



County Offices  
Newland  
Lincoln  
LN1 1YL

7 October 2020

**In accordance with the powers granted by the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 this will be a virtual meeting.**

### **LGPS Local Pension Board**

A meeting of the LGPS Local Pension Board will be held on **Thursday, 15 October 2020 at 2.00 pm as a Virtual - Online Meeting via Microsoft Teams** for the transaction of the business set out on the attached Agenda.

Access to the meeting is as follows:

Members of the LGPS Local Pension Board and officers of the County Council supporting the meeting will access the meeting via Microsoft Teams.

Members of the public and the press may access the meeting via the following link:

<https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=552&MId=5569&Ver=4> where a live feed will be made available on the day of the meeting.

### **MEMBERS OF THE BOARD**

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

**Employer Representatives** (voting): Councillor M A Whittington and Gerry Tawton

**Scheme Member Representatives** (voting): Kim Cammack and David Vickers

# **AGENDA**

<b>Item</b>	<b>Title</b>	<b>Pages</b>
<b>1</b>	<b>Apologies for Absence</b>	
<b>2</b>	<b>Declarations of Interest</b>	
<b>3</b>	<b>Minutes of the previous meeting held on 16 July 2020</b>	5 - 10
<b>4</b>	<b>Pension Fund Update Report</b> <i>(To receive a report by Jo Ray (Head of Pensions) which updates on Fund matters over the quarter ending 30 June 2020)</i>	11 - 30
<b>5</b>	<b>Pensions Administration Update Report</b> <i>(To receive a report by Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund) which updates on the current administration issues)</i>	31 - 50
<b>6</b>	<b>Data Scores</b> <i>(To receive a report by Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund) which updates on the Data Scores for Lincolnshire Pension Fund reported to The Pensions Regulator, as required under this year's returns)</i>	51 - 64
<b>7</b>	<b>Internal Disputes Resolution Procedures</b> <i>(To receive a report by Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund) which provides information on the Fund's Internal Disputes Resolution Procedure and how the process is administered)</i>	65 - 72
<b>8</b>	<b>Employer Monthly Submissions Update</b> <i>(To receive a report by Claire Machej (Accounting, Investments and Governance Manager) which provides up-to-date information on Employer Monthly Submissions for the first quarter of the financial year 2020/21)</i>	73 - 78
<b>9</b>	<b>Pension Fund External Audit Report 2019/2020</b> <i>(To receive a report by Claire Machej (Accounting, Investments and Governance Manager) which summarises the findings from the work undertaken by the Council's External Auditors, Mazars, in giving their opinion on the Pension Fund Accounts and Annual Report)</i>	79 - 142
<b>10</b>	<b>Training Needs</b> <i>(To receive a report from Claire Machej (Accounting, Investment and Governance Manager) which provides an opportunity to discuss any training attended since the last meeting of the Board and to highlight any training needs)</i>	143 - 144

- 11 Work Programme** 145 - 150  
*(To receive a report by Claire Machej (Accounting, Investment and Governance Manager) which provides an opportunity to consider the work programme for the coming months)*

#### **CONSIDERATION OF EXEMPT INFORMATION**

In accordance with Section 100 (A)(4) of the Local Government Act 1972, agenda items 12, 13 and 14 have not been circulated to the press and public on the grounds that it is considered to contain exempt information as defined in paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting for the consideration of these items of business.

- 12 Actuarial Tender and Appointment Recommendation** 151 - 158  
*(To receive an exempt report by Jo Ray (Head of Pensions) which presents information on the Actuarial Tender and Appointment Recommendation)*

- 13 Internal Audit of Lincolnshire and West Yorkshire Pension Funds** 159 - 214  
*(To receive an exempt report by Claire Machej (Accounting, Investments and Governance Manager) which presents information on the Internal Audit of Lincolnshire and West Yorkshire Pension Funds)*

- 14 Cyber Security** 215 - 228  
*(To receive an exempt report by Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund) on cyber security)*

Published on Wednesday, 7 October 2020

Should you have any queries on the arrangements for this meeting, please contact Cheryl Evans via telephone 07387 133755 or alternatively via email at [cheryl.evans@lincolnshire.gov.uk](mailto:cheryl.evans@lincolnshire.gov.uk)

