
|------------|---|
| Report to: | Pensions Committee |
| Date: | 11 January 2018 |
| Subject: | Lincolnshire Pension Fund AVC Provider – Prudential Presentation |

Summary:

This report introduces a presentation from Prudential, the Fund's AVC provider.

Recommendation(s):

That the Committee notes the report.

Background

- 1 Every LGPS pension fund must offer scheme members the facility to pay additional voluntary contributions with an AVC provider. Whilst it is the responsibility of the administering authority to put these arrangements in place, this is not a service that the administering authority pays for – the costs of administering the AVC arrangements are met from management charges deducted by the AVC provider from the funds of the individual AVC holder (pension scheme member).
- 2 The Lincolnshire Fund appointed Prudential to provide this service in 1988, when an 'in house' AVC facility first became a requirement of the LGPS regulations. Prior to this date a member could pay an AVC but this would be a free standing arrangement with higher fees and charges and less flexibility in terms of options at the time of retirement. An in house AVC with the Prudential offers members greater retirement choice ranging from converting AVC pots into LGPS membership, buying an annuity both in scheme or on the open market and perhaps the most popular option taking the AVC fund as tax free cash, subject to HMRC limits.
- 3 There are a limited number of AVC providers in the LGPS market, with Prudential covering approximately 2/3rds of all funds.
- 4 Andrew Smith, the Prudential Client Manager for the Lincolnshire Fund, will present to this Committee covering the topics below:

- Lincolnshire Pension Fund update
 - LGPS and Prudential - in partnership since 1988
 - AVC plan update (Key statistics i.e. number of members, Funds Under Management)
- Prudential AVC proposition update
 - What have we delivered in 2017
 - What are we developing and delivering in 2018
- Working together in 2018
 - How can we help communicate the key aspects the LGPS and connected methods to boost pension provision
 - Onsite
 - Online
 - On the phone

Conclusion

5 Lincolnshire has worked with Prudential as its AVC provider since 1988. All aspects of the relationship are satisfactory.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the author of this report.

Background Papers

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

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