Lincolnshire COUNTY COUNCIL
Working for a better future

LGPS LOCAL PENSION BOARD

WEDNESDAY, 25 JULY 2018 at 10.00 AM

COMMITTEE ROOM THREE, COUNTY OFFICES, NEWLAND, LINCOLN LN1 1YL

MEMBERS OF THE BOARD

Independent Chair (non-voting)**:** Roger Buttery

Employer Representatives (voting)**:** Councillor M A Whittington and Kirsty McGauley

Scheme Member Representatives (voting)**:** Ian Crowther and David Vickers

AGENDA

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1	**Apologies for Absence**	
2	**Declarations of Members' Interests**	
3	**Minutes of the Meeting of the LGPS Local Pension Board held on 7 June 2018**	3 - 6
4	**Pensions Administration Report** *(To receive a report by Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund (WYPF)), which provides a quarterly update on current administration issues)*	7 - 44
5	**Pension Fund Update Report** *To receive a report by Jo Ray (Pension Fund Manager) which updates the Board on Pension Fund matters including any current issues)*	45 - 56
6	**Asset Pooling Update** *(To receive a report by Jo Ray (Pension Fund Manager) which updates the Board on progress of the creation of the Border to Coast Pensions Partnership Ltd (Border to Coast), the Fund's chosen asset pool)*	57 - 62

7	**Lincolnshire Pension Fund Policies Review** *(To receive a report by Jo Ray (Pension Fund Manager) which invites the Board to review the main policies of the Pension Fund)*	63 - 160
8	**Internal Audit of the Pension Fund** *(To receive a report by Jo Ray (Pension Fund Manager) which provides information on the internal audits which have been undertaken over the past year on the Lincolnshire Pension Fund and on the administration service provided by West Yorkshire Pension Fund (WYPF))*	161 - 182
9	**Employer issue - LCC Improvement Plan** *(To receive a report by Jo Ray (Pension Fund Manager) which presents an update from Lincolnshire County Council to provide assurance on their progress in addressing the issue and establishing robust arrangements to fulfil their statutory responsibilities as an employer in this area)*	183 - 186
10	**Annual Review of Employer Submissions** *(To receive a report by Jo Ray (Pension Fund Manager) which provides quarterly information on any late receipt of employer data or payments as part of the Fund Update report. The report also included the annual review of the employer monthly submissions)*	187 - 196
11	**Pension Fund Draft Annual Report and Accounts** *(To receive a report by Jo Ray (Pension Fund Manager) which presents the draft Annual Report and Accounts for the Pension Fund, to the Board for information)*	197 - 280
12	**Training Needs** *(This is a standing agenda item which is considered at every meeting of the Board)*	Verbal Report
13	**Work Programme** *(This item provides an opportunity for the Board to agree the business for consideration at forthcoming meetings)*	Verbal Report

Published on Tuesday, 17 July 2018

Should you have any queries on the arrangements for this meeting, please contact Andrea Brown via telephone 01522 553787 or alternatively via email at andrea.brown@lincolnshire.gov.uk

Lincolnshire COUNTY COUNCIL
Working for a better future

LGPS LOCAL PENSION BOARD
7 JUNE 2018

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Kirsty McGauley

Scheme Member Representatives: Ian Crowther and David Vickers

Councillors: attended the meeting as observers

Officers in attendance:-

Andrea Brown (Democratic Services Officer), David Forbes (County Finance Officer), Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund), Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Pension Fund Manager) and Vicki Sharpe (Pay and Reward Lead)

1 APOLOGIES FOR ABSENCE

No apologies for absence had been received. All Members were in attendance.

2 DECLARATIONS OF MEMBERS' INTEREST

Councillor M A Whittington declared that his wife was in receipt of a pension from the fund.

A standing declaration for Mr D Vickers was noted as follows:-

"Mr D Vickers highlighted a potential interest due to an ongoing issue between Mouchel Pension Scheme, of which he is a Trustee, and the Lincolnshire Pension Fund which was administered by West Yorkshire Pension Fund. The Board was asked to note the potential conflict of interest during consideration of future items."

3 MINUTES OF THE MEETING OF THE LGPS LOCAL PENSION BOARD HELD ON 26 MARCH 2018

The Chairman asked that the following amendments be made to the minutes:-

Minute No. 33 (page 4 of the agenda pack)

The following sentence to be added to the end of paragraph 3:-

"This meeting was cancelled due to the adverse weather conditions."

The first sentence in paragraph 4 to be deleted and the second sentence amended to read:-

"Vicki Sharpe of LCC explained that Fiona Thompson (Service Manager, People) had been unable to attend this meeting as she was currently addressing the Audit Committee on similar issues."

RESOLVED

That the minutes of the meeting of the LGPS Local Pension Board held on 26 March 2018, with the amendments noted above, be agreed and signed by the Chairman as a correct record.

4 EMPLOYER ISSUE - LCC IMPROVEMENT PLAN

Consideration was given to a report by Jo Ray (Pension Fund Manager) which provided an overview of the concerns raised by the Board relating to the information provided by Lincolnshire County Council (LCC) to the Fund's Administrator, West Yorkshire Pension Fund (WYPF).

The Board received a report in January and an update in March 2018 following which LCC were invited to this additional meeting to provide assurance to the Board that the issues were being addressed and that robust arrangements had been established in order to fulfil their statutory responsibilities as an employer.

Vicki Sharpe (Pay and Reward Lead, LCC) introduced the report and circulated a document entitled 'Progress on Actions – Leavers Data Sent to WYPF @ 7 June 2018'. The document included the following priority actions and progress to-date:-

1. Progress the Leaver's Backlog;
2. Address the quality issues (both correcting the historical errors and ongoing); and
3. Ongoing monitoring of the employer responsibilities by LCC.

The Board was advised that the current backlog stood at 678 with a further 176 cases to be submitted by the end of the week, this would take the outstanding backlog to 502. Some concern had been raised about the quality of the data although Serco had indicated that these were the more complex case which dated back to before 2015. These particular cases required manual data checks through paper files and records to ensure that submissions were accurate in order to minimise queries from the Fund's Administrator.

The Board was assured that the backlog would be complete within two to three months.

Having self-referred to The Pension Regulator (TPR), LCC were sending regular updates on progress. It was reported that TPR had not contacted LCC about their referral, therefore it was assumed that they were content with the progress so far.

A follow-up Payroll Audit had been completed in May 2018 which focussed on known issues and auditing that improvements had been made consistently to the control environment in payroll. An update was to be presented to the Audit Committee in June 2018.

The Chairman invited Yunus Gajra (Business Manager, West Yorkshire Pension Fund) to comment on the improvements made from the point of view of the Pensions Administrator. It was noted that there had been a vast improvement from the previous position but that the rate of receiving rectified data had resulted in considerable additional work to calculate deferred benefits and deferred benefit statements. The improvements had been noticeable and that the forms received appeared to be accurate therefore the number of queries had reduced significantly.

During discussion, the following points were noted:-

- Any underpayments would be rectified through future payrolls;
- Since the last meeting of the Board, it had been reported that LCC were currently looking for an alternative payroll provider from 2020 (at the end of the current contract with Serco). Planning was underway to transition to a new provider;

At 2.12pm, Mr D Vickers joined the meeting

- The potential for the Council to move to a new contract with Hoople raised concern that the priority would be given to the current data ahead of any transition, rather than the historical data. It was explained that there were a number of projects ongoing which included data cleansing. Workshops held with Hoople had shown the capability of the Business World On system (Agresso) to LCC and Serco staff and how data quality issues could be prevented. This had resulted in increased confidence in the transition and the data improvements;
- Serco had appointed a dedicated manager to lead on the rectification of the historical data which was being carried out as a separate project. LCC senior management continued to hold Serco to account to ensure that there was a vigour to the process and to ensure that the data was produced accurately and as quickly as possible;
- It was explained that Hoople were a Teckal company, established in 2011 by Herefordshire County Council alongside Herefordshire PCT and Wye Valley NHS Trust, to provide a range of services to strategic partners and customers;
- It was reported that TPR was to visit West Yorkshire Pension Fund to review data quality and record keeping. It was expected that this would be at a high level during this particular visit and that focus on detailed records was not anticipated;
- Data warehousing was an urgent project for LCC and it was confirmed that IMT was proactively working to create the new data warehouse;
- Monthly returns for members of staff leaving the organisation now were being met within the two month deadline. Although some areas remained

outstanding outside of leaver issues, monthly meetings had highlighted these cases to enable resolutions to be found;

- From a payroll perspective it was expected that, at the current rate of progress, that the Council would move to 'substantial assurance' for 'forward looking and not backward looking' work;
- The next Valuation Date was March 2019. The Board was assured that payroll from April 2018 had been accurate following the implementation of a number of fixes;
- Cases which could not be resolved would be referred back to the employer to provide manual records, however this was thought to be unlikely.

The Board was happy with the update provided and the progress made so far. It was agreed that a brief summary of the monthly meetings between LCC and Serco be provided to the Board to provide further assurance that improvements continued.

RESOLVED

1. That the update be noted; and
2. That a summary of the monthly meetings between LCC and Serco be presented to the Board at future meetings.

The meeting closed at 2.39 pm

Lincolnshire COUNTY COUNCIL Working for a better future

Regulatory and Other Committee

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

Report to:	**LGPS Local Pension Board**
Date:	**25 July 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 March 2018 to 31 May 2018.

- KPI's for the Period 1.3.18 – 31.5.18					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
AVC In-house (General)	82	10	81	85	98.78
Age 55 Increase LG	2	20	2	85	100
Article 4 Payment Own Right LG	19	10	17	85	89.47
Change of Address LG	226	5	217	85	96.02
Change of Bank Details LG	87	5	73	85	83.91

LPF - KPI's for the Period 1.3.18 – 31.5.18					
DG Nomination Form Received LG	787	20	787	85	100
DWP request for Information LG	22	10	21	85	95.45
Death Grant to Set Up LG	40	5	40	85	100
Death In Retirement LG	139	5	125	85	89.93
Death In Service LG	8	5	7	85	87.5
Death on Deferred LG	8	5	8	85	100
Deferred Benefits Into Payment Actual	235	5	223	90	94.89
Deferred Benefits Into Payment Quote	279	35	269	85	96.42
Deferred Benefits Set Up on Leaving	1050	20	1022	85	97.33
Divorce Quote LG	51	20	48	85	94.12
Enquiry LG	6	5	6	85	100
General Payroll Changes LG	140	5	139	85	99.29
Initial Letter Death in Service LG	8	5	8	85	100
Initial letter Death in Retirement LG	139	5	138	85	99.28
Initial letter Death on Deferred LG	8	5	8	85	100
Life Certificate Received LG	7	10	6	85	85.71
Monthly Posting	742	10	516	95	69.54
NI Modification LG	8	20	8	85	100
Pension Estimate	317	10	274	75	86.44
Refund Payment	143	10	139	95	97.2
Refund Quote	114	35	114	85	100
Retirement Actual	123	3	112	90	91.06
Set Up New Spouse Pension LG	82	5	70	85	85.37
Spouse Potential LG	8	20	8	85	100
Transfer In Actual	16	35	14	85	87.5
Transfer In Quote	53	35	53	85	100
Transfer Out Payment	19	35	18	85	94.74
Transfer Out Quote	80	20	70	85	87.5

Reasons for underperforming KPI's:

Change of Bank details	Although not done within target days all changes actioned in time for payroll to enable pension to be paid to the correct account.
Monthly Posting	Files that cannot be validated because of errors, queries, mismatches etc. Average time taken across all employers is less than 10 days.

2.0 Scheme Information

2.1 Membership numbers as at June 18 were as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	26,818	27,043	1,256	20,478	1,882
Councillors	0	39	0	41	-
Totals nos	**26,818**	**27,082**	**1,256**	**20,519**	**1,882**
Change	+601	+450	-1,152	+340	+3

2.2 Age Profile of the Scheme

	Age Groups												
Status	U20	20-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70	70+	TOTAL
Active	428	1935	1867	2383	2890	3507	4639	4285	3062	1516	245	59	26,816
Beneficiary Pensioner	92	39	3	5	4	9	39	78	154	229	308	1570	2,530
Deferred	6	464	1400	2209	2327	3109	5309	5963	4927	1249	33	4	27,000
Deferred Ex Spouse	0	0	0	0	3	1	9	14	11	1	0	0	39
Undecided	16	121	124	123	177	174	196	141	101	55	18	10	1,256
Pensioner	0	0	1	1	4	12	44	118	1128	4407	5117	7094	17,926
Pensioner Deferred	0	0	0	0	0	0	0	1	2	0	0	0	3
Pensioner Ex Spouse	0	0	0	0	0	0	0	0	1	12	4	6	23
Preserved Refund	26	209	117	121	141	198	255	295	221	146	108	45	1,882
Councillors													80
Total													**77,555**

2.3 **Employer Activity**

Academies and Prime Account Schools

Between 1 March 2018 to 31 May 2018, 4 academies became Scheme employers in the Fund.

WYPF are currently working on 12 schools that are in the process of converting to academies or Prime Account Schools.

Town and Parish Councils

Between 1 March 2017 and 31 May 2018 no Town or Parish Councils became Scheme employers.

Admission Bodies

Between 1 March 2018 and 31 May 2018 there was one new Admission Body in the Fund – backdated to 1 January 2018.

WYPF are currently working on the admissions for 4 Admission Bodies.

Employers ceasing Participation

Between 1 March 2018 and 31 May 2018 no employers ceased their participation in LPF.

Number of Employers in LPF

These changes to employers bring the total number of employers in LPF as at 31 May 2018 to 260.

Admission Bodies in progress

Name	Proposed start date	Current position
Future Cleaning Services	01/08/2016	Amended admission agreement sent to employer. Employer wishes to see admission body put bond into place before signing. FCS asking for a form of bond agreement. Have been liaising with LCC Legal on this and need to discuss with Jo how she wishes to proceed.
Taylor Shaw (Branston)	1/1/18 (with scheme employer acting as interim employer)	Assessment received from Hymans and forwarded to employer. Taylor Shaw came back with a number of issues over the wording. Liaised further with LCC Legal and have now gone back with final document to Taylor Shaw – who have now agreed to sign. Awaiting signed agreement.
Compass Group	1/1/18 (with scheme employer acting as interim employer)	Admission is now in place. Ensuring the final matters are resolved in relation to the Bond requirement and outstanding contributions.
Easyclean (Baston Primary)	1/6/2018	School has transferred one member of staff under a cleaning contract and admission has been requested. Liaising with LCC regarding fees involved.

Admission Bodies concluded

Nil

3.0 Praise and Complaints

3.1 Over the quarter January to March we received **2** online customer responses. **121** Lincolnshire member's sample survey letters were sent out and **172** (**14.05%)** returned:

Overall Customer Satisfaction Score;

January to March 2017	April to June 2017	July to September 2017	October to December 2017	January to March 2018
87.07%	78.63%	89.62%	91.74%	87.34%

Appendix 1 shows full responses.

3.2 Employer Training

Over the quarter January to March two Employer sessions were held in Lincolnshire, Pensionable Pay and Secure Administration.

Feedback from the event is attached at Appendix 2.

3.3 Employer Survey

An Employer Survey was recently carried out to identify areas of WYPF/LPF service with employers that could be improved.

The survey was emailed, and made available on the employer blog, to all authorised users notified to use by the scheme employers of WYPF/LPF.

These are the Finance, Administration and Strategic contacts as well as additional Authorised users of the system.

Appendix 3 shows full responses.

4.0 Internal Disputes Resolution Procedures

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

Manager. Stage 2 appeals are considered by a solicitor appointed by Lincolnshire County Council.

Stage 1 appeals against the fund

One appeal decision in this period. No appeals currently outstanding.

Stage 1 appeals against scheme employers

Two appeal decisions in this period. One appeals currently outstanding.

Date of appeal	Member no	Employer	Reason for appeal	Date of decision	Decision	Outcome / comments
28/11/2017	8040391	LCC LCC have confirmed they have extended the deadline.	Appeal against being refused an ill health pension.			LCC have confirmed they have extended the deadline. Satisfied that correct process had been followed.
29/1/2018	8043598	LCC	Appeal against being refused an ill health pension.	5/4/18	Turned down.	Satisfied that reasonable and consistent decision had been taken.
5/3/2018	8047032	LCC	Appeal against decision not to grant early pension release.	17/4/18	Turned down.	LCC have confirmed they have extended the deadline.

Stage 2 appeals

2 appeals turned down in current period. No appeals currently outstanding.

Date of appeal	Member no	Employer	Reason for appeal	Date of decision	Decision	Outcome / comments
2/10/2017	8044515	Boston Borough Council	Appeal against service used in pension calculation.	28/3/2018	Turned down.	Satisfied that regulations have been applied correctly.
1/3/2018	8087247	LCC	Appeal against refusal to offer transfer out of benefits.	1/3/2018	Turned down.	Satisfied that decision to turn down transfer out of benefits was correct.

Ombudsman

4.2 1 appeal upheld in the current period. LCC ordered to pay £500 compensation. The Ombudsman's ruling was on the basis that, as a deferred pensioner approaching her normal pension age, WYPF had a duty to inform the member about what she could do with her 'flexible benefits'. WYPF provided Mrs Waltham with this information one month before her normal pension age, however, resolving further issues with her IFA and the AVC provider (Prudential) resulted in late payment of her pension benefits.

1 appeal outstanding against being turned down for early release of pension on ill health grounds. LCC Legal compiled information for response. WYPF provided details of regulations relevant to the case. Decision still outstanding.

5.0 Administration Update

5.1 Outstanding Leaver forms

It has been previously noted that the Fund's largest employer, LCC, had developed a back log in providing detailed leaver information to WYPF. LCC and Serco set out an improvement plan to address the backlog which was expected to be cleared by 31 May 18. The Local Pensions Board has been closely monitoring the situation and wrote to LCC highlighting their concerns. LCC self-reported the breach to the Pension Regulator (TPR). The backlog of leaver forms have mainly been cleared and currently stand at 543. A high proportion of these are old cases acquired by Serco from the previous payroll provider.

5.2 GDPR Update

5.2.1 Privacy Notices

Privacy Notices have been sent out to Active and deferred members with the Annual Benefit Statements.

5.2.2 Contracts

Contracts with third party processors are being reviewed and updated to ensure they are GDPR compliant.

5.2.3 Memorandum of Understanding

A Memorandum of Understanding has been issued to all Employers in the Fund which sets out:

(a) the basis on which data will be shared between the Parties;

(b) the Administering Authority's expectations of the Scheme Employer during its participation in the Fund.

5.3 Annual Benefit Statements and Newsletter

The spring Newsletter is being issued to all active members with their Annual Benefit Statements. To date 17,781 Statements have been printed representing 79.60%.

To date 25,801 Deferred Benefit Statements have been issued representing 98.9%.

The deadline for issuing them is 31 August.

Pensioners received their Newsletter with their April Payslip/P60.

Appendix 4 – Annual Benefit Statement/Active Member Newsletter
Appendix 5 - Pensioner Member Payslip/P60.

6.0 Current Issues

6.1 Local Government Pension Scheme (Amendment) Regulations 2018 were updated on 19 April 2018.

What is the impact?

6.2 With effect from 1st April 2014 the survivor of any Tier 1 or Tier 2 ill-health retirement that occurred on or after 1st April 2014 will now be entitled to additional pension as the enhancement granted also counts toward survivor benefits (the original Regulation wording was flawed and resulted in survivor's only being entitled to accrued pension).

6.3 With effect from 1st April 2014 members who aggregated previous LGPS benefits after 31st March 2014, where they had left service before 1st October 2006 and their Normal Pension Age was between age 60 and 65, now have a normal pension age of 65 for those aggregated benefits (the rule of 85 may still mean that they can be taken unreduced from an earlier age).

6.4 With effect from 1st April 2014 where the pay the member received was materially lower than the level of pensionable pay that member normally received during the period used for determining APP, the employer is given the right to increase that pay to reflect the level of pensionable pay that the member would normally have received.

6.5 With effect from 1st April 2014 slight changes in the definitions for eligibility to LGPS.

6.6 With effect from 14th May 2018 members with deferred benefits under the earlier regulations may now take voluntary early retirement from age 55 (rather than previously having to wait until age 60). With this is the extension of the regulations already there for Post 2014 members, whereby the employer (or the authority if

that employer no longer exists) can decide whether or not to allow the full rule of 85 to apply, where the member satisfies the rule of 85 before age 60.

6.7 However, an unintended transitional issue has now arisen, due to the wording used. Members who left service before 1st April 1998 can elect for early retirement at age 55 but members over the age of 55 on 14th May 2018 are precluded from taking voluntary early retirement. MHCLG have confirmed that a further set of amending regulations will be needed and further changes by way of guidance or a correction slip are not possible.

6.8 An amendment has been made to confirm that a member does not have to meet both conditions of reaching re-enrolment date and going on no pay as a result of sickness, injury, or child-related leave (and remaining so at the start of the next pay period) in order for a 5050 election to be cancelled.

6.9 An amendment has been made to confirm that a member only has to take benefits from their active pension account when employment is terminated at or after age 55 due to redundancy or business efficiency. This will help stop issues on strain cost exceeding the Cost Cap when Exit Payment reform is fully enacted.

6.10 An amendment has been introduced to allow for the possibility of an exit credit to be paid where an employer ceases in the scheme and their liabilities are fully funded and there is a surplus.

6.11 An amendment has been made to cater for the possibility of an exit credit to be paid where an employer may be required to make additional (strain cost) payments to include an employer's waiver of actuarial reductions if a deferred member takes early retirement before age 60 and any of the early retirement penalty is waived.

6.12 An amendment has been made to confirm that where a Club Transfer occurs the administering authority must comply with the Public Sector Transfer Club memorandum.

6.13 An amendment to clarify that some bodies mentioned in the Schedule are not local authorities. Concerns voiced at the consultation concerning backdating admission agreements are recognised by Government and they intend to take a wider look at this aspect when dealing with the Fair Deal consultation.

6.14 An amendment has been made to mean, that individuals who have transferred-in from other Public Service schemes, who would have met the criteria for the statutory underpin if they had been in LGPS, are granted underpin protection.

6.15 An amendment has been made to limit members with deferred benefits, who were not active members immediately before and on 1st April 2014 of the 2014 Scheme, to having 12 months from date of joining or such longer period as the employer permits, to elect to aggregate benefits.

6.16 A standalone provision has been made to make clear that existing admission agreements are to be treated as if they were the subject of a determination under

section 2(5) of PSPA 2013. Additionally, each administering authority has 12 months to publish a list of their current admission agreements.

Proposed Changes NOT taken forward:

6.17 Fair Deal – in its response to the consultation MHCLG confirm that, in view of the range and diversity of issues highlighted in the consultation responses, they will not be introducing Fair Deal into the LGPS at this time. However, they state they still remain committed to introducing Fair Deal into the LGPS and intend to commence a consultation on new proposals for achieving this by the end of the year.

6.18 AVCs – the Uncrystallised Funds Pension Lump Sum (UFPLS) option will not be introduced directly into the LGPS Regulations due to the substantial administrative complexities that would be created. The complexities would primarily be due to difficulties in standardising procedures among the large number of AVC providers. If a member wishes to use their AVC to take one or more UFPLS, they can do this by transferring their AVC out of the LGPS.

6.19 Aggregation – the proposal to end the automatic aggregation of pension accounts where a member with a deferred benefit becomes active again is not being taken forward. MHCLG concluded that introducing these changes would not be consistent with Schedule 7 of the Public Service Pensions Act 2013, which provides that final salary protection must be provided where a member re-joins a public service pension scheme within five years of leaving their previous public service pension scheme.

6.20 2017 LGPS annual report

At the 2018 PLSA local authority conference, Cllr Roger Phillips, the chair of the scheme advisory board for the LGPS in England and Wales (SABEW), launched the 2017 annual report for the English and Welsh scheme.

The aim of this Annual Report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. This report aggregates information supplied in the 90 fund annual reports, as at 31 March 2017.

Some of the key highlights of the report are listed below:

- The total membership of the LGPS grew by 394,000 (6.9%) to 5.6m members in 2017 from 5.3m.
- The total assets of the LGPS increased to £263bn (a change of 21.2%). These assets were invested in pooled investment vehicles (52%), public equities (32%), bonds (7%), direct property (3%), as well as other asset classes (6%).

- The Local Authority return on investment over 2016/17 was 19.5%. This was reflective of the better market conditions during the year.
- The scheme maintained a positive cash-flow position overall. Scheme income was lower than total scheme outgoings by £484m. However, this was excluding investment income.
- The funds all received unqualified external financial audit certificates from the scheme's external statutory auditors.
- Over 1.6m pensioners were paid over the year. Fewer than 39 formal complaints about scheme benefit administration were determined and less than 13% were upheld by the Pensions Ombudsman.

6.21 Governance and administration survey findings published

The Pensions Regulator (TPR) have published their 2018 report on the findings of the governance and administration survey (undertaken in November and December 2017) of public service pension schemes. In total 191 of the 207 public service pension schemes completed the survey. This equates to a 92% response rate, covering 98% of all memberships.

The report sets out how TPR have interpreted the findings including, their expectations of those involved in running the schemes and what they will be doing over the next year to address the issues identified in the report. It accompanies the full research report, which shows the responses to all survey questions.

The commentary in the report highlights a number of points that LGPS administering authorities should be aware:

- The survey supports TPR's existing assessment that the top risks are scheme governance, record-keeping and internal controls.
- The survey shows that 34% of LGPS administering authorities hold fewer than four pension board meetings a year. In TPR's view, this provides inadequate opportunity for pension boards to carry out their role effectively and raises concern about the quality of governance.
- Only 45% of active members in the LGPS received their annual benefit by the statutory deadline.
- The summary report states 'The survey shows signs that process improvements have stalled in some Local Government schemes. This group was also the one that was least likely to respond to the survey and we are concerned about the risks of disengagement. Because of the specific challenges faced by Local Government schemes, we expect to focus casework activities on the LGPS in the coming year' (p3).
- The report concludes by saying, 'Scheme managers should be aware that we are more likely to use our enforcement powers this year. Where we open cases, we will work the schemes involved to resolve gaps in their risk and breach of law processes. When considering action or setting fines, we will take into account a party's co-operation with us, and their efforts to put things right. For example, those who fail to report breaches to us quickly could receive a higher penalty for a breach, and an additional penalty for a failure to report.

6.22 2018 Scheme Return – scheme-specific data

For the first time, the 2018 scheme return will ask administering authorities to report on their common and scheme-specific data scores. The return will specify the common data fields to measure against, but scheme managers within public service pension schemes will also be asked to select what scheme-specific data they need to pay pensions, run the scheme and to undertake fund valuations, and once selected measure against this data.

The SABEW are working closely with MHCLG and GAD to develop a standard set of conditional data for administering authorities to use when completing this year's scheme return.

The intention is to have this ready by mid-June. The SABEW will ensure that practitioners on the scheme advisory board and Cost Management, Benefit Design and Administration committee are involved in the development of the standard list before it is circulated.

We understand that TPR will be issuing the scheme return in July and the deadline for submission will be in September.

6.23 TPO and TPR establish information sharing agreement

The Pensions Ombudsman (TPO) and The Pensions Regulator (TPR) have agreed to share information with a view to mutually enhancing their knowledge and understanding of developing pension issues.

This information sharing agreement (The Agreement) aims to protect pension scheme members, endorse and support the achievement of higher standards across the industry and ensure a safe pensions saving environment.

The Agreement came into effect in March and gives details of the principles both organisations will follow when sharing information about complaints and concerns. It acknowledges that both organisations have shared goals and an overlap in responsibilities. The Agreement between the two bodies means that information concerning pension complaints handled by TPO may be shared with TPR, helping to inform its investigation processes. Similarly, following an investigation of a pensions scheme, TPR may advise TPO of any concerns it has regarding that scheme's failure to implement policy and procedural changes as recommended by TPR.

7.0 GMP Reconciliation

Work on reconciling GMP's with HMRC records continues. A number of queries have been raised and we will continue to raise more. We are confident that all queries will be raised by HMRC's deadline of 31 October. We will also be looking to automate as much of the update as we can thereby reducing the amount of manual intervention required from staff. Recalculations to pensions will follow after this work has been completed.

8.0 Finance

8.1 Cost per member

Shared service cost per member 2017/18 £14.73 (£14.91 for 2018/19 initial budget)

The shared service pension admin cost per member of **£14.73** has been used to recharge LPF for 2017/18. Our cost target for shared service pension admin is to maintain a cost target of £17. The projected cost for 2018/19 Pension Admin shared services has been estimated at **£14.91**. Our projected cost per member is therefore below our target cost of £17.

SHARED SERVICE COST PER MEMBER 2015_16 TO 2017_18										
			OUTTURN 2015_16		OUTTURN 2016_17		OUTTURN 2017_18		FORECAST 2018_19	
			TOTAL	MEMBER NUMBER	TOTAL	MEMBER NUMBER	TOTAL	MEMBER NUMBER	TOTAL	MEMBER NUMBER
				362,608		373,474		**375,202**		402,152
SHARED SERVICE COST BY COST TYPE				PER MBR		PER MBR		PER MBR		PER MBR
	EXPENDITURE	Accommodation	£204,667	£0.56	£176,346	£0.47	£144,212	£0.38	£144,213	£0.36
	EXPENDITURE	Computer	£379,148	£1.05	£274,642	£0.74	£207,792	£0.55	£207,792	£0.52
	EXPENDITURE	Employees	£3,803,954	£10.49	£4,070,536	£10.90	£4,321,269	£11.52	£4,790,193	£11.91
	EXPENDITURE	Internal Recharge	£192,575	£0.53	£166,142	£0.44	£321,666	£0.86	£321,666	£0.80
	EXPENDITURE	Other	£231,912	£0.64	£366,033	£0.98	£126,645	£0.34	£126,645	£0.31
	EXPENDITURE	Printing & stationery	£368,475	£1.02	£64,510	£0.17	£405,831	£1.08	£405,831	£1.01
	EXPENDITURE		£5,180,730	£14.29	£5,118,209	£13.70	£5,527,415	£14.73	£5,996,340	£14.91
	TARGET									£17.00

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
Appendix 3	Employers Survey
Appendix 4	Annual Benefit Statement/Active Member Newsletter
Appendix 5	Pensioner Member Payslip/P60.

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 .

APPENDIX 1

Customer Survey Results - Lincolnshire Members
(1st January to 31st March 2018)

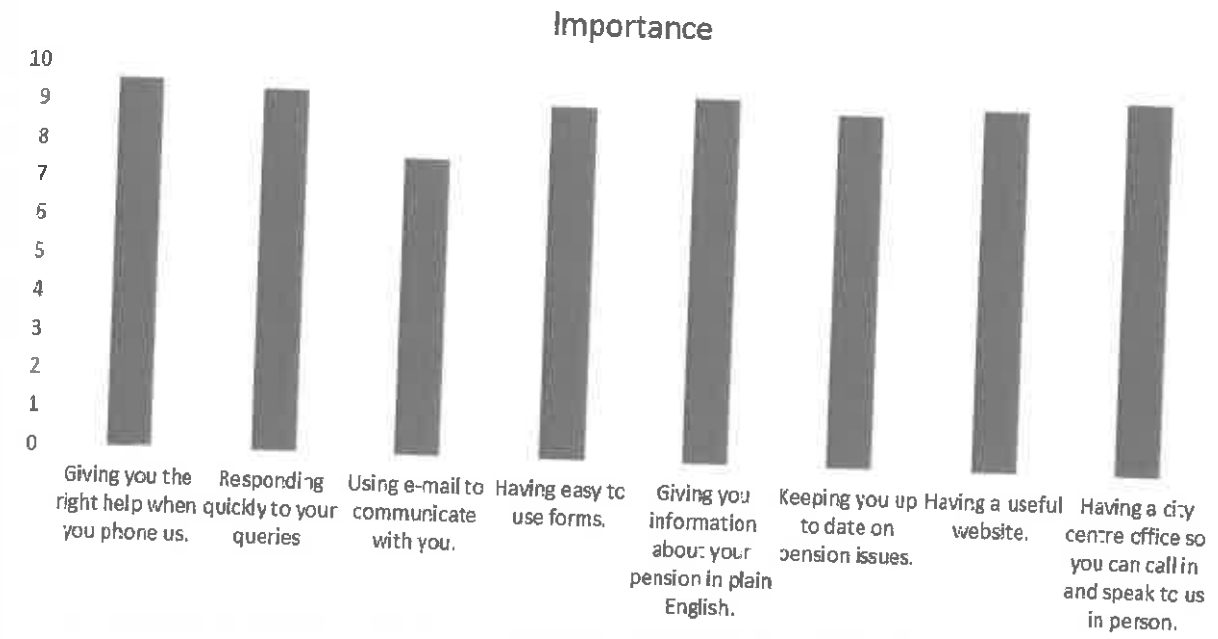
Over the quarter January to March we received **2** online customer responses.

Over the quarter January to March **121** Lincolnshire member's sample survey letters were sent out and **17 (14.05%)** returned:

Overall Customer Satisfaction Score;

January to March 2017	April to June 2017	July to September 2017	October to December 2017	January to March 2018
87.07%	78.63%	89.62%	91.74%	87.34%

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



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Employer Feedback (LPF)
Quarter 1 January – March 2018

Pensionable Pay – 24 January 2018

Feedback score: 97.84%

Comment	Action taken
Would like some more practical exercises	The course is being re-drafted to be more interactive
Hold courses elsewhere to Lincoln	Recent employer survey does not indicate this.
Include parking info on pre-course info.	Parking is provided via the booking confirmation.

A summary of the compliments

- The pace of the training was measured well against the attendees
- Another really useful session - I just hope I can remember it when I get back to the office.

Secure Administration – 20 February 2018

Feedback score: 93.89%

Comment	Action taken
Should the two manuals provided be given to new members of staff at employers?	We are reviewing what goes out to new contacts.
More interactive. Computer based?	Discussed with trainer

A summary of the compliments

- Another really useful information session thank you.
- Looking forward to more interactive session.

Complete Guide – 22 March 2018

Feedback score: 99.16%

Comment	Action taken
A couple of the exercises were a bit wordy/could have worded differently to make the aim clearer, they could be easily misread.	Passed to course owner

Room was very warm. Cooler water please.	Lincs venue provided by employer.

A summary of the compliments

- Good overall view of system. Helpful in knowing what payroll provider should be doing. Good examples of calculations
- Really useful thank you

LPF employer survey 2018
Priorities for improvement (PFIs)

Purpose

To identify areas of WYPF/LPF service with employers that could be improved.

Sample

The survey was emailed, and made available on the employer blog, to all authorised users notified to use by the scheme employers of WYPF/LPF.

These are the Finance, Administration and Strategic contacts as well as additional Authorised users of the system.

Results

Replies received: 55
Overall result: 84.73%

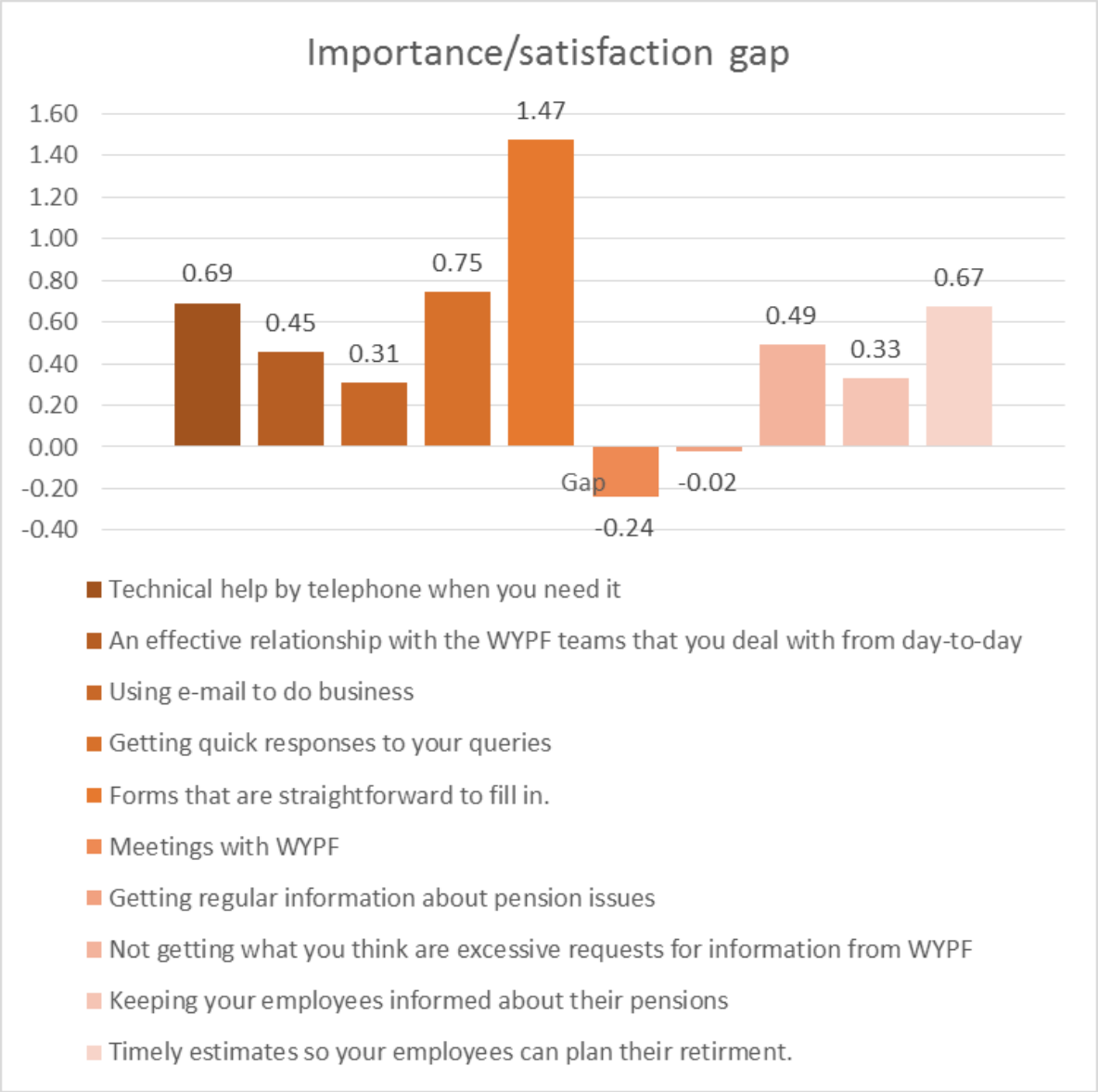
A summary of previous year's results are in appendix A

Importance/satisfaction gap

Ploting the gap between the score for how important an area is to the customer against how satisfied they are with our performace alliows the identification of the largest gaps quite easily.