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## LGPS LOCAL PENSION BOARD 16 JULY 2020

### **PRESENT:**

**Independent Chair:** Roger Buttery

**Employer Representatives:** Gerry Tawton

**Scheme Member Representatives:** Kim Cammack and David Vickers

Officers in attendance:-

Cheryl Evans (Democratic Services Officer), Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Head of Pensions)

### 1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mark Whittington.

### 2 DECLARATIONS OF INTEREST

Mr Gerry Tawton declared that his wife was a deferred member of the Pension Fund.

### 3 MINUTES OF THE PREVIOUS MEETING HELD ON 9 JANUARY 2020

#### RESOLVED

That the minutes of the meeting held on 9 January 2020 be approved as a correct record and signed by the Chairman.

### 4 PENSION FUND UPDATE REPORT

A report was submitted to the Board on various Pension Fund matters for the quarter ending 31 March 2020. These matters included Local Authority Pension Fund Forum Membership; the Pensions Regulator checklist dashboard; the breaches register; the risk register; asset pooling; the investment consultancy services and actuarial service appointments; and the funding strategy statement.

Two matters were highlighted to the Board:

- the extension of the investments consultancy services contract, which had been approved by the Pensions Committee on 16 July 2020, pending the Good Governance report from the scheme advisory board; and

## 2

### **LGPS LOCAL PENSION BOARD**

**16 JULY 2020**

- the proposed changes to the funding strategy statement on transferee admission bodies, on which the consultation with employers had closed on 15 July 2020, with no concerns submitted.

In response to a question on the asset pooling sub funds (paragraph 5.1 of the report), it was stated that during the Investment Grade Credit transition Blackrock had been late enacting the currency hedging. However, this had led to a positive impact on the transition of a gain of £3.6 million. Lessons had been learned from this event.

RESOLVED

That the Pension Fund update report be noted.

## 5 PENSION ADMINISTRATION REPORT

The Business Development Manager from the West Yorkshire Pension Fund reported on the Fund's key performance and benchmarking for the period 1 January to 31 March 2020. The report also included information on the membership of the fund, including 'leavers' and 'joiners' during the three month period; customer satisfactions scores; internal dispute resolution procedures; and several other administrative updates.

It was highlighted that training had initially been suspended owing to the Covid-19 pandemic, but arrangements for virtual training were being made. The Pensions Regulator had advised that during the Covid-19 pandemic the focus of pension fund administrators should be on the payment of benefits; obtaining contributions; minimising the risk of fraudulent activity; and supporting good decision-making.

In response to a question on the 2,536 'frozen' members in the Lincolnshire Pension Fund, it was stated that this number was not a concern to the pension fund administrator.

RESOLVED

- (1) That the Pension Administration report from the West Yorkshire Pension Fund be noted.
- (2) The Board's congratulations be recorded to the West Yorkshire Pension Fund for their efforts continuing to provide services during the Covid-19 pandemic.

## 6 DATA SCORES

A report from the West Yorkshire Pension Fund's Business Development Manager was submitted on the quality of the Fund's data (both common and scheme specific), as required by the Pensions Regulator. The level of missing addresses for deferred scheme members was highlighted, and a tracing programme was in place.

Also submitted was the West Yorkshire Pension Fund's data improvement plan for 2019/20, which set out resolutions to the identified data issues.

In response to a question on whether more staff should be allocated to improve the quality of scheme specific data from its current accuracy level of 75%, it was stated that there were other priorities, such as increasing automated processes and responding to the McCloud judgement, which had supported the view that the focus of pension funds should be paying benefits to members. However, improvement of scheme specific data scores remained an aspiration. It was agreed that information on the scheme specific data scores of other LGPS funds would be circulated to members of the Board prior to the next meeting for comparison.

**RESOLVED**

- (1) That the report on the West Yorkshire Pension Fund's data scores and data improvement plan be noted.
- (2) That information on the scheme specific data scores from other LGPS funds be circulated to the members of the board prior to its next meeting for comparison.

**7 TEMPORARY BANK ACCOUNTS**

A report from the West Yorkshire Pension Fund's Business Development Manager was submitted on temporary bank accounts, which held monies due to the beneficiaries of the scheme, which had not been claimed. For deferred members there were 53 temporary bank accounts; and there were 136 temporary bank accounts for post-2014 preserved refunds.

It was confirmed that temporary bank accounts both reduced the liabilities of the fund and was of benefit to the individual, as they would not be subject to an unauthorised payment tax charge and interest accrued on the account. The Chairman requested more statistical information on temporary banks for the next report, including detail on the years they were opened and closed.

**RESOLVED**

- (1) That the report on the West Yorkshire Pension Fund's use of temporary bank accounts be noted.
- (2) That in future reports on the use of temporary bank accounts be submitted to Board bi-annually.

**8 EMPLOYER MONTHLY SUBMISSIONS UPDATE**

A standard report on employer monthly submissions for the period January to March 2020 was submitted to the Board, in which the Board was advised that from the 270 employers in the Fund six payments of contributions and 26 data submissions had been received late for the final quarter of 2019-20, which represented improved compliance from employers and no fines had been issued.

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**LGPS LOCAL PENSION BOARD  
16 JULY 2020**

RESOLVED

That the update on report on employer monthly submissions be noted.

9 LINCOLNSHIRE PENSION FUND RISK REGISTER

The Board considered a report, which set out an annual review the risk management policy and the quarterly report on the fund risk register, in which 28 risks had been identified. These risks had been scored in accordance with a matrix of their probability and impact. No changes had been proposed to the risk management policy since last year, and no changes to the pension fund risk register had been made since March 2020. Also included was coronavirus risk register, which had been developed in March 2020.

Three suggestions were made for additions to the pensions fund risk register. It was agreed that the following two changes would be submitted to the Pensions Committee on 15 October 2020:

- Investment and Funding Risks (Section I) – An additional risk to be added to the register of the failure of the Border to Coast Pensions Partnership.
- Operational Risks (Section O) – A specific entry in the risk register on the Pension Regulator's requirements (including scheme specific data).

On the third suggestion, the board was advised that GMP Equalisation was not necessarily a matter of concern for the Local Government Pension Scheme.

RESOLVED

(1) That the risk management policy be noted.

(2) That the pension fund risk register be noted, with two suggested additional risks being proposed to the Pensions Committee on 15 October 2020:

- Investment and Funding Risks (Section I) – An additional risk to be added to the register of the failure of the Border to Coast Pensions Partnership; and
- Operational Risks (Section O) – A specific entry in the risk register on the Pension Regulator's requirements (including scheme specific data).

(3) That the coronavirus risk register be noted.

10 PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

The draft Pension Fund Annual Report and Accounts for the year ended 31 March 2020 were submitted, which had been prepared in line with statutory guidance and accounting standards issued produced by Chartered Institute of Public Finance Accountants.

The Board was advised that the report and accounts were being independently audited by the County Council's external auditors; and would form part of the Council's Statement of Accounts.

Following questions, the following points were confirmed: -

- The 193 page length of the annual report and accounts was determined by adherence to the statutory guidance and accounting standards.
- The cost of investment management expenses (page 170 of the agenda pack) had increased largely as a result in an increase in transaction costs and performance fees. The increase in transaction costs reflected the transition during 2019-20 of moving assets into Border to Coast funds.
- The oversight and governance costs included the monitoring of fund managers; the investment advisory service; audit costs; actuarial services; and support to the Pensions Committee. The increase in these costs was largely a result of the triennial actuarial review.
- Audit fees of £19,000 had been set through a national procurement exercise, in which the majority of local authorities participated. A concern was that this level of fees might compromise the quality of the audit and it was agreed that this would be raised with the Executive Director – Resources, as the section 151 officer.
- There were no cases of pension fund fraud in Lincolnshire.
- West Yorkshire Pension Fund would be providing further information on the pension payments overpayments tables (page 142 of the agenda pack).

RESOLVED

- (1) That the draft Pension Fund Annual report and Accounts be noted.
- (2) That the Chairman be requested to write to the Executive Director – Resources setting out the Board's concerns on the level of audit fees for a fund in excess of £2 billion.