Normally a greater gain in customer satisfaction will be achieved by closing a large gap rather than a small gap.

On a 10 point sclae any satisfaction gap above 1 is a point of concern and action should be taken and gaps in excess of 2 are serious.



Comments

Any comments you would like to add?

Very impressed with affinity half day workshop for pre-retirement and the ongoing service offered.

I don't find the forms at all easy to complete, and yes I have been to the training.

Regarding employees, most need to make more effort to understand their pension provision and not expect it on a plate.

I am unable to answer the last question because as yet I haven't ever requested an estimate but have always been happy with other information requested.

Some more technical advice would be helpful - such as queries relating to contracted out NI where customer systems do not quote those figures. I have been asked several times for C/O NI values with e-mails going backwards and forwards but no advice or guidance offered as to how to arrive at the C/O values. E-mails saying 'does not agree with previous e-mails' or 'can you look at this again' aren't helpful! We do receive duplicated requests for the same information for individual Members so we are not sure if the information we originally send is uploaded onto a central database to avoid these multiple requests being received from other employees of WYPF.

Disappointed that a recent training session was cancelled due to lack of uptake as these are so beneficial. The training is excellent and very important, so hope that the workshops continue.

No experience of areas where one star granted as unable to leave blank. Pensions are administered on our behalf by a third party but any queries raised have been dealt with knowledgeably and efficiently. I have attended two training courses - both were helpful but I would suggest that it is recommended to attendees that they attend the basic introduction course before attending any others unless they have prior experience of pension’s administration.

Working on my own I do need support as some information requested is difficult to understand. However I have a list of people to ring and they are always helpful.

Thank you,

I find the staff extremely helpful and knowledgeable, who do their very best to sort out complicated issues.

Staff always very helpful, meetings very informative and able to be accessed by people with very different pension knowledge.

The monthly returns seem to be behind several months and this has a knock on effect to our processing. As if issues are found on the January return but these are not being processed by WYPF until June it means that the correction cannot be made by our self until June return, therefor 4 months returns contain the same error this has to be discussed each month for it to be resolved.

How would you sum up WYPF/LPF's service in one sentence?

Accessible, friendly and willing to help

Average

Useful helpful service with speedy responses

Contact with named person is very good but contact with WYPFEmail can be VERY

repetitive.

Good

Efficient

A most efficient and customer focused service provider.

Great level of service, the team are very knowledgeable.

Very efficient

Excellent

Quite good but some email requests could be made a little clearer

Great efforts are made to explain the complexities of the LGPS scheme and employer obligations.

Always very willing and helpful and never make me feel a fool for questions I may ask!

Good but the computer system could be easier to use. Not very customer friendly.

All queries are dealt with quickly & confidently- giving us confidence in WYPF/LPF

Knowledgeable, friendly, professional

Developing into a stronger working partnership

Excellent

Good help and useful advice always at the end of the telephone

Very Good, thank you.

Very helpful and efficient

Good but with a little more could be excellent!

Overall service is good

Prompt and helpful

Our contact at LPF (KP) has been a pleasure to work with

Both professional and helpful at all times.

Very good

Helpful and to the point.

Doing OK.

Very good service

Very informative, helpful and reliable

Very helpful team who are always willing to support.

Great service and good day to day relationship with the team - keep doing what you're doing!

Good overall service to both us as an Employer and our Employees

Appendix A – Summary of results Lincolnshire Pension Fund

Summary of results Lincolnshire Pension Fund	2016		2017		2018	
	Rank	Score	Rank	Score	Rank	Score
Technical help by telephone when you need it	8	-0.08	5	0.70	3	0.69
An effective relationship with the WYPF/LPF teams that you deal with from day-to-day	4	0.23	7	0.45	6	0.45
Using e-mail to do business	9	-0.15	8	0.24	8	0.31
Getting quick responses to your queries	3	0.31	4	0.73	2	0.75
Forms that are straightforward to fill in.	***1***	***0.85***	***1***	***1.58***	***1***	***1.47***
Meetings with WYPF/LPF	10	-1.00	10	-0.28	10	-0.24
Getting regular information about pension issues	2	0.38	8	0.24	9	-0.02
Not getting what you think are excessive requests for information from WYPF/LPF	5	0.23	2	1.14	5	0.49
Keeping your employees informed about their pensions	7	0.00	6	0.66	7	0.33
Timely estimates so your employees can plan their retirement.	6	0.08	3	1.03	4	0.67
Satisfaction Score (%)	91.47		83.42		84.73	
Number of replies	12		71		55	

APPENDIX 4

West Yorkshire Pension Fund | Lincolnshire Pension Fund

Pension statement at 31/03/2018

Corporate member of Plain English Campaign
Committed to clearer communication
119

Statement printed on 05/05/2018

WYPF Member Reference: **759921**

Your Personal Details

Check the details below and tell your employer if something is wrong.

Full name: Yunus Gajra
Employer: Bradford M.D.C
Section of scheme at 31/03/2018: Main Section
Job title: Development Manager (Strategic/Quality), working Full Time at 31/03/2018

Date of birth: 09/12/1962
Pay reference: 10413174
Date joined scheme: 04/01/1982

Value of your benefits at 31/03/2018

A Final Salary benefits
04/01/1982 to 31/03/2014

Rate of pay at 31/03/2018	£51,600.00
Membership to 31/03/2014	32 years 086 days

Ask us if you want to know how your membership has been worked out

Final salary yearly pension	£22,081.98
	and
One-off lump sum	£50,765.92

B CARE Pension Account
01/04/2014 to 31/03/2018

Pensionable pay from 01/04/2017 to 31/03/2018

Main section	£56,387.57
50/50 section	£0.00

Opening balance at 01/04/2017	£3,190.17
Cost of living adjustment	£31.90
Pension built up during year	+ £1,150.77
Closing balance at 31/03/2018	£4,372.84

Important: if you think your pay looks wrong, please tell your employer. Your pension could be wrong too.

Final Salary pension	A		£22,081.98
CARE Pension Account balance	B	+	£4,372.84
Total yearly pension		=	**£26,454.82**
and			
One-off lump sum			**£50,765.92**

To work out your **total yearly pension** we add together your:

- Final Salary pension
- CARE Pension Account

STOP

As you're over 55 you could decide to finish work and start drawing your pension straight away. But the amounts payable might be lower than those shown above.

Please ask **your employer** for a full **pension estimate**, before you decide to retire.

Benefits at your Normal Pension Date of 09/12/2029

Your Normal Pension Date might change if your State Pension Date changes

	Yearly pension		One-off lump sum
Estimated value at 09/12/2029	**£41,519.73**	+	**£51,136.51**
		OR	
Estimated value at 09/12/2029 if you give up some of your pension to get a bigger lump sum	**£29,430.72**	+	**£196,204.63**

To work out your maximum one-off lump sum, we've used a rate of £12 additional lump sum for each £1 of pension you give up. You don't have to take the maximum lump sum. We'll ask you how much lump sum you want when you retire. Lump sums are usually paid tax free.

What's paid if I die before I leave this job?

One-off death grant: **£169,162.71** + Partner's pension: **£ 15,855.13**

When working out the partner's pension, we've assumed your marital status is married.

If you die before you leave your job, your husband, wife, civil partner or an eligible co-habiting partner would get the partner's pension shown above, each year for the rest of their life. Your children may also be eligible for a pension. You can read more about this at **www.wypf.org.uk.**

If you have nominated someone to receive a death grant from your pension, your nominated beneficiaries would get a one-off death grant of at least the figure quoted. Please check your nominations - printed below - are correct and visit **www.wypf.org.uk** if you need to change them, or phone us for a form.

100%

Your pension tax relief limits

Lifetime Allowance: the maximum amount of pension savings you can build up over your life that benefits from tax relief. The Lifetime Allowance for 2017/2018 is £1,000,000.00.

The estimated Lifetime Allowance that you have used at 31/03/2018 is **£579,862.32** (57.98%).

Annual Allowance: the maximum your benefits can grow each year without incurring a tax charge.

Your estimated pension savings for the year 2017/2018 are **£19,613.32** for WYPF Member Reference 759921. This figure is below the Standard Annual Allowance threshold of £40,000 but a lower allowance may apply to you if you have income exceeding £110,000.

If you have paid pension contributions in more than one job this year, or have another pension anywhere else, you need to add all your pension savings together. You can read more about this at **www.wypf.org.uk/allowances**

Your 2018 pension statement explained

A Final Salary benefits

Membership to 31/03/2014

This is the total membership you have built up, including transfers from other pension schemes that bought additional membership (which includes transfers that took place after 31/03/2014), converted additional voluntary contributions (AVCs) and the proportion of any extra membership you were buying at 31/03/2014.

If you ever worked part-time up to this date we have adjusted your membership for this. For example, if you worked 10 years at 18.5 hours per week you would have a total membership of 5 years.

Final pay

Your employer told us your annual rate of pay at 31/03/2018. We used this to work out your Final Salary benefits. If you work part-time, your rate of pay is the full-time equivalent pay for your job.

But certain elements of pay - for example non-contractual overtime - were not classed as pensionable under the Final Salary scheme so are not used to work out these benefits.

When you leave or retire, the Final Salary benefits you built up to 31/03/2014 will normally be worked out on the pensionable pay you earned in your final year, or one of the two previous years if that's higher.

Pension Benefits

Your Final Salary pension benefits have been worked out like this:

Yearly pension

Membership to 31/03/2008	x	1/80	x	final pay
			plus	
Membership from 01/04/2008 to 31/03/2014	x	1/60	x	final pay
			plus	

Any additional pension bought by paying additional regular contributions (ARCs)

One-off lump sum

Membership to 31/03/2008	x	3/80	x	final pay

B CARE (Career average revalued earnings) Pension Account

Pension built up during year

At the end of March each year, a pension equal to 1/49th of your pensionable pay for that year is added to your pension account (1/98th if you are in the 50/50 section).

The additional pension bought by any APCs (additional pension contributions) you have paid or any transfers in is also added to your account. Your CARE pension has been worked out like this:

Main section		50/50 section		APCs		Transfers In		**Total**
£1,150.77	+	£0.00	+	£0.00	+	£0.00	=	**£1,150.77**

Benefits at your Normal Pension Date

We have assumed that you will continue in the section of the pension scheme (main or 50/50) you were in on 31/03/2018 until your Normal Pension Date.

Our calculations don't allow for pay inflation or cost-of-living adjustments. We show your projected benefits to your Normal Pension Date in today's money.

Cost of living adjustment

We have to revalue your CARE Pension Account each 1st April, in line with the requirements of the Public Service Pensions Revaluation Order, issued by the government's Treasury Department.

Your CARE Pension Account was increased by 1% on 01/04/2017.

Pension debits and Earmarking orders

If your benefits have been subject to a Pension Sharing Order (following a divorce or dissolution of a civil partnership), the figures on the statement take account of the reduction to benefits imposed by the Pension Sharing Order.

If your benefits are subject to an Earmarking Order the figures on the statement do not take account of this, because an Earmarking Order is not effective until benefits are actually paid. Any reduction to your benefits will be calculated at this time.

One-off death grant

Your death grant is calculated as follows: 3 x pensionable pay* at date of death

**this is an annual figure based on the pay you earned in the 12 weeks up to your death.*

If you die while on reduced or no pay, the death grant and any dependants' benefits payable will be worked out on a notional pay figure based on the pay you would have received in the 12 weeks before reduction. This means they could be lower than the figures quoted on your statement.

Partner's pension

If we don't know your marital status, we've worked out your partner's pension on this statement assuming that you're in an opposite-sex marriage. If this is wrong, the partner's pension payable could be less.

How to contact us

Phone: 01274 434999 **E-mail:** pensions@wypf.org.uk **Post:** WYPF, PO Box 67, Bradford BD1 1UP

Call in to: Aldermanbury House, 4 Godwin Street, Bradford BD1 2ST. The entrance is at the corner of Sunbridge Road and Godwin Street and reception is open Monday to Friday from 8.45 am to 4.30 pm.

See our website **www.wypf.org.uk** for more detailed information about your pension statement and the LGPS. All amounts are based on our understanding of current LGPS and HMRC legislation and may be subject to change.

How we use your information City of Bradford Metropolitan District Council runs West Yorkshire Pension Fund, which administers the LGPS. We hold data about you so we can provide services to you and our stakeholders. We use this data to meet our legal obligations under the LGPS Regulations 2013 and other regulations. We have appointed Adare SEC Ltd to print and deliver your pension statement on our behalf. We share only data about you that they need to print and deliver your statement, and they will securely delete your data once this is done. For more information about how we collect and use your data and what your rights are, see **www.wypf.org.uk/privacy** If you have any questions about this, please contact us first.

West Yorkshire Pension Fund | Lincolnshire Pension Fund

Privacy Notice (Summary)

For the members and beneficiaries of West Yorkshire Pension Fund (WYPF)

As the Administering Authority of the Fund we hold certain information about you ("personal data") which we need to administer the Fund.

We have summarised some of the key ways in which we deal with this information below. Further information can be found in the Full Privacy Notice at the following link:

www.wypf.org.uk/privacy

What personal data do we hold?

The types of data we hold and process will typically include:

- Contact details, including name, address, telephone numbers and e-mail address.
- Identifying details, including date of birth and national insurance number.
- Information relating to your benefits in the Fund, including length of service or membership and salary.
- Other information in relation to your membership of the Fund or to enable the calculation or payment of benefits, for example bank account details.
- Information about your family, dependants or personal circumstances, for example, marital status and information relevant to the distribution and allocation of benefits payable on death.
- Information about your health, for example, to assess eligibility for benefits payable on ill health, or where your health is relevant to a claim for benefits following the death of a member of the Fund.
- Information about a criminal conviction if this has resulted in you owing money to your employer or the Fund and the employer or Fund may be reimbursed from your benefits.

We obtain some of this personal data directly from you. We may also obtain data from your employer (for example, salary information) and from other sources including public databases.

What will we do with your personal data?

We will use this personal data to administer the Fund and to calculate and provide you (and, if you are a member of the Fund, your beneficiaries if you die) with benefits. We will also use this personal data for statistical and financial modelling and reference purposes (for example, when we assess how much money is needed to provide members' benefits and how that money should be invested), and to comply with our legal obligations.

From time to time we will share your personal data with third parties, including our contractors, advisors, government bodies and dispute resolution and law enforcement agencies and insurers in order to comply with our obligations under law, and in connection with the provision of services that help us carry out our duties, rights and discretions in relation to The Fund. These organisations are listed in the Full Privacy Notice.

In some cases these recipients may be outside the UK. If this occurs, we will make sure that appropriate safeguards are in place to protect your data in accordance with applicable laws. Please use the contact details over the page if you want more information in connection with this.

What is the legal basis for our use of your personal data?

The legal basis for our use of your personal data will generally be one or more of the following:

a) we need to process your personal data to satisfy our legal obligations as the Administering Authority of the Fund;
b) we need to process your personal data to carry out a task in the public interest or in the exercise of official authority in our capacity as a public body;
c) we need to process your personal data for the legitimate interests of administering and managing the Fund and liabilities under it, calculating, securing and paying benefits and performing our obligations and exercising any rights, duties and discretions the Administering Authority has in relation to the Fund;
d) because we need to process your personal data to meet our contractual obligations in relation to the Fund (for example, under an agreement that you will pay additional voluntary contributions to the Fund), or to take steps, at your request, before entering into a contract.

How long will we hold your data?

We will only keep your personal data for as long as we need it to administer the Fund and to deal with any questions or complaints that we may receive about this, unless the law requires us to keep it for a longer period. In practice, this means that your personal data may be retained for as long as you (or any beneficiary who receives benefits after your death) are entitled to benefits from the Fund and for a period of 15 years after those benefits stop being paid. For the same reason, your personal data may be retained where you have received a transfer, or refund, from the Fund in respect of your benefit entitlement.

Your rights

You have a right to access and obtain a copy of the personal data that we hold about you and to ask us to correct your personal data if there are any errors or it is out of date. In some circumstances you may also have a right to ask us to restrict the processing of your personal data until any errors are corrected, to object to processing or to transfer or (in very limited circumstances) erase your personal data. You can obtain further information about these rights from the Information Commissioner's Office at **www.ico.org.uk** or via their telephone helpline: 0303 123 1113.

If you wish to exercise any of these rights, please contact us. You also have the right to lodge a complaint in relation to this summary notice, the full Privacy Notice or our processing activities with the Information Commissioner's Office, which you can do through the website above or their telephone helpline.

We may from time to time ask for further information from you. If you do not provide such information, or ask that the personal data we already hold is deleted or restricted, this may affect the benefits payable to you under the Fund. In some cases it could mean that we are unable to put your pension into payment or have to stop your pension (if already in payment).

Contacting us

Telephone: 01274 434999
E-mail: pensions@wypf.org.uk
Web: www.wypf.org.uk
Post: WYPF, PO Box 67, Bradford BD1 1UP

Data Protection Officer

You may also contact our data protection officer Tracy Weaver, at the above address or 01274 433571, for further information.

West Yorkshire Pension Fund | Lincolnshire Pension Fund

Pension NEWSLETTER

SPRING/SUMMER 2018 • ACTIVE MEMBERS

CARE pensions up 3% in 2018

The adjustment to your CARE pension for 2018 is an increase of 3%. But you'll see on page 4 of your statement (under "cost of living adjustment") that your CARE pension account was increased by 1% on 1 April 2017.

Why isn't the 3% increase on my 2018 statement?

The reason is that the statement only shows your pension up to **31 March 2018** - the day before the 3% increase was applied to your pension on 1 April 2018. Don't worry, you'll see the full effect of the 3% increase on your 2019 statement instead.

About the adjustment

We adjust the pension you've built up so far every April in line with the Treasury Department's Revaluation Order, currently set by the Consumer Price Index (CPI) for the September before the increase date.

The adjustment only applies to the CARE part of your pension.

If you also have final-salary pension benefits from membership before April 2014 they're worked out differently and the increase doesn't apply to them.

New contribution bands for 2018/19

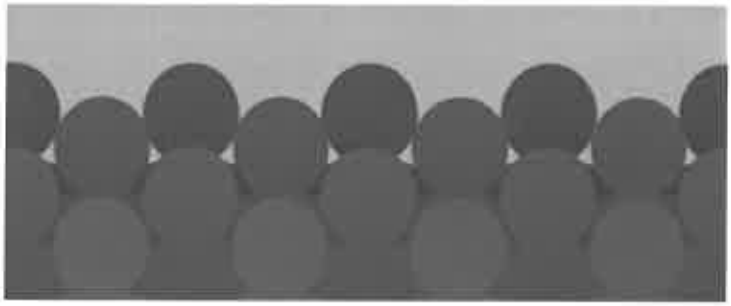
The contribution rate you pay for your LGPS pension depends on which "pay band" your pay falls into, and the bands usually change in April. The government adjusts the bands according to the Consumer Price Index for the previous September, so this year they went up by 3%.

The table to the right shows the new pay bands and your contribution rate for the main section of the scheme and the 50/50 section (find out more about that **www.wypf.org.uk/5050**) if you opted to pay half contributions.

Yearly Pay	Contribution Rate	
	Main	50/50
Up to £14,100	5.5%	2.75%
£14,101 to £22,000	5.8%	2.9%
£22,001 to £35,700	6.5%	3.25%
£35,701 to £45,200	6.8%	3.4%
£45,201 to £63,100	8.5%	4.25%
£63,101 to £89,400	9.9%	4.95%
£89,401 to £105,200	10.5%	5.25%
£105,201 to £157,800	11.4%	5.7%
£157,801 or more	12.5%	6.25%

BOOK EARLY TO AVOID DISAPPOINTMENT

2018 Affinity Connect retirement workshops



The third season of our very popular retirement workshops for members in association with retirement specialist Affinity Connect are now taking place at venues across West Yorkshire and Lincolnshire.

These free workshops are designed to raise awareness of the key issues you need to consider as you approach retirement and look at some of the decisions you will need to make. They're especially useful if you're thinking of retiring in the next couple of years, but also if you're not yet sure when you want to retire.

What's covered?

Lifestyle changes • Managing change • Income in retirement • State pension and other benefits • Personal taxation and tax tips • Money management • Budgeting in retirement • Making your money last

West Yorkshire		Lincolnshire	
Workshops run from 9am to 12.15pm		Workshops run from 1pm to 4.15pm	
Castleford	**24 May**	Lincoln	**17 Apr**
Bradford	**22 Jun**	Welton	**15 May**
Wakefield	**24 Jul**	Lincoln	**14 Jun**
Bradford	**21 Aug**	Sleaford	**12 Jul**
Leeds	**28 Sep**	Swineshead	**14 Aug**
Bradford	**22 Oct**	Lincoln	**18 Sep**
Brighouse	**13 Nov**	Boston	**16 Oct**
Castleford	**22 Nov**	Grantham	**15 Nov**
Bradford	**20 Dec**	Boston	**12 Dec**

Book online at
www.wypf.org.uk/active-events

2017 WYPF annual meeting

We held our 17th annual meeting for West Yorkshire Pension Fund members on 1 November 2017 at City Hall in Bradford. A mixture of active, deferred and pensioner members joined us for a comprehensive analysis of our investment and administration performance over the year.

Councillor Andrew Thornton, chair of WYPF, chaired the meeting, and delegates heard presentations from director Rodney Barton and fund investment advisers Noel Mills and Mark Stevens.

Delegates submitted questions before the meeting and you can read the answers we gave in the report at **www.wypf.org.uk/meeting** where you can also download the presenters' PowerPoint slides in full.

General Data Protection Regulation

The General Data Protection Regulation (GDPR) takes effect in the UK from 25 May 2018.

It replaces the existing law on data protection (the Data Protection Act 1998) and gives you greater protection and rights when it comes to how your personal data is used by organisations like ours.

West Yorkshire Pension Fund is a **data controller** under GDPR. This means we store, hold and manage your personal data in line with legal requirements so that we can provide you with pension administration services.

To carry out our statutory duty, we have to share your information with certain bodies, but will only do so in limited circumstances.

For more information about how we hold your data, who we share it with and what rights you have to request information from us, please visit

www.wypf.org.uk/privacy

Moving House?

If you move house, we need to know your new address – not only to keep your records up to date but to make sure personal or sensitive information doesn't go to your old address, putting you at risk of identity fraud.

So when you move, please let us know about it as soon as you can. The easiest way to do it is online. Have you signed up for our online **MyPension** service yet? If not, see the last page of this newsletter for more details.

Please also tell your employer you've moved, and if you're paying AVCs, your AVC provider.

Transfer time limits

Thinking about leaving the pension scheme and transferring your LGPS pension to another provider?

Remember that to be entitled to transfer your pension you must leave this scheme **and** choose to transfer your pension at least one year before your normal pension age (NPA).

Contact Us

Phone **01274 434999**
Monday to Friday
8.45am to 4.30pm

Email **pensions@wypf.org.uk**

Postal Address **WYPF**
PO Box 67
Bradford BD1 1UP

Or call in person to one of our offices:

- Aldermanbury House, 4 Godwin Street, **Bradford** BD1 2ST weekdays 8.45am to 4.30pm
- County Offices, Newland, **Lincoln** LN1 1YL weekdays 8.00am to 5.15pm (4.45pm on Fridays). Ask for the pensions team at reception.

Your pension scheme at a glance

Build up rate of 1/49th of your pay a year	
Revalued yearly by Treasury order	
Build up rate for survivor benefits 1/160th	
Pensions in payment inflation protected	
What pay counts towards my pension?	Actual pay including overtime, and additional hours if you're part time
Can I reduce my contributions?	You can temporarily pay 50% contributions to get 50% pension
What's my normal pension age?	Your state pension age (minimum 65)
Can I trade pension fora lump sum?	Yes – get £12 lump sum for every £1 pension you trade
What death grant is paid if I die in service?	A lump sum of at least three times your pensionable pay
How is my pension enhanced if I retire because of ill health?	Depends if it's tier 1, 2 or 3... 1) enhancement to normal pension age 2) 25% enhancement to normal pension age 3) temporary payment of pension for up to three years
How long do I have to pay in to be entitled to a pension?	Two years
How long can I pay into the pension scheme?	Up to age 75

Published spring/summer 2018 by
West Yorkshire Pension Fund

The information in this newsletter relates to WYPF and LPF active members only and can't be treated as a statement of the law

Available in large type, Braille or in audio format on request

It's time to go online

With our online myPENSION service you can view your own pension record and statements, update personal details, tell us you've moved house and more

Register today at
www.wypf.org.uk/register

myPENSION

We will soon begin communicating with you through electronic methods only including e-mail, our website and the myPENSION service.

But don't worry – if you don't have access to the internet or prefer not to use our online services we will continue to send you paper copies of important pension information.

PRUDENTIAL

Will you have enough when you retire?

It's never too soon, or too late, to think about the difference you could make to your lifestyle later in life. In addition to your Local Government Pension Scheme (LGPS), Additional Voluntary Contributions (AVCs) could be just the thing to help your retirement pot go further.

AVCs are one option, from Prudential, that could help you:

Retire early – you might want to stop working before your main pension benefits are due, so you can spend more time enjoying the things you like. You could build up a pot of money to help keep you going until you take your Local Government pension

Retire with more money – you might just want to save a little bit more to put towards the mortgage, help children or grandchildren with a deposit on a house, or maybe you'd like to travel? AVCs could help you do just that.

Work fewer hours – you might want to reduce your hours for a few years before you stop work. So building up an AVC pot could help you "top up" your reduced pay

Benefit from tax savings – this means the amount you contribute costs you less. The more tax you pay, the higher the tax saving could be. The amount of tax you pay depends on your individual circumstances and tax rules may change in the future. Of course if you don't pay tax, you don't benefit from tax savings.

Pay in flexibly – you build up a pot, separate to your Local Government pension, by making contributions regularly through your pay. You can change them at any time to suit your circumstances. If you reduce or stop them, it'll affect how much money you'll eventually have and you'll still pay charges.

Choose where to invest your money – AVCs are invested in funds, so they have the potential to grow over time. Any **growth** depends on the investments you choose, how they perform and any changes you make. You'll have up to 3 investment options depending on your LGPS. As AVCs are an investment the value can go down as well as up and you may not get back what you put in.

Are there any tax limits?

Yes. There's an annual allowance which limits the amount of tax relieved money you can pay into your pensions, including your AVC pot. It's currently £40,000. For more details on this and other limits, go to **pru.co.uk/lgpschoices**. The amount of tax you pay depends on your individual circumstances. Tax rules may change in the future.

Are there any other options?

Your LGPS offers Additional Pension Contributions as an alternative to AVCs. You'll find more information at **lgpsmember.org** or you can contact WYPF.

You can start AVCs today

And if you already have one, you can increase your contributions now or whenever you're ready.

Online

Just go to **pru.co.uk/lgpschoices**

By phone

Call our Retirement Specialist Team on **0800 012 1378**, Monday to Friday, 9am-6pm. Although they can't give you any advice, they can talk to you about your situation and answer your questions.

PRUDENTIAL pru.co.uk/lgpschoices

Useful to know

Moving house?

Call us on **01274 434999** to let us know.

New bank account?

Write to us with the details at least three weeks before payday to avoid any delays.

Benefits

Do you claim Housing Benefit or help with your Council Tax? If so, tell your benefit office about any change to your pension as it could affect your entitlement.

Protecting your money

Under the National Fraud Initiative, public agencies and local authorities 'share and compare' the information they hold about us. When information doesn't tie up, it's investigated, often by the police. We take part in this initiative too.

Pension advices – a reminder

We only send you a pension advice when your net pension varies from the previous month by at least £1.00.

Data protection

West Yorkshire Pension Fund is a Data Controller under the General Data Protection Regulations. This means we store, hold and manage your personal data in line with statutory requirements to enable us to provide you with pension administration services. To enable us to carry out our statutory duty, we are required to share your information with certain bodies, but will only do so in limited circumstances. For more information about how we hold your data, who we share it with and what rights you have to request information from the Fund, please visit www.wypf.org.uk/privacy

Contact us

Open Monday to Friday 8.45am to 4.30pm

Phone	01274 434999
E-mail	pensions@wypf.org.uk
Website	www.wypf.org.uk
Postal address	PO Box 67, Bradford, BD1 1UP

In person (use postal address when writing)

Bradford: Aldermanbury House
4 Godwin St Bradford BD1 2ST

Lincoln: County Offices
Newland, Lincoln LN1 1YL

LPF News

It's time to go online

If you'd like to be able to check your pension details online and easily tell us about changes like moving house and new bank accounts, please register now for our MyPension service at **www.wypf.org.uk/signup**

WYPF wins governance award

At the LAPF investment awards in September 2017 WYPF won the 'Scheme Governance Award'. Presented by ex-Northampton and England star Martin Bayfield, this is a prestigious award and recognises the hard work and contribution made by our staff.

Follow us on Facebook and Twitter

Follow us to keep up to date with WYPF news, events and useful information about your pension.

Facebook
facebook.com/westyorkshirepensionfund
Twitter
@WYPF_LGPS.

APPENDIX 5

West Yorkshire Pension Fund | Lincolnshire Pension Fund

www.wypf.org.uk

Administered by City of Bradford Metropolitan District Council

PO Box 67 Bradford BD1 1UP

lgps

Seq/BegNo* SSCZone
Mr P 6 0 Test-Record
Casa Altaville
39 Calle Major
Malaga
Andalicia
Spain

Your WYPF Pension Number:

1003625

Here's your P60 and Pension Pay Advice for your pension from

Lincolnshire Pension Fund

The government's Pension Increase (Review) Order tells public-sector pension schemes like ours how much we should increase pensions by.

Pensioners normally get the increase if they:

- Are aged 55 or over on 9 April 2018; or
- Retired because of ill health; or
- Are getting a spouse's, partner's or child's pension; or
- Are not receiving a fixed-rate gratuity

And

- Retired before 24 March 2018; and
- Are members of a scheme that the Pension Increase (Review) Order applies to.

Your new pension payable from 9 April 2018 is £955.97.

Because the increase starts on 9 April, part of your April pension was worked out at the old rate and part at the new rate. This is how your monthly pension before tax or other deductions is changing:

March:	April:	May:
£79.67	£80.01	£81.02

APPENDIX 4

Pension Advice For Your Pension From Lincolnshire Pension Fund

Pension number	1003625
National Insurance no	TN692853C
PAYE reference	072/W6
Pension for	April 2018
Tax Code	BR

Payments:

Pension	79.67
	79.67

Questions about your tax?

Phone 0300 200 3300 – quote your National Insurance number and the PAYE reference shown above.

Less:

Income Tax	15.80
	15.80

Tax year to date:

Taxable pay	79.67
Tax deducted	15.80

Net Pension 63.87

Payday calendar 2018/2019

Your pension will be in your bank account on these dates:

Monday 23 April 2018	Tuesday 23 October 2018
Wednesday 23 May 2018	Friday 23 November 2018
Friday 22 June 2018	Friday 21 December 2018
Monday 23 July 2018	Wednesday 23 January 2019
Thursday 23 August 2018	Friday 22 February 2019
Friday 21 September 2018	Friday 22 March 2019

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West Yorkshire Pension Fund | Lincolnshire Pension Fund

Administered by City of Bradford Metropolitan District Council

PO Box 67 Bradford BD1 1UP

www.wypf.org.uk

Mr P 6 0 Test-Record
Casa Altaville
39 Calle Major
Malaga
Andalicia
Spain

P60 End of Year Certificate

Year Ending 5 April 2018

DO NOT DESTROY

Scheme name and address:

Lincolnshire Pension Fund
County Offices
Newland, Lincoln
LN1 1YL

PAYE reference:

072/W6

National Insurance number: TN692853C

WYPF Pension Number: 1003625

Final Tax Code BR

Total for year:

Pension / Pay	1055.91
Tax deducted	211.00

Previous employment(s):

Pay	0.00
Tax deducted	0.00

Figures shown below should be used for your tax return, if you get one.

This pension scheme:

Pension	1055.91
Tax deducted	211.00

(R indicates refund)

Please keep this certificate in a safe place. You will need it if you have to fill in a tax return, make a claim for tax credits or to renew your claim.

You can also use it to check we are using your correct National Insurance number.

By law you are required to tell HM Revenue and Customs about any income that is not fully taxed, even if you are not sent a tax return.

If we started paying your pension during the tax year this P60 may also show pay and tax deducted by your employer or previous pensions administrator before we started paying your pension.

If you have an accountant dealing with your affairs you should tell them that this certificate has been issued to you.

West Yorkshire Pension Fund cannot answer questions on your tax affairs. Queries (quoting your PAYE reference and National Insurance number shown above) should be addressed to HM Revenue and Customs.

You have used 1.22% of your HMRC Lifetime Allowance through WYPF Pension Number 1003625. You may be asked for this by other pension providers.

P60 (substitute) - WYPF

Lincolnshire COUNTY COUNCIL Working for a better future

Regulatory and Other Committee

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

Report to:	**LGPS Local Pension Board**
Date:	**25 July 2018**
Subject:	**Pension Fund Update Report**

Summary:

This report updates the Board on Pension Fund matters and any current issues.

Recommendation(s):

That the Board note the report.

Background

1 Responsible Investment

1.1 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.

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

- During the last quarter, LAPFF has engaged with 21 companies on issues ranging from climate change resilience to human rights and due diligence process implementation.

- Following speculation over the Human Rights Council's list of companies believed to be in violation of international human rights law due to their practices in West Bank and Gaza, the Forum requested meetings with some of these companies to follow up on these allegations. LAPFF is concerned that if an appropriate due diligence process is not in place, both the company and shareholders can face damaging reputational risks.

- The Forum published two reports at the beginning of the year. The first on Share Buybacks discusses the complexities and implications of share buybacks and questions whether they are the right method for distributing capital to shareholders. The second, on Precarious Work assesses the risk these employment practices pose for companies as well as investors. It also provides guidance to assist investors in engaging on the topic.

- The Forum issued a voting alert recommending opposition to a stock option grant to Tesla Chief Executive, Elon Musk. Whilst the Forum welcomed the proposal's incentivisation of Mr Musk's role as a catalyst for the process of decarbonisation of a large segment of the transport sector, and was pleased to see that the performance period was set to a timeframe of ten years, the proposed performance award sets an unhealthy precedent for public company compensation. Upon successful achievement of all performance milestones, Mr Musk could own as much as 28.3%% of Tesla and be awarded $55.8 billion. LAPFF was also concerned that in an attempt to hit all operational milestones, ongoing employment and health and safety related risks at Tesla have yet to be resolved. The Forum continues to engage with the company over these practices as they undermine the ability of Tesla to meet production targets.

- The Forum regularly engages with companies over cybersecurity management. To this end the Forum had correspondence with Lloyds Banking Group with regards to Lloyd's 2017 cyberattack which brought down its digital services for two days.

- The Forum liaised with several companies from the transport sector including Bayerische Motoren Werke, Daimler, Rolls-Royce Holdings and Volkswagen to understand the companies' approach to climate risk and their role in a tightening regulatory and tax environment.

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

2 TPR Checklist Dashboard

2.1 To assist in the governance of the Lincolnshire Fund, it assesses itself against the requirements of the Pension Regulator's (TPR's) code of practice 14 for public service pension schemes, as set out in a check list attached at Appendix A. This is presented to the Committee and Board at each quarterly meeting, and any non-compliant or incomplete areas are addressed. This is seen as best practice in open and transparent governance.

2.2 No areas have changed since the last quarter's report.

2.3 The Areas that are not fully completed and/or compliant are listed below.

B12 – Knowledge and Understanding - Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?
Amber – 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, whilst all Board members have completed this training, certificates have not been received for all Committee 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 submissions and employer training are improving data accuracy, however there are a number of historical data issues that are in the process of being identified and rectified.

F5 - Maintaining Accurate Member Data - Are records kept of decisions made by the Pension Board, outside of meetings as required by the Record Keeping Regulations?
Grey – not relevant as we do not expect there to be decisions outside of the PB. This will be monitored.

H7 - Maintaining Contributions - Is basic scheme information provided to all new and prospective members within the required timescales?
Amber - New starter information is issued by WYPF, ***when they have been notified by employers****. This is done by issuing a notification of joining with a nomination form, transfer form and a link to the website. However, because the SLA relates to when notified, it does not necessarily mean the legal timescale has been met which is within 2 months of joining the scheme. The monthly data returns and employer training are improving this process.*

K7 – Scheme Advisory Board Guidance - Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.
Remaining Amber - 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.

3 Breaches Reporting

3.1 The Breaches Reporting Policy is brought before this Board in paper 7 for annual review. The Fund, and those charged with its governance, has a requirement to log and, where necessary, report breaches to the Pensions Regular. The Breaches Register attached at appendix B shows those breaches logged since recording began. Since the last Pension Board quarterly meeting, two breaches have been added. These are detailed below:

3.2 **Late payment of contributions** – a separate paper is presented to the Board at paper 10, updating the Committee on all breaches over the financial year 2017/18.

3.3 **Late receipt of member information** – WYPF have been working closely with Lincolnshire County Council's payroll provider, Serco, regarding their outstanding data submissions, particularly in respect of leavers. Since the last quarterly meeting LCC reported themselves to the Pensions Regulator on 10th April. An update on their current position is included at paper 9.

6 Risk Register Update

6.1 The risk register is brought to this Board as part of agenda item 7, therefore an update is not provided in this report.