#### 11 PENSION BOARD EFFECTIVENESS REVIEW

The Pensions Regulator's advice that it was best practice for pension boards to review their effectiveness on a regular basis was considered.

Following discussion on the Board's effectiveness, it was suggested that a review of the effectiveness of the Pension Board would be included in the Pension Fund's governance review in 2021, which would be undertaken independently.

RESOLVED

That a review of the effectiveness of the Pension Board be included in the Pension Fund's governance review in 2021, which would be undertaken independently.

**12     TRAINING NEEDS**

The Board considered the standard report on its training needs, which included a self-assessment by each Board member of their own training needs.

Reference was made to the benefits of the *Local Government Pension Scheme Fundamentals Training* provided by the Local Government Association (LGA) and the possibility of the LGA developing refresher training.

Members of the Board were offered individual one-to-one virtual sessions with the Head of Pensions and the Accounting, Investment and Governance Manager on any areas where they wished to gain more knowledge and understanding.

The Chairman requested that it be recorded that he had attended a meeting of the Border to Coast Pensions Partnership since the last meeting of the Pension Board and had circulated a copy of the minutes to the members of the Board in May 2020.

**RESOLVED**

That the report on the Board's training needs be noted.

**13     WORK PROGRAMME**

A report on the Board's work programme was submitted, which also included several reports from the cancelled March 2020 meeting.

Reference was made to the planned presentation on cyber-security for the 15 October 2020 meeting, and it was agreed that after consideration of this item, the Board would consider whether further reports would be required on this topic.

Two further items would be listed for the next meeting on 15 October 2020:

- Internal Dispute Resolution Procedure.
- Lincolnshire County Council and West Yorkshire Pension Fund Internal Audit Reports.

One item was added to the list for the meeting on 18 March 2021:

- Border to Coast Pension Board Chair's Report.

**RESOLVED**

That the report on the work programme, including the reports which had been due for submission to the March 2020 meeting, be noted, subject to the additions listed above.

The meeting closed at 3.36 pm.

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

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>15 October 2020</b>
Subject:	<b>Pension Fund Update Report</b>

**Summary:**

This report updates the Board on Fund matters over the quarter ending 30 June 2020 and any current issues.

The report covers:

1. Local Authority Pension Fund Forum Membership
2. TPR Checklist Dashboard
3. Breaches Register Update
4. Risk Register Update
5. Asset Pooling Update
6. FSS Update and Exit Credit Policy

**Recommendation(s):**

That the Board note the report.

**Background**

**1 Local Authority Pension Fund Forum Membership**

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](http://www.lapfforum.org). Some of the highlights during the quarter included:

- During this quarter LAPFF undertook 113 engagements with 79 companies, on issues ranging from human rights and employment standards to climate change reporting and environmental risk. The outcomes of these engagements are shown in the company progress report, included in their quarterly engagement report.
- LAPFF undertook an engagement initiative to meet with the Forum's most widely held banks and insurers to understand their approach to climate, both on the investment and insurance sides of their businesses. The Forum has now met with five of the 11 financial institutions approached and is scheduled to meet with two others.
- LAPFF supported the "Follow This" shareholder resolution at Shell's AGM, calling for concrete climate targets, including long-term targets. The Forum will continue to engage with Shell and other investors to ensure that Shell enacts its ambition in a way that aligns with the Paris Agreement.
- The Forum continues to have concerns about global tech companies' internet content. Over the past few years, the Forum has highlighted the potential loss of shareholder value from companies failing to tackle the spread of hate speech, fake news and inappropriate content on their platforms. Ahead of this year's Facebook AGM, the Forum issued a voting alert recommending members vote in favour of shareholder proposals on equal voting rights, an independent chair, majority voting for directors and nominating a board member with expertise in human rights. The results highlighted widespread shareholder concerns about governance, and provided a clear signal to the Facebook board. Following the Facebook AGM, high profile companies including Coca Cola and Unilever have decided to boycott advertising on the platform because of concerns about hate speech. The company stated its intention to make reforms and the Forum intends to continue to push the company to do more to tackle hate speech and inappropriate content which should safeguard shareholder value.

- LAPFF submitted a response to a Financial Conduct Authority (FCA) consultation on climate in which the Forum expressed strong support for the introduction of mandatory carbon emissions and risk reporting, and support for TCFD recommendations.

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 B. 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.

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.*

### 3 Breaches Reporting - update

3.1 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, one breach has been added, detailed below:

- **Late payment of contributions** – a separate paper is presented to the Board at paper 8, updating the Board on all monthly employer contribution breaches over quarter.

### 4 Risk Register Update

4.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Pensions Committee to be approved, and to the Board to be reviewed.

4.2 There have been two changes to the risk register since the last Board meeting, additions that were put forward by the Pension Board at their meeting on 16 July to the Pensions Committee's meeting of 15 October 2020. These are under investment and Funding risk, recommending an additional risk be added to cover the failure of Border to Coast Pensions Partnership, and under operational risk, recommending a specific entry relating to the Pension Regulator's requirements, including scheme specific data.

4.3 The risk register entries are shown below, with likelihood and impact scores:

Risk I10	Consequences	Controls	Risk Score*	
			L	I
Failure of Border to Coast Pensions Partnership Limited as the Fund's asset pool and investment manager	Reputational risk, loss of Fund value, inability to move to a new asset pool	Ownership of company as a shareholder Oversight across different levels with Joint Committee, Officer operations group and Senior officer group Regular reporting to FCA Oversight by Company Board	1	2

Risk O14	Consequences	Controls	Risk Score*	
			L	I
The Pensions Regulator requirements not adhered to (including common and scheme specific data requirements)	LCC may incur penalties Damaged reputation Intervention from Secretary of State Intervention from the Pensions Regulator	Regular meetings with and reporting from WYPF LCC staff appropriately qualified and aware of legal requirements Pension Fund managed in line with statutory regulations Membership of professional networks. Pension Board oversight	1	2

4.4 There is just one risk that remains red, as shown below. This was added in June 2016 as a result of the Brexit vote, and given the continuing uncertainty as to how this will play out, it is felt that the red status is still appropriate.

Risk I8	Consequences	Controls	Risk Score*	
			L	I
UK leaving the EU	Volatility of market Lower gilt yields leading to higher liabilities Inflation increasing liabilities Uncertainty of political direction re pooling	Increased monitoring of managers Review investment strategy Regular communications with Committee and Board	4	3

\*As a reminder, L is Likelihood and I is Impact.

## 5 Asset Pooling Update

### Sub Funds

5.1 Further investment was made into Border to Coast in July, with the LGIM passive UK equity portfolio transitioned into the internally managed UK Equity sub-fund. This happened successfully; with Border to Coast working closely with LGIM to arrange in-specie transfers where possible to reduce transition costs. In addition, the Fund was able to work with another Border

to Coast Partner Fund who was looking to reduce their UK exposure, to purchase their units in a cost effective way.

5.2 The next investment with Border to Coast is into the Multi Asset Credit (MAC) Fund, in the first half of 2021. Ahead of this, the Fund invested in the MAC Fund's core manager, Pimco, in two tranches in July. This will transfer to the Border to Coast Fund once that is launched. The additional specialist managers to work alongside the core manager have now been appointed, and are:

- Wellington Management - Global High Yield
- Barings – Global Syndicated Loans
- PGIM Fixed Income - Securitised Credit
- Ashmore - Emerging Market Debt

5.3 Border to Coast have held a number of workshops with officers and advisors on the property offering, alternative investments and responsible investment.

5.4 Officers and advisors across the Partner Funds have continued to work closely with Border to Coast, through attendance at virtual meetings and workshops, on the development of the sub-fund products.

#### **Joint Committee Meetings**

5.5 The papers of the 1 October JC were circulated to all Pension Board members. The minutes will be circulated once approved, and below are the agenda items for that meeting:

- Joint Committee Terms of Reference
- Joint Committee Budget
- Responsible Investment Update
- Border to Coast Market Review
- Performance Report
  - UK Listed Equity
  - Overseas Developed