7 Asset Pooling Update

7.1 An update on the progress of asset pooling project is provided in paper 6 of this agenda.

Conclusion

8 The Fund Update report is a quarterly report to the Pension Board, to update the Board on Pension Fund matters and any current issues.

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	TPR Checklist Dashboard
Appendix B	Breaches Register

Background Papers

Not applicable.

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

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The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

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

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

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

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

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

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Lincolnshire Pension Board Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions
31/7/15	Contributions	Late payment by LCC for June contributions, following late payment for April and May.	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Aware of breach, extenuating circumstances, trying to fix issues.	Reported through portal 31/7/15		
31/8/16	ABS's	100% required output of ABS's not met	Late receipt of ABS info to members	Not material and improvement on previous year – first full year of monthly returns	Not reported – total 92.6% of active and deferred produced overall – not material to report		
31/3/17	Contributions (see report)	Late payments over the year	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		
May 2017	Administration	Data security breach – a small number	Potential for individuals data to be seen by	WYPF contacted printing	Not reported to tPR. Small number		

		of ABS's went out unsealed	unauthorised individuals	company for explanation. Breach reported to information security officers at both WYPF and LPF	impacted, human error the cause.		
Sept 17	Contributions	Late payments May to August	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Issue raised at LEAF meeting
Sept 17	LCC - Leavers information	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC given opportunity to provide improvement plan and timescales	Not reported, but under review.		
Dec 17	LCC - Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	Improvement plan provided, presentation to Board to discuss in January	Not reported, but under review.		
Dec 17	Contributions - updated	Late payments Sept to November	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Issue to be raised at March employers meeting
Mar 18	LCC Leavers information – updated	Outstanding leavers information not	Incorrect ABS's, over statement of	Update on improvement plan presented	Not reported, but under review.		

		sent to WYPF by LCC	liabilities	to Board to discuss in March			
March 18	Contributions - updated	Late payments December to February	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Issue to be raised at March employers meeting
April 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC self-reported to TPR	Reported		Regular updates to be provided to TPR and Board
July 18	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers

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Lincolnshire COUNTY COUNCIL Working for a better future

Regulatory and Other Committee

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

Report to:	**LGPS Local Pension Board**
Date:	**25 July 2018**
Subject:	**Asset Pooling Update**

Summary:

This report updates the Board on progress of the creation of Border to Coast, the Fund's chosen asset pool.

Recommendation(s):

That the Board notes the report.

Background

1. As the Board are aware, the Lincolnshire Fund has been working closely with 11 other partner funds since 2015, to create the asset pool now known as Border to Coast Pensions Partnership Ltd (Border to Coast). Since the last update given at the March meeting of this Board, much progress has been made to ensure that Border to Coast was operational in July 2018, and ready to start the first transition of assets. This paper will summarise the key progress points to date, and outline the timetable for this Fund's first asset transition.

2. Border to Coast is now live. FCA approval for Border to Coast was received in April, and FCA approval for the first four sub-funds was received in May. The team have moved into the new offices in Leeds and the staffing numbers have been steadily increasing, as the internal teams have transferred across and new recruits have started. Border to Coast held an open day in early July inviting fund officers and S151's to meet the new team, see the offices, and to provide the Border to Coast new staff with an insight into the LGPS and how the governance works, and also the expectation Funds have of Border to Coast.

3. Border to Coast have completed their statutory accounts, under the small companies exemption, for the first period of operation to 31st March 2018. While these were minimal in content, this enabled future statutory financial reporting period ends to be aligned to the Partner Funds. A clean bill of health was given by the external auditors KPMG, and the accounts were approved by the Border to Coast Board on 24th May. These have also been distributed

to shareholders as required. The Border to Coast website is currently being restructured, and when complete the accounts will be published to meet the general transparency principles agreed.

Joint Committee Meetings

4. The Joint Committee (JC) last met on 13th March 2018, and the papers were circulated to all Pension Board members. The minutes will be circulated once approved, and below are the key decisions made from each paper:

- Shareholder Director proposals – the process for nomination and the criteria for these two positions was agreed. Nominations from Partner Funds would be submitted ahead of the July JC and the JC would select two candidates to be put to the Company's Board for approval, and then shareholder consent would be sought for the appointees.

- Project and strategic updates – the JC were updated on progress to date, risks identified and the budget outturn predicted for the project, and also on the key strategic areas of work: sub-fund launches, manager selection, investment processes, governance of approval for transitions and transition management.

- ACS Prospectus – the key elements of the prospectus were reviewed, and the approach for sign-off was agreed.

5. The next JC meeting is being held on 10th July and papers have been circulated to Board members. Key areas to be covered are shown below:

- Conduct of Elections for Chair and Vice-Chair of Joint Committee and Nominees for Directorship of Border to Coast Pensions Partnership;

- Governance Charter;

- Joint Committee Membership (see paragraph 6 below);

- Border to Coast Performance Measures;

- Revised Conflicts of Interest Policy;

- Border to Coast Project Update;

- Border to Coast Transition Planning 2018-2020;

- Border to Coast ACS UK Listed Equity Alpha Fund; and

- Border to Coast Alternatives Capability Build.

Joint Committee Membership

6. The Joint Committee has previously considered the issue of employer and/or scheme member representation and had not taken it forward, having had due regard to the guidance available at the time. The Scheme Advisory Board has recently reviewed their guidance and has amended it to include that consideration should be given to direct representation on oversight structures, and that where representation is not offered, the reasoning should be explained, and that clear reasons be set out why this is not considered appropriate.

7. The Committee and Pension Board considered this issue at previous meetings and had agreed that the place for employer and member representation was at the Committee and Board, and that it was not necessary at the Joint Committee. Differing opinions were held across some of the Border to Coast Partner Funds, and the issue will be considered again at the July JC meeting, and the resolution will be reported to the Board.

8. Should a decision be taken to co-opt employer and/or scheme member representatives onto the Joint Committee, it is proposed that the representatives should be sourced from the existing local boards.

Advisor Days

9. Two advisor days were held in May by Border to Coast, for the Partner Fund's investment consultants and advisors to enable them to meet the senior management team and to provide an overview of the sub-funds being created and the manager selection process.

Manager Open Days

10. Border to Coast held five "Open Day" sessions over two days in June, and representatives from over 130 asset management firms attended. The objective of these sessions was to inform the industry about Border to Coast, and to provide a high level explanation of the expected timetable for searching for managers for the external sub-funds. Feedback was that this was very well received.

Transitions

11. One of the initial principles in creating Border to Coast was that costs of the initial transitioning assets into the pool would be done in an equitable way. Opinion from Legal Counsel regarding the sharing of transition costs has been received and Border to Coast is liaising with MHCLG regarding options for the Partner Funds. This will be fully resolved ahead of any transition of the Lincolnshire Fund's assets.

12. As previously reported, Legal & General Investment Management (LGIM) have been appointed as the transition manager for the first transition tranches, including co-ordinating Northern Trust and the Partner Funds'

existing custodians. Additional transition strategy planning and oversight monitoring of LGIM throughout the transition is being provided from Inalytics. Extensive tax advice has also been provided by Deloitte.

Externally Managed Funds – Manager Selection Process

13. The first externally managed sub-fund will be launched in Q4 this year (UK equities), with Global Equities following that. It is expected that a number of managers will be appointed to each external sub-fund, rather than single manager sub-funds. Mercer has been appointed to act as the manager search advisor and to assist with the assessing of complementarity across potential managers. The following principles have been agreed to apply to all manager selections exercises:

    - Open, fair and transparent procurement process in line with OJEU principles;
    - Border to Coast should drive the selection process and not be constrained by consultant ratings or 'buy' lists;
    - Blending managers seeks to provide greater consistency of, and therefore better risk adjusted, returns;
    - ESG to be an important selection criterion;
    - Operational Due Diligence is also an important consideration and should be undertaken prior to any manager appointment;
    - Standardised Investment Management Agreements, where practical; and
    - Long term relationships – manager changes are disruptive and costly.

14. Officers are working closely with Border to Coast and Mercers to ensure that the sub-fund offerings and the strategic asset allocations of the Partner Funds are aligned.

Client Relationship

15. Two people have been appointed to run the Customer Relationship Management and Reporting Team at Border to Coast: Mat Dawson, ex Warwickshire County Council Pension Fund and Andrew Stone, L&G Investment Management.

16. The team is dedicated to working with the Partner Funds to ensure that Border to Coast understands customer requirements both in terms of short-term information and reporting provision and longer-term investment capability required to support Strategic Asset Allocation decisions and deliver sustainable long term performance. Initially they will be focused on helping Partner Funds through their transition to Border to Coast sub-funds; over the

longer term Border to Coast hope that the relationships will evolve into a strategic partnership that provides measurable results for the Partner Funds.

17. Mat and Andrew will be the key points of contact for the Fund going forwards, and have been invited to present to the December meeting of the Pensions Committee.

Next steps for Lincolnshire

18. The initial transition of any assets from the Lincolnshire Fund is not expected until next year. In order to ensure that the strategic asset allocation is aligned with the Border to Coast offerings, a meeting has been arranged in July with officers, the Investment Consultant and the Independent Advisor. A training Committee has been diarised for 11th September, to which Board members have been invited, to present the outcome of that meeting and to agree any amendments to the asset allocation.

19. Proposals for the externally managed Global Alpha (+2%) sub-fund will be brought to the October meeting of the Pensions Committee, to agree any allocation from the Lincolnshire Fund.

Conclusion

20. Significant progress has been made on the asset pooling project, and Border to Coast Pensions Partnership is now live and receiving assets. Officers (both Fund officers and S151 officers) are working closely with Border to Coast as assets are beginning to be transitioned.

21. As the sub-funds proposals are being developed, the Fund will ensure that, where feasible and where it does not impact the overall expected outcome, the asset allocation is aligned.

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

Not applicable.

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

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Lincolnshire COUNTY COUNCIL Working for a better future

Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection

Report to:	**LGPS Local Pension Board**
Date:	**25 July 2018**
Subject:	**Lincolnshire Pension Fund Policies Review**

Summary:

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

Recommendation(s):

That the Board note the report.

Background

1. Under the various Local Government Pension Scheme Regulations, the Pensions Committee, as the Administering Authority of the Lincolnshire Pension Scheme, is required to produce and maintain a number of key policy documents. Policies are brought to the Pensions Committee annually, and the last comprehensive review of all such policies was in July 2018. This report presents the latest version of these policies to the Pension Board.

Policies for Approval

2. The key policies to be reviewed and approved are set out as Annexes to this report. Any significant changes will be brought to the Board's attention and explained during the meeting.

Appendix A – Investment Strategy Statement

3. The ISS (replacement of the Statement of Investment Principles) sets out the Committee's approach to the investment of the Fund's assets, in accordance with the guidance issued by the Secretary of State.

Appendix B – Funding Strategy Statement

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

Appendix C – Communications Policy

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

Appendix D - Governance Policy and Compliance Statement

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

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

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

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

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

- Principle H – Scope – (a) – The Committee does not have an independent observer for administration and governance issues.

Appendix E - Stewardship Code Statement

8. The Stewardship Code Statement sets out how the Lincolnshire Pension Fund complies with the Financial Reporting Council's (FRC) UK Stewardship Code. The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. The Code sets out good practice on engagement with investee companies to which the FRC believes institutional investors should aspire and operates on a 'comply or explain' basis. Since September 2016 the FRC has rated all statements as either Tier 1 – fully meets the requirements of the Code, or Tier 2 – does not fully meet the requirements. Lincolnshire's statement has been rated as Tier 1.

Appendix F – Breaches Reporting Procedure

9. The Pension Regulator's Code of Practice requires all LGPS Funds to have a published procedure as to how breaches of the code will be dealt with and reported. The procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported)

a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoiding placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

Appendix G – Risk Register

10. The risk register is reviewed annually by the Pensions Committee, and any additional changes or updates are reported in the Committee's quarterly Fund Update report and in the Board's quarterly Fund Update report.

Conclusion

11. In accordance with the various Local Government Pension Scheme Regulations, the Fund has prepared a number of key policy documents. The ISS, FSS, Communications Policy, Governance Policy and Compliance Statement, Stewardship Code Statement, Breaches Reporting Procedure and Risk Register have been appended to this report for review.

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	LPF – Investment Strategy Statement
Appendix B	LPF – Funding Strategy Statement
Appendix C	LPF - Communications Policy
Appendix D	LPF – Governance Compliance Statement
Appendix E	LPF – Stewardship Code Statement
Appendix F	LPF – Breaches Reporting Procedure
Appendix G	LPF – Risk Register

Background Papers

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

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INVESTMENT STRATEGY STATEMENT

INTRODUCTION

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

The Administering Authority has delegated all its functions as administering authority to the Pensions Committee ("the Committee"). The ISS has been agreed by the Committee having taken advice from the Investment Consultant and Pension Fund Manager.

The ISS, which was approved by the Committee on 8th March 2017, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Fund is also required to maintain a Funding Strategy Statements ("FSS") in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended). The FSS for the Fund has been revised to take into account the results of the actuarial valuation, effective 1 April 2017. The FSS, which was approved by the Pensions Committee on 8th March 2017, complies with these Regulations.

INVESTMENT STRATEGY

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

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

Investment of money in a wide variety of investments

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

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

The Fund's strategic asset allocation is set out below. The table also includes the ranges within which the asset allocation may vary without reference to the Pensions Committee, and the maximum percentage of total Fund value that can be invested in these asset classes. The asset allocation is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments, whilst taking account of market risk and the nature of the Fund's liabilities.

Asset class	Strategic allocation	Range	Maximum
Equities	60%	+/- 6%	66%
UK equities	20%	+/- 2%	22%
Global equities	40%	+/- 5.5%	45.5%
Alternatives	15%	+/- 1.5%	16.5%
Property	9%	+/- 1.5%	10.5%
Infrastructure	2.5%	+/- 1.5%	4%
Fixed Income	13.5%	+/- 1.5%	15%
Cash	0%	+/- 0.5%	0.5%

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

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

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

The Pensions Committee reviews the suitability of the asset allocation of the Fund on a quarterly basis, following advice from the officers, investment consultant and independent advisor.

It is intended that the Fund's investment strategy will be reviewed at least every three years, following the latest actuarial valuation of the Fund. The investment

strategy takes due account of the maturity profile of the Fund and the current funding position.

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

Asset class	Benchmark
Equities	
UK Equities	FTSE All Share
Global Equities (ex UK)	MSCI World ex UK Index
Global Equities	MSCI All Countries World Index
Bonds and Cash	
UK Gilts Over 5 Years	FTSE UK Gilts Index-Linked Over 5 Years Index
Corporate Bonds	iBoxx £ Non-Gilts Index
All Stocks UK Gilt Index Fund	FTSE UK Gilts Index-Linked All Stocks Index
Corporate Bonds up to 5 Years	iBoxx Sterling Non-Gilts 1-5 Year Index
Cash	LIBID 7 Day
Property	
Property Venture	7% Per Annum
Property Unit Trusts	UK IPD Monthly Index
Infrastructure	6% Per Annum
Alternatives	LIBOR 3 Months + 4%

The suitability of particular investments and types of investments

The actuarial valuation, at 31 March 2016, was prepared on the basis of an expected real return on assets of 1.8% over the long term, a nominal return of 4.0% assuming inflation (CPI) to be 2.2%. The Pensions Committee has set the investment objective of producing a long term return of 0.75% p.a above the strategic benchmark.

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

The approach to risk

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

The principal risks affecting the Fund are set out below:

Risk	Description	Mitigants
Market	Value of an investment decreases as a result of changing market conditions.	Strategic asset allocation, with suitable diversification and appropriate ranges, determined on a triennial basis. The Committee has put in place rebalancing arrangements to ensure the Funds actual allocation does not deviate substantially from its target.
Performance	The Fund's investment managers fail to deliver returns in line with the underlying asset classes.	Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis. Investment Mangers present to the Committee on an annual basis.
Valuation	Valuations disclosed in the financial statements, particularly for unquoted investments, are not reflective of the value that could be achieved on disposal.	The valuation of investments is derived using a conservative valuation methodology and, where applicable, market observable data.
Liquidity	The Fund is not able to meet its financial obligations as they fall due or can do so only at an excessive cost.	The Fund maintains sufficient liquid funds at all times to ensure that it can meet its financial obligations.
Interest rate	A change in interest rates will result in a change in the valuation of the Fund's assets and liabilities.	The Fund regularly monitors its exposure to interest rates, and may consider hedging where appropriate.
Foreign exchange	An adverse movement in foreign exchange rates will impact on the value of the Fund's investments.	The Fund regularly monitors its foreign exchange exposure.
Demographic	Changes, such as increased longevity or ill-health retirement, will increase the value of the Fund's liabilities.	Demographic assumptions are conservative, regularly monitored, and reviewed on a triennial basis.

Regulatory	Changes to regulations and guidance may increase the cost of administering the Fund or increase the value of the Fund's liabilities.	The Fund ensures that it is aware of any actual or potential changes to regulations and guidance and will participate in consultations where appropriate.
Governance	The administering authority is unaware of changes to the Fund's membership which increases the value of its liabilities.	The Fund regularly monitors membership information and communicates with employers.

Approach to pooling investments

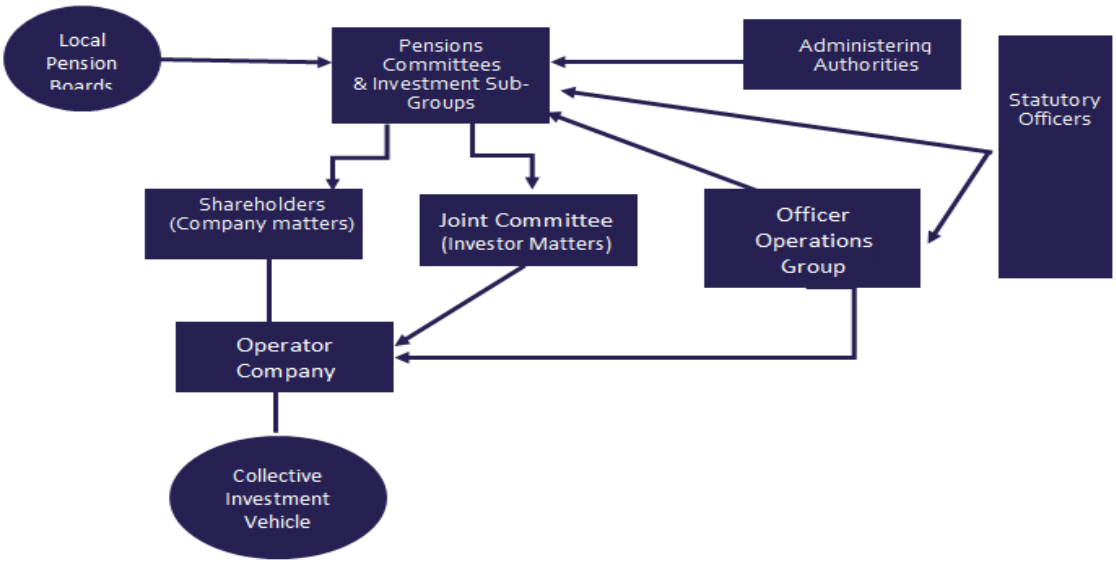
In order to satisfy the requirements of the "Local Government Pension Scheme: Investment Reform and Guidance" issued by the Department for Communities and Local Government ("DCLG") in November 2015, the Pension Fund has elected to become a shareholder in Border to Coast Pensions Partnership Limited (Border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

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

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

The partner Funds submitted their proposal to Government on 15th July 2016 and have received written confirmation from the Minister to confirm that the proposal meets the criteria laid down in the guidance issued in November 2015.

The governance structure of Border to Coast is as follows:



The Fund will hold Border to Coast to account through the following mechanisms:

- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of Border to Coast.

- A representative on the Joint Committee who will monitor and oversee the investment operations of Border to Coast.

- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group.

The Pension Fund will retain the decision making powers regarding asset allocation and will delegate the investment management function to Border to Coast.

It is anticipated that a significant proportion of the Fund's investments will be made through Border to Coast. Where it is not practical or cost effective for assets to be transferred into the pool, they will continue to be managed at the Fund level. This is expected to predominantly include unquoted investments such as limited partnerships. Whilst these assets are unlikely to be transferred, it is expected that once these investments mature the proceeds will be reinvested into Border to Coast. At the current time it is estimated that c. 66% of the Fund's assets will be invested in Border to Coast subject to it having suitable management arrangements in place.

The Fund will perform an annual review of assets that are determined to be held outside to ensure that it continues to demonstrate value for money. Following this review it will submit a report on the progress of asset transfers to the Scheme Advisory Board, in line with the guidance.

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

The Fund considers itself to be a responsible investor and take ESG matters very seriously and monitors investment managers' approach to ESG.

All of the Fund's investment managers consider that ESG factors can have a material impact on an investments financial return. As a result, ESG factors are fully incorporated into their respective investment processes.

The Fund's external Investment Managers also consider the impact of climate change risks and opportunities in the investment process to engage with companies in which they invest to ensure that they are minimising the risks and maximising the opportunities presented by climate change and climate policy. External investment managers are required to report quarterly on their engagement activity.

The Fund does not hold any investments that it deems to be social investments.

The Fund will take non-financial considerations into account when making investments, but not where it is considered to have a detrimental financial impact.

The Fund has not excluded any investments on purely non-financial considerations and will continue to invest in accordance with the Regulations in this regard.

The Fund has published its Responsible Investment Policy and Voting Guidelines on the shared website at www.wypf.org.uk.

It is considered that the Pensions Committee represents the views of the Fund membership and, in addition, the views of the Local Pension Board will be taken into account as part of their review of this document.

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

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

As global investors, the Fund expects the principles of good stewardship to apply globally, whilst recognising the need for local market considerations in its application. Reflecting on this the Fund has summarised its compliance with the UK Stewardship code and principles relating to good stewardship below.

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Whilst the Lincolnshire Pension Fund takes its responsibilities as a shareholder seriously, it does not have a specific policy on Stewardship, other than that stated in the Statement of Investment Principles. It seeks to adhere to the Stewardship Code where possible, and expects its appointed asset managers to do so too. Resources do not currently allow for a dedicated role to oversee LPF's RI responsibilities at a Fund level, however the asset pooling arrangements currently being implemented will enable a more active role in the future.

In practice the Fund applies the Code in two ways; through arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum, a collaborative shareholder engagement group for Local Authority Pension Funds. Through these channels, LPF seeks to improve long term share performance through investment in better governed companies, therefore improving the funding level of the LPF and reducing the cost to stakeholders in the Local Government Pension Scheme.

As part of the manager appointment process, the Fund selects managers who show how their stewardship responsibilities are built in as an integral part of their investment process. Managers are asked to include information on stewardship and engagement activity in their quarterly reports to LPF, so that activity can be monitored. The Fund has regular meetings with its external managers where their stewardship activities are on the agenda. This assists the Fund in understanding the impact of any such activities undertaken and ensures that they are aligned with the engagement work done by LAPFF.

The Fund reports quarterly to the Pensions Committee on the engagement work undertaken by LAPFF and a member of the Pensions Committee regularly attends the LAPFF meetings. The Fund also attends the LAPFF Annual Conference to ensure a full understanding and input into the work programme of LAPFF.

Voting is carried out at Fund level, rather than by appointed managers, using a third party voting agency, Manifest. A general global voting template is agreed by the Pensions Committee using the best practice principles advised by Manifest. Voting decisions for non-standard items are made on a case-by-case basis using the analysis produced by Manifest and take into account any voting alerts provided by LAPFF, or where needed, additional information is requested from managers. The Fund reports quarterly to the Pensions Committee on all voting activity undertaken.

Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Fund expects the asset managers it employs to have effective policies addressing potential conflicts of interest, and that these are all publically available on their respective websites. These are discussed prior to the appointment of a manager, and reviewed as part of the standard manager monitoring process.

In respect of conflicts of interest within the Fund, Pensions Committee and the Pension Board review the Pension Fund Code of Conduct and Conflicts of Interest Policy annually and all members are required to sign an annual declaration form in line with the published policy. The policy can be found on the shared LPF website at www.wypf.org.uk. In addition, Committee members are required to make declarations of interest prior to committee meetings which are documented in the minutes of each meeting and available on the Council's website at www.lincolnshire.gov.uk.

Principle 3 - Institutional investors should monitor their investee companies.

As investors we own a portion of the companies we invest in. With our voting policies and working through our external managers and LAPFF we can use our rights as owners to encourage companies to act more responsibly and improve their practices. All our managers are required to consider how environmental, social and governance factors might impact companies sustainability, and therefore their long term share performance.

Day-to-day responsibility for managing our externally managed equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor their investee companies and engage where necessary. Managers are asked to include information on stewardship and engagement activity in their quarterly reports to LPF, so that activity and impact can be monitored. The Fund has regular meetings with its external managers where their stewardship activities are on the agenda. This assists the Fund in understanding the impact and effectiveness of any such activities undertaken and ensures that they are aligned with the engagement work done by LAPFF. Reports on the Funds voting and engagement activity through LAPFF are received by the Pensions Committee on a quarterly basis.

In addition, the Fund receives an 'Alerts' service from the Local Authority Pension Fund Forum, which highlights corporate governance issues of concern at investee companies, and is used when making voting decisions.

Resources do not currently allow for a dedicated role to monitor investee companies at a Fund level, however the asset pooling arrangements currently being implemented will enable a more active role in the future.

Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their activities.

As highlighted above, responsibility for day-to-day interaction with companies is delegated to the Fund's asset managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code. We review each manager's policy on engagement and escalation prior to appointment and we review their engagement activity during regular review meetings with them, and support it when required. Escalation routes across our managers involve meetings with company management, meetings with Non-Executive Directors, collaborating with

other institutional shareholders, submitting resolutions at general meetings and in the most extreme instances divestment of shares. The outcome of any engagement is reported to the Fund through the normal reporting routine.

On occasion, the Fund may itself choose to escalate activity through its participation in the Local Authority Pension Fund Forum. The areas where escalation might occur would be aligned with the LAPFF work programme. Fund involvement would be by either co-signing a shareholder resolution or publically supporting a shareholder resolution. This would happen following a request from LAPFF explaining the engagement activity taken so far and the reasons why a shareholder resolution is required. The Fund had an agreed process for this internally which requires a paper taken to our Pensions Committee (time allowing) or through delegation to the Council's Executive Director of Finance and Public Protection in consultation with the Chair and Vice Chair of the Pensions Committee to agree. Examples of escalation activity from LAPFF that the Fund has supported are shown below:

- Supporting the Human Rights Capital shareholder resolution at Sports Direct
- Part of the 'Aiming for A' investor coalition – successfully co-filing at BP, Shell, Anglo American, Rio Tinto and Glencore on strategic resilience resolutions
- Supported shareholder resolutions at National Express on workplace rights

The Fund monitors and participates in shareholder litigation through its contracts with IPS (Institutional Protection Services) and US law firm SRKW. In addition, supplementary monitoring is provided by BLBG.

Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund achieves this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members.
The LAPFF agree planned work programmes each year which are discussed and approved at LAPFF meetings. This plan sets out the engagement areas for activity for the coming year. Lincolnshire Pensions Committee member Cllr Nev Jackson is the named representative responsible for attending these meetings and actively participates in any discussions and setting of the work programme. He raises any concerns that the Fund may have and feeds back to the Pensions Committee on a quarterly basis.

The contact for any potential collective action with the Fund is the Pension Fund Manager, Jo Ray, at jo.ray@lincolnshire.gov.uk.

Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.

Responsibility for the exercise of voting rights is maintained at Fund level, and not delegated to the Fund's appointed asset managers. The Fund exercises all votes for its UK, developed Europe, US, Canada and Japanese equity holdings. Votes are cast in accordance with a template that represents best practice corporate governance standards, that is agreed by the Pensions Committee. Advice on best practice is supplied by the voting agency Manifest. This includes consideration of company explanations of compliance with the Corporate Governance Code. Reports are presented to the Pensions Committee on a quarterly basis on how votes have been cast, and controversial issues are often discussed at committee meetings.

The Fund will only support the Board when the recommendations meet the best practice requirements in the guidance supplied by the Fund's voting advisor, Manifest. All votes cast by the Fund are logged in Manifest's on-line system, which also identifies where the Fund has voted against the Board and reasons why. The Fund always responds to requests from companies to explain voting outcomes, and will, wherever possible, explain in advance of the actual vote being cast.

The quarterly reports presented to the Pensions Committee include high level voting activity and are available on the Council's website, alongside all committee reports.

The Fund participates in stock lending through its Custodian, JPMorgan. Stock is not recalled ahead of company meetings to allow voting on the holdings participating in the stock lending programme, due to the restricted resources within the internal team.

Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.

The Fund reports quarterly to the Pensions Committee on stewardship activity through a specific section on voting undertaken each quarter, in the Fund Update. This includes details of engagement activity undertaken through the Local Authority Pension Fund Forum. On an annual basis the Fund includes a section on Stewardship Responsibilities in its Annual Report and Accounts, detailing voting activity and highlighting the key engagements over the year through its membership of LAPFF. These are available on the Council's website.

Data to produce these reports is taken from the Councils voting service provider's online system, which records all votes undertaken, and from reports produced by LAPFF.

Although voting is not delegated to managers, they are required to share their engagement activity with the Fund on a regular basis.

Compliance and monitoring

The investment managers are required to adhere to the principles set out in this Investment Strategy Statement. The Pensions Committee will require an annual written statement from the investment managers that they have adhered to the principles set out in this statement.

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

Approved by Lincolnshire Pension Committee 8th March 2017

Lincolnshire Pension Fund

Funding Strategy Statement

July 2018

Contents

1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Lincolnshire Pension Fund ("the Fund"), which is administered by Lincolnshire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers, investment adviser and approval by the Pensions Committee. It is effective from 31 March 2017.

1.2 What is the Lincolnshire Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Lincolnshire Pension Fund, in effect the LGPS for the Lincolnshire area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and
- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's discretionary policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Statement of Investment Principles / Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, and in what circumstances you might need to pay more. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependants' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay to the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (**NB** this will also minimise the costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on its pension obligations.

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

If you have any other queries please contact Jo Ray, Pension Fund Manager in the first instance at e-mail address jo.ray@lincolnshire.gov.uk or on telephone number 01522 553656.

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary measure the required contribution rate?

In essence this is a three-step process:

1. Calculate the ultimate funding target for that employer, i.e. the ideal amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;

2. Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;

3. Calculate the employer contribution rate such that it has at least a given probability of achieving that funding target over that time horizon, allowing for different likelihoods of various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate will aim to return the employer to full funding over an appropriate period (the "time horizon"). The Secondary rate may be expressed as a percentage of pay or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as "Scheduled Bodies", the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies' membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as 'admission bodies'. These employers are generally those with a "community of interest" with another scheme employer – **community admission bodies** ("CAB") or those providing a service on behalf of a scheme employer – **transferee admission bodies** ("TAB"). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund's admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term 'admission bodies'; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the measured contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **probability of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

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2.5 How is a deficit (or surplus) calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's deficit; if it is more than 100% then the employer is said to be in surplus. The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the deficit/surplus and funding level are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, deficits and funding levels are short term measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;

- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower probability of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter deficit recovery period relative to other employers, and/or a higher probability of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority may, at its sole discretion, direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required probability of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will be assumed to incur a greater loss of investment returns on the deficit. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.

Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	Scheduled Bodies				Community Admission Bodies and Designating Employers		Transferee Admission Bodies	Designating Bodies
Sub-type	**Local Authorities, Police and Crime Commissioner**	**Small Scheduled Bodies**	**Colleges**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**(all)**	**Internal Drainage Board**
Funding Target Basis used	Ongoing, assumes long-term Fund participation (see Appendix E)				Ongoing, but may move to "gilts basis" - see Note (a)		Ongoing, assumes fixed contract term in the Fund (see Appendix E)	Ongoing, assumes long – term Fund participation (see Appendix E)
Primary rate approach	(see Appendix D – D.2)							
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	15 years	20 years	Outstanding term, subject to a maximum of 15 years	Outstanding term, subject to a maximum of 15 years	Outstanding contract term, subject to a maximum of 15 years	20 years
Secondary rate – Note (d)	Monetary amount (other than maintained schools where % of payroll)	% of payroll	Monetary amount	Monetary amount	Monetary amount	Monetary amount	Monetary amount	Monetary amount
Treatment of surplus	Covered by stabilisation	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority					Preferred approach: contributions kept at	Preferred approach:

Type of employer	Scheduled Bodies				Community Admission Bodies and Designating Employers		Transferee Admission Bodies	Designating Bodies
	arrangement						Primary rate. However, reductions may be permitted by the Administering Authority to reduce the surplus over the remaining contract term	contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority
Probability of achieving target – Note (e)	66%	70%	75%	75%	75%	75%	75%	70%
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None	None	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations						Particularly reviewed in last 3 years of contract	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations
New employer	n/a	n/a	n/a	Note (g)	Note (h)		Notes (h) & (i)	n/a
Cessation of	Cessation is assumed not to be generally possible, as				Can be ceased subject to		Participation is	Can be ceased

Type of employer	Scheduled Bodies	Community Admission Bodies and Designating Employers	Transferee Admission Bodies	Designating Bodies
participation: cessation debt payable	Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).	terms of admission agreement. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).	assumed to expire at the end of the contract. Cessation debt (if any) calculated on ongoing basis. Awarding Authority will be liable for future deficits and contributions arising.	subject to passing of resolution. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation - see Note (j)

Note (a) (Basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. using a discount rate set equal to gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2016 valuation exercise (see Section 4), the standard stabilisation arrangements that will apply for employers are as follows. Other stabilisation arrangements may, on occasion, be allowed if the actuary considers them to be prudent.

Type of employer	Local Authority Council	Police and Crime Commissioner Pool
Stabilisation Mechanism	Fixed % of pay plus increasing monetary amount	Fixed % of pay plus increasing monetary amount
Maximum contribution increase per year	+1% of pay	+1% of pay
Maximum contribution decrease per year	-1% of pay	-1% of pay

The stabilisation criteria and limits will be reviewed at the 31 March 2019 valuation, to take effect from 1 April 2020. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2017 for the 2016 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

The Secondary contribution rate for each employer, covering the three year period until the next valuation, will normally be set as a monetary amount. However, the Administering Authority reserves the right to amend these rates between valuations.

Note (e) (Probability of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum probability. A higher required probability bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different probabilities are set for different employers depending on their nature and circumstances: in broad terms, a higher probability will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,
- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's initial contribution rate will be calculated using market conditions, the council funding position and membership data, all as at the day prior to conversion;

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG guidance. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the letting employer, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a fall in gilt yields;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the letting employer, and will be reassessed on an annual basis. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk to other employers in the Fund of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the letting/outsourcing of some services from an existing employer (normally a Scheduled Body such as a council or academy) to another organisation (a "contractor"). This involves the TUPE transfer of some staff from the letting employer to the contractor. Consequently, for the duration of the contract, the contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the letting employer or to a replacement contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

Employers which "outsource" have flexibility in the way that they can deal with the pension risk potentially taken on by the contractor. In particular there are three different routes that such employers may wish to adopt. Clearly as the risk ultimately resides with the employer letting the contract, it is for them to agree the appropriate route with the contractor:

i) Pooling

Under this option the contractor is pooled with the letting employer. In this case, the contractor may pay the same rate as the letting employer, which may be under a stabilisation approach.

ii) Letting employer retains pre-contract risks

Under this option the letting employer would retain responsibility for assets and liabilities in respect of service accrued prior to the contract commencement date. The contractor would be responsible for the future liabilities that accrue in respect of transferred staff. The contractor's contribution rate could vary from one valuation to the next. It would be liable for any deficit at the end of the contract term in respect of assets and liabilities attributable to service accrued during the contract term.

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate and does not pay any cessation deficit.

The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. The Admission Agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

- above average pay increases, including the effect in respect of service prior to contract commencement even if the letting employer takes on responsibility for the latter under (ii) above; and
- redundancy and early retirement decisions.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14th May 2018, this will result in a refund payment to the Admission Body.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final deficit will normally be calculated using a “gilts cessation basis”, which is more prudent than the ongoing basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund would spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit, and would carry out the cessation valuation on an ongoing basis: deficit recovery payments would be derived from this cessation debt. This approach would be monitored as part of each triennial valuation: the Fund reserves the right to revert to a "gilts cessation basis" and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Body would have no contributing members.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. Currently the pools in place within the Fund are as follows:

- Small scheduled bodies e.g. Town and Parish Councils (as a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service).
- Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.
- Academies will be regarded as separate employers in their own right and will not be pooled with other employers in the Fund, the only exception being when the Academy is part of a Multi Academy Trust (MAT).

Employers who are permitted to enter (or remain in) a pool at the 2016 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate. As at the 2016 valuation, separate pools were operated for:-

- Lincolnshire County Council;
- Police and Crime Commissioner for Lincolnshire;
- East Lindsey District Council;
- Lindsey Marsh Internal Drainage Board

- Small Scheduled Bodies;
- The following Multi Academy Trusts:-
    - David Ross Education Trust
    - Boston Witham Academies Trust
    - Phoenix Family of Schools
    - Priory Federation of Academies
    - Tall Oaks Academy Trust
    - West Grantham Federation.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

It is generally expected that such strain costs are paid immediately, however, in exceptional circumstances and with the agreement of the Administering Authority the payment may be spread.

3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see 3.8 below).

Admitted Bodies will usually have an 'ill health allowance'; Scheduled Bodies may have this also, depending on their agreement terms with the Administering Authority. The Fund monitors each employer's ill health experience on an ongoing basis. If the cumulative cost of ill health retirement in any financial year exceeds the allowance at the previous valuation, the employer will be charged additional contributions on the same basis as apply for non ill-health cases. Details will be included in each separate Admission Agreement.

3.8 External Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that the total contribution is unchanged, and
- there is no need for monitoring of allowances.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general, an employer ceasing in the Fund due to the departure of the last active member will pay a cessation debt on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

c) In exceptional circumstances the Fund may permit an employer with no remaining active members to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and

- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the administering authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Statement of Investment Principles (being replaced by an Investment Strategy Statement under new LGPS Regulations), which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The asset outperformance assumption contained in the discount rate (see Appendix E3) is within a range that would be considered acceptable for funding purposes; it is also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

However, in the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility and there is a material chance that in the short-term and even medium term, asset returns will fall short of this target. The stability measures described in Section 3 will damp down, but not remove, the effect on employers' contributions.

The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 How does this differ for a large stable employer?

The Actuary has developed four key measures which capture the essence of the Fund's strategies, both funding and investment:

Prudence - the Fund should have a reasonable expectation of being fully funded in the long term;

Affordability – how much can employers afford;

Stewardship – the assumptions used should be sustainable in the long term, without having to resort to overly optimistic assumptions about the future to maintain an apparently healthy funding position; and

Stability – employers should not see significant moves in their contribution rates from one year to the next, to help provide a more stable budgeting environment.

The key problem is that the key objectives often conflict. For example, minimising the long term cost of the scheme (i.e. keeping employer rates affordable) is best achieved by investing in higher returning assets e.g. equities. However, equities are also very volatile (i.e. go up and down fairly frequently in fairly large moves), which conflicts with the objective to have stable contribution rates.

Therefore, a balance needs to be maintained between risk and reward, which has been considered by the use of Asset Liability Modelling: this is a set of calculation techniques applied by the Fund's actuary to model the range of potential future solvency levels and contribution rates.

The Actuary was able to model the impact of these four key areas, for the purpose of setting a stabilisation approach (see 3.3 Note (b)). The modelling demonstrated that retaining the present investment strategy, coupled with constraining employer contribution rate changes as described in 3.3 Note (b), struck an appropriate balance between the above objectives. In particular the stabilisation approach currently adopted meets the need for stability of contributions without jeopardising the Administering Authority's aims of prudent stewardship of the Fund.

Whilst the current stabilisation mechanism is to remain in place until 2020, it should be noted that this will need to be reviewed following the 2019 valuation.

4.5 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the regular Pensions Committee meetings, and also to employers through newsletters and Employers Forums.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Ministry of Housing, Communities & Local Government (MHCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and

2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

*"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*

*to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*

*to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Statement of Investment Principles / Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in February 2017 for comment;

b) Comments were requested within 4 weeks, and answers provided;

c) There was an Employers Forum on 23 March 2017 at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and approved at the Pensions Committee meeting on 8 March 2017, then published before the month end.

A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the website, at www.wypf.org.uk;

A copy sent by e-mail to each participating employer in the Fund;

A copy sent to the Pension Board;

A full copy included in the annual report and accounts of the Fund;

Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation. This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation in 2019.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the web at www.wypf.org.uk.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

1. operate the Fund as per the LGPS Regulations;
2. effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
3. collect employer and employee contributions, and investment income and other amounts due to the Fund;
4. ensure that cash is available to meet benefit payments as and when they fall due;
5. pay from the Fund the relevant benefits and entitlements that are due;
6. invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
7. communicate appropriately with employers so that they fully understand their obligations to the Fund;
8. take appropriate measures to safeguard the Fund against the consequences of employer default;
9. manage the valuation process in consultation with the Fund's actuary;
10. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
11. prepare and maintain a FSS and an ISS, after consultation;
12. notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
13. monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

1. deduct contributions from employees' pay correctly;
2. pay all contributions, including their own as determined by the actuary, promptly by the due date;
3. have a policy and exercise discretions within the regulatory framework;
4. make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
5. notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

1. prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
2. provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

3. provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
4. prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
5. assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
6. advise on the termination of employers' participation in the Fund; and
7. fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

1. investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
2. investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
3. auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
4. governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
5. legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
6. the Department for Communities and Local Government (assisted by the Government Actuary's Department) and the Scheme Advisory Board, should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Fall in risk-free returns on Government bonds, leading to rise in value placed on liabilities.	Stabilisation modelling at whole Fund level allows for the probability of this within a longer term context. Inter-valuation monitoring, as above. Some investment in bonds helps to mitigate this risk.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this

Risk	Summary of Control Mechanisms
	risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, monetary amounts to be continued to be paid rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate

Risk	Summary of Control Mechanisms
	contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f) to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The results of the most recent reforms were built into the 2013 valuation. Any changes to member contribution rates or benefit levels will be carefully communicated with members to minimise possible opt-outs or adverse actions.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor. Reviewing bond or guarantor arrangements at regular

Risk	Summary of Control Mechanisms
	intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D:

1. The **funding target** is based on a set of assumptions about the future, eg investment returns, inflation, pensioners' life expectancies. However, if an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation of participation;

2. The **time horizon** required is, in broad terms, the period over which any deficit is to be recovered. A shorter period will lead to higher contributions, and vice versa (all other things being equal). Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform;

3. The required **probability of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, or potentially ceasing from the Fund, then the required probability will be set higher, which in turn will increase the required contributions (and vice versa).

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's funding position and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,

2. within the determined time horizon (see note 3.3 Note (c) for further details),

3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (by the end of the time horizon) is equal to the required probability.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The combined Primary and Secondary rates aim to achieve the employer's funding target, within the appropriate time horizon, with the relevant degree of probability.

For the funding target, the Fund actuary agrees the assumptions to be used with the Administering Authority – see Appendix E. These assumptions are used to calculate the present value of all benefit payments expected in the future, relating to that employer's current and former employees, based on pensionable service to the valuation date only (i.e. ignoring further benefits to be built up in the future).

The Fund operates the same target funding level for all employers of 100% of its accrued liabilities valued on the ongoing basis, unless otherwise determined (see Section 3).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total is projected to:

1. meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
2. within the determined time horizon (see 3.3 Note (c) for further details)
3. with a sufficiently high probability, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. The measured contributions are calculated such that the proportion of outcomes with at least 100% solvency (by the end of the time horizon) is equal to the required probability.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities;
4. any different time horizons;

5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;
9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required probability of achieving the funding target.

D5 How is each employer's asset share calculated?

Until 31 March 2016 the Administering Authority did not account for each employer's assets separately. Instead, the Fund's actuary apportioned the assets of the whole Fund between the employers, at each triennial valuation.

This apportionment uses the income and expenditure figures provided for certain cash flows for each employer. This process adjusts for transfers of liabilities between employers participating in the Fund, but does make a number of simplifying assumptions. The split is calculated using an actuarial technique known as "analysis of surplus".

Actual investment returns achieved on the Fund between each valuation are applied proportionately across all employers, to the extent that employers in effect share the same investment strategy. Transfers of liabilities between employers within the Fund occur automatically within this process, with a sum broadly equivalent to the reserve required on the ongoing basis being exchanged between the two employers.

The Fund actuary does not allow for certain relatively minor events, including but not limited to:

1. the actual timing of employer contributions within any financial year;
2. the effect of the premature payment of any deferred pensions on grounds of incapacity.

These effects are swept up within a miscellaneous item in the analysis of surplus, which is split between employers in proportion to their liabilities.

The methodology adopted until 31 March 2016 meant that there were inevitably some difference between the asset shares calculated for individual employers and those that would have resulted had they participated in their own ring-fenced section of the Fund.

The asset apportionment was capable of verification but not to audit standard. The Administering Authority recognised the limitations in the process, and while it considered that the Fund actuary's approach addressed the risks of employer cross-subsidisation to an acceptable degree, it decided to adopt a different apportionment approach going forward.

With effect from 1 April 2016, the Fund uses the Hymans Robertson Employer Asset Tracking model ("HEAT"), which apportions assets at individual employer level allowing for monthly cashflows per employer (e.g. contributions received, benefits paid out, investment returns, transfers in and out, etc). This revised approach gives a greater degree of accuracy, for employers' benefit.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions?

These are expectations of future experience used to place a value on future benefit payments ("the liabilities"). Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants' benefits.

Changes in assumptions will affect the measured funding target. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The combination of all assumptions is described as the "basis". A more optimistic basis might involve higher assumed investment returns (discount rate), or lower assumed salary growth, pension increases or life expectancy; a more optimistic basis will give lower funding targets and lower employer costs. A more prudent basis will give higher funding targets and higher employer costs.

E2 What basis is used by the Fund?

The Fund's standard funding basis is described as the "ongoing basis", which applies to most employers in most circumstances. This is described in more detail below. It anticipates employers remaining in the Fund in the long term.

However, in certain circumstances, typically where the employer is not expected to remain in the Fund long term, a more prudent basis applies: see Note (a) to 3.3.

E3 What assumptions are made in the ongoing basis?

a) Investment return / discount rate

The key financial assumption is the anticipated return on the Fund's investments. This "discount rate" assumption makes allowance for an anticipated out-performance of Fund returns relative to long term yields on UK Government bonds ("gilts"). There is, however, no guarantee that Fund returns will out-perform gilts. The risk is greater when measured over short periods such as the three years between formal actuarial valuations, when the actual returns and assumed returns can deviate sharply.

Given the very long-term nature of the liabilities, a long term view of prospective asset returns is taken. The long term in this context would be 20 to 30 years or more.

For the purpose of the triennial funding valuation at 31 March 2016 and setting contribution rates effective from 1 April 2017, the Fund actuary has assumed that future investment returns earned by the Fund over the long term will be 1.8% per annum greater than gilt yields at the time of the valuation (this is higher than that used at the 2013 valuation, which therefore gives a lower funding target, all other things being equal). In the opinion of the Fund actuary, based on the current investment strategy of the Fund, this asset out-performance assumption is within a range that would be considered acceptable for the purposes of the funding valuation.

b) Salary growth

Pay for public sector employees is currently subject to restriction by the UK Government until 2020. Although this "pay freeze" does not officially apply to local government and associated employers, it has been suggested that they are likely to show similar restraint in respect of pay awards. Based on long term historical analysis of the membership in LGPS funds, and continued austerity measures, the salary increase assumption at the 2016 valuation has been set to be a blended rate combined of:

1. 1% p.a. until 31 March 2020, followed by

2. retail prices index (RPI) p.a. thereafter.

This gives a single "blended" assumption of RPI less 0.6% p.a. This is a change from the previous valuation, which assumed a flat assumption of RPI plus 0.5% per annum. The change has led to a reduction in the funding target (all other things being equal).

c) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

As at the previous valuation, we derive our assumption for RPI from market data as the difference between the yield on long-dated fixed interest and index-linked government bonds. This is then reduced to arrive at the CPI assumption, to allow for the "formula effect" of the difference between RPI and CPI. At this valuation, we have used a reduction of 1.0% per annum. This is a larger reduction than at 2013 (which was 0.8% p.a.), which will serve to reduce the funding target (all other things being equal). (Note that the reduction is applied in a geometric, not arithmetic, basis).

d) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of "VitaCurves", produced by the Club Vita's detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

It is acknowledged that future life expectancy and, in particular, the allowance for future improvements in life expectancy, is uncertain. There is a consensus amongst actuaries, demographers and medical experts that life expectancy is likely to improve in the future. Allowance has been made in the ongoing valuation basis for future improvements in line with the 2013 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This is a similar allowance for future improvements than was made in 2013.

The combined effect of the above changes from the 2013 valuation approach, is to reduce life expectancy by around 0.2 years on average, which reduces the funding target all other things being equal. The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

e) General

The same financial assumptions are adopted for most employers, in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Glossary

Actuarial assumptions/basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of **the funding target**. The main assumptions will relate to the **discount rate**, salary growth, pension increases and longevity. More prudent assumptions will give a higher target value, whereas more optimistic assumptions will give a lower value.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Discount rate	The annual rate at which future assumed cashflows (in and out of the Fund) are discounted to the present day. This is necessary to provide a **funding target** which is consistent with the present day value of the assets. A lower discount rate gives a higher target value, and vice versa. It is used in the calculation of the **Primary and Secondary rates**.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Funding target	The actuarially calculated present value of all pension entitlements of all **members** of the Fund, built up to date. This is compared with the present market value of Fund assets to derive the **deficit**. It is calculated on a chosen set of **actuarial assumptions**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but their main use in funding is as an objective measure of solvency.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.

Letting employer	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 101 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. In broad terms, this relates to the shortfall of its asset share to its **funding target**. See

Appendix D for further details.

Stabilisation Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund. Different methods may involve: probability-based modelling of future market movements; longer deficit recovery periods; higher discount rates; or some combination of these.

Valuation An actuarial investigation to calculate the liabilities, future service contribution rate and common contribution rate for a Fund, and usually individual employers too. This is normally carried out in full every three years (last done as at 31 March 2016), but can be approximately updated at other times. The assets value is based on market values at the valuation date, and the liabilities value and contribution rates are based on long term bond market yields at that date also.

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COMMUNICATION POLICY STATEMENT

LINCOLNSHIRE COUNTY COUNCIL

LOCAL GOVERNMENT PENSION SCHEME

Lincolnshire County Council, as administering authority for the Local Government Pension Scheme, is required by statute to publish a communications policy statement. The Fund communicates with over 220 employers and over 74,000 scheme members, in addition to a large number of other interested parties.

The Regulations governing the Local Government Pension Scheme are laid before parliament by the Ministry of Housing, Communities and Local Government. One of the key requirements they make on all Administering Authorities is to prepare, maintain and publish a written statement setting out the information below:-

a) The Fund must now prepare, maintain and publish a written statement setting out its policy concerning communications with

- members;
- representatives of members;
- prospective members; and
- employing authorities.

b) In particular, the statement must set out the Fund's policy on

i. the provision of information and publicity about the Scheme to members, representatives of members and employing authorities (including non-Scheme Employers);

ii. the format, frequency and method of distributing such information or publicity; and

iii. the promotion of the Scheme to prospective members and their employing authorities.

The day-to-day administration of the Local Government Pension Scheme is carried out on behalf of the County Council by West Yorkshire Pension Fund (WYPF), in a shared service arrangement. Communication material is produced by WYPF in collaboration with the Pensions Team in Lincolnshire. All arrangements for forums, workshops and meetings covered within this statement are made in partnership with WYPF.

The Fund communicates with all stakeholders, as defined in specific legislation, and listed above.

Communication is increasingly distributed via electronic means, with all documents available on a dedicated Pensions website (www.wypf.org.uk).

WYPF provide a dedicated enquiry phone numbers and emails for both scheme members and employers for pension related enquiries. For scheme members it is 01274 434999 and pensions@wypf.org.uk, and for employers it is 01274 434900 and wypf.pfr@wypf.org.uk. The appropriately qualified staff from the County Council, WYPF or external advisers will deliver presentations to groups of stakeholders and conduct individual meetings.

The Fund's objective in respect of communication is to comply with relevant legislation and ensure relevant individuals and employers receive accurate and timely information about their pension arrangements. Methods of communication are set out in the table below.

Communications events - Scheme Members

Communication	Format	Frequency	Method of Distribution
LGPS active members (including representatives of retired members)	Newsletter	2 per year	Mail
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Telephone E-mail Face to face
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face
	Social media	Constant	Web
	Newsletter	2 per year	Mail
	Annual benefit statement	1 per year	Mail
	Roadshows	Quarterly	Face to face
	Pre-retirement course	Monthly	Face to face
LGPS deferred members (including representatives of deferred members)	www.wypf.org.uk	Constant	Web
	Contact Centre	8.45 to 4.30 Monday to Friday	Telephone E-mail Face to face
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face
	Social media	Constant	Web
	Newsletter	1 per year	Mail
LGPS pensioner members (including representatives of retired members)	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face
	Pension advice slips	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail
	Social media	Constant	Web
	Newsletter	1 per year	Mail

Communications events - Employers

Communication	Format	Frequency	Method of Distribution
Employers	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	As and when required	Face to face
	Update sessions	2 per year	Meeting
	Annual meeting	1 per year	Meeting
	Manuals/toolkits	Constant	Web/electronic document
	Social media	Constant	Web
	Workshops	10 per year	Face to face
	Introduction to Pensions	Bi-monthly	Face to face
	Online training video	Constant	Web

Reviewed 13th July 2017 by the Pensions Committee

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GOVERNANCE POLICY AND COMPLIANCE STATEMENT

LINCOLNSHIRE COUNTY COUNCIL

LOCAL GOVERNMENT PENSION SCHEME

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

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

GOVERNANCE POLICY STATEMENT

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

Pensions Committee

The Pensions Committee has 11 members in total, 8 of which are County Councillors and 3 co-opted members. All the members have full voting rights.

The 8 County Councillors represent the political balance of the Council.

The 3 co-opted members comprise:

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

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

- set investment policies for the Fund, including the establishment and maintenance of a strategic benchmark for asset allocation, drawing upon appropriate professional advice,
- appoint and review the performance of all Fund Managers and associated professional service providers,

- approve the Annual Report and Statement of Accounts of the Fund,

- consider any other matters relevant to the operation and management of the fund, and

- respond to any relevant consultation impacting upon the Local Government Pension Scheme.

N.B. The Constitution will be amended to reflect the change in responsibilities resulting from asset pooling, ahead of the first transition of assets expected in Q1 2019.

The Pensions Committee has four regular meetings, two manager monitoring meetings and two training meetings each year. In addition, one or more special meetings may be held to appoint new investment managers or other professional advisers.

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

Executive Director of Finance and Public Protection

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

- authorise payment of statutory pensions and allowances,

- undertake or arrange for all necessary transactions associated with the management of the assets of the Pension Fund, and

- agree appropriate means of securing external representation on the Pensions Committee, in consultation with relevant external bodies.

Lincolnshire Pension Board

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

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

The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti-fraud and

corruption policy operated by the administering authority, which operate to include all of the functions of the Council and its advisers).

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

- Assist Lincolnshire County Council as Scheme Manager;
- To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
- To secure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and
- In such other matters as the scheme regulations may specify.

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

The Lincolnshire Pension Board consists of five members:

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

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

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

The Lincolnshire Pension Board meetings are open to the public and agendas, reports and minutes are made available through the Funds shared website with WYPF at www.wypf.org.uk. An annual report on the work of the Board is included in the Fund's annual report, which is published on the Council's website and provided to all scheme employers with an abbreviated version distributed to scheme members.

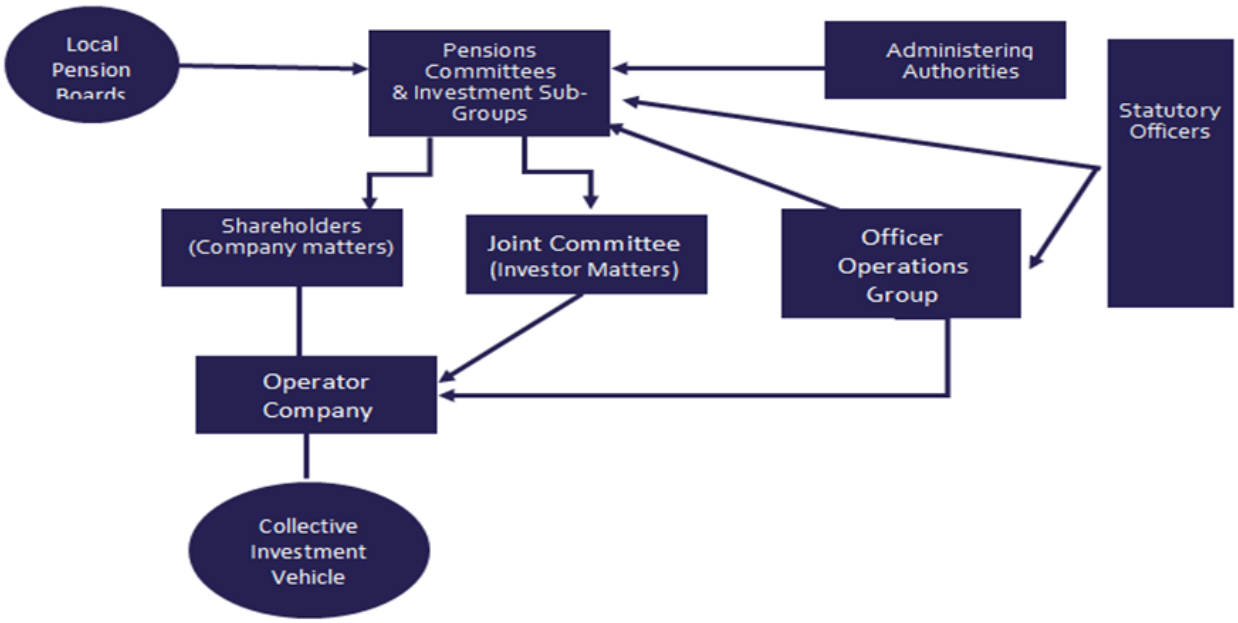
Any complaint or allegation of breach of due process brought to the attention of the Lincolnshire Pension Board shall be dealt with in accordance with the Code of Practice as published by the Pensions Regulator.

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

Asset Pooling Governance

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

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



The Fund will hold Border to Coast to account through the following mechanisms:

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

The Pension Fund will retain the decision making powers regarding asset allocation and will delegate the investment management function to Border to Coast.

Reviewed 13th July 2017 by the Pensions Committee

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
A - Structure	**a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.**	Yes	See terms of reference for the Pensions Committee in the Policy Statement above.
	b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Partial	The Council has not, to date, seen the need to establish a secondary committee/panel. It will, however, keep this aspect under review and does establish working groups from the Committee to deal with specific issues. Pensioner and deferred beneficiaries are not presently represented directly on the Committee – see B a. below.
	c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Relevant	As discussed above, no such forum has been established as yet.
	d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Relevant	As discussed above, no such forum has been established as yet.
B - Representation	**a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :-**	Partial	The Committee has 11 members, all with voting rights, of which 8 are County Council Councillors. Other members include one representing other local authorities (district

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

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

	b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Relevant	As discussed above, no such forum has been established as yet.
	c. That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Relevant	Three added members exist and have equal rights with all mainstream members in all respects.
G – Access	**a. That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.**	Yes	All members are treated equally in every respect.
H – Scope	**a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.**	Partial	The terms of reference of the Pensions Committee were changed a few years ago to include benefit related matters which up until that time had been dealt with elsewhere within the governance arrangements of the Council. A report on the administration of the scheme is taken to each quarterly committee meeting. At present the Council does not believe there is a strong argument in favour of appointing an independent professional observer on administration/governance issues in addition to the independent advisor already in place in respect of investment matters.

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

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Lincolnshire Pension Fund
Stewardship Code Statement

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

As global investors we expect the principles of good stewardship to apply globally, whilst recognising the need for local market considerations in its application. Reflecting on this we have summarised our compliance with the UK Stewardship code and principles relating to good stewardship below.

Principle 1 – Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

Whilst the Lincolnshire Pension Fund takes its responsibilities as a shareholder seriously, it does not have a specific policy on Stewardship, other than that stated in the Statement of Investment Principles. It seeks to adhere to the Stewardship Code where possible, and expects its appointed asset managers to do so too. Resources do not currently allow for a dedicated role to oversee LPF's RI responsibilities at a Fund level, however the asset pooling arrangements currently being implemented will enable a more active role in the future.

In practice the Fund applies the Code in two ways; through arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum, a collaborative shareholder engagement group for Local Authority Pension Funds. Through these channels, LPF seeks to improve long term share performance through investment in better governed companies, therefore improving the funding level of the LPF and reducing the cost to stakeholders in the Local Government Pension Scheme.

As part of the manager appointment process, the Fund selects managers who show how their stewardship responsibilities are built in as an integral part of their investment process. Managers are asked to include information on stewardship and engagement activity in their quarterly reports to LPF, so that activity can be monitored. The Fund has regular meetings with its external managers where their stewardship activities are on the agenda. This assists the Fund in understanding the impact of any such activities undertaken and ensures that they are aligned with the engagement work done by LAPFF.

The Fund reports quarterly to the Pensions Committee on the engagement work undertaken by LAPFF and a member of the Pensions Committee regularly attends the LAPFF meetings. The Fund also attends the LAPFF Annual Conference to ensure a full understanding and input into the work programme of LAPFF.

Voting is carried out at Fund level, rather than by appointed managers, using a third party voting agency, Manifest. A general global voting template is agreed by the Pensions Committee using the best practice principles advised by Manifest. Voting decisions for non-standard items are made on a case-by-case basis using the analysis produced by Manifest and take into account any voting alerts provided by LAPFF, or where needed, additional information is requested from managers. The Fund reports quarterly to the Pensions Committee on all voting activity undertaken.

Principle 2 - Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

The Fund expects the asset managers it employs to have effective policies addressing potential conflicts of interest, and that these are all publically available on their respective websites. These are discussed prior to the appointment of a manager, and reviewed as part of the standard manager monitoring process.

In respect of conflicts of interest within the Fund, Pensions Committee and the Pension Board review the Pension Fund Code of Conduct and Conflicts of Interest Policy annually and all members are required to sign an annual declaration form in line with the published policy. The policy can be found on the shared LPF website at www.wypf.org.uk. In addition, Committee members are required to make declarations of interest prior to committee meetings which are documented in the minutes of each meeting and available on the Council's website at www.lincolnshire.gov.uk.

Principle 3 - Institutional investors should monitor their investee companies.

As investors we own a portion of the companies we invest in. With our voting policies and working through our external managers and LAPFF we can use our rights as owners to encourage companies to act more responsibly and improve their practices. All our managers are required to consider how environmental, social and governance factors might impact companies sustainability, and therefore their long term share performance.

Day-to-day responsibility for managing our externally managed equity holdings is delegated to our appointed asset managers, and the Fund expects them to monitor their investee companies and engage where necessary. Managers are asked to include information on stewardship and engagement activity in their quarterly reports to LPF, so that activity and impact can be monitored. The Fund has regular meetings with its external managers where their stewardship activities are on the agenda. This assists the Fund in understanding the impact and effectiveness of any such activities undertaken and ensures that they are aligned with the engagement work done by LAPFF. Reports on the Funds voting and engagement activity through LAPFF are received by the Pensions Committee on a quarterly basis.

In addition, the Fund receives an ‘Alerts’ service from the Local Authority Pension Fund Forum, which highlights corporate governance issues of concern at investee companies, and is used when making voting decisions.

Resources do not currently allow for a dedicated role to monitor investee companies at a Fund level, however the asset pooling arrangements currently being implemented will enable a more active role in the future.

Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their activities.

As highlighted above, responsibility for day-to-day interaction with companies is delegated to the Fund’s asset managers, including the escalation of engagement when necessary. Their guidelines for such activities are expected to be disclosed in their own statement of adherence to the Stewardship Code. We review each manager’s policy on engagement and escalation prior to appointment and we review their engagement activity during regular review meetings with them, and support it when required. Escalation routes across our managers involve meetings with company management, meetings with Non-Executive Directors, collaborating with other institutional shareholders, submitting resolutions at general meetings and in the most extreme instances divestment of shares. The outcome of any engagement is reported to the Fund through the normal reporting routine.

On occasion, the Fund may itself choose to escalate activity through its participation in the Local Authority Pension Fund Forum. The areas where escalation might occur would be aligned with the LAPFF work programme. Fund involvement would be by either co-signing a shareholder resolution or publically supporting a shareholder resolution. This would happen following a request from LAPFF explaining the engagement activity taken so far and the reasons why a shareholder resolution is required. The Fund had an agreed process for this internally which requires a paper taken to our Pensions Committee (time allowing) or through delegation to the Council's Executive Director of Finance and Public Protection in consultation with the Chair and Vice Chair of the Pensions Committee to agree. Examples of escalation activity from LAPFF that the Fund has supported are shown below:

- Supporting the Human Rights Capital shareholder resolution at Sports Direct
- Part of the 'Aiming for A' investor coalition – successfully co-filing at BP, Shell, Anglo American, Rio Tinto and Glencore on strategic resilience resolutions
- Supported shareholder resolutions at National Express on workplace rights

The Fund monitors and participates in shareholder litigation through its contracts with IPS (Institutional Protection Services) and US law firm SRKW. In addition, supplementary monitoring is provided by BLBG.

Principle 5 - Institutional investors should be willing to act collectively with other investors where appropriate.

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund achieves this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members. The LAPFF agree planned work programmes each year which are discussed and approved at LAPFF meetings. This plan sets out the engagement areas for activity for the coming year. Lincolnshire Pensions Committee member Cllr Eddie Strengiel is the named representative responsible for attending these meetings and actively participates in any discussions and setting of the work programme. He raises any concerns that the Fund may have and feeds back to the Pensions Committee on a quarterly basis.

The contact for any potential collective action with the Fund is the Pension Fund Manager, Jo Ray, at jo.ray@lincolnshire.gov.uk.

Principle 6 - Institutional investors should have a clear policy on voting and disclosure of voting activity.

Responsibility for the exercise of voting rights is maintained at Fund level, and not delegated to the Fund's appointed asset managers. The Fund exercises all votes for its UK, developed Europe, US, Canada and Japanese equity holdings. Votes are cast in accordance with a template that represents best practice corporate governance standards, that is agreed by the Pensions Committee. Advice on best practice is supplied by the voting agency Manifest. This includes consideration of company explanations of compliance with the Corporate Governance Code. Reports are presented to the Pensions Committee on a quarterly basis on how votes have been cast, and controversial issues are often discussed at committee meetings.

The Fund will only support the Board when the recommendations meet the best practice requirements in the guidance supplied by the Fund's voting advisor, Manifest. All votes cast by the Fund are logged in Manifest's on-line system, which also identifies where the Fund has voted against the Board and reasons why. The Fund always responds to requests from companies to explain voting outcomes, and will, wherever possible, explain in advance of the actual vote being cast.

The quarterly reports presented to the Pensions Committee include high level voting activity and are available on the Council's website, alongside all committee reports.

The Fund participates in stock lending through its Custodian, JPMorgan. Stock is not recalled ahead of company meetings to allow voting on the holdings participating in the stock lending programme, due to the restricted resources within the internal team.

Principle 7 - Institutional investors should report periodically on their stewardship and voting activities.

The Fund reports quarterly to the Pensions Committee on stewardship activity through a specific section on voting undertaken each quarter, in the Fund Update. This includes details of engagement activity undertaken through the Local Authority Pension Fund Forum. On an annual basis the Fund includes a section on Stewardship Responsibilities in its Annual Report and Accounts, detailing voting activity and highlighting the key engagements over the year through its membership of LAPFF. These are available on the Council's website.

Data to produce these reports is taken from the Councils voting service provider's online system, which records all votes undertaken, and from reports produced by LAPFF.

Although voting is not delegated to managers, they are required to share their engagement activity with the Fund on a regular basis.

Reviewed 13th July 2017 by the Pensions Committee

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LINCOLNSHIRE PENSION FUND

Reporting Breaches Procedure

1. Introduction

1.1 This document sets out the procedures to be followed by certain persons involved with the Lincolnshire Pension Fund, the Local Government Pension Scheme managed and administered by Lincolnshire County Council, in relation to reporting breaches of the law to the Pensions Regulator.

1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

1.3 This Procedure document applies, in the main, to:

- all members of the Lincolnshire Pension Board and Pensions Committee;
- all officers involved in the management of the Pension Fund ;
- personnel of the shared service pensions administrator providing day to day administration services to the Fund, and any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Lincolnshire Pension Fund who are responsible for pension matters.

2. Requirements

2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 **Pensions Act 2004**
Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
(b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 **The Pension Regulator's Code of Practice**

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

2.4 **Application to the Lincolnshire Pension Fund**

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Lincolnshire Pension Fund and this document sets out how the Board and Committee will strive to achieve best practice through use of a formal reporting breaches procedure.

3 The Lincolnshire Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 **Clarification of the law**

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004: www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996: www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations): www.legislation.gov.uk/uksi/2013/2734/contents/made

- Public Service Pension Schemes Act 2013:
  www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
  http://www.lgpsregs.org/timelineregs/Default.html (pre 2014 schemes)
  http://www.lgpsregs.org/index.php/regs-legislation (2014 scheme)
- The Pensions Regulator's Code of Practice:
  http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx
  In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the County Finance Officer and the Executive Director of Finance and Public Protection, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 **Clarification when a breach is suspected**

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the County Finance Officer, the Executive Director of Finance and Public Protection, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 **Determining whether the breach is likely to be of material significance**

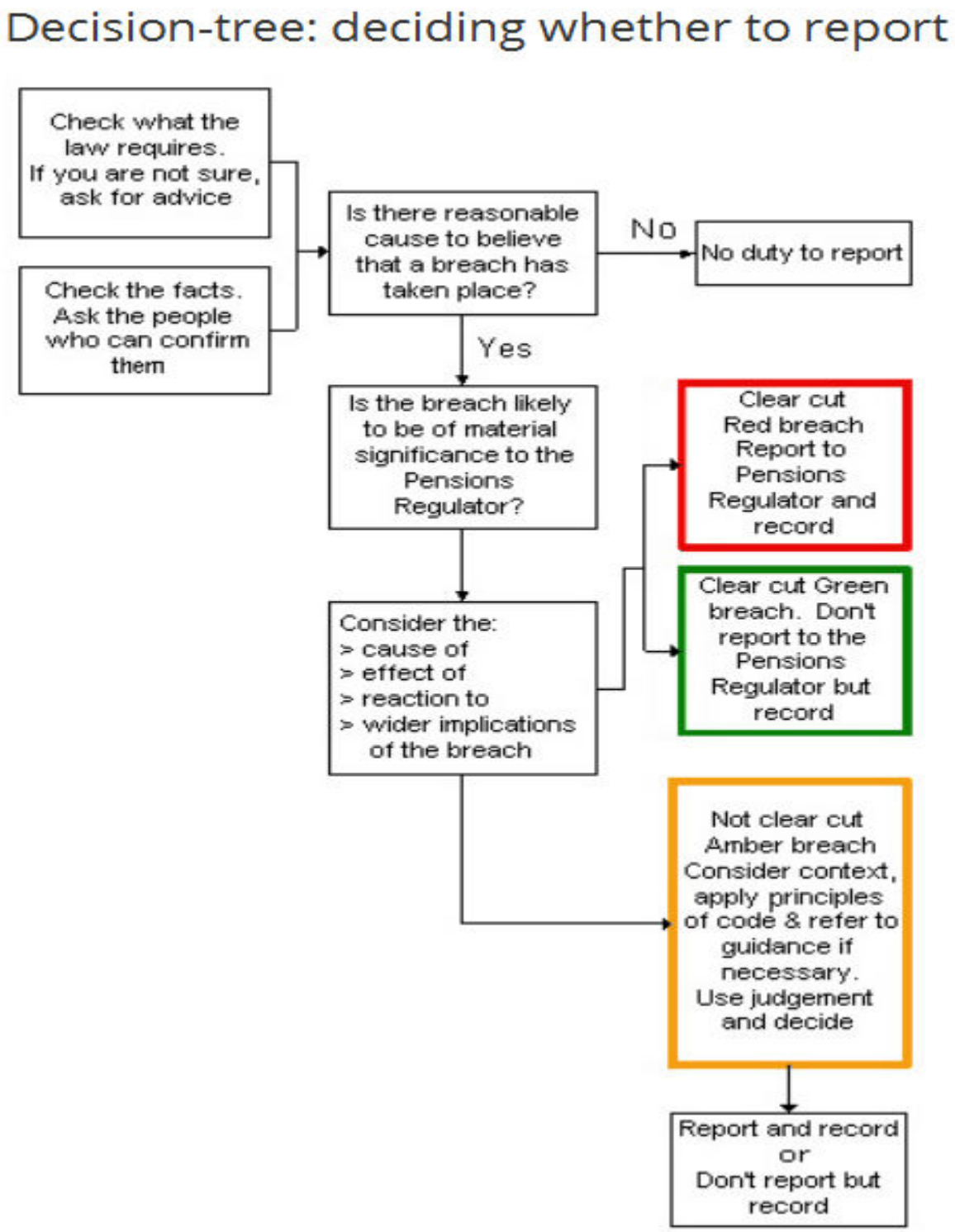
To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

3.4 A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.



3.5 **Referral to a level of seniority for a decision to be made on whether to report**

Lincolnshire County Council has a designated Monitoring Officer to ensure the County Council acts and operates within the law. They are considered to

have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the County Finance Officer or the Executive Director of Finance and Public Protection at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 **Dealing with complex cases**

The County Finance Officer or the Executive Director of Finance and Public Protection may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - http://www.lgpsregs.org/). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

3.7. **Timescales for reporting**

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 **Early identification of very serious breaches**

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might

alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 **Recording all breaches even if they are not reported**

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Lincolnshire County Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the County Finance Officer or the Executive Director of Finance and Public Protection. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

3.10 **Reporting a breach**

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Lincolnshire Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Lincolnshire County Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (PSR – 10051252); and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 **Confidentiality**

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 **Reporting to Pensions Committee and Pension Board**

Where any breaches have been reported, a report will be presented to the Pensions Committee and the Pension Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 **Review**

This Reporting Breaches Procedure was originally developed in June 2015. It will be kept under review and updated as considered appropriate by the County Finance Officer or the Executive Director of Finance and Public Protection. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Jo Ray - Pension Fund Manager
Email: jo.ray@lincolnshire.gov.uk
Telephone: 01522 553656
Lincolnshire Pension Fund, Lincolnshire County Council, Newland, Lincoln, LN1 1YL

Designated officer contact details:
1) County Finance Officer – David Forbes
Email: david.forbes@lincolnshire.gov.uk
Telephone: 01522 553642

2) Executive Director of Finance and Public Protection – Pete Moore
Email: pete.moore@lincolnshire.gov.uk
Telephone: 01522 553602

3) Monitoring Officer – David Coleman
Email: richard.wills@lincolnshire.gov.uk
Telephone: 01522 552134

Appendix A

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The cause of the breach
Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach
Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being

properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

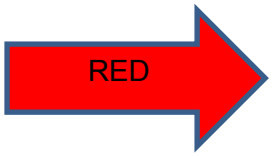
The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Appendix B

Traffic light framework for deciding whether or not to report

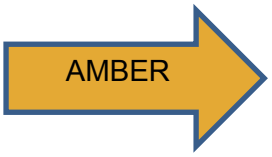
It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

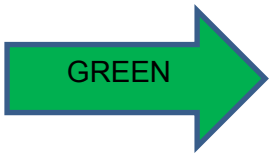
These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:

http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx

Appendix C

Example Record of Breaches

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

*New breaches since the previous meeting should be highlighted

Pension Fund
RISK REGISTER
Jo Ray

Areas covered

- Pension Fund Governance & Strategy
- Pensions Administration
- Pension Fund Investments

Service Objectives

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

Sort by Risk ID

Refreshed July 2018

Sort by Current Overall Risk Score

ID	Date added	Linked to Objective	Description of Risk: Source (Lack of....Failure to ....)	Description of Risk: Consequences (Results in ....Leads to ....)	Risk Owner	Existing Controls	Status	Owner	1:Low....4:High L	1:Low....4:High I	Overall Current Risk Score
1		5	Contributions of payments of pensions • Non-collection • Miscoding • Non-payment	If it doesn't get discovered it effects employers accounting report and Valuation,final accounts and cashflow in pension fund	Jo Ray	Employer contribution monitoring Additional monitoring at specific times Reconciliations Improved employer contribution data Monthly returns checks UPM employer module Ongoing employer training	Good	Jo Ray	1	3	3
2		5	Inability to deliver the service either resource or finance in accordance with the agreement	Members of the pension scheme not serviced Statutory deadlines not met	Jo Ray	Performance Indicators General management indicators Bi-monthly meetings with WYPF Horizon Scanning Internal Audit Service Level Agreement Response to Audit Reports in the form of action plans Benchmarking & performance data Process management Error reporting Complaint reporting Customer Surveys	Good	Jo Ray	2	3	6
3		2,3,4,5	Loss of key staff and loss of knowledge & skills	Inability to deliver service Statutory requirements not met Damaged reputation Pensioners not paid Inability to make investment/administration decisions Loss of professional investor status under MIFIDII	Jo Ray	Diversified staff / team Look at other authorities with best practices to ensure LCC positions still desirable Attendance at pensions user groups, both WYPF and LCC Procedural notes which includes new systems as and when (LCC & WYPF) Section meetings / appraisals (LCC & WYPF) Regular team building (LCC & WYPF)	Fair	Jo Ray	2	2	4
4		5	Calculating and paying pensions correctly	Damaged reputation Financial loss	Jo Ray	Internal control through audit process Constant monitoring / checking Quality standard at WYPF Process management NFI and Tracing services Data Cleansing	Good	Jo Ray	2	2	4

5		4	Custodian bank (J P Morgan) goes bust	Inability to settle trades No reconciliation, accounting or perfoemance service Loss of access to cash accounts	Jo Ray	Service level agreement with termination clause Regular Meetings Regular control reports Other Custodian options - review markets	Good	Jo Ray	1	3	3
6		1,3,4	Poor investment performance from managers	Lower funding level Increase in employer contributions	Jo Ray	Performance measurement Managers report monthly Reporting to pensions committee Diversification across managers Manager meetings	Good	Jo Ray	2	3	6
7		1	Assets not enough to meet liabilities	Lower funding level Increase in employer contributions		Valuation Asset Liability Study Quarterly reporting of funding level Professional advice	Good	Jo Ray	2	3	6
8		1	Required returns not met due to poor strategic allocation	Damaged reputation Increase in employer contribution	Jo Ray	Professional advice Triennual review Performance monitoring Monthly Members letter Reporting to Pensions Committee	Good	Jo Ray	2	3	6
9		4	Non compliance of external managers	Damaged reputation Financial loss	Jo Ray	FSA regulated Manager due diligence Investment Management Agreements Manager monitoring Report quarterly to team Review every 3 years Qualified officers Additional managers meetings Termination clause	Good	Jo Ray	1	2	2
10		1,3,4	Financial regulations (e.g LCC / CIPFA) and statutory requirements not adheared to / legal guidelines not followed	LCC may incur penalties Damaged reputation Intervention from Secretary of State Intervention from the Pensions Regulator	Jo Ray	Underlying regulation of Fund Managers FM control reports Contracts in place setting out parameters LCC staff appropriately qualified and aware of policies and procedures Pension Fund managed in line with statutory regulations Membership of CIPFA Pensions Network, PLSA etc. Pension Board	Good	Jo Ray	1	2	2
11		1,3,4,5	Financial or administration decisions challenged	Ombudsman report reported to TPR	Jo Ray	Performance monitoring and reporting Monthly and quarterly reporting Admin processes and procedures	Good	Jo Ray	1	1	1
12		3,4	Personal gain (internal or external) through: • Fraud or misappropriation of funds • Manipulating share price	Financial loss Damaged reputation	Jo Ray	Declaration of interests Investment Management Agreements with Fund Managers Vetting of new Fund Managers through tender process Access restricted regarding transfer of funds - authorised signatories required Regulation of Fund Managers Insurance arrangements Code of Conduct Separation of duties	Good	Jo Ray	1	1	1

13		2	Financial Statements of Pension Fund incorrect or late	Damaged reputation Qualified accounts	Jo Ray	Agreed timetable Externally audited Qualified and trained staff Closedown procedures	Good	Jo Ray	1	2	2
14		1,3,4,5	Fraud risk not managed	Financial loss Damaged reputation	Jo Ray	Separation of duties Internal & external audit Monthly reporting Reconcilliation procedures	Good	Jo Ray	1	3	3
15		1,2,3,4,5	Governance requirements not met	Financial loss Damaged reputation Legal issues	Jo Ray	Governance compliance statement Pension Committee reporting Monthly member letter Investment Strategy Statement Funding Strategy Statement Trained Committee members and officers Pension Board	Good	Jo Ray	1	2	2
16		2,5	Increasing employer numbers and/or reducing covenant strengths	Increased workload Incorrect rates paid	Jo Ray	Admission agreements Bonds Employer covenant monitoring Contribution monitoring Employer communication and PFR roles	Good	Jo Ray	3	2	6
17		1,6	Maturing Fund	Cashflow issues to pay pensions or commitments Increasing employer rates	Jo Ray	Investment strategy Cashflow monitoring Discourage opt outs 50/50 scheme option Communication	Fair	Jo Ray	3	2	6
18		1,5	Pension Freedom and Choice rules	Impact on cashflow Process not followed	Jo Ray	Value of transfers monitored	Good	Jo Ray	1	2	2
19		1,3,4,6	Asset pooling - management of relationship with BCPP	Inability to implement asset allocation decisions Increased costs Reduced returns	Jo Ray	Joint Committee Officer operation group Senior officer group	Fair	Jo Ray	2	3	6
20		5	Employer breaches	Reporting to TPR Fines to employers Reputational risk to LCC and WYPF	Jo Ray	Make employers aware of responsibilities through Admin Strategy and training Reporting breaches procedure Contribution monitoring	Good	Jo Ray	1	2	2
21		5	Data issues with LCC	Data not submitted on time or accurately Statutory deadlines missed Members missing starter/leaver information Incorrect pensions paid/accrued to members Incorrect contribution rate for LCC calculated	Jo Ray	Monthly meetings with County Finance Officer Concerns reported to Pensions Committee and Pension Board Concerns raised directly to employer	Fair	Jo Ray	3	2	6
22		1,6	Economic uncertainty due to UK leaving the EU	Volatility of market Lower gilt yields leading to higher liabilities Inflation increasing liabilities Uncertainty of political direction re pooling	Jo Ray	Increased monitoring of managers Review investment strategy Regular communications with Committee and Board	Poor	Jo Ray	4	3	12

23		4,5	Cyber security breach	Systems hacked Loss of Admin system leading to being unable to calculate and pay pensions Loss of data from third party service providers and managers	Jo Ray	WYPF and Bradford Council policies LCC policies External provider control reports	Good	Jo Ray	2	3	6
24		4,5	Non-compliant in Information Governance - incl. GDRP compliance	Risk of fines Reputational risk Personal/sensitive data in the wrong hands	Jo Ray	WYPF policies Reporting to Committee LCC policies	Fair	Jo Ray	2	3	6
25		1,3	Failure to meet requirements as a responsible investor - across all ESG risks	Reputational risk, loss of Fund value	Jo Ray	Stewardship code compliance Managers reporting requirements LAPFF membership Voting	Good	Jo Ray	1	2	2
26		1,3,4	Failure to maintain professional investor status following the implementation of MIFIDII	Fire sale of assets, inability to implement investment strategy	Jo Ray	Use of LGA/SAB templates and letters, trained Committee, professional officers, use of investment advisors and consultants	Good	Jo Ray	1	2	2
27		1,3,4,6	Asset pooling - transition of assets	Inability to implement asset allocation Impact on performance of costs	Jo Ray	Officer operations group Workstreams within Border to Coast Communicate to Committee regularly S151 meetings	Fair	Jo Ray	2	3	6

Lincolnshire COUNTY COUNCIL Working for a better future

Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection	
Report to:	**LGPS Local Pension Board**
Date:	**25 July 2018**
Subject:	**Internal Audit of the Pension Fund**

Summary:

This report brings to the Board information on the internal audits that have been undertaken over the past year on the Lincolnshire Pension Fund and on the administration service provided by WYPF.

Recommendation(s):

That the Board note the report.

Background

1. The Pension Fund is regularly audited by a number of different parties; by Lincolnshire County Council's (LCC) internal audit team, by KPMG as the Council's external auditors, and by City of Bradford Metropolitan Council's (CBMC) internal auditors on the shared Pensions Administration service. In addition, West Yorkshire Pension Fund (WYPF) undertake a number of quality audits each year, ensuring that processes and policies are followed across the Pensions Administration section.

2. The Pension Board received a presentation last year from the Fund's external auditor, KPMG, at the October 2017 Board meeting and reviewed the Governance Statement for the 2016/17 audit. The internal audit team at LCC have performed two audits of areas of the Pension Fund over the last year, one as part of the key controls testing that is undertaken across the Council's financial systems annually and one on the internal audits undertaken by Bradford MDC on the administration service provided by WYPF. Bradford MDC have performed completed four audits of WYPF in the financial year. Details of the LCC audits, the Bradford MDB audits and the quality audits from WYPF are shown below.

LCC – Key Control Testing

3. Key control testing is undertaken each year on finance, payroll and pension systems / processes to enable the Head of Internal Audit to form an opinion on the Council's financial control environment and to inform External Audit's

control evaluation. As transactions are sampled across the year, the work also supports risk based reviews completed on these systems. This audit aims to provide assurance that key controls are in place within system examined, controls are consistently operated and transactions examined are complete and accurate.

4. Within the Pension Fund, the key controls and sample of transactions is reviewed across the monthly reconciliation and the existence and valuation of investments. The executive summary of the assurance provided on the Pension Fund areas audited is shown below:

Pension Fund – High Assurance

Full and detailed reconciliations of the Pension Fund are completed monthly. A check list is completed each month by the reconciliation preparer and the Fund Manager or Investment Manager signs off after review. For the samples we tested we found that the calculations on the reconciliation totals were all correct and all the investment records agreed to the underlying records apart from one relating to the internal portfolio. After investigation we found that this was where a figure was used from a custodian document where the figure had been transposed in error. This had no effect on the overall reconciliation but we would recommend that in future, any figures taken from custodian figures are checked against the income receivable spreadsheet to ensure that they agree.

5. As can be seen above, the assurance given was **High**, this is the same as the Effective assurance that was given previously, with the same definition, just a change in language used.

6. One recommendation was identified, as shown in the summary above, however it related to the internally managed portfolio which was externalised in February 2017, therefore no action was required.

LCC Internal Audit – Pensions Administration

7. WYPF has an Internal Audit service, provided by Bradford Metropolitan District Council (MDC), who has delivered a 185 day plan for the past few years, which is increasing to 270 days in 2018/19. In order to maximise efficiencies and avoid duplication, LCC internal audit have sought to take assurance on relevant work conducted by Bradford MDC. The Highlight Report is attached at Appendix A.

8. To place assurance on the outcomes of the audits of WYPF, LCC's internal audit looked to understand and assess Bradford MDC's:

- approach to audits and coverage;
- sampling approach; and
- review and quality assurance processes.

9. Approach to audits and coverage

The team maintains a five year cyclical audit plan which has set audit frequencies for all areas of pension administration. LCC reviewed this and found it to contain all expected areas for review. The risks, controls and testing schedule applied to each audit were assessed in more detail, and again this was found to include all the elements one would expect. 2018/19 plan has been increased to 270 days to incorporate other audits such General Data Protection Regulations and Transfer of Data. This further increases the assurance as audit coverage will now include the wider risks facing WYPF.

10. Sampling approach

The audit team use a proportionate approach to sampling based on number of members per organisation. This approach means that Lincolnshire Pension Fund members/transactions equates to 30-35% of the sample. Assurance is also enhanced by the fact that the same process is applied to all members so effectiveness of control application can be drawn from the whole sample.

11. Review and quality assurance processes

It was confirmed that Bradford MDC aims to conform to the Public Sector Internal Audit Standards (PSIAS). The audit team has a quality assurance framework which includes supervisory review of all audits before they are released to the client. Bradford MDC has also recently had an External Quality Assessment against the PSIAS. At the time of LCC's visit they were still awaiting the report, but initial feedback had been positive.

12. In addition, recent audit reports were reviewed and assurance outcomes assessed. The Pension Administration audits reviewed and the outcomes (where available) are listed below:

- Annual Benefit statements Audit Opinion - Excellent
- Death Benefits Audit Opinion – Excellent
- LGPS Contributions Audit Opinion - Good
- Transfers In Audit Opinion - Good
- Transfers Out Audit Opinion – Effective
- New Pensions/Lump Sums – Deferred Pensions In Progress
- Reimbursement In Progress

13. The conclusion drawn from the audit was that LCC internal audit were able to place assurance on the robust nature of the audits completed by Bradford MDC on the WYPF. They were pleased to see that the audits themselves have positive assurance levels to date, and that actions are implemented promptly.

14. LCC internal audit are happy to place reliance on this assurance over Pension Administration and plan to maintain the new relationship with Bradford MDC. Future information and assurances will be shared to help support one another's audit work.

Bradford MDC Internal Audits

15. The Internal Audit function for the West Yorkshire Pension Fund is carried out by Bradford Council. Each year a listed number of planned audits are performed on financial systems and procedures across the organisation. Listed below is a summary of audits that impacted the Lincolnshire Fund, that were carried out during the financial year 2017/18.

- Transfers Out – This was an audit of the risks and control processes in place to manage benefit transfers for individuals leaving employment of a West Yorkshire Pension Fund. The control environment was found to be of an effective standard with no recommendations arising from the work carried out.

- Reimbursement of Agency Payments – This audit examined the reimbursement of payments made in respect of the administration service provided by the WYPF for Lincolnshire Pension Fund, for the Fire Scheme pensions of West Yorkshire, North Yorkshire, Humberside, South Yorkshire, Lincolnshire, Royal Berkshire, Buckinghamshire and Milton Keynes, and also for Teachers Gratuities for Bradford MDC. The work identified that services provided were not backed up with an up to date contractual agreement due to delays in completing legal reviews. The resulting recommendation for improvement was made and accepted.

- New Pensions and Lump Sums – Deferred Pensions – This audit examined pension benefit calculations of deferred benefits for those members who have left the employment of a scheme employer. The control environment for this process was found to be fully effective with no issues identified.

WYPF Quality Audits

16. A number of quality audits have been completed by WYPF, and a summary list with responses is attached at Appendix B. These review the processes and procedures in place to ensure that they are fit for purpose, and the outcomes are reported at the Management Review meetings. The areas covered are shown below:

- Transfers in
- Provision and Interpretation of Information Relating to the LGPS and Firefighters Pension Schemes
- Document Imaging Team Functions
- Internal Quality Audits
- Overpayment Process
- The provision of advisory services relating to incapacitated pensioners

Conclusion

17. The Pension Fund is regularly audited by both external and internal audit, to ensure that processes and controls are in place to manage both the investments and the pensions administration effectively. In addition, WYPF is audited by Bradford MDC and also undertake Quality Assurance Audits internally, to ensure all processes are fit for purpose. The reports highlighted in this paper should provide assurance to the Pension Board that the Fund is regularly monitored to ensure that it is well managed in all aspects.

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	LCC Internal Audit Highlight Report – Pensions Administration
Appendix B	WYPF Internal Audits completed during 2017/18

Background Papers

Not applicable.

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

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Assurance LINCOLNSHIRE

For All Your Assurance Needs

Lincolnshire COUNTY COUNCIL

Working for a better future

Internal Audit Highlight Report

Pensions Admin

Date: March 2018

What we do best …..

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

…. and what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for profit and third sector

The contacts at Assurance Lincolnshire with this review are:

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Contents

Distribution List

Pete Moore – Director of Finance and Public Protection

David Forbes – County Finance Officer

Jo Ray – Pension Fund Manager

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Highlight Report – Background & Scope

Background & Context

As part of the Future Delivery of Support Services programme in 2015, Pension Administration duties were removed from the main support services contract. Pension Administration was moved from Mouchel to West Yorkshire Pension Fund early in 2015. They have operated Lincolnshire County Council's Pension Administration since this time.

Assurance over the adequacy of Pension Administration arrangements helps to inform the Head of Internal Audit's annual opinion of the Council's control environment. As such we periodically audit this area of work.

West Yorkshire Pension Fund has engaged an Internal Audit service – this is provide by Bradford Metropolitan District Council (MDC) who have delivered a 185 day plan for the past few years. This will increase to 270 days in 2018/19.

In order to maximise efficiencies and avoid duplication we have sought to take assurance on relevent work conducted by Bradford MDC.

Assurance over this area – as per the assurance map December 2017 is Green – No issues.

Scope

To place assurance on the outcomes of the audits of West Yorkshire Pension Fund we wanted to understand and assess Bradford MDC's:

- Approach to audits and coverage
- Sampling approach
- Review and quality assurance processes

We also planned to review recent audit reports and assess assurance outcomes.

Highlight Report – Executive Summary

Key Messages

We met with Paul Wood – Audit Manager at Bradford Metropolitan District Council (MDC). He leads delivery of the West Yorkshire Pension Fund (WYPF) audit plan. Through discussion we reviewed assurance over the key areas.

Approach to audits and coverage
The team maintains a 5 year cyclical audit plan which has set audit frequencies for all areas of pension administration. We reviewed this and found it to contain all expected areas for review. In more detail we assessed the risks, controls and testing schedule applied to each audit and again we found this to include all the elements we would expect. The 2017/18 plan and earlier years provide 185 days audit, including pension investment. The 2018/19 plan has been increased to 270 days to incorporate other audits such General Data Protection Regulations and Tranfer of Data. This further increases our assurance as audit coverage will now include the wider risks facing WYPF.

Sampling approach
The audit team use a proportionate approach to sampling based on number of members per organisation. This approach means that Lincolnshire County Council members / transactions equates to 30-35% of the sample. Our assurance is also enhanced by the fact that the same process is applied to all members so effectiveness of control application can be drawn from the whole sample.

Review and quality assurance processes
We confirmed that Bradford MDC aims to conform to the Public Sector Internal Audit Standards (PSIAS). The audit team has a quality assurance framework which includes supervisory review of all audits before they are released to the client. Bradford MDC has also recently had an External Quality Assessment against the PSIAS. At the time of our visit they were still awaiting the report, but initial feedback was positive.

Pension Administration Audits
We reviewed the outcomes of the pension administration audits for 2016/17 and 2017/18. They are:

- Annual Benefit statements Audit Opinion - Excellent
- Death Benefits Audit Opinion - Excellent

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Highlight Report – Background & Scope

Key Messages

- LGS Contributions — Audit Opinion - Good
- Transfers In — Audit Opinion - Good
- Transfers Out — Audit Opinion – Effective

There are a further two audits currently in progress:

- New Pensions and Lump Sums – Deferred Pensions
- Reimbursement

Completed audits are reported to the WYPF Governance and Audit Committee, and the Pension Boards. Agreed actions are tracked and the Audit Manager confirmed that all have been implemented within agreed timescales.

During our discussions with the Audit Manager we highlighted some of the issues that we have encountered around the deduction of pension contributions from LGPS members and the reporting to WYPF that have been identified from our payroll audit work. Bradford MDC have audits on contributions and benefit statements planned for 2018/19.

Conclusions

Following our visit we have assessed that we are able to place assurance on the robust nature of the audits completed by Bradford MDC on the WYPF. We are pleased to see that the audits themselves have positive assurance levels to date and that actions are implemented promptly. We are happy to place reliance on this assurance over Pension Administration and plan to maintain our new relationship with Bradford MDC. We will share future information and assurances to help support one another's audit work.

Appendix 1: Disclaimer

The matters raised in this report are only those which came to our attention during our internal audit work. Our quality assurance processes ensure that our work is conducted in conformance with the UK Public Sector Internal Audit Standards and that the information contained in this report is as accurate as possible – we do not provide absolute assurance that material errors, fraud or loss do not exist.

This report has been prepared solely for the use of Members and Management of Lincolnshire County Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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Audit Area		Response	Audit Noted at Management Review	Current Status / Outstanding Issues / Follow-ups
Transfer In	1	As Staff are in the team for a reasonable length of time it would be beneficial for them to have training on the TVIN documents in order to ensure they set up a more accurate process. **Disagree**: The process is accurate but the doc does not split TVIN TVOUT etc. This is not a training issue the problem is the amount of time it takes to open the number of record and read the existing docs.	24.07.2017	No further action required.
Transfer In	2	At letter stage the administrator amended the letter every time 1 On the option form the date is put into bold (completed by) 2 Put in letter an instruction to complete the options fully Would recommend the letter being reviewed and amended as we should be sending standard letter i.e. consistent by all staff. **Agree**	24.07.2017	Completed
Transfer In	3	More Formal training to ensure a larger number of staff are able to assist on TVIN work as this would be beneficial as a distinct lack of general knowledge of TVIN's. **Agree**	24.07.2017	Completed
Transfer In	4	Guidelines on checking would be advantageous to ensure all checkers follow the same principles. **Disagree** The auditors confirmed that this was raised by a member of staff but when they checked the guidelines are already there.	24.07.2017	No further action required.

Provision and Interpretation of Information Relating to the LGPS and Firefighters Pension Schemes	1	Re-numbering of points 3.1.4 and 3.1.5 due to two lots of 3.1.3. 3.1.4/3.2.1 - 'another manager' and 'relevant staff' - possibly change wording to say "manager of relevant work area" or similar as could be more specific. 3.2.3 - 'Unsolicited guidance' this could be rephrased as the term is ambiguous. – to other relevant sources 3.6.2 - Seems to be a word missing after Bradford MDC…(who) **Agree**: To update QAP	24.07.2017	Reminder sent 1.11.17 & 30.11.17. Updated QAP received. (8.12.2017) Completed
Provision and Interpretation of Information Relating to the LGPS and Firefighters Pension Schemes	2	Disclosure – Awareness training sessions to be arranged for all service centre staff on Disclosure. Communication Team & Assist. Technical Services Manager to arrange this. **Agree**	24.07.2017	Completed
Provision and Interpretation of Information Relating to the LGPS and Firefighters Pension Schemes	3	Disclosure – In the previous audit in March 2015, it was mentioned that ICT were putting a system in place in respect of the monitoring of disclosure time limits. This is not yet complete. **Agree**: Haroon currently working with ICT to produce reports and once done to be tested and monitoring system set up	24.07.2017	Reminder sent 1.11.17 & 30.11.17.Reports now created and in final testing. To set up a system to record results, the investigation of breaches and reporting breaches to be set up by 31.01.2018 (08.12.17). Most reports are done but few of them still need some work. All be done by end of October (04.07.18)

Provision and Interpretation of Information Relating to the Local Government Pension Scheme and Firefighters Pension Schemes	4	Data Protection - There is a new Data Protection legislation that needs to be implemented by 25th May 2018. However, no decision has been made on who will take the lead on this. Will we have enough time to implement any changes? Agree: Management Response: **Agree:** Yunus and David R attend Council's Information Security Meetings and are leading this. They are to feedback any actions required to implement GDPR.	24.07.2017	Results will be verified after April 2018. Yunus has confirmed all is completed (04.07.2018)
Provision and Interpretation of Information Relating to the Local Government Pension Scheme and Firefighters Pension Schemes	5	Technical Secure Area Whilst there is a secure technical area on J Drive, it would appear that it needs updating in order to be used more efficiently in respect of the recording of topical briefings from the Actuaries and the circulation of bulletins received from LGPC and other sources to ensure that information is up-to date, readily identifiable and retrievable. **Agree**	24.07.2017	Reminder sent 1.11.17 & 30.11.17.Information now put into relevant folders and Technical Document Log updated. (8.12.17)
Document Imaging Team Functions	1	There are set times for the collection of post. Although emails may have been sent in the past confirming what time it is collected, we feel that it should be displayed next to the post collecting trays to remind people what the times are for collection during the day. **Agree**	24/07/2017	New signs to be put by post trays. Done 8.11.17

Document Imaging Team Functions	2	Incoming documents where a member of WYPF has returned a form for completion to the member. The document does not have a barcode or the barcode will not be useable as it is a photocopy. When the form is returned it is a piece of incoming post that has to be scanned and then quality checked. If however a barcoded insert sheet was sent with returned document then the post would be scanned and start appropriate process. The barcoded insert sheet would only need to have details of member and type of case you were dealing with. **Agree/Disagree**: In principle this is a good suggestion but I am not sure how it would work in practice as a large number of additional barcodes would be required. However, I am sure most of returnable post is already barcoded?	24/07/2017	Most of returnable post has a barcode to start the relevant process. If the service centre have forms that they send out that do not have a barcode and they would like it to start a specified process they would need to liaise with IT to set this up.
Document Imaging Team Functions	3	The Working Instructions for DIT were issued in February 2010. Although most of the WI's remain relevant, they could be brought up to date with relevant references to P5 being replaced by UPM. Also WI-DIT08 has only one section that has been completed, and the rest should have been completed by June 2010. This does not seem to have been done. **Agree**	24/07/2017	All are now updated (20/10/2017)
Internal Quality Audits	1	Several audits where a response was not received within 10 working days. Should managers be more mindful of the deadline? **Agree**: Tahir will keep reminding managers	30.01.2018	Completed
Internal Quality Audits	2	In the QAP 213 Audit 2016 there were 2 minor non-conformities but no CAR forms were completed **Agree**: This audit is very comprehensive and detailed. Awaiting orginators response to complete the necessary documents.	30.01.2018	Work in progress

Internal Quality Audits	3	On timetable, Admission of New bodies audit was scheduled for Jan-March 17, however this is still outstanding. **Agree**: Audit is now completed	30.01.2018	Completed
Internal Quality Audits	4	When the audit was completed the register of audits for Monthly Contribution Audit was not detailed on the Audit Results Summary 2016/17. **Agree**	30.01.2018	Completed
Overpayment Process	1	The procedure was last updated in May 2015 and we feel that its needs to be updated to reflect the current working practises of this area. In particular point 2.5 needs amending as QAP 216 has been withdrawn. Also given the involvement of the finance section in this area we feel that this needs to be detailed in the QAP**.** **Agree:** QAP amended to delete reference to QAP 216.	28/11/2017	Completed
Overpayment Process	2	The overpayment policy in section 3.0 currently states overpayments in excess of £50 will be recovered using the methods listed, but each case will be considered taking into account; how the overpayment occurred, the ability of the individual to repay, the amount of distress caused to the individual, the potential cost of appeal in relation to the overpayment, and current / relevant HMRC legislation. As part of the audit we have identified that the fund issues invoices for overpayments over £50 and would only consider the above points if the member said they were unable to repay the overpayment. We therefore feel that the wording should be changed to reflect the current working practices to something like.. Overpayments in excess of £50 will be recovered using the methods listed below. Where the member has indicated that they are unable to repay each case will be considered taking into account the following:…. **Agree**: Wording of overpayment recovery policy amended.	28/11/2017	Completed

Overpayment Process	3	The policy does not detail who authorises write off's for Lincolnshire cases. We understand that Jo Ray would need to do this. The policy needs to be amended to show this. **Agree**: Wording of overpayment recovery policy amended.	28/11/2017	Completed
Overpayment Process	4	The policy states that: A register of ALL overpayments written off will be kept and reported to Management Review on a quarterly basis. However, there is no reference to this in the last 3 Management Review minutes from May, July and October 2017. **Agree:** Informed relevant person where to obtain the information	28/11/2017	Completed
Overpayment Process	5	The policy under point 3 and 6 references HMRC Legislation, however, it is unclear from the cases we have seen how this is taken into account. We feel that a file note should be created in each record where we have decided to write off the overpayment detailing the actual regulation we feel the case meets as per HMRC requirements. Advice can be sought from the Technical Services Manager to help with this. **Response**. Awaiting further information	28/11/2017	Reminder sent 17.5.18. reminder 18.5.18
Overpayment Process	6	Overpayment/write off cases may need to be appear on the Pension Regulator's Breach Register. Do we need to have an internal process where these cases are referred to the Technical and Development Manager. **Response**. Awaiting further information	28/11/2017	Reminder sent 17.5.18. reminder 18.5.18

Overpayment Process	7	The policy states that The Director of WYPF must approve the writing-off of debts which are £100 or over. The Service Centre Group Manager or other members of Management Review can give approval for amounts below £100. However from speaking to finance we understand that WYPF write off cases are sent to the councils central finance section to be authorised. The policy needs to be updated to reflect this. **Agree:** Wording of overpayment recovery Policy amended to reflect new limits and arrangements for write offs	28/11/2017	Completed
Overpayment Process	8	We understand that there is a separate document that finance use in regards to write off cases, but as this was under review it was not possible to see this. Once this document has been updated does this need to be incorporated or referenced to the WYPF's published policy and/or procedure. **Disagree:** Spoke to Finance Team and they use the amended point 6 of the overpayment recovery policy.	28/11/2017	No further action required
The provision of advisory services relating to incapacitated pensioners	1	The QAP 255 needs amending as certain working practices have now changed. e.g. QAP 255 – 3.2 says "a Senior Pensions Officer or the Team Manager perform the following activities" but this work is now done by all staff members. QAP 255 3.3 h – says " the Pensioner Services Manager has to authorise the appointment of the receiver by signing the receiver form" but for urgent cases, this form could also be authorised by the Service Centre Group Manager. **Agree**: QAP to amend	27/03/2018	Completed

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Lincolnshire COUNTY COUNCIL Working for a better future

Regulatory and Other Committee

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

Report to:	**LGPS Local Pension Board**
Date:	**25 July 2018**
Subject:	**Employer issue – LCC Improvement Plan**

Summary:

The Pension Board have been working closely with Lincolnshire County Council (LCC) and the Fund's administrator, West Yorkshire Pension Fund (WYPF), to ensure that backlogs in providing certain required information are cleared, and that internal monitoring is improved. Following a number of meetings and LCC self-reporting to the Pensions Regulator, this paper presents an update from LCC to provide assurance on their progress in addressing this issue and establishing robust arrangements to fulfil their statutory responsibilities as an employer in this area.

Recommendation(s):

That the Board consider progress against the Council's improvement plan and agree any further action required.

Background

1 It has previously been brought to the attention of the Board that the Fund's largest employer, LCC, had developed a backlog in providing detailed leaver information to the Fund's administrator, WYPF. At the meeting in January the Board received a presentation from LCC and their payroll provider detailing how they were addressing the situation and setting out an improvement plan. The improvement plan documented the actions to be taken to provide WYPF all outstanding leavers' information for 31 May, which would allow WYPF to process and issue all Annual Benefit Statement to employees within the statutory deadline.

2 A report on progress was presented to the Board at their meeting in March. At this meeting it was resolved that the Board's concerns would be raised with the Executive Director for Finance and Public Protection and they would advise the Executive Director to self-report the breach to The Pension Regulator (TPR). Following this meeting LCC self-reported this breach to TPR. At this meeting it was also agreed that a further update would be provided to the Board in June, as all information should have been submitted to WYPF for processing by this date.

3 The update provided at the June meeting assured the Committee that, whilst the backlog hadn't been fully cleared, the remaining cases (approx. 500) were the more complex ones that required further information and manual data checks to complete. The Board was assured that the backlog would be cleared within three months.

4 The points below provide the latest update as at the time of writing this report. This highlights the additional monitoring across all areas that is now taking place.

- **Leavers backlog** – 320 left from original backlog – numbers reducing slowly due to complexity of cases and old data.

- **Annual benefit statements** – following initial submission of data, there were 1,704 queries (a big improvement to 2016, when there were 6,500 and 2017 when there were 5,500). Team concentrating on clearing these to meet the ABS deadline of 10th August. At the time of writing there were 1,348 in quarantine (where they are able to be issued but with potential errors) and 304 blocked (where they cannot be issued).

- **Part time hours mismatch** – originally over 1,500 cases which have now reduced to 940. Resourcing being directed here.

- **Academy conversions** – the transfer process has been looked at by an HR advisor, as establishments not contacting payroll on conversion. FAQ document sent to schools contains information needed and additional reminders will be sent via schools bulletins.

- **Maternity leave** – policy on returning employees to be checked to ensure that they have been offered option to buy back service.

- **Other issues** – also discussed were opt-out forms, annual allowance breaches, reduction in pay notifications, and communications for LCC staff.

5 Monthly meetings are now taking place, and are currently scheduled to the end of the year, and communication between WYPF, LCC and Serco has improved. LCC will provide a further update at the next Board meeting in October.

Conclusion

6 The Pension Fund monitors the performance of the scheme employers against their statutory responsibilities, and ensures that the Pension Board is made aware of any issues. The Board will continue to monitor the progress of LCC, and will look to work with the Fund, WYPF and the employer to address any concerns.

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

Not applicable

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

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Lincolnshire COUNTY COUNCIL Working for a better future

Regulatory and Other Committee

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

Report to:	**LGPS Local Pension Board**
Date:	**25 July 2018**
Subject:	**Annual Review of Employer Submissions**

Summary:

The Pension Board receives quarterly information on any late receipt of employer data or payments as part of the Fund Update report. This paper provides an annual review of the employer monthly submissions and explains the work undertaken to encourage timely and accurate submission of data and payments by the Fund's employers.

Recommendation(s):

That the Board note the report.

Background

1 There are around 220 employers within the Lincolnshire Pension Fund. All employers have a statutory responsibility, as set out within the Pensions Act 1995, to ensure that they pay over any contributions due to the Fund by the 19th of the month following their payroll. The Fund considers an employer a "late payer" if either the cash and/or the data is received after the 19th.

2 The Fund has a robust process for monitoring the receipt of payments and data from employers. Within the LCC Pensions team, the Finance Officer post is responsible for employer contribution monitoring. The daily process is to check Pension Fund bank receipts and allocate the payment to the employer's account, once it has been matched to the data submission sent by the employer through the WYPF portal. The summary report of the data is verified to ensure that the employer/employee contributions look appropriate and agree with the certified contribution rate of that employer. It is, however, the employer's responsibility to ensure that correct amounts are paid over. Secondary (deficit) payments are also monitored to ensure that each employer has paid in line with the Rates and Adjustment Certificate certified by the Actuary at the last Triennial Valuation.

3 Additional checks are undertaken by the WYPF Finance team on the detail within the submissions, and the system itself identifies errors, queries or

where more information is required (e.g. additional leavers information) which are sent back to the employer through the portal.

4 After any late payment (including data submission), an email is sent to the employer reminding them of their responsibilities, and that they could be fined. If any employer has three late payments in a rolling six month period, they are fined unless they are able to offer any extenuating circumstances. If data and/or payment is submitted within the required timeframe, but is incorrect and not resent by the 19th, then it is considered a late payment.

5 In addition to emailing employers, the LCC Finance Officer is in regular contact with them and their payroll providers to prompt payments/submissions and clarify any queries. Much work has been put into building a good relationship with the employers and payroll providers, to assist them in understanding the process and the data required.

6 Common causes for late payments are:

- Poor service of payroll providers – particularly a problem for academies
- Incorrect data being sent and not re-submitted once errors identified
- Changes in payroll providers
- Lack of cover at the employer/payroll provider
- Issues with portal uploads

7 Common issues within the data are:

- Total pay does not include overtime
- Data is submitted in incorrect columns
- AVC payments are made to the Pension Fund
- Sick leave or maternity leave are documented incorrectly

8 The table at Appendix A identifies the late payers over the financial year. It can be seen from this table that most of the repeat offenders are academies/schools which have an external payroll provider. It is expected that this list will reduce, as one of the key culprits was a payroll provider that has since lost most of their academy clients, as a result of their poor service.

9 It should be noted that this is not a Lincolnshire specific problem, and one which all LGPS Funds struggle with, particularly those with a high number of academies. Lincolnshire is ahead of most LGPS Funds in the monitoring that it does, particularly as a result of the introduction of monthly data submissions in 2015, when the Fund moved its administration service to WYPF. It is also very transparent in its reporting, something that most Funds do not currently do in respect of employer submissions.

10 Late submissions are reported in the breaches report and taken to the Board quarterly. During this financial year, no employers have been referred to the Pensions Regulator for late payment, however officers are vigilant to ensure any material breach would be reported.

11 The Fund and WYPF work closely to educate and inform employers of their responsibilities. Below is a list highlighting some of the support processes in place and activities undertaken.

Support

- Each employer has a dedicated Pension Fund Representative (PFR)
- Each employer has a dedicated Finance Business Partner
- Regular training events for payroll providers and employers
- User guides available on the website
- Updates and reminders through the Pension Matters blog
- Advice provided on monitoring external payroll providers

Activities

- Visits to payroll providers and employers for 1:1 training
- Information sessions at annual employer and Lincolnshire Employer Administration Forum (LEAF) meetings

Conclusion

12 The increase in employers over the last few years has meant that the monitoring of employer submissions has become a considerable growth area for the Fund. The Fund and WYPF work very closely with employers and their payroll providers to ensure that they understand their responsibilities and to improve their performance in this area.

13 The Fund has a dedicated resource to monitor employer submissions and work will continue to reduce the numbers of late payers.

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	List of Late Payers 17/18

Background Papers

Not applicable.

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

Month	Employer	Late contribution	Late submission
April	Bishop Grosseteste University	YES	NO
April	Boston John Fielding	NO	YES
April	Grantham Ambergate Academy	NO	YES
April	Grantham Isaac Newton County Primary	NO	YES
April	Grantham Sandon Academy	NO	YES
April	Lady Jane Franklin Spilsby	NO	YES
April	Malcolm Sargent Primary Academy	NO	YES
April	Our Lady Of Lincoln Catholic Primary Academy	NO	YES
April	Spalding Garth School	NO	YES
April	Spalding Priory School	NO	YES
May	Bourne Westfield	NO	YES
May	Bracebridge Heath Parish Council	NO	YES
May	Crowland Parish Council	YES	NO
May	Edwards And Blake	YES	NO
May	Keelby Primary	NO	YES
May	Manor Farm Academy	NO	YES
May	Monks Abbey Primary School	NO	YES
May	St Batholomews Primary School	NO	YES
May	Sudbrooke Parish Council	NO	YES
May	Welton-By-Lincoln Parish Council	NO	YES
May	Woodhall Spa Parish Council	NO	YES
June	Pinchbeck Parish Council	YES	NO
June	Serco	YES	NO
June	Boston College	NO	YES
June	East Lindsey District Council	NO	YES
June	South Holland District Council	NO	YES
June	Boston High School Academy	NO	YES
June	Boston John Fielding Community School	NO	YES
June	Compass Point Business Services	NO	YES
June	Grantham Ambergate Academy	NO	YES
June	Grantham Isaac Newton County Primary	NO	YES
June	Grantham Sandon Academy	NO	YES
June	Harrowby Infant Academy	NO	YES
June	Lady Jane Franklin Spilsby	NO	YES
June	Lincoln University Technical College	NO	YES
June	Long Bennington C of E Academy	NO	YES
June	Magna Vitae Leisure Trust	NO	YES
June	Spalding Garth School	NO	YES
June	Spalding Priory School	NO	YES
June	St Mary's Primary Academy Welton	NO	YES
June	The Kings School Grantham	NO	YES
June	Springwell Lincoln City Academy	NO	YES
June	The National Academy	NO	YES
June	Sudbrooke Parish Council	NO	YES

June	Bourne Town Council	NO	YES
June	Kier	NO	YES
June	NE Lindsey Internal Drainage Board	NO	YES
June	Keelby Primary	NO	YES
June	Hogsthorpe Community Primary Academy	NO	YES
June	North Thoresby Primary	NO	YES
June	Spalding St John The Baptist Primary	NO	YES
June	Utterby Primary Academy	NO	YES
July	Witham 1st Internal Drainage Board	NO	YES
July	Browns C of E Primary School	NO	YES
July	Greenwich Leisure Limited	NO	YES
July	Grimoldby County Primary	NO	YES
July	G4S	YES	NO
July	Springwell Lincoln City Academy	NO	YES
July	Mablethorpe & Sutton Town Council	NO	YES
July	Monks Abbey Primary School Lincoln	NO	YES
July	North Thoresby Primary Academy	NO	YES
July	Sir Francis Hill Primary School Lincoln	NO	YES
July	Utterby Primary Academy	NO	YES
July	Washingborough Academy	YES	NO
July	Boston High School Academy	NO	YES
July	Harrowby Infant Academy	NO	YES
July	Lincoln University Technical College	NO	YES
July	Long Bennington C of E Academy	NO	YES
July	St Mary's Primary Academy Welton	NO	YES
July	The Kings School	NO	YES
July	The National Academy	NO	YES
July	Magna Vitae Leisure Trust	YES	NO
July	West Lindsey District Council	NO	YES
August	Boston John Fielding Community School	NO	YES
August	Grantham Ambergate Academy	NO	YES
August	Grantham Isaac Newton County Primary	NO	YES
August	Grantham Sandon Academy	NO	YES
August	Lady Jane Franklin Spilsby	NO	YES
August	Spalding Priory School	NO	YES
August	Spalding Garth School	NO	YES
August	City Of Lincoln District Council	YES	NO
August	Ling Moor Primary Academy	YES	NO
August	Sir Francis Hill Primary School Lincoln	NO	YES
August	Sir William Robertson Academy	NO	YES
August	St Peter & St Paul Catholic Academy Lincoln	NO	YES
August	King Edward VI Academy Spilsby	NO	YES
August	Lincoln College	NO	YES
August	Welton William Farr Academy	NO	YES
August	The Thomas Cowley Academy Donington	NO	YES
August	The Priory Federation Of Academies	NO	YES

August	Stamford St Gilberts Primary Academy	NO	YES
August	Monks Dyke Tennyson College	NO	YES
August	Bourne Town Council	NO	YES
August	University Academy Holbeach	NO	YES
August	Gosberton House School	NO	YES
August	Holbeach Primary Academy	NO	YES
September	Gosberton House School	NO	YES
September	Browns Cofe Primary School	NO	YES
September	Charles Read Academy	NO	YES
September	Chestnut Street Academy Ruskington	NO	YES
September	Fosse Way Academy	NO	YES
September	Gipsey Bridge Academy	NO	YES
September	Hogsthorpe Community Primary Academy	NO	YES
September	Ingoldsby Primary Academy	NO	YES
September	King Edward VI Academy Spilsby	NO	YES
September	Manor Farm Academy	NO	YES
September	Nettleham Infant School Academy	NO	YES
September	North Kesteven Academy	NO	YES
September	Skegness Grammar Academy	NO	YES
September	Spilsby Primary	NO	YES
September	Thomas Middlecott Academy	NO	YES
September	Gainsborough Queen Elizabeth High School	NO	YES
September	Holbeach William Stukeley	NO	YES
September	Welland Deepings Internal Drainage Board	NO	YES
September	Woodhall Spa Parish Council	NO	YES
September	Sudbrooke Parish Council	NO	YES
September	Washingborough Parish Council	NO	YES
September	Cordeaux Academy Louth	NO	YES
September	St Bernards Louth	NO	YES
September	St Lawrence Horncastle	NO	YES
September	Washingborough Academy	NO	YES
September	Monks Dyke Tennyson College Academy	NO	YES
September	Whaplode Primary	NO	YES
September	Boston High School Academy	NO	YES
September	Harrowby Infant Academy	NO	YES
September	Lincoln University Technical College	NO	YES
September	Long Bennington C of E Academy	NO	YES
September	St Mary's Primary Academy Welton	NO	YES
September	The Kings School Grantham	NO	YES
September	The National Academy	NO	YES
October	Lincoln College	YES	NO
October	Manor Farm Academy	YES	NO
October	Ancaster C of E Primary	NO	YES
October	Lincoln University Technical College	NO	YES
October	North Kesteven Academy	NO	YES
October	Skegness Grammar Academy	NO	YES

October	Sudbrooke Parish Council	NO	YES
October	Springwell Lincoln City Academy	NO	YES
October	The National Academy	NO	YES
October	Walton Girls Academy Grantham	NO	YES
November	South Witham Community Primary School	NO	YES
November	Boston Grammar Academy	NO	YES
November	Boston High School Academy	NO	YES
November	Caterlink	NO	YES
November	Cherry Willingham Parish Council	YES	NO
November	Coningsby St Michaels Primary	NO	YES
November	Edwards & Blake	NO	YES
November	Gipsey Bridge Academy	NO	YES
November	Greenwich Leisure Limited	YES	NO
November	Harrowby Infant Academy	NO	YES
November	Keelby Primary	NO	YES
November	Lincoln Anglican Academies	NO	YES
November	Lincoln University Technical College	NO	YES
November	Long Bennington C of E Academy	NO	YES
November	Outspoken Training	NO	YES
November	Sir Francis Hill Primary School Lincoln	YES	NO
November	Skegness Grammar Academy	NO	YES
November	Spalding St John The Baptist Primary	NO	YES
November	St Bernards Louth	NO	YES
November	St Lawrence Horncastle	NO	YES
November	St Mary's Primary Academy Welton	NO	YES
November	Stamford St Gilberts Primary Academy	NO	YES
November	The Kings School	NO	YES
November	Springwell Lincoln City Academy	NO	YES
November	The Meadows Lincoln	NO	YES
November	The National Academy	NO	YES
November	The Rauceby Academy	NO	YES
November	Washingborough Academy	NO	YES
November	Welbourn C of E Primary School	NO	YES
December	Bourne Academy	NO	YES
December	Serco	NO	YES
December	Stamford Town Council	NO	YES
December	Springwell Lincoln City Academy	NO	YES
December	Vinci Construction UK Ltd	NO	YES
January	Bourne Academy	NO	YES
January	Bracebridge Infants And Nursery School	NO	YES
January	Keelby Primary	NO	YES
January	Malcolm Sargent Primary Academy	NO	YES
January	Manor Farm Academy	NO	YES
January	North Hykeham Town Council	YES	NO
January	Pinchbeck Parish Council	YES	NO
January	South Witham Community Primary School	NO	YES

January	St John The Baptist, Spalding	NO	YES
January	Stamford Town Council	NO	YES
January	Witham St Hugh's Academy	NO	YES
January	The Meadows	NO	YES
February	South Kesteven District Council	NO	YES
February	The Rauceby Academy	NO	YES
February	Welland And Deepings Internal Drainage Board	NO	YES
March	Morton C Of E Primary School	NO	YES
March	Outspoken	NO	YES
March	Skellingthorpe St Lawrence	NO	YES
March	Spalding County Primary School	NO	YES
March	St Norberts Primary	NO	YES
March	St Mary's Primary Academy Welton	NO	YES
March	New College Stamford	YES	NO
March	The Deepings Academy	NO	YES
March	The Kings School Grantham	NO	YES
March	Springwell Academy	NO	YES
March	The National Academy	NO	YES
March	Wainfleet Magdalene Primary	NO	YES
March	Weston St Mary's Primary	NO	YES
March	William Lovell	NO	YES
March	Bourne Academy	NO	YES
March	Keelby Primary	NO	YES
March	Mablethorpe And Sutton Town Council	NO	YES
March	The Rauceby Academy	NO	YES

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Lincolnshire COUNTY COUNCIL Working for a better future

Regulatory and Other Committee

Open Report on behalf of Executive Director of Finance and Public Protection	
Report to:	**LGPS Local Pension Board**
Date:	**25 July 2018**
Subject:	**Pension Fund Draft Annual Report and Accounts**

Summary:

This report brings the draft Annual Report and Accounts for the Pension Fund to the Pension Board for information.

Recommendation(s):

That the Board note the draft Pension Fund Annual Report and Accounts.

Background

1. The Pension Fund Annual Report and Accounts for the year ended 31st March 2018 (included as Appendix A) has been completed and is being independently audited by the Council's external auditors, KPMG. These accounts form part of the Lincolnshire County Council Statement of Accounts.

2. The Annual Report and Accounts have been produced taking into account the guidance produced by CIPFA.

3. The Pension Fund Accounts, alongside the Council's Statement of Accounts, will be taken to the Audit Committee on 23rd July 2018. An unqualified opinion is expected from KPMG, and no concerns have been raised as part of their audit process. There will be no separate ISA 260 Governance report for the Pension Fund accounts but any comments will be included in the Council's ISA 260 Governance report. This will be brought to the October Pension Board.

4. Following the Audit Committee, a copy of the Fund's Annual Report will be put on both the Pension Fund and the County Council websites, and all Fund employers will be notified. In addition, the link will be emailed to all County Councillors, trade unions who represent contributing members of the Fund and on request to any other individuals or organisations. A summary of the annual report will be sent to all scheme participants in due course.

Conclusion

5. The Lincolnshire Pension Fund Report and Accounts has been produced for the year ended 31st March 2018. The Council's external auditors, KPMG, will issue their opinion at the Audit Committee in July. An unqualified opinion is expected. Following that, a copy of the Pension Fund Annual Report and Accounts will be distributed to interested parties.

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	Lincolnshire Draft Pension Fund Annual Report and Accounts 2018

Background Papers

Not applicable.

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

Lincolnshire
COUNTY COUNCIL
Working for a better future

Lincolnshire Pension Fund Annual Report & Accounts 2018

Lincolnshire Pension Fund

Local Government Pension Scheme

Annual Report for the Year Ended 31st March 2018

Contents

Management Arrangements

Administering Authority	Lincolnshire County Council

Pensions Committee Members as at 31st March 2018

County Councillors
B Adams
R D Butroid
P E Coupland (Vice Chairman)
M J Overton
S Rawlins
A J Spencer
E W Strengiel (Chairman)
Dr M E Thompson

District Council Representative
Cllr J Summers

Representative of Other Employers
J Grant

Employee Representative
A Antcliff (Unison)

Professional Advisors

County Council Officers

Executive Director of Finance & Public Protection	P Moore BA FCPFA
County Finance Officer	D C Forbes BSc CPFA
Pension Fund Manager	J Ray
Independent Advisor	P Jones
Fund Actuary	Hymans Robertson
Fund Consultant	Hymans Robertson
Voting Advisor	Manifest Voting Agency

External Investment Managers of Segregated Portfolios

Invesco Asset Management Ltd
Columbia Threadneedle Investments Ltd
Schroder Investment Management Ltd

Auditors	KPMG
Investment Custodian	JP Morgan Securities Services
AVC Provider	Prudential
Fund Banker	Barclays
Benefits Administration	West Yorkshire Pension Fund

Report of the Pensions Committee

Introduction

The Pensions Committee of Lincolnshire County Council is responsible for the management of the Pension Fund, covering administration, investments and governance. It approves the investment policy of the Fund and monitors its implementation during the year. The Committee generally meets eight times a year, including two manager presentation meetings and two training meetings. Special meetings are convened if considered necessary.

Members of the Committee as at 31st March 2018 are listed on page 1.

All members of the Committee can exercise voting rights.

Corporate Governance and Responsible Investing

The Fund complies with corporate governance best practice by voting its direct shareholdings at all UK, developed Europe, US, Canada and Japan company meetings. To assist the Fund in being a responsible investor, the Fund is a member of the Local Authority Pension Fund Forum (LAPFF), an organisation that monitors the governance of companies. The LAPFF seeks to protect and enhance shareholder returns by engaging with companies on a wide range of social, environmental and governance issues. The Fund has produced a Tier 1 Stewardship Code Statement, in accordance with the Financial Reporting Council's Stewardship Code, to explain how it acts as a responsible shareholder. This can be found on the Fund's shared website (details below).

Investment Performance

The Fund has an investment objective to meet its liabilities over the long term and to produce a return of 0.75% p.a. over the return produced by the strategic asset allocation benchmark.

The twelve months to 31st March 2018 produced a positive return to the Fund, with an increase in value of £73.9m to £2,189.4m. The Fund's investment return of 3.3% was marginally ahead of the Fund's specific benchmark return of 3.0%. Over the last ten years, the Fund's annualised investment performance of 8.3% is slightly behind the benchmark return of 8.5%.

Detail on the global markets over the year can be found in the Investment Background, on p23.

Manager Arrangements

During the financial year, two additional commitments were made to infrastructure funds. A £15m commitment was made to the Infracapital Greenfield Partners Fund in August 2017, and a further $21m commitment was made to the Pantheon Global Infrastructure Fund III in February 2018. Both of these funds will complement the existing infrastructure investments that the Fund has with Innisfree.

Pensions Administration

The shared service arrangement with West Yorkshire Pension Fund (WYPF) to provide Pensions Administration services for the Lincolnshire Fund is now three years old. A satellite office for WYPF is based in Lincoln, co-located with the LCC Pension Fund team. This arrangement was

made to improve efficiency and reduce costs in the provision of the Pensions Administration service, and this is now being seen. The move from an annual data return to a monthly process has considerably improved the quality of data held in the administration system, enabling a better service to be provided to scheme members. WYPF continues to work with the Lincolnshire Fund and its employers to improve all aspects of administering the scheme.

Local Pension Board

It is now three years since the introduction of the requirement for a Local Pension Board for the Lincolnshire Pension Fund, as prescribed in the Public Service Pensions Act 2013 and the Local Government Regulations 2013. Its oversight role to ensure that the Fund is meeting all the requirements for administration and governance, as set out in the various regulations and by the Pensions Regulator, has been a welcome addition to the governance structure of the Pension Fund. The annual report of the Board can be found on p16.

Asset Pooling

The requirement to pool the Fund's assets with other LGPS Funds came into statute in November 2016. Lincolnshire has chosen to become part of the Border to Coast Pensions Partnership (Border to Coast), alongside 11 other partner LGPS funds. Much progress has been made in creating Border to Coast as the pooling vehicle to implement the investment strategy of the 12 partner funds. The result will be a £45bn+ asset pool, governed by a Local Government Joint Committee and Administering Authority shareholders. The outcome should reduce investment costs, improve performance and increase resilience across the Funds, over the long term. The expected go-live date is July 2018, with the Lincolnshire Pension Fund starting to transition its assets across from Q1 2019.

Fund Governance and Communication Statements and the Investment Strategy Statement

The Fund's investments are managed in accordance with the Investment Strategy Statement (ISS).

The Fund's ISS, Governance Compliance Statement, Communications Policy and Funding Strategy statements are all attached at the end of this report. These documents, and other related publications, can also be downloaded from the Pension Fund's shared website, at www.wypf.org.uk.

Hard copies of any of these statements may be obtained from:

Jo Ray, Pension Fund Manager
Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL
Tel: 01522 553656 | email: jo.ray@lincolnshire.gov.uk

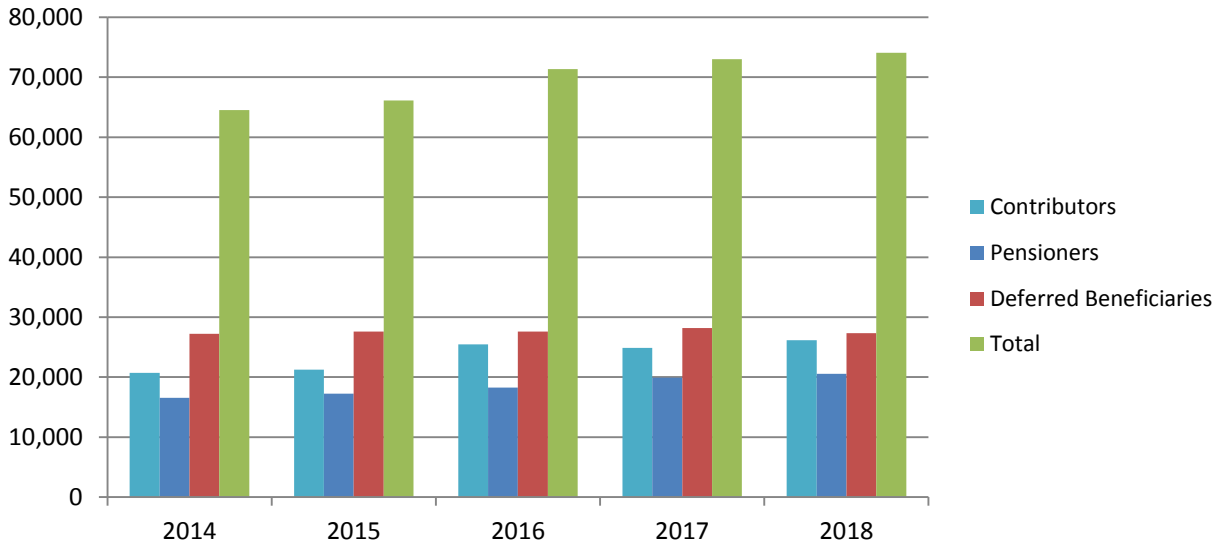
Councillor Eddie Strengiel
Chairman
Pensions Committee

Management Report of the Administering Authority

The Local Government Pension Scheme (LGPS) is a national scheme administered on a local basis by Lincolnshire County Council, providing current and future benefits for over 74,000 scheme members.

Local Government Pension Scheme Membership

As can be seen from the chart below, the active membership is still increasing, in part as a result of auto enrolment. The Fund has matured over the last five years, with pensioner and deferred members (those that are no longer in the Scheme but will be entitled to a pension at some point in the future) making up 64.7% of the overall membership.



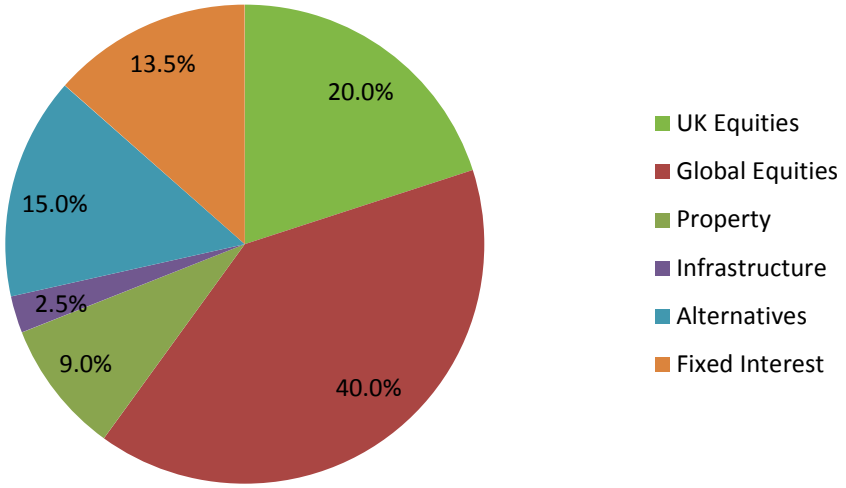
Year ended 31st March	2014	2015	2016	2017	2018
Contributors	20,697	21,262	25,451	24,893	26,153
Pensioners	16,577	17,264	18,281	19,916	20,543
Deferred Beneficiaries	27,246	27,577	27,618	28,182	27,356
Total	64,520	66,103	71,350	72,991	74,052

(Note: The numbers disclosed in the table above reflect individual pension records within the County Council's database. Current and past members of the LGPS may have more than one pension record as a result, for example, of having more than one part time contract of employment with a Scheme employer.)

Investment Policy

The Fund is managed with regard to a strategic asset allocation benchmark. This is reviewed every three years, following the Fund's triennial valuation. The strategic asset allocation is set to provide the required return, over the long term, to ensure that all pension payments can be met. The actual asset allocation may differ from the strategic benchmark within tolerances that are agreed by the Pensions Committee. The distribution of investments is reported to the Pensions Committee monthly and quarterly.

Strategic Asset Allocation Benchmark



Asset class	Strategic Benchmark 31st March 2018 %	Actual Allocation 31st March 2018 %
UK Equities	20.0	18.5
Global Equities	40.0	43.0
Total Equities	60.0	61.5
Property	9.0	9.5
Infrastructure	2.5	1.6
Alternative (incl. Private Equity)	15.0	14.2
Fixed Interest	13.5	12.1
Cash (incl. net current assets)	0.0	1.1
Total	100.0	100.0

Investment Performance

The twelve month period ended 31st March 2018 saw the value of the Fund increase by £73.9m to £2,189.4m. The overall investment return of 3.3% was ahead the Fund's specific benchmark return of 3.0%. Over the last ten years, the Fund's annualised investment performance of 8.3% is slightly behind the benchmark return of 8.5%.

Annual investment performance over the previous ten years is set out in the table below. The Fund's annual return of 3.3% compares to a rise in retail prices of 3.3% and an increase in public sector earnings of 2.6%.

Investment Performance of the Fund 1st April 2008 to 31st March 2018

	Lincolnshire Fund Return	Comparative Benchmark Return	Retail Price Inflation	Public Sector Increase in earnings
	%	%	%	%
2008/09	(18.6)	(20.0)	(0.4)	3.4
2009/10	29.7	36.7	4.4	4.0
2010/11	7.9	7.8	5.3	2.2
2011/12	1.5	2.4	3.6	1.8
2012/13	12.6	11.3	3.3	1.1
2013/14	6.3	6.2	2.5	1.1
2014/15	12.3	12.4	0.9	(0.9)
2015/16	1.0	1.8	1.6	1.9
2016/17	19.8	19.3	3.1	1.3
2017/18	3.3	3.0	3.3	2.6
10 years annualised	8.3	8.5	2.8	1.9

Investment Management Arrangements

The arrangements for segregated management of the Fund's assets are set out below. Portfolio values include cash at 31st March.

Segregated Investment Management Mandates

Asset Class	Manager	Market value £m's	% of the Fund
Global Equities - (Ex UK)	Invesco	502.3	22.9
Global Equities	Schroders	123.9	5.7
Global Equities	Columbia Threadneedle	132.6	6.1
UK Equities	Internally managed	0.0	0
Total Segregated Equities		758.8	34.7

The Fund also invests in a number of asset classes by means of collective investment vehicles, also known as pooled funds. Pooled fund values exclude cash held at an asset class level with the custodian.

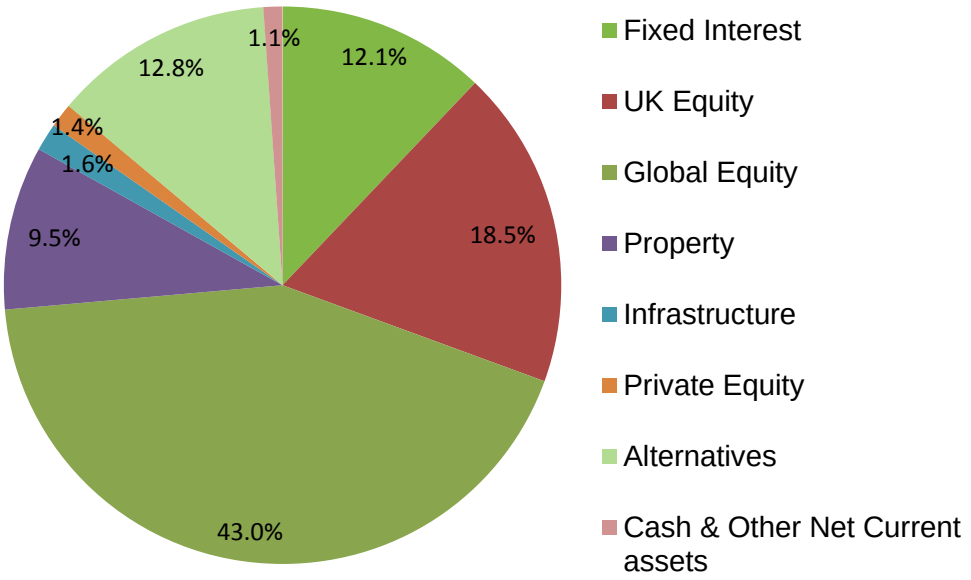
Pooled Funds

Asset Class	Manager	Market value £m's	% of the Fund
Property	Franklin Templeton	3.9	0.2
	Igloo	2.5	0.1
	Aviva	46.6	2.1
	Royal London	23.5	1.1
	Rreef	0.5	0.0
	Blackrock	41.4	1.9
	Standard Life	76.0	3.5
	Total Property	194.4	8.9
Infrastructure	Innisfree	32.5	1.5
	Infracapital	1.5	0.1
	Pantheon	1.5	0.1
	Total Infrastructure	35.5	1.7
Private Equity	Capital Dynamics	5.7	0.3
	Pantheon	16.5	0.8
	Standard Life	7.1	0.3
	EIG	0.0	0.0
	Total Private Equity	29.3	1.4
Alternatives	Morgan Stanley	268.2	12.2
UK Equities	Legal and General	264.1	12.1
Global Equities	Morgan Stanley	178.7	8.2
Fixed Interest	Blackrock	403.8	18.4
Total Pooled Vehicles		1,374.0	62.9

Total Asset Distribution

The distribution of the assets is shown in the table and pie chart below.

Asset Class	Market Value £'000	31/3/18 %	31/3/17 %
Fixed Interest	264,097	12.1	12.4
UK Equity	403,797	18.5	18.9
Global Equity	937,527	42.8	42.8
Property	207,569	9.5	8.8
Infrastructure	35,420	1.6	1.5
Private Equity	31,634	1.4	2.0
Alternatives	280,664	12.8	11.6
Cash & Other Net Current Assets	28,649	1.3	2.0
	2,189,357	100.0	100.0



Top Holdings

Listed below are the top twenty holdings in the Pension Fund, including pooled investments, as at 31st March 2018. These account for £1,409.7m and make up 64.4% of the Fund's investments.

	Market Value £m's	Proportion of Fund %
Legal & General UK Equity Index Fund	403.8	18.4
Morgan Stanley Alternatives	268.2	12.2
Morgan Stanley Global Brands Fund	178.7	8.2
Blackrock Aquila Life <5 year Corporate Bonds Fund	126.3	5.8
Blackrock Aquila Life Corporate Bond Fund	68.1	3.1
Standard Life Property Fund	64.0	2.9
Aviva Property Fund	46.6	2.1
Blackrock Aquila Life Over 5 Year Index Linked Gilt Fund	42.3	1.9
Blackrock Property Fund	41.4	1.9
Blackrock Aquila Gilts Fund	27.5	1.3
Royal London Asset Management Property Fund	23.5	1.1
Innisfree Secondary Fund	16.6	0.8
JPMorgan Chase	16.1	0.7
Apple	15.6	0.7
Microsoft	13.0	0.6
Alphabet	12.9	0.6
Bank of America	12.5	0.6
Standard Life European Property Growth Fund	12.0	0.5
Amazon	12.0	0.5
Facebook	8.6	0.4
Total	1,409.7	64.3

Stewardship Responsibilities

As a responsible shareholder, the Lincolnshire Pension Fund has produced a Tier 1 Stewardship Code statement, in compliance with the Financial Reporting Council's Stewardship Code, and encourages its external managers and service providers to produce their own codes, and to report their engagement and stewardship activity to the Fund.

The Pensions Committee agree that the adoption of good practice in Corporate Governance will improve the management of companies and thereby increase long term shareholder value. The Fund's Responsible Investment policy and Corporate Governance and Voting policy can be found on the shared website at www.wypf.org.uk. These policies are aligned with those of Border to Coast, who will be responsible for implementing them once assets are transferred.

The Fund votes on all direct company holdings in the UK, developed Europe, US, Canada and Japan. Votes are filed via a third party agent, Manifest Voting Agency, in accordance with a template agreed by the Pensions Committee. The votes cast are reported to the Pensions Committee on a quarterly basis, and this information is available on the Lincolnshire County Council website in the relevant Committee documents. Over the year, the Fund voted at 530 company meetings, and cast votes in respect of 7,666 resolutions.

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary organisation of over 70 public sector Pension Funds based in the UK. LAPFF exists to promote the investment interests of Local Authority Pension Funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance in the companies in which they invest. Further information on the work of the LAPFF can be found on their website at www.lapfforum.org. LAPFF engages with companies across a wide range of issues that can broadly be grouped into five engagement themes:

- Environmental and carbon risk;
- Social risk;
- Governance risk;
- Reliable accounts; and
- LGPS and Stewardship.

Risk Management

Risk management is an integral element of managing the Pension Fund. The Pension Fund has a risk register which identifies the major risks associated with managing the Fund. This is reviewed by the Pensions Committee annually, and new or changed risks are reported at each quarterly meeting.

The table below highlights the key risks and how they are managed.

Key risk identified:	A range of controls are in place including:
Assets do not cover liabilities	Triennial valuation, diversification of investments, regular monitoring and reporting, professional advisors.
The inability to deliver the Pensions Administration Service, due to failure in the shared service agreement	Performance and management indicators, regular meetings, internal and external audits, service level agreement and benchmarking.
Paying pensions correctly	Process controls, audits, reconciliations, task management.
Collecting contributions correctly	Employer contribution monitoring, monthly contribution data returns, audits, employer training, reconciliations.
Not meeting statutory requirements	Pension Board oversight, checklist against the Pensions Regulator requirements, regular reporting to Committee and Board.
Loss of key staff, knowledge and skills	Diversified staff/team, pensions user groups, procedural notes, appraisals.
Asset Pooling – the management of the relationship with Border to Coast Pensions Partnership, as a client and a shareholder	Joint Committee, officer operations group, senior officers group, regular meetings with Border to Coast.

Information regarding the risks relating to financial instruments is included within the notes to the accounts, later in this report.

Funding Position and Contribution Rates

The employers' contribution rates (including deficit cash amounts where applicable) applying in the year ended 31st March 2018, for employers with more than 100 employees participating in the LGPS, are set out below.

Employers' Contribution Rates 2017/18

Employer	Rate as a % of pay	Deficit cash payment £'000
Lincolnshire County Council	16.4	4,541
and LCC schools	21.9	
Priory Federation of Academies	18.2	
City of Lincoln Council	16.0	1,389
South Kesteven District Council	16.5	860
Lincolnshire Police	16.3	948
North Kesteven District Council	16.3	590
Boston College	21.5	74
Boston Witham Federation	18.2	54
East Lindsey District Council	16.3	662
Boston Borough Council	16.6	440
Bishop Grosseteste University	20.9	80
West Lindsey District Council	16.2	704
Lincoln College	22.3	435
South Holland District Council	16.5	860
Abbey Academies Trust	19.0	3
Grantham College	21.0	83
Compass Point Business Services	21.8	
G4S	16.3	
Serco	21.9	
Sleaford St Georges Academy	19.1	
Welton William Farr CE Academy	19.2	47
New College Stamford	20.6	62
Malcolm Sargeant Primary Academy	18.5	
Branston Community Academy	20.9	
University Academy Holbeach	19.1	38
Magna Vitae Trust	16.3	161
St Bernards Academy	19.0	56
Greenwich Leisure Limited	21.9	
Deepings Academy	19.7	
West Grantham Academy	18.6	11
Lincoln Christ Hospital Academy	19.5	29
Giles Academy	18.2	28
Gainsborough Parish Church Academy	18.5	12

The Lincolnshire Pension Fund's latest triennial valuation was as at 31st March 2016. The results from this are published on the Fund's shared website.

The table below summarises the latest triennial valuation's financial position in respect of benefits earned by members up to this date, compared with the previous valuation.

	31st March 2013	31st March 2016
Past Service Liabilities	£2,092m	£2,288m
Market Value of Assets	£1,495m	£1,759m
Surplus/(Deficit)	(£597m)	(£529m)
Funding Level	71.5%	76.9%

Asset Pooling

Introduction

In the LGPS (Management and Investment of Funds) Regulations 2016, enacted in November 2016, the Government required all Local Government pension funds to combine their assets into a small number of asset pools, in line with guidance issued by the Secretary of State and meeting the four criteria set out below:

a. Benefits of scale - a minimum asset size of £25bn;

b. Strong governance and decision making;

c. Reduced costs and value for money; and

d. Improved capacity to invest in infrastructure.

These regulatory changes do not affect the sovereignty of the Lincolnshire Pension Fund, and the pooling of LGPS assets will have no impact on the employee contribution rates or pension entitlement of members of the fund (pensioners, current employees and previous employees who are yet to draw their pension).

Lincolnshire Pension Fund's Solution

Having assessed the various options available, it was decided that the Fund would pool its assets with eleven other like-minded funds, and create a new entity to implement our investment strategy and manage our investments. Some core principles were agreed at the very beginning, these were:

- One Fund one vote – regardless of size all Funds will be treated equally;
- Equitable sharing of costs; and
- To drive efficiencies and work effectively, partner funds must have a complimentary investment ethos, risk appetite and strategy.

This new entity was to be a fully regulated asset management company, jointly owned by the twelve partner funds' administering authorities, with each Fund having an equal share in that company. It would have capabilities for internal management and appointing external managers. Its role would be to implement the investment strategies of the partner funds, through a range of investment sub-funds offering internally and externally managed solutions. The new entity was called Border to Coast Pensions Partnership Ltd (BCPP), and the proposal was approved by Government in December 2016. Much work has been undertaken since then to create the company and ensure that it is ready to start managing assets from July 2018.

Border to Coast Pensions Partnership

BCPP is based in Leeds and, once fully staffed, will have around 70 employees. This will include a large team to directly manage assets, alongside a team to select external managers. As a FCA (Financial Conduct Authority) regulated company, BCPP will have to comply with all the requirements that any other asset manager has to, and will also be subject to company legislation.

More information can be found at their website at www.bordertocoast.org.uk

Governance

BCPP has twelve LGPS funds – Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, Northumberland, North Yorkshire, South Yorkshire, Surrey, Teesside, Tyne & Wear and Warwickshire, with assets of circa £45bn as at March 2018. The Chairs of the Pensions Committees of these funds sit on a Joint Committee, to exercise oversight of the investment performance of the company. This is also reported back to Pension Committees. The Joint Committee represents the Funds as investors in BCPP. As BCPP is jointly owned by the administering authorities of the Pension Funds, there is also a shareholder role that the authorities provide, and the responsibilities are all set out in a shareholder agreement. Pension Fund Officers provide day-to-day oversight and work closely with BCPP to ensure that the company can provide the investment vehicles the funds need to implement their investment strategies.

The Lincolnshire Fund is expecting to start transitioning assets across into BCPP in Quarter 1 2019, and will start with its Global Equity mandates.

Annual Report of the LGPS Local Pension Board 2017/2018

Introduction

I am pleased to present the report of the Local Pension Board of Lincolnshire County Council (LCC) for the year 2017/2018.

Pension Boards were introduced in to the Local Government Pension Scheme (LGPS) from April 2015 under the Public Sector Pensions Act 2013 with the responsibility to assist administering authorities, in particular pension managers, and to secure compliance with the LGPS regulations.

The Lincolnshire Local Pension Board was established by the Administering Authority in June 2015 and operates independently of the Pensions Committee.

Purpose

The Board's role is to work closely in partnership and assist the Administering Authority in its role as Scheme Manager in relation to the following matters:

- Securing compliance with the Scheme Regulations and any other legislation relating to the governance and administration of the Scheme.
- Securing compliance with the requirements imposed by the Pension Regulator (tPR) in relation to the Scheme.
- Ensuring any breach of duty is considered and followed under the Scheme's procedure for reporting to tPR and to the Scheme Manager.
- Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme.
- Such other matters as the Scheme Regulations may specify.

Further detailed information on the Board's functions is set out in the Terms of Reference.

Constitution and Membership

The membership of the Board during the period was as follows:

- **Independent Chair** (non-voting)
  Roger Buttery
- **2 Employer Representatives** (both voting)
  Councillor Mark Whittington (Lincolnshire County Council)
  Kirsty McGauley (Grantham College)
- **2 Member Representatives** (both voting)
  David Vickers
  Ian Crowther

Four meetings were held within the period – 25th July, 18th October, 15th January, 2017 and 26th March 2018.

All the Board Members have completed the Pension Regulator's Public Service toolkit.

Other training attended is shown below:

- Two members attended the LGPS Fundamentals 1 and 2 in October and November.
- Several members attended the "LGPS Pension Boards – 2 Years On" Seminar organised by Barnet Waddingham.
- Two Members attended the BCPP Members' Training Day in September 2017.
- Two Members attended the Barnet Waddingham/CIPFA LGPS Local Pension Board Members' Spring Seminar.
- Board Members also attended several internal training sessions on LGPS Asset Pooling, General Data Protection Regulation, aspects of the Pension Fund Report and Accounts, ESG and Sustainable Investing Overview and Equity Protection.

The Work Programme

At the July meeting, the Board considered a report which demonstrated Lincolnshire's compliance to the Code of Practice produced by tPR.

The Board considered the eleven elements in detail, namely:

a) Reporting duties
b) Knowledge and understanding
c) Conflicts of interest
d) Publishing information about schemes
e) Managing risk and internal controls
f) Maintaining accurate member data
g) Maintaining contributions
h) Providing information to members and others
i) Internal dispute resolution
j) Reporting breaches of the law
k) Scheme advisory board

A checklist of 99 items covering the above was produced at that meeting in a traffic lights format. It is pleasing to report that Lincolnshire was largely compliant with 90 green. There were 6 partially compliant and 3 not yet relevant. At the meeting in March 2018, a further report was considered and the position had improved with 94 green and 1 not relevant. There were still 4 partially compliant and progress continues to achieve green. The Board considered that the compliance to tPR's Code was very good.

The Board also received a detailed presentation from representatives of the West Yorkshire Pension Fund (WYPF) on the Internal Dispute Resolution Procedure (IDRP) covering Regulatory Requirements, LGPS IDRP Two-Stage process, WYPF Process, Pension Decision, Stage 1 Adjudicator's Responsibilities, Stage 2 Adjudicator's Role, the Pensions Advisory Service, the Pensions Ombudsman and finally examples of Stage 1 Appeals.

The Pension Fund Manager presented the WYPF's quarterly update on administration issues. In response to questions, the Pension Fund Manager confirmed that there were no concerns with the administrator of the fund. However, improvements could be made by employers in the fund so that the information required was not only received by the relevant deadline but that it was accurate. It was noted that WYPF was undertaking employer audits to improve the data quality held within the administration system and it was acknowledged that Lincolnshire County Council (LCC), as the largest employer, still had some way to go in ensuring its data was fully up-to-date. The Pensions Team was also improving its contribution monitoring process to include the quality of data, as well as timeliness of data and contributions.

The Board also gave consideration to a report which presented information on the internal audits undertaken over recent years on the Lincolnshire Pension Fund, as well as audits of the administration service provided by WYPF. The audit on the transfer of the Pensions Administration Service gave an "effective" assurance opinion which, by definition, gave the auditors "a high level of confidence on service delivery arrangements, management of risks and the operation of controls and/or performance". The assurance for the recent key controls audit covering the Pension Fund's investments was also given as "high" which had a similar definition to "effective".

At the October meeting, consideration was given to the Pension Fund's Annual Report and Accounts for 2016/2017 which had been approved by the Pensions Committee on 21 September 2017. Mike Norman, KPMG, LCC's Auditor, was in attendance. Although KPMG had issued an unqualified opinion on the Report & Accounts, two significant risks had been identified, namely:

a) Significant changes in the pension liability due to the triennial valuation; and

b) The continuing weaknesses in the accounting system control and financial reporting arrangements.

It was noted that the issues with the accounting system were improving but the payroll system remained an area of concern. It was also noted that there had been 160 cases of the late payment of contributions. This had not been an issue during the audit as all cases had been resolved satisfactorily or an explanation provided as to why the information was inaccurate. The Board concluded that the Report and Accounts was an excellent document.

A WYPF representative gave a presentation on administration issues. The Board was pleased that WYPF had reviewed all the key performance indicators (KPIs) and in a number of cases had changed them to 95% rather than 85% norm. It is pleasing to report that the vast majority of KPIs were being achieved and the reasons for the underperforming ones were explained. The Board concluded that the administration was sound and would continue to improve. It was also noted that the partnership between LCC and WYPF continued to develop well.

At the meeting in January 2018, and following concerns raised at the previous Board meeting, there was a presentation on the action being taken by an employer in the fund (LCC) to clear a large backlog in the provision of detailed leaver information to the Fund's administrator. After a lengthy discussion with LCC, Serco and WYPF, the Board did not feel confident that LCC was

able provide any real assurance that the issue would be resolved. In addition, concerns were expressed that LCC was not undertaking appropriate monitoring of its payroll provider to ensure that it was meeting all the pension related requirements set out within the LGPS Regulations. As a result, the Board was minded to report LCC to tPR. However, it was agreed to write to LCC in the first instance, advising that they would be allowed one month to provide further assurance that the process of clearing backlogs in LGPS pensions related data was being sufficiently managed and that as an employer of the fund, LCC was fulfilling its responsibilities to the Pension Fund.

A special meeting was arranged for late February to assess progress on the Improvement Plan. In the event, the meeting had to be cancelled because of the adverse weather. However, at the meeting in March, there was a further presentation on progress with the Improvement Plan. Although some progress had been made, the Board recommended LCC to report itself to tPR. This was done in early April.

At the March meeting, the Board also considered the quarterly pensions administration report, a pension fund update and progress on asset pooling. Consideration was also given its work programme for year 2018/2019 – specific areas agreed so far are a further update on pooling particularly the governance aspects, reports from internal audit at both LCC and WYPF, Annual Report & Accounts, the LCC improvement plan on leavers, late contributions as well as the usual administration updates and the pension fund reports.

Conclusion

This is the third report of the Board. The Board considers the governance and administration of the Scheme to be sound. Lincolnshire's compliance to the vast majority of tPR's Code of Practice is particularly impressive. The Report and Accounts for 2016/2017 is an excellent document and there was an unqualified audit report. The Board is keeping a close watch on the LCC Improvement Plan concerning outstanding leavers as well as those employers paying contributions late. The Board will continue to monitor the LGPS pooling arrangements as the proposals unfold.

The Board would like to express its thanks to Jo Ray, Pension Fund Manager, her Team and the staff of the WYPF for the huge amount of work undertaken during the year. Finally, I should like to thank the four Board Members for their considerable input and support during the year.

Roger Buttery
Pension Board Chair
April 2018

Any questions regarding the Pensions Board or its work can be addressed through the Pension Fund Manager.

Jo Ray, Pension Fund Manager
Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL
Tel: 01522 553656 | email: jo.ray@lincolnshire.gov.uk

Information on Board membership and meetings can be found on the Council's website: http://lincolnshire.moderngov.co.uk/

Lincolnshire County Council Pension Fund Actuarial Statement for 2017/18

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated March 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependents' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB: this will also minimise costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £1,759 million, were sufficient to meet 77% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £529 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	24.1 years	26.6 years

* aged 45 at the 2016 valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Prepared by **Peter Summers FFA**
For and on behalf of Hymans Robertson LLP
2 May 2018

Hymans Robertson LLP, 20 Waterloo Street, Glasgow, G2 6DB

Investment Background

Returns for Major Markets

The twelve months to 31st March 2018 produced positive returns across all asset classes, with property performing the best, returning 11.3% for investors.

Equity market returns were mixed, ranging from 1.2% in the UK to 8.8% in the Emerging Markets.

Bond asset returns were minimal, with UK Gilts and Index Linked Gilts returning 0.5% and UK Corporate Bonds returning 1.6%.

Property, after cash, was the worst performing asset class, returning 3.8% for investors.

Investment Returns to sterling based investors 1st April 2017 to 31st March 2018

Asset Class	Index	Index return to sterling investors %
Equities		
United Kingdom	FTSE All Share	1.2
Global Equities	FTSE World	2.9
United States	S&P 500	1.6
Europe ex UK	FTSE Developed Europe	4.1
Japan	TOPIX	8.3
Emerging Markets	FTSE Emerging	8.8
Fixed Interest		
UK Gilts	FTSE UK Gilts	0.5
UK Index Linked Gilts	FTSE Index–Linked	0.5
UK Corporate Bonds	IBoxx Sterling Non-Gilts All Stocks	1.6
Property	CBRE Index	11.3
Cash	LIBID Seven Day Rate (compounded)	0.2

World Equity Markets

Global equity markets reported gains over the reporting period (12 months up to March 2018 in GBP terms), with European equities outperforming their US counterparts, when measured in GBP.

A brief summary of the highlights of each quarter of the financial year is shown below:

Quarter 2 2017

Global equity markets ended the second quarter of 2017 in positive territory, in local currency terms. All the main regions reported their strongest first quarter earnings growth in nearly six years, helped by a rebound in global economic activity particularly during the first half of the quarter. European equity markets continued their advance in April and May. The shift in tone from central banks drove global financial markets in June. The US Federal Reserve (Fed) voted to raise interest rates by 0.25 percentage points, bringing them to their highest level since 2008. The European Central Bank (ECB) kept its interest rate policy unchanged, yet there were subtle changes in its guidance and forecasts. Despite some lingering uncertainty over US economic policies, Japan's equity market ended the quarter higher, with solid earnings expectations providing support. For emerging markets, an improving economic landscape and some upbeat earnings results provided a comforting backdrop.

Quarter 3 2017

In the third quarter, global equity markets moved beyond geopolitical tensions and ended in positive territory. During July, macro-economic data largely supported the global growth story and investor's appetite for risk remained robust. In August, geopolitical tensions and the struggles of the Trump administration dominated headlines. Towards the end of the quarter, markets drew strength from the continuing global economic upswing and were dominated by the chance of major corporate tax cuts in the US. The US equity market indicated confidence in the economy being able to handle rising interest rates as it drove higher based on the Fed's announcement to allow some of its bond holdings to mature.

Quarter 4 2017

Global equity markets ended the calendar year near all-time highs amid solid corporate earnings and accelerating economic activity. Global economic growth continued to be robust and broad-based, driven by industrial activity and investment. Performance towards the end of the quarter helped global equity markets achieve their best annual performance since 2013. In the US, returns were boosted by President Trump's end-of-year tax-cutting package and promised infrastructure spending. Economic growth indicators in the euro-area remained strong and picked up additional momentum over the quarter. The economic uptick continued to be broad-based, driven by a booming manufacturing sector as well as a robust services sector. In October, the ECB decided to prolong its asset purchase program for nine months. Japan's equity market ended the quarter with solid gains, with the market benefiting from the large victory of the ruling coalition in the snap election at the end of October.

Quarter 1 2018

A technology-led rout dominated global equity markets in March 2018 rounding off the worst quarter for global equities in more than two years. While markets enjoyed a good start into the new year supported by strength in corporate earnings, a pick-up in economic growth and optimism over US tax cuts, global equity markets witnessed a sharp correction in the first half of February. The catalyst for the weakness was an increase in government yields in major markets, especially in the US. This increase in yields was driven by investor concerns over rising inflation as recent data on wage growth in the US had been ahead of market expectations, and increased government budget deficits caused by the recent tax cut package. President Trump's decision to put tariffs on China heightened concerns that a trade war could hurt global economic growth. As

a result, in the US the share prices of the sectors that have benefited the most from strength in the global economy saw the sharpest falls.

Fixed Interest

A brief summary of each quarter of the financial year is shown below.

Q2 2017

Continued accommodative monetary policy, positive economic data and still subdued inflation provided a healthy backdrop for bonds over the quarter. Demand for risk assets was strong to the benefit of corporate and emerging market (EM) bonds. Inflation had still not taken hold convincingly though, either in the US or Europe. The quarter saw doubts emerging around the Trump "reflation trade", with the administration still yet to make a meaningful fiscal policy announcement. This helped to keep longer-dated US Treasury yields anchored, though the two-year yield rose steadily from mid-April onwards pricing in another rate hike ahead of the decision in June. Government bond yields were well supported for most of the quarter, but a sell-off in the final week reversed earlier gains for German Bunds and UK Gilts and pared gains for US Treasuries. This sell-off was drawn by comments from central bank leaders in the US, Europe and the UK, taken as signalling increased hawkishness. The move was more pronounced in Europe and the UK than in the US, with the euro and sterling rising against the US dollar. Corporate bonds performed strongly, well ahead of government bonds.

Q3 2017

Bond yields oscillated over the quarter and, with the exception of the UK which sold-off sharply in September, were ultimately little changed against a largely unchanged global economic backdrop. While the late-June selloff initially continued in July, it came to a halt as growing expectations of a hawkish shift among central banks were reined in. Yields moved lower in August, precipitated by safe haven buying, before reversing course once more in September as risk appetite returned. The global economic upswing continued with data confirming the US second quarter growth rebound. The "Goldilocks" scenario of moderate expansion combined with only moderate inflation, allowing for a gradual withdrawal of monetary stimulus, remained in place. The quarter saw a marked escalation in tensions between the US and North Korea, which were a key factor behind the temporary rotation into lower-risk assets in August. For the UK, the economy showed clear signs of slowing down, while inflation picked up, reaching 2.9% in August. During the quarter the Bank of England struck a more hawkish note with Governor Carney and a number of members of the Monetary Policy Committee openly discussing rate rises. This occurred against a backdrop of above target inflation and low unemployment, leading to a significant increase in UK government bond yields and a rally in sterling against both the euro and the dollar. Corporate bonds made positive returns, outperforming government bonds.

Q4 2017

US Treasury yields rose over the quarter, amid growing momentum behind a tax reform bill which was expected to stimulate growth and inflation. December saw yield volatility around this as doubts led to yields initially dropping before reversing in the run-up to the bill being approved by the Senate. In Europe, positive economic momentum continued unabated, with manufacturing activity at multi-year highs. The ECB announced the reduction of asset purchases, but extended

the programme, which proved a significant boost to bond yields. Government yields in Spain, Italy and France performed well on the announcement, but the moves were either reduced or undone later on due to political factors. In the UK, ten-year gilt yields were down, with less pronounced decreases for five and two-year maturities. A November rate hike by the Bank of England was well anticipated and was accompanied by dovish guidance. Economic activity remained subdued and political uncertainty continued. Corporate bonds capped a good year with positive total returns, outperforming government bonds. Investment grade credit saw stronger returns than high yield, aside from in Europe, as the latter experienced challenging conditions in November having reached elevated valuations.

Q1 2018

US Treasury yields rose markedly across the curve over the quarter as expectations of growth, inflation and interest rates shifted higher. Volatility returned to markets, picking up sharply from low levels and impacting risk assets. In March, sentiment was negatively impacted by rising trade tensions between the US and China. The US yield curve continued to flatten modestly with shorter-dated maturities impacted by a rate hike and substantial issuance in March. UK Gilts saw more pronounced curve flattening, whilst German Bund yields rose slightly, French 10-years were modestly lower and Italian and Spanish 10-year yields fell. Corporate bonds made negative total returns and underperformed government bonds. Investment grade credit saw larger negative returns than high yield, notably in US dollar, while sterling high yield performed well. In emerging markets, local currency sovereign bonds made strong total returns as the US dollar declined, but hard currency sovereign and corporate bonds saw negative total returns.

UK Commercial Property

A brief summary of each quarter of the financial year is shown below.

Q2 2017

The second quarter saw a continuation of the trends of the first quarter as UK commercial property markets clawed back more of the falls in value seen after the vote to leave the EU. Since the referendum, domestic investor activity was focused on industrial and logistics properties where values had risen significantly. Strong demand for Central London offices from overseas, particularly Chinese investors, helped to lift the value of this segment despite weakening tenant demand. Retail properties saw the weakest bounce back in values over the last 12 months. Prime shops in the larger regional centres performed better than the broader market, whereas secondary shopping centres remained out of favour. Alternative investment properties, such as primary healthcare and student accommodation, continued to deliver strong and stable returns underpinned by sustained rental growth. Across the UK as a whole development activity remained subdued, with the exception of Central London offices and industrial/logistics properties. In the former, vacancy had been increasing, whereas, the strength of tenant demand for industrial/logistics properties kept void rates for this sector low and driving continued rental growth.

Q3 2017

The UK property market remained resilient in the third quarter of 2017 as demand for real estate assets, particularly from overseas investors, remained robust. However, there was considerable dispersion between the various parts of the market, where Central London shops, Industrials and

Alternatives all recorded significantly higher values whilst the value of shopping Centres and out of town retail remained subdued. Transaction activity across Europe as a whole was down, with the focus moving away from the UK. That said, overseas investors remained active in the Central London office market, accounting for a record share of activity in the 3rd quarter. The Central London office market became increasingly polarised with large transactions dominating activity, with 20 transactions above £100 million vs just six in the same quarter a year ago. Domestic investors remained in the market for Industrial properties and Alternatives such as hotels, student accommodation and healthcare properties. Demand for long leased, indexed linked assets remained particularly strong, pushing up the prices of these assets.

Q4 2017

UK commercial real estate delivered positive performance during the fourth quarter, concluding a relatively rewarding year for investors. Income returns remained strong, supported by robust occupational demand, while capital values also strengthened over the year. Investor appetite also remained strong and continued to be concentrated on 'prime' assets, including those with long income producing leases with the potential for strong rental growth. Whilst European real estate markets performed strongly in 2017, market data suggested the UK regained its title as the largest property investment market in Europe, supported by Asian capital flows. Demand for industrial assets was particularly buoyant, as favourable fundamentals and the security of long-lease income continued to attract investors. As a result, the sector delivered its best returns over the quarter and indeed the year. Political and structural headwinds remained; with Brexit, rising base rates and reduced consumer spending all potentially weighing on occupational activity, investment demand and property returns. However, there was optimism with positive momentum driven by a growth in lending, new capital sources, greater clarity over Chinese capital flows, and a broad based global economic recovery.

Q1 2018

Following strong performance in 2017, UK commercial real estate delivered further modest capital growth in early 2018. However, there was a marked difference in performance between sectors. On a positive note, industrials continued to benefit from structural support for demand from e-commerce expansion and tight supply in urban areas. By contrast, the retail sector had a difficult start to the year, reflected in weak performance and limited investor interest in large-scale assets. The collapse of Toys R Us and Maplin, New Look's company voluntary agreement (CVA) and Carpetright's potential CVA all hit the headlines.

Administration of Benefits

Lincolnshire County Council has a shared service arrangement with West Yorkshire Pension Fund (WYPF) to administer LGPS benefits and other services. The service is monitored through a number of performance indicators. These are detailed in the table below, showing the performance achieved over the last year against the expected performance, and highlighted with a red, amber or green to show where expectations have not been met. Performance is reported quarterly to the Pensions Committee, and regular meetings are held between LCC and WYPF to understand and manage any performance issues.

Event	No. Cases	Target Days to Complete	No. Cases Target Met	Minimum Target %	Target Met %
AVC in-house	329	10	316	85	96
Age 55 Increase	3	20	3	85	100
Change of address	1,359	5	1,316	85	96.8
Change of bank details	574	5	528	85	92
Death grant nomination received	3,001	20	2,992	85	99.7
DWP request for information	59	10	53	85	89.8
Death grant set up	131	5	115	85	87.8
Death in retirement	518	5	455	85	87.8
Death in service	28	5	25	85	89.3
Death in deferment	59	5	51	85	86.4
Deferred benefits into payment – actual	751	5	676	90	90
Deferred benefits into payment – quote	823	35	763	85	92.7
Deferred benefits set up on leaving	2,311	20	2,011	85	87
Divorce quote	214	20	206	85	96.3
Divorce settlement – pension sharing order implemented	5	80	5	100	100
General Payroll Changes	273	5	267	85	97.8
Life certificate received	1,217	10	1,141	85	93.8
Monthly posting	2,997	10	1,933	95	64.5
NI modification	28	20	26	85	92.9
Pension estimate	1,106	10	854	75	77.2
Refund payment	613	10	597	95	97.4
Refund quote	737	35	687	85	93.2
Retirement actual	569	3	520	90	91.4

Retirement quote	731	10	663	85	90.7
Spouse – set up new pension	249	5	206	85	82.7
Spouse potential	32	20	24	85	75
Transfer in payment received	98	35	84	85	85.7
Transfer in quote	127	35	125	85	98.4
Transfer out payment	59	35	52	85	88.1
Transfer out quote	513	20	467	85	91

As can be seen from the table above, overall performance has met or exceeded targets. Those below target are shown below:

One area is highlighted in red:

- Monthly posting – all employers are required to submit their data on a monthly basis, however over the year this KPI was at 64.5% against a target of 95%. The KPI is to be able to process the data from the employers within 10 working days of receipt. Much work has been put into ensuring the timeliness of payments and data submissions, and work continues with the employers and their payroll providers to improve the data quality, and therefore the ability for straight through processing. Employer numbers are rising each year, with the growing numbers of academies and out-sourcings, so this is an ever-increasing challenge. The Fund is working closely with WYPF to get the message across to employers on the importance of clean and accurate data.

Two areas are highlighted in amber:

- Spouses potential – This is 75% against a target of 85%. These are potential spouse's pensions identified from the information provided by the National Fraud Initiative, where the Fund has no details of next of kin, so require further investigation.
- Spouse – set up new pension – this is slightly below the KPI target due to queries on cases (e.g. bank details, correct certificates etc.).

The shared service arrangement with West Yorkshire Pension Fund (WYPF) to provide Pensions Administration services for the Lincolnshire Pension Fund is now three years old. This arrangement was made to improve efficiency and reduce costs in the provision of the Pensions Administration service, and this is now being seen.

A satellite office for WYPF is based in Lincoln, co-located with the LCC Pension Fund team, to enable scheme members to have a point of contact in Lincolnshire. Members are always able to visit County Offices and speak to someone regarding their pension arrangements.

The monthly data return from employers is a considerable benefit to the administration process, and has improved the quality of data held in the administration system, enabling a better service to be provided to scheme members. However employers and their payroll providers still need to improve their own processes for submitting accurate data. WYPF continues to work with the Lincolnshire Fund and its employers to improve all aspects of administering the scheme.

The Pensions Committee and Pension Board take a keen interest in the administration of the Fund, and receive regular reports and presentations (see the Board's annual report on p16) on all aspects of the administration service.

The Pension Fund Manager is part of the overall shared service management team, and attends the bi-monthly management review meetings held in Bradford. In addition, as part of the overall governance of the service, the County Finance Officer and the Pension Fund Manager sit on the Collaboration Board of the shared service, alongside the senior management of WYPF, to ensure that the original aims of the partnership with WYPF are met.

Summary of LGPS Contributions and Benefits

The LGPS is a defined benefit scheme, however there are three different benefit tranches, based on when scheme changes were brought in with new regulations. The three tranches are Pre 2008, April 2008 to March 2014 and Post April 2014. The benefits scheme members will be entitled to will depend upon when they joined and left the LGPS – and scheme members may have benefits across all three tranches.

Membership from 1st April 2014

Membership of the LGPS is available to all contracted employees of participating employers whether whole time or part time. Casual employees may also be members providing their contract of employment is for a minimum of three months. Whilst membership of the Scheme is not compulsory, employees of Scheme employers who are eligible are deemed to have joined unless they specifically opt out, whilst employees of transferred Admission Bodies are eligible only if they are employed in connection with the service transferred.

National legislation and regulation cover the LGPS including the benefit entitlements of Scheme participants and their families. Such benefits are not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits available are outlined below.

Contributions

Employee's contribution rates from 1st April 2014 are based on actual pensionable pay using the pay band table below. The bands are increased each April in line with inflation by the Ministry for Housing, Communities and Local Government. The bands, as they stood at 31st March 2018, are shown below.

Full Time Equivalent Pay	Contribution Rate
Up to £13,700	5.5%
More than £13,700 and up to £21,400	5.8%
More than £21,400 and up to £34,700	6.5%
More than £34,700 and up to £43,900	6.8%
More than £43,900 and up to £61,300	8.5%
More than £61,300 and up to £86,800	9.9%
More than £86,800 and up to £102,200	10.5%
More than £102,200 and up to £153,300	11.4%
Over £153,300	12.5%

Benefits

The retirement age for scheme members is their Normal Pension Age which is the same as their State Pension Age (but with a minimum of age 65). However, employees may retire and draw their pension at any time between age 55 and 75. If an employee chooses to retire before their Normal Pension Age it will normally be reduced, as it is being paid earlier, and if taken later than

Normal Pension Age then it will be increased, as it is being paid later. Retirement before age 55, other than on ill-health grounds, is not possible.

Annual Pensions

Pensions are calculated at a rate of 1/49th of the employee's pensionable pay in each scheme year. Inflation increases will be added to ensure that pension accounts keep up with the cost of living.

Lump Sum Payments

A member receives a tax free lump of three times their pension on service accrued prior to 1 April 2008. On service from 1 April 2008 there is no automatic lump sum, but members have the option to commute pension at the rate of £12 cash lump sum for every £1 pension given up, subject to maximum tax free lump sum of 25% of the capital value of accrued benefits at retirement.

Ill Health Retirement

There are three tiers of benefits. The benefits are calculated as for normal retirement with additional service under tiers one and two.

Death-benefits

Death in service attracts a tax free lump sum of three times final pensionable pay. An annual pension is payable to a spouse/civil partner/co-habiting partner (when meeting certain criteria) and eligible children, however civil partners and co-habiting partners pensions are based on post 5th April 1988 membership only. If a member dies within ten years of their retirement (or up to age 75), a single lump sum payment is made of ten times the member's annual pension, less any pension paid since retirement. For a member who retired prior to 1st April 2008 and dies within five years of their retirement, a single lump sum payment is made of five times the member's annual pension less any pension paid since retirement. The surviving spouse is entitled to an annual pension based on 1/160ths accrual of the member's membership.

Supplementary Pensions

Scheme members may purchase additional pension of up to a maximum of £6,755 per annum, in blocks of £250, through Additional Pension Contributions (APCs.). As an alternative, Scheme members may increase their benefits by paying Additional Voluntary Contributions (AVCs). The AVC provider, appointed by the County Council as the administering authority, is Prudential.

Membership from 1st April 2008 to 31st March 2014

Membership of the LGPS was available to all contracted employees of participating employers whether whole time or part time. Casual employees may also have been members, providing their contract of employment was for a minimum of three months. Whilst membership of the Scheme was not compulsory, employees of Scheme employers who were eligible were deemed to have joined unless they specifically opted out, whilst employees of transferred Admission Bodies were eligible only if they were employed in connection with the service transferred.

National legislation and regulation covered the LGPS, including the benefit entitlements of Scheme participants and their families. Such benefits were not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits under this tranche are outlined below:

Contributions

Employees contributed between 5.5% and 7.5% of their pensionable pay towards their pension.

Benefits

The retirement age for scheme members was 65. However, employees could retire between 60 and 65 but would suffer a reduction to their benefits (unless protected under the 85 year rule). Retirement before age 60*, other than on ill-health grounds, was not possible without the permission of the employer (*superseded by LGPS (Amendment) Regulations 2018, with effect from 14th May 2018, to enable deferred members to take their pension from age 55 (with reductions) without employer consent).

Annual Pensions

Pensions were calculated at a rate of 1/60th of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over (no age restriction for ill-health) were increased each April in line with inflation.

Lump Sum Payments

On service from 1 April 2008 there was no automatic lump sum, but members had the option to commute pension at the rate of £12 cash lump sum for every £1 pension given up, subject to maximum tax free lump sum of 25% of capital value of accrued benefits at retirement.

Ill Health Retirement

There were three tiers of benefits. The benefits were calculated as for normal retirement with additional service under tiers one and two.

Death-benefits

Death in service attracted a tax free lump sum of three time's final pensionable pay. An annual pension was payable to a spouse/civil partner/co-habiting partner (when meeting certain criteria)

and eligible children, however civil partners and 'nominated' dependent partners pensions are based on post 5th April 1988 membership only (now superseded to allow payment without a nomination form). If a member died within ten years of their retirement (or up to age 75), a single lump sum payment was made of ten times the member's annual pension, less any pension paid since retirement. The surviving spouse was entitled to an annual pension based on 1/160ths accrual of the member's membership.

Supplementary Pensions

Scheme members could purchase additional pension of up to a maximum of £6,755 per annum, in blocks of £250, through Additional Pension Contributions (APCs). As an alternative, Scheme members could increase their benefits by paying Additional Voluntary Contributions (AVCs). The AVC provider, appointed by the County Council as the administering authority, was Prudential.

Membership up to 31st March 2008

Membership of the LGPS was available to all contracted employees of participating employers whether whole time, part time or casual.

National legislation and regulation covered the LGPS including the benefit entitlements of Scheme participants and their families. Such benefits were not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits of this tranche are outlined below:

Contributions

Employees contributed 6% of their pensionable pay towards their pension, the exception being manual workers who were Fund members before 1 April 1998 who paid 5%.

Benefits

The normal retirement age for Scheme members was 65 but employees in the Scheme prior to 1 April 1998 could retire at 60* provided they had 25 years' service. Retirement before these ages, other than on ill-health grounds, was not possible without the permission of the employer (*superseded by LGPS (Amendment) Regulations 2018, with effect from 14th May 2018, to enable deferred members to take their pension from age 55 (with reductions) without employer consent).

Annual Pensions

Pensions were calculated at a rate of 1/80th of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over were linked to the movement in inflation.

Lump Sum Payments

A member received a tax free lump sum payment in retirement of three times their pension, with an option to take a bigger lump sum by exchanging part of their pension. Up to 25% of the capital value of a member's pension could be taken as tax free cash.

Ill Health Retirement

Benefits were as for normal retirement but with additional years added dependent on the length of pensionable membership.

Death-benefits

Death in service attracted a lump sum grant equivalent to up to twice final pensionable pay. An annual pension was payable to the surviving spouse and any eligible children. For death after retirement a single payment was made of five times the member's annual pension (less any pension paid since retirement). The surviving spouse was entitled to an annual pension of up to 50% of the member's pension for the rest of their life.

Supplementary Pensions

Scheme members could purchase additional membership within the Scheme up to a maximum of 6 2/3rd years. As an alternative, Scheme members could increase their benefits by paying Additional Voluntary Contributions, up to limits prescribed in scheme rules, to an AVC provider appointed by the County Council as the administering authority. The Lincolnshire AVC provider was Prudential plc.

The principal points of contact in respect of questions about the LGPS are:

Pensions Administration	West Yorkshire Pension Fund WYPF, PO Box 67, Bradford, BD1 1UP Tel: 01274 434999 | Email: pensions@wypf.org.uk
Pension Fund and Investments	Jo Ray, Pension Fund Manager Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL Tel: 01522 553656 | Email : jo.ray@lincolnshire.gov.uk

Pension Fund Knowledge and Skills Policy and Report

As an administering authority of the Local Government Pension Scheme, Lincolnshire County Council recognises the importance of ensuring all staff and individuals charged with the financial management and decision making with regard to the Pension Fund, are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. Within the management of the Pension Fund, LCC seeks to appoint individuals who are both capable and experienced, and will provide and arrange training for staff and individuals involved to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

An annual training plan is agreed by the Pensions Committee each year, setting out what training will be covered over the coming year and linking it back to the CIPFA Knowledge and Skills Framework. Knowledge and skills are acquired and maintained through the regular Pensions Committees, as well as through additional training sessions targeting specific areas and attendance at seminars and conferences. In addition, all members are offered the opportunity to attend the three-day fundamentals training arranged by the Local Government Association (or an equivalent course) and all new members are offered a one-to-one training session with the Pension Fund Manager.

The County Finance Officer is the delegated officer responsible for ensuring that policies and strategies are implemented.

Activity in 2017/18

A full training plan was taken to Pensions Committee in July 2017 to identify training requirements over the coming year. The training plan was linked to specific areas within the CIPFA Knowledge and Skills Framework.

The 6 areas within the Knowledge and Skills Framework are:

1. Pensions Legislative and Governance Context
2. Pensions Auditing and Accounting Standards
3. Financial Services Procurement and Relationship Management
4. Investment Performance and Risk Management
5. Financial Markets and Products Knowledge
6. Actuarial Methods, Standards and Practices

The table below details the various areas covered in training and Committee presentations during the year, and the areas within the Knowledge and Skills Framework that they relate to.

Date	Subject matter	KSF area(s)
26th May 2017		
Training	Basic Overview of LPF and Committee Member Responsibilities	1,4,5
1st June 2017		
Reports	External Manager Presentations	4,5
13th July 2017		
Reports	Independent Advisor Market Update	4,5
	Pensions Administration Report	1
	Fund Update	1,3,4
	Investment Management Report	4,5
	Annual Property and Infrastructure Report	4,5
	Policies Review Report	1,4
	Risk Register Annual Review	1,4
	Annual Training Plan and Policy	1
21st September 2017		
Reports	MiFID II Report	4,5
	Draft Annual Report and Accounts	2
5th October 2017		
Reports	Independent Advisor Market Update	4,5
	Pensions Administration Report	1
	Pensions Administration Strategy	1
	Fund Update	1,3,4
	Investment Management Report	4,5
	Annual Fund Performance Report	4
	Border to Coast Responsible Investment Policy and Voting Guidelines	1,4
	Audit Governance Report	2
14th December 2017		
Reports	External Manager Presentations	4,5
	Border to Coast – CEO presentation	1,4,5
11th January 2018		
Reports	Independent Advisor Market Update	4,5
	Pensions Administration Report	1
	General Data Protection Regulations and Pensions Administration	1
	Fund Update	1,3,4
	Investment Management Report	4,5
	LPF AVC Provider – Prudential Presentation	1
22th March 2018		
Reports	Independent Advisor Market Update	4,5
	Pensions Administration Report	1
	Fund Update	1,3,4
	Investment Management Report	4,5

	Asset Pooling Update	1
	Equity Voting Template	1,4
Training	Equity Protection	4,5
	Responsible Investment	1,5

As the officer responsible for ensuring that the training policies and strategies are implemented, the County Finance Officer can confirm that the officers and individuals charged with the financial management of and the decision making for the Pension Fund collectively possess the requisite knowledge and skills necessary to discharge those duties and decisions required during the reporting period.

Lincolnshire Pension Fund

Pension Fund Account - Year Ended 31 March 2018

	See note	2016/17 £000	2017/18 £000
Contributions and Benefits			
Contributions Receivable	6	(90,083)	(97,471)
Transfers In	7	(5,170)	(6,861)
		(95,253)	**(104,332)**
Benefits Payable	8	80,219	86,584
Leavers	9	3,209	4,605
		83,428	**91,189**
Net additions from dealings with Fund members		**(11,825)**	**(13,143)**
Management Expenses	10	11,841	11,978
Net additions including management expenses		**16**	**(1,165)**
Returns on Investments			
Investment Income	11	(29,264)	(17,743)
Profit/Loss on Forward Foreign Exchange	14	37,156	(19,943)
Change in Market Value of Investments	13A	(364,274)	(35,084)
Net Returns on Investments		**(356,382)**	**(72,770)**
Net Increase in the Fund During the Year		(356,366)	(73,935)
Opening Net Assets of the Fund		(1,759,056)	(2,115,422)
Closing Net Assets of the Fund		**(2,115,422)**	**(2,189,357)**

Net Asset Statement as at 31 March 2018

	See note	2016/17 £000	2017/18 £000
Investments			
Investment Assets	13	2,104,148	2,169,901
Investment Liabilities	13	(4,383)	(2,018)
Total Net Investments		**2,099,765**	**2,167,883**
Current Assets	20	19,188	23,853
Current Liabilities	21	(3,531)	(2,379)
Net Assets of the Fund available to fund benefits at the end of the reporting period		**2,115,422**	**2,189,357**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 19.

Notes to the Pension Fund Account

1. Description of the Pension Fund

The Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and Lincolnshire County Council is the Administering Authority. Benefits are administered by West Yorkshire Pension Fund (WYPF) in a shared service arrangement.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the LGPS Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee and Local Pension Board.

Membership

Membership of the LGPS is automatic for eligible employees, but they are free to choose whether to remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include charitable organisations and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 219 contributing employer organisations in the Fund including the County Council (a list of employers is shown in Note 29) and over 74,000 members, as detailed below:

	31 March 2017	31 March 2018
Number of Employers with Active Members	**225	**219
Number of Employees in the Scheme		
Lincolnshire County Council	11,457	12,193
Other Employers	13,436	13,960
Total	**24,893**	**26,153**
Number of Pensioners in the Scheme		
Lincolnshire County Council	13,913	13,768
Other Employers	6,003	6,775
Total	**19,916**	**20,453**
Deferred Pensioners		
Lincolnshire County Council	21,206	19,540
Other Employers	6,976	7,816
Total	**28,182**	**27,356**

**Number of employers will differ from those listed in note 29 due to academies within Multi Academy Trusts and prime account schools

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. The last valuation was 31 March 2016, and employer primary contribution rates were set ranging from 15.9% to 29.1% of pensionable pay. In addition, the majority of employers are paying secondary deficit contributions as cash payments.

Benefits

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Price Index.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre April 2008	Service post April 2008
Pension		
	Each year is worth 1/80 x final pensionable salary	Each year is worth 1/60 x final pensionable salary
Lump Sum		
	Automatic lump sum of 3/80 x salary In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to our shared pensions website at www.wypf.org.uk.

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017-18 financial year and its position at year end as at 31 March 2018.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits due. The accounts do not take into account liabilities to pay pensions and other benefits after the end of the financial year. These liabilities are dealt with through the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined by these valuations.

The accounting policies set out below have been applied consistently to all periods presented within these financial statements.

3 Significant Accounting Policies

Fund account - revenue recognition

a) Contributions income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the day on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than due date.

Employer augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the LGPS Regulations 2013. Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

c) Investment Income

i) Interest income

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

Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

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

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

iv) **Movement in the net market value of investments**
Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account - expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Council discloses its Pension Fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Oversight and Governance

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with the governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment expenses

All investment management expenses are accounted for on an accruals basis.

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

In addition, the Fund has negotiated with the following managers that an element of their fee be performance related:

- Invesco Asset Management - Global Equities (ex UK)
- Schroder Investment Management - Global Equities
- Threadneedle Asset Management - Global Equities
- Morgan Stanley Investment Management Ltd - Alternative Investments

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

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

Net assets statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 15). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

h) Foreign currency transactions

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. The exchange rates used at 31 March 2018 are shown in Note 30.

i) Derivatives

The Fund uses derivative financial instruments to manage its exposure to certain risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes (see note 14).

j) Cash and cash equivalents

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

k) Financial liabilities

Financial liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (Note 19).

m) Additional voluntary contributions

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

AVCs are not included in the accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 22).

n) Contingent assets and contingent liabilities

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

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

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the Pension Fund notes.

Accounting standards that have been issued but have not yet been adopted

On an annual basis the pension fund is required to consider the impact of accounting standards that have been issued but have not yet adopted. For the 2018/19 IFRS9 Accounts Financial Instruments will be introduced. The standard introduces changes to the way financial instruments are classified and measured in the accounts. The impact on the pension fund accounts from this new standard is not thought to be significant due to the nature of the financial instruments held.

4 Critical Judgements in Applying Accounting Policies

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 18.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

5 Assumptions Made About the Future and Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts for the year ended 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £310m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £24m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £276m. 4) a one-year increase in assumed life expectancy would increase the liability by approximately £134m.
Private Equity (Note 15)	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the Fund are £29m. There is a risk that these may be over or understated in the accounts by £8m.

6 Contributions Receivable

Contributions receivable are analysed below:

	2016-17 £000	2017-18 £000
Employers		
Normal	60,252	55,197
Deficit Funding	9,401	21,334
Additional – Augmentation	1,198	1,519
Members		
Normal	19,001	19,341
Additional Years	231	80
	90,083	**97,471**

These contributions are analysed by type of Member Body as follows:

	2016-17 £000	2017-18 £000
Lincolnshire County Council	36,193	37,659
Scheduled Bodies	47,975	48,461
Admission Bodies	5,915	11,351
	90,083	**97,471**

7 Transfers In From Other Pension Funds

	2016-17 £000	2017-18 £000
Individual Transfers from Other Schemes	5,170	6,861
Group Transfers from Other Schemes	0	0
	5,170	**6,861**

There were no material outstanding transfers due to the Pension Fund as at 31 March 2018.

8 Benefits Payable

	2016-17 £000	2017-18 £000
Pensions	66,666	68,800
Commutations and Lump Sum Retirement Benefits	11,920	14,482
Lump Sum Death Benefits	1,633	3,302
	80,219	**86,584**

These benefits are analysed by type of Member Body as follows:

	2016-17 £000	2017-18 £000
Lincolnshire County Council	43,169	45,951
Scheduled Bodies	33,758	36,214
Admission Bodies	3,292	4,419
	80,219	**86,584**

9 Payments To and On Account of Leavers

	2016-17 £000	2017-18 £000
Individual Transfers to Other Schemes	2,988	4,390
Group Transfers from Other Schemes	0	0
Refunds to Members Leaving Service	221	215
	3,209	**4,605**

There were no material outstanding transfers due from the Pension Fund as at 31 March 2018.

10 Management Expenses

This analysis of the costs of managing the Lincolnshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

The external Audit fee for the year was £0.024m (£0.024m in 2016/17):

	2016-17 £000	2017-18 £000
Administrative Costs	1,130	1,047
Investment Management Expenses	10,038	10,476
Oversight and Governance Costs	673	455
Total Management Expenses	**11,841**	**11,978**

A further breakdown of the investment management expenses is shown below.

	2016-17 £000	2017-18 £000
Transaction Costs	837	690
Management Fees	6,883	6,982
Performance Related Fees	1,499	2,146
Custody Fees	819	658
Total Investment Management Expenses	**10,038**	**10,476**

11 Investment Income

	2016-17 £000	2017-18 £000
Equities	27,954	16,173
Pooled Investments		
Property	840	1,384
Infrastructure	72	(7)
Alternatives	(2)	3
Cash Deposits	78	61
Stock Lending	322	129
	29,264	**17,743**

12 Taxes on Income

	2016-17 £000	2017-18 £000
Withholding Tax - Equities	1,283	1,355
	1,283	**1,355**

13 Investments

	2016-17 £000	2017-18 £000
Investment Assets		
Equities	726,451	751,286
Pooled Investments		
Property	187,038	194,461
Infrastructure	31,381	35,420
Private Equity	43,334	29,345
Bonds	262,168	264,097
Equities	577,302	582,508
Alternatives	245,375	258,167
Cash Deposits	26,609	38,746
Investment Income Due	4,189	4,412
Amounts Receivable from Sales	301	1,409
Open Forward Foreign Exchange (FX)	0	50
Total Investment Assets	**2,104,148**	**2,169,901**
Investment Liabilities		
Open Forward Foreign Exchange (FX)	(3,668)	0
Investment Income payable	(1)	(2)
Amounts Payable for Purchases	(714)	(2,016)
Total Investment Liabilities	**(4,383)**	**(2,018)**
Net Investment Assets	**2,099,765**	**2,167,883**

13A Reconciliation of Movements in Investments

Period 2017/18	Market Value 31 March 2017 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2018 £000
Equities	726,451	347,673	(330,951)	8,113	751,286
Pooled Investments					
Property	187,038	82	(17,625)	24,966	194,461
Infrastructure	31,381	4,211	(7,190)	7,018	35,420
Private Equity	43,334	663	(3,300)	(11,352)	29,345
Bonds	262,168	4,578	(4,578)	1,929	264,097
Equities	577,302	0	(1,650)	6,856	582,508
Alternatives	245,375	53,814	(28,576)	(2,446)	268,167
	2,073,049	**411,021**	**(393,870)**	**35,084**	**2,125,284**
Cash deposits	26,609				38,746
Other Investment balances:					
Open Forward FX	(3,668)				50
Amounts receivable for sales	301				1,409
Investment income due	4,188				4,410
Amounts payable for purchases	(714)				(2,016)
Net investment assets	**2,099,765**				**2,167,883**

Period 2016/17	Market Value 31 March 2016 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2017 £000
Equities	951,839	321,843	(789,482)	242,251	726,451
Pooled Investments					
Property	171,951	15,208	(4,972)	4,851	187,038
Infrastructure	27,355	1,015	(3,100)	6,111	31,381
Private Equity	56,338	774	(19,838)	6,060	43,334
Bonds	227,600	159,941	(142,904)	17,531	262,168
Equities	99,033	436,053	(2,654)	44,870	577,302
Alternatives	183,434	88,467	(69,126)	42,600	245,375
	1,717,550	**1,023,301**	**(1,032,076)**	**364,274**	**2,073,049**
Cash deposits	24,570				26,609
Other Investment balances:					
Open Forward FX	(2,354)				(3,668)
Amount receivable for sales	499				301
Investment income due	5,183				4,188
Amounts payable for purchases	(1,307)				(714)
Net Investment Assets	**1,744,141**				**2,099,765**

13B Analysis of Investments

Geographical Analysis of Fund Assets as at 31 March 2018:

	UK £000	Non-UK £000	Global £000	Total £000
Equities	403,797	498,160	431,837	1,333,794
Bonds	264,097	0	0	264,097
Alternatives incl. PE, Property & Infrastructure	212,465	43,795	271,133	527,393
Cash and Equivalents	38,746	0	0	38,746
Other Investment Balances - Assets				5,871
Total Investment Assets	**919,105**	**541,955**	**702,970**	**2,169,901**
Other Investment Balances - Liabilities				(2,018)
Total				**2,167,883**

Geographical Analysis of Fund Assets as at 31 March 2017:

	UK £000	Non-UK £000	Global £000	Total £000
Equities	398,290	489,866	415,597	1,303,753
Bonds	262,168	0	0	262,168
Alternatives incl. PE, Property & Infrastructure	199,260	40,769	267,099	507,128
Cash and Equivalents	26,609	0	0	26,609
Other Investment Balances - Assets				4,489
Total Investment Assets	**886,327**	**530,635**	**682,696**	**2,104,147**
Other Investment Balances - Liabilities				(4,382)
Total	**886,327**	**530,635**	**682,696**	**2,099,765**

An analysis of the type of pooled investment vehicles is given below:

	2016-17 £000	2017-18 £000
Property		
Unit Trusts	161,526	175,574
Other Managed Funds (LLP's)	25,512	18,887
Infrastructure		
Other Managed Funds (LLP's)	31,381	35,420
Private Equity		
Other Managed Funds (LLP's)	43,334	29,345
Bonds		
Other Managed Funds	262,168	264,097
Equities		
Other Managed Funds	577,302	582,508
Alternatives		
Other Managed Funds	245,375	268,167
Total Pooled Vehicles	**1,346,598**	**1,373,998**

13C Investments Analysed by Fund Manager

Fund Manager	31 March 2017 £'000	%	31 March 2018 £'000	%
Externally Managed				
Invesco	495,686	23.7	504,993	23.4
Schroders	117,615	5.6	123,942	5.7
Columbia Threadneedle	121,890	5.8	133,095	6.1
Morgan Stanley (Global Brands)	179,016	8.6	178,705	8.2
Morgan Stanley (Alternatives)	246,032	11.8	280,716	12.9
Morgan Stanley (Private Equity)	45,394	2.2	31,634	1.5
Blackrock	262,168	12.5	264,122	12.2
Legal & General	398,286	19.0	403,793	18.6
Internally Managed				
Property	194,607	9.3	207,567	9.6
Infrastructure	31,381	1.5	35,650	1.6
UK Equity	4	0	334	0
Unallocated Cash	0	0	3,322	0.2
Total	**2,092,079**	**100.0**	**2,167,883**	**100.0**

It is required to disclose where there is a concentration of investment (other than in UK Government Securities) which exceeds 5% of the total value of the net assets of the scheme. The investments that fall into this category as follows:

Investment	31 March 2017 £000	%	31 March 2018 £000	%
Legal & General UK Equity Fund	398,286	18.8	403,793	18.4
Blackrock 1-5yr Corporate Bond Fund	125,928	6.0	268,167	12.2
Morgan Stanley Alternative Investments	245,375	11.6	178,715	8.2
Morgan Stanley Global Brands	179,016	8.5	126,293	5.8

13D Stock Lending

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, JPMorgan. The total amount of stock on loan at the year-end was £37.464m (£20.761m at 31 March 2017) and this value is included in the net assets statement to reflect the Funds continuing economic interest in the securities on loan. As security for the stocks on loan, the Fund was in receipt of collateral at the year-end valued at £40.314m (£22.876m at 31 March 2017), which represented 107.6% of the value of securities on loan.

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. Income received from stock lending activities, before costs, was £0.123m for the year ending 31 March 2018 (£0.362m at 31 March 2017) and is included within the 'Investment Income' figure detailed on the Pension Fund Account. There are no liabilities associated with the loaned assets.

14 Analysis of Derivatives

Objectives and policies for holding derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the fund. The use of any derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets.

Open forward Currency Contracts

Settlement	Currency Brought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to one month						
	GBP	14	DKK	120	0	0
	USD	197	JPY	21,000	0	0
Over one month						
	GBP	596	AUD	1,089	2	0
	GBP	1,670	CAD	3,064	0	(20)
	GBP	8,144	EUR	9,273	0	(7)
	GBP	223,786	USD	314,865	75	0
Total					**77**	**(27)**
Net Forward Currency Contracts at 31 March 2018						**50**
Prior Year Comparative						
					4,646	(8,314)
Net Forward Currency Contracts at 31 March 2017						**(3,668)**

Profit (Loss) of Forward Currency Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of normal trading of the Fund's managers who manage multi-currency portfolios. For 2017/18 this was a gain of £19.943m (£37.156m loss in 2016/17).

15 Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Private Equity	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines (2012)*	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors and investment managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

	Assessed valuation range (+/-)	Value at 31 March 2017 £000	Value on increase £000	Value on decrease £000
Private Equity	26%	29,345	36,975	21,715

15A Fair Value Heirachy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2018	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Non-tiered £000	Total £000
Financial Assets					
Fair value through profit and loss	1,603,710	229,931	297,512	0	2,131,153
Loans and receivables	0	0	0	62,599	62,599
Total Financial Assets	**1,603,710**	**229,931**	**297,512**	**62,599**	**2,193,752**

Financial Liabilities					
Fair value through profit and loss	0	0	0	(2,016)	(2,016)
Measured at amortised cost	0	0	0	(2,379)	(2,379)
Total Financial Liabilities	**0**	**0**	**0**	**(4,395)**	**(4,395)**
Net Investment Assets	**1,603,710**	**229,931**	**297,512**	**58,204**	**2,189,357**

Values at 31 March 2017	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Non-tiered £000	Total £000
Financial Assets					
Fair value through profit and loss	1,570,410	218,419	288,709		2,077,538
Loans and receivables				45,797	45,797
Total Financial Assets	**1,570,410**	**218,419**	**288,709**	**45,797**	**2,123,335**
Financial Liabilities					
Fair value through profit and loss				(4,382)	(4,382)
Measured at amortised cost				(3,531)	(3,531)
Total Financial Liabilities				**(7,913)**	**(7,913)**
Net Investment Assets	**1,570,410**	**218,419**	**288,709**	**37,885**	**2,115,422**

15B Reconciliation of Fair Value Measurements within Level 3

Period 2017/18	Market value at 31 March 2016	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Private Equity	43,334	0	0	663	(3,300)	(26,693)	15,341	29,345
Alternatives	245,375	0	0	53,814	(28,576)	(24,408)	21,962	268,167
Total	**288,709**	**0**	**0**	**54,477**	**(31,876)**	**(51,101)**	**37,303**	**297,512**

Period 2016/17	Market value at 31 March 2015	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value at 31 March 2016
	£000	£000	£000	£000	£000	£000	£000	£000
Private Equity	56,338	0	0	774	(19,838)	(10,486)	16,546	43,334
Alternatives	183,434	0	0	88,467	(69,126)	18,230	24,370	245,375
Total	**239,772**	**0**	**0**	**89,241**	**(88,964)**	**7,744**	**40,916**	**288,709**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal and change in market values line of the Fund account.

16 Financial Instruments

16A Classification of Financial Instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2017			31 March 2018		
	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	726,451	0	0	751,286	0	0
Pooled investments						
Property	187,038	0	0	194,461	0	0
Infrastructure	31,381	0	0	35,420	0	0
Private Equity	43,334	0	0	29,345	0	0
Bonds	262,168	0	0	264,097	0	0
Equities	577,302	0	0	582,508	0	0
Alternatives	245,375	0	0	268,167	0	0
Cash		37,490	0	0	54,894	0
Other investment balances	4,489	0	0	5,869	0	0
Debtors	0	8,307	0	0	7,705	0
	2,077,538	**45,797**	**0**	**2,131,153**	**62,599**	**0**
Financial Liabilities						
Other Investment Balances	(4,382)	0	0	(2,016)	0	0
Creditors	0	0	(3,531)	0	0	(2,379)
	(4,382)	**0**	**(3,531)**	**(2,016)**	**0**	**(2,379)**
Grand Total	**2,073,156**	**45,797**	**(3,531)**	**2,129,137**	**62,599**	**(2,379)**

16B Net Gains and Losses on Financial Instruments

	2016/18 £000	2017/18 £000
Financial Assets		
Designated at fair value through profit and loss	364,274	35,084
Loans and receivables	0	0
Financial Liabilities		
Fair value through profit and loss	0	0
Financial liabilities at amortised cost	0	0
Total	**364,274**	**35,084**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

17 Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the Fund. This is achieved through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

a) Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

Other Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument. The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in

market price are reasonably possible for the 2017-18 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movements (+/-)
UK Bonds	6.0%
UK Equities	10.0%
Overseas Equities	10.0%
Property	16.0%
Infrastructure	18.0%
Private Equity	26.0%
Alternatives	10.0%

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits would have been as follows (the prior year comparative is shown below):

Asset Type	Value at 31 March 2018 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Bonds	264,097	6.0%	279,943	248,251
UK Equities	403,796	10.0%	444,176	363,416
Overseas Equities	929,997	10.0%	1,022,997	836,997
Property	194,461	16.0%	225,575	163,347
Infrastructure	35,420	18.0%	41,796	29,044
Private Equity	29,345	26.0%	36,795	21,715
Alternatives	268,167	10.0%	294,984	241,350
Total	**2,125,283**		**2,346,446**	**1,904,120**

Asset Type	Value at 31 March 2017 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Bonds	262,168	8%	283,141	241,195
UK Equities	398,290	13%	450,068	346,512
Overseas Equities	905,463	12%	1,014,119	796,807
Property	187,038	13%	211,353	162,723
Infrastructure	31,381	13%	35,461	27,301
Private Equity	43,334	21%	52,434	34,234
Alternatives	245,375	8%	265,005	225,745
Total	**2,073,049**		**2,311,580**	**1,834,518**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or

future cash flows of a financial instrument will fluctuate because of changes to market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair values.

Interest rate risk - sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates.

Assets Exposed to Interest Rate Risk	Value at 31 March 2018 £000	Percentage Movement on 1% change in interest Rates	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	38,746	0	38,746	38,746
Cash balances	16,148	0	16,148	16,148
Bonds	264,097	2,641	266,738	261,456
Total	**318,991**	**2,641**	**321,632**	**316,350**

Assets Exposed to Interest Rate Risk	Value at 31 March 2017 £000	Percentage Movement on 1% change in interest Rates	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	26,609	0	26,609	26,609
Cash balances	10,881	0	10,881	10,881
Bonds	262,168	2,622	264,790	259,546
Total	**299,658**	**2,622**	**302,280**	**297,036**

Income Exposed to Interest Rate Risk	Value at 31 March 2018 £000	Percentage Movement on 1% change in interest Rates %	Value on Increase £000	Value on Decrease £000
Cash deposits, cash and cash equivalents	61	1	62	60
Bonds	0	0	0	0
Total	**61**			

Income Exposed to Interest Rate Risk	Value at 31 March 2017 £000	Percentage Movement on 1% change in interest Rates %	Value on Increase £000	Value on Decrease £000
Cash deposits, cash and cash equivalents	78	1	79	77
Bonds	0	0	0	0
Total	**76**	**1**	**77**	**75**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

Currency risk - sensitivity analysis

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be 8%, as measured by one standard deviation (13% in 2016-17).

An 8% fluctuation in the currency is considered reasonable based on an analysis of historical movements in volatility of exchange rates. This analysis assumes that all other variables, in particular interest rates, remain constant.

An 8% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets Exposed to Currency Risk	Value at 31 March 2018	Percentage Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas/Global Equities	751,282	60,103	811,385	691,179
Pooled Investments:				
Overseas/Global Equities	178,715	14,297	193,012	164,418
Overseas/Global Property	15,918	1,273	17,191	14,645
Overseas/Global Infrastructure	1,498	120	1,618	1,378
Overseas/Global Private Equity	29,345	2,348	31,693	26,997
Overseas/Global Alternatives	268,167	21,453	289,620	246,715
Total	**1,244,925**	**99,594**	**1,344,519**	**1,145,331**

Assets Exposed to Currency Risk	Value at 31 March 2017	Percentage Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas/Global Equities	726,447	94,438	820,885	632,009
Pooled Investments:				
Overseas/Global Equities	179,016	23,272	202,288	155,744
Overseas/Global Property	19,159	2,491	21,650	16,668
Overseas/Global Private Equity	43,335	5,634	48,969	37,701
Overseas/Global Alternatives	245,375	31,899	277,274	213,476
Total	**1,213,332**	**157,734**	**1,371,066**	**1,055,598**

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The Fund is additionally exposed to credit risk through securities lending and its daily treasury activities.

The securities lending programme is run by the Fund's custodian, JPMorgan, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon type of transaction. This level is assessed daily to ensure it takes account of market movements. To further mitigate risk, JPMorgan provide an indemnity to cover borrower default, overnight market risks, fails on return of loaned securities and entitlements to securities on loan. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 25% of eligible assets can be on loan at any one time.

The Pension Fund's bank account is held at Barclays, which holds an 'A' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Council takes steps to ensure that the Fund has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed equities - instruments that can be liquidated at short notice, normally three working days. As at 31st March 2018, these assets totalled £1,598m (£1.566m as at 31 March 2017), with a further £54.893m held in cash (£37.489m as at 31 March 2017). Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

d) Outsourcing risk

An additional area of risk is in the outsourcing of services to third party service organisations.

The main service areas that the Pension Fund outsources, and the controls in place to monitor them, are:

Pensions Administration

This service is performed by West Yorkshire Pension Fund (WYPF), through a shared service agreement. WYPF present to the Pensions Committee on a quarterly basis and both the County Finance Officer and the Pension Fund Manager sit on the Collaboration Board which meets quarterly.

Custody, Accounting and Performance Measurement

JPMorgan are the Pension Fund's appointed Custodian, with responsibility for safeguarding the assets of the Fund. JPMorgan are a global industry leader, with more than $22 trillion in assets under custody. They have been the Fund's Custodian since 2004, and were reappointed at the end of their seven year contract in March 2011. Monthly reconciliations of holdings are performed to ensure that the Custodian's records match those of the managers. Regular meetings and conference calls are held to discuss performance, and quarterly key performance indicators are produced.

Fund Management

The Fund appoints a number of segregated and pooled fund managers to manage portions of the Pension Fund. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2016. Managers report performance on a monthly basis to officers and performance is reported to the Pensions Committee on a quarterly basis. All segregated managers present in person to the Committee at least once a year. Regular meetings and discussions are held between officers and managers.

18 Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016 and the next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

1) to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
2) to ensure that employer contribution rates are as stable as possible

3) to minimise the long-term cost of the scheme by recognising the link between assets and adopting an investment strategy that balances risk and return

4) to reflect the different characteristics of employing bodies in determining contribution rates where reasonable to do so, and

5) to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates, where possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than the 100% funding target, then a deficit recovery plan will be put in place requiring additional employer contributions.

At the 2016 actuarial valuation, the Fund was assessed as 76.9% funded (71.5% at the March 2013 valuation). This corresponded to a deficit of £529m (2013 valuation: £597m) at that time.

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay) 1 April 2017-31 March 2020	Secondary Rate (£000) 2017/18	2018/19	2019/20
17.4%	18,004	20,539	23,222

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 Actuarial Valuation report on the Fund's website.

The market value of the Fund's assets as at the valuation date are compared against the value placed on the Fund's liabilities in today's terms (calculated using a market-based approach). By maintaining a link to the market in both cases, this helps ensure that the assets and liabilities are valued in a consistent manner. The calculation of the Fund's liabilities also explicitly allows for expected future pay and pension increases. The principal assumptions were as follows.

Financial Assumptions

Future Assumed Returns at 2016	%
UK Equities	5.9
Overseas Equities	5.5
Fixed Interest GILTS	2.2
Index Linked GILTS	2.2
Corporate Bonds	3.4
Property	3.8
Cash	2.5

Other Financial Assumptions	31 March 2013 % p.a.	31 March 2016 % p.a.
Discount rate	4.6	4.0
Price inflation (RPI)	3.3	3.2
Pay increases*	3.8	2.6
Pension increases	2.5	2.1
Revaluation of deferred pension	2.5	2.1
Revaluation of accrued CARE pension	2.5	2.1
Expenses	0.4	0.5

*An allowance is also made for promotional pay increases

Demographic Assumptions

The baseline longevity assumptions are a bespoke set specifically tailored to fit the membership profile of the Fund. These base tables are then projected using the CMI 2013 Model, allowing for a long-term rate of improvement of 1.25% per year. The assumed life expectancy from age 65 is as follows:

		31 March 2013	31 March 2016
Male			
	Current Pensioners	22.2 years	22.1 years
	Future Pensioners	24.5 years	24.1 years
Female			
	Current Pensioners	24.4 years	24.4 years
	Future Pensioners	26.8 years	26.6 years

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 option

It is assumed that 2% of active members (evenly distributed across age, service length and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

19 Actuarial Present Value of Promised Retirement Benefits

Below is the note provided by the Fund's Actuary, Hymans Robertson; to provide the Actuarial present value of the promised retirement benefits as required under the Code. The report titled 'Actuarial Valuation as at 31 March 2018 for IAS19 purposes' referred to in the note can be obtained from the Pensions section at the County Council.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Lincolnshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2018	31 March 2017
Active members (£m)	1,465	1,347
Deferred members (£m)	750	755
Pensioners (£m)	1,128	1,174
Total (£m)	**3,343**	**3,276**

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £66m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 2018	31 March 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.8%	2.8%
Discount Rate	2.7%	2.6%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	24.1 years	26.6 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	276
0.5% p.a. increase in the Salary Increase Rate	1%	49
0.5% p.a. decrease in the Real Discount Rate	10%	345

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by: Anne Cranston AFA

30 April 2018
For and on behalf of Hymans Robertson LLP

20 Current Assets

Debtors are recorded in the accounts when income due to the Pension Fund, for example from sales of investments or dividend payments, has not actually been received. Long term debtors are amounts due to the Pension Fund that will not be received within 12 months. The Pension Fund only has one long term debtor, the Magistrates Court, who are funding the cost of their pensioner and deferred member liabilities over a 10 year period. Debtors includes £3.839m relating to contributions due from employers (£4.701m in 2016/17) and £1.288m for contributions due from employees (£1.411m in 2016/17).

Current Assets	31 March 2017 £000	31 March 18 £000
Debtors	7,028	6,852
Long term debtors	1,279	853
Cash balances	10,881	16,148
Total	**19,188**	**23,853**

Analysis of Debtors

	31 March 2017 £000	31 March 18 £000
Debtors		
Central Government Bodies	345	1,792
Other Local Authorities	6,007	3,684
Other Entities and Individuals	676	1,376
Total	**7,028**	**6,852**
Long Term Debtors		
Central Government Bodies	1,279	853
Total	**1,279**	**853**

21 Current Liabilities

Creditors are recorded where services supplied to the Pension Fund, or purchases of investments have been made by 31 March, but payment is not made until the following financial year.

Current Liabilities	31 March 2017 £000	31 March 18 £000
Creditors	(3,531)	(2,379)

Analysis of Liabilities

	31 March 2017 £000	31 March 18 £000
Creditors		
Central Government Bodies	9	(19)
Other Local Authorities	(4)	(27)
Other Entities and Individuals	(3,536)	(2,333)
Total	**(3,531)**	**(2,379)**

22 Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the year end, the value of AVC investments (excluding any final bonus) amounted to £8.651m (£8.902m in 2016-17). Member contributions of £1.021m (£1.020m in 2016/17) were received by the Prudential in the year to 31st March and £1.814m (£1.954m in 2016/17) was paid out to members. The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

23 Related Party Transactions

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. Consequently there is a strong relationship between the Council and the Pension Fund.

During the reporting period, the council incurred costs of £0.172m in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of members of the Pension Fund and contributed £28.386m to the Fund in 2017/18. All monies owing to and due from the Fund were paid in year.

The Treasury Management section of the County Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the County Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £15.8m and interest of £71.5k was earned over the year.

Governance

Under legislation introduced in 2003-04, Councillors had been entitled to join the Scheme, however this changed from the 1st April 2014 and no new Councillors are now able to join the scheme. Following the Council elections in May 2017, any Councillors who were contributing members became deferred members in the scheme. One Committee member, A Antcliff (employee representative), is a contributing member of the Pension Fund as at 31st March 2018.

Each member of the Pension Fund Committee is required to declare their interests at each meeting.

24 Key Management Personnel

Paragraph 3.9.4.2 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of the Accounts and Audit (England) Regulations 2015)

satisfy the key management and personnel disclosure requirements of paragraph 16 of IAS24. This applies in equal measure to the accounts of Lincolnshire Pension Fund.

This disclosure can be found in the main accounts of Lincolnshire County Council at Note 34, which are available on the Council's website at www.lincolnshire.gov.uk/finance.

25 Contingent Liabilities and Contractual Commitments

Investment commitments have been made to a number of pooled vehicles that make private equity, property or infrastructure investments. At the year end, the value of outstanding commitments to the 21 investment vehicles amounted to £46.743m.

26 Contingent Assets

Six admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default.

27 Impairment Losses

The Fund has no recognised impairment losses.

28 Dividend Tax Claims

The County Council has lodged a number of claims with HM Revenue and Customs for the recovery of dividend tax credits relating to earlier years. Claims relate to Foreign Income Dividends paid by UK companies and certain dividends paid by overseas companies. The claims are based on interpretations of European Union law and a number of recent relevant judgements. The County Council is participating with other pension funds in progressing a legal test case to support the claims.

The table below summarise the position of the claims as at 31st March 2018. It is expected that resolution of these claims will take a number of years and, if unsuccessful, the Fund could incur a share of the costs of the Commissioners of the Inland Revenue.

Territory	Claim Period	Amount (local currency)	Submitted	Status
Fokus Bank Claims				
Netherlands	2004-2006	€130,076	Jan 2010	Claims repaid in Jan 2010
Germany	2007-2010	€191,946	Dec 2011	There has been no response from the German Tax Authorities. Litigation has been initiated by a Canadian resident pension fund. The Court issued a positive decision, finding that the Canadian-resident pension fund was comparable to a German-resident Pension Funds. This may be helpful to UK pension fund claims.
Spain	Q4 2007-Q4 2009	€85,072	Jan 2012	Claim repaid except for Q4 2007 (claim amount €10,545) awaiting decision from Spanish tax authorities
Total		**€407,094**		
FID- Mannimen claims	1994-1998	£793,497	Aug 2006	The test case is being progressed by Pinsent Masons. Statutory Claims - Court of Appeal - the court has proceeded to make a positive final order, however, the claims are held to be out of time by this court and need to proceed to the High Court to recover these periods. High Court claimants may be able to benefit from the provisions of the Limitation Act 1980 which would allow an extended time limit for claims. Pinsent Masons are currently liaising with the test claimant and Counsel regarding these proceedings.
Stock lending claims	2004-2014	£1,422,421	Feb 2010 Feb 2011 Jul 2012 Aug 2016	The test case is being progressed by Pinsent Masons. The test case was heard at the Upper Tier (UT) Tribunal in February 2018 and it is expected that there will be a decision by the end of May. Although it is notoriously difficult to make predictions based on the hearing we were encouraged by how the arguments progressed and questions asked by the UT. It is possible the UT will decide a reference to the Court of Justice of the EU (CJEU).
Total		**£2,215,918**		

29 Scheduled & Admitted Bodies

Analysis of Active and Ceased Employers in the Fund:

	Active	Ceased	Total
Scheduled Body	195	17	212
Admitted Body	20	12	32
Total	**215**	**29**	**244**

Scheduled & Admitted Bodies Contributing to the Fund as at 31 March 2018:

County and District Councils	Skegness TC	Vinci
Lincolnshire County Council	Skellingthorpe PC	
(incl. LCC Schools)	Sleaford TC	**Academies**
Boston Borough Council	Stamford TC	Aegir Community Academy
East Lindsey District Council	Sutton Bridge PC	Alford Queen Elizabeth
City of Lincoln Council	Sudbrooke PC	Barnes Wallis Academy
North Kesteven District Council	Washingborough PC	Bassingham Primary Academy
South Kesteven District Council	Woodhall Spa PC	Beacon Primary
South Holland District Council		Boston Grammar
West Lindsey District Council	**FE Establishments**	Boston High School
	Bishop Grosseteste University	Boston John Fielding
Internal Drainage Boards	Boston College	Boston West Academy
Black Sluice	Grantham College	Boston Witham Federation
Lindsey Marsh	Lincoln College	Bourne Abbey Academies Trust
North East Lindsey	Stamford College	Bourne Academy
South Holland		Bourne Grammar
Upper Witham	**Other Scheduled Bodies**	Bourne Westfield Primary
Welland and Deeping	Acorn Free School	Bracebridge Infant and Nursery
Witham First	BG Lincoln	Branston CofE Infant School
Witham Fourth	Compass Point	Branston Community Academy
Witham Third	Lincs Police Chief Constable	Branston Junior Academy
	Police & Crime Commissioner	Browns CofE Academy
Parish and Town Councils		Caistor Grammar Academy
Billinghay PC	**Admitted Bodies**	Caistor Yarborough
Bourne TC	Active Lincolnshire	Carlton Academy
Bracebridge Heath PC	Active Nation	Castle Wood Academy
Cherry Willingham PC	Adults Supporting Adults	Caythorpe Primary Academy
Crowland PC	Aspens Services	Charles Read Academy
Deeping St James PC	Boston Mayflower	Coningsby St. Michaels CofE Primary Academy
Gainsborough TC	Caterlink	Cordeaux Academy
Gedney PC	Easy Clean Contractors Ltd	Edenham CofE Academy
Greetwell PC	Edwards & Blake	Ellison Boulters Academy
Heighington PC	G4S	Ermine Primary
Horncastle TC	GLL	Fosse Way Academy
Ingoldmells PC	Lincoln Arts Trust	Gainsborough Benjamin Adlard
Langworth PC	Lincoln BIG	Gainsborough Parish Church
Louth TC	Lincs HIA	Giles Academy
Mablethorpe & Sutton TC	Kier Group	Gipsey Bridge Academy
Market Deeping TC	Making Space	Gosberton House Academy
Metheringham PC	Magna Vitae	Grantham Ambergate
Nettleham PC	New Linx Housing	Grantham Isaac Newton Primary

North Hykeham TC	Outspoken Training	Grantham Kings School
Pinchbeck PC	Serco	Grantham Sandon
Academies (cont)	Manor Leas Infant Academy	St Lawrence Academy
Grantham Walton Girls	Manor Leas Junior Academy	Stamford Malcolm Sargent
Harrowby CofE Infants	Market Rasen De Aston	Stamford St Augustines
Hartsholme Academy	Marton Primary Academy	Stamford St Gilberts
Heighington Millfield Academy	Mercer's Wood Academy	Stamford Welland Academy
Hillcrest EY Academy	Morton CofE Academy	The Deepings Academy
Hogsthorpe Primary Academy	Mount Street Academy	The Gainsborough Academy
Holbeach Primary	National CofE Junior	The Garth School
Horncastle Banovallum	Nettleham Infants Academy	The Lincolnshire Teaching & Learning Centre
Horncastle QE Grammar	North Kesteven School	The Phoenix School
Huntingtower Community Primary	North Thoresby Primary	The Priory School
Huttoft Primary Academy	Phoenix Family Academy	Theddlethorpe Primary Academy
Ingoldmells Academy	Priory Federation of Academies	Thomas Cowley Academy
Ingoldsby Primary Academy	Rauceby CofE	Thomas Middlecott Academy
John Spendluffe Tech College	Ruskington Chestnut Street	Tower Road Academy
Keelby Primary Academy	Sir Robert Pattinson Academy	University Academy Holbeach
Kesteven & Grantham Academy	Sir William Robertson	Utterby Primary Academy
Kesteven & Sleaford High	Skegness Academy	Waddington All Saints Primary
Kidgate Primary Academy	Skegness Grammar	Wainfleet Magdalene Primary
Kirkby La Thorpe	Skegness Infant Academy	Warren Wood Specialist
Lincoln Castle Academy	Skegness Junior Academy	Washingborough Academy
Lincoln Christs Hospital School	Sleaford Carres Grammar	Welton William Farr CE
Lincoln Our Lady of Lincoln	Sleaford Our Lady of Good Counsel	Welton St Mary's CofE
Lincoln St Hugh's Catholic	Sleaford St Georges	West Grantham Federation
Lincoln St Peter & St Paul's	Sleaford William Alvey	Weston St Mary
Lincoln UTC	Somercotes Academy	Whaplode CofE Academy
Lincoln Westgate Primary	South Witham Community	White's Wood Academy
Lincoln Anglican Academies	Spalding Academy	William Lovell Academy
Ling Moor Academy	Spalding Grammar	Witham St Hughs Academy
Little Gonerby CofE	Spilsby Eresby	Woodhall Spa St Andrews
Long Bennington CofE	Spilsby King Edward Academy	Woodlands Academy Spilsby
Louth Academy	Spilsby Primary Academy	Woodhall Spa St Andrews
Louth King Edward VI Grammar	St Bernards Academy Louth	Woodlands Academy Spilsby
Mablethorpe Academy	St Giles Academy	
Manor Farm Academy	St John's Primary Academy	

30 Exchange Rates Applied

The exchange rates used at 31 March 2018 per £1 sterling were:

Australian Dollar	1.8288	Mexican Peso	25.6060
Brazilian Real	4.6624	Norwegian Krone	11.01330
Canadian Dollar	1.8086	New Zealand Dollar	1.9446
Swiss Franc	1.3433	Polish Zloty	4.8050
Danish Krone	8.5023	Swedish Krona	11.7482
Euro	1.1406	Singapore Dollar	1.8395
Hong Kong Dollar	11.0096	Thai Baht	43.8656
Indonesian Rupiah	19313.0503	Turkish Lira	5.5571
Israeli Shekel	4.9250	Taiwan Dollar	40.9015
Japanese Yen	149.1878	US Dollar	1.4028
Korean Won	1495.2446	South African Rand	16.6215

Audit Opinion

Additional Information Available

Additional information regarding the Pension Fund and the scheme is available by going to the shared service website **www.wypf.org.uk**

The following documents are included in this report, and can also be found by selecting Policy Statements on the home page, and then Lincolnshire Policies, on the WYPF shared website.

Funding Strategy Statement

This document is prepared in collaboration with the Fund's actuary, Hymans Robertson, and sets out the Fund's approach to funding its liabilities. It is reviewed in detail every three years.

Investment Strategy Statement

This document describes the key issues that govern the investment of the Pension Fund, including the approach to risk, the approach to pooling and the approach to environmental, social and governance (ESG) factors.

Communications Policy

This document details the methods of communication that the Pension Fund uses to comply with relevant legislation and to ensure that individuals and employers receive accurate and timely information about their pension arrangements.

Governance Compliance Statement

This document details how the Pension Fund is governed, and sets out where it complies with best practice guidance as published by the Ministry of Housing, Communities and Local Government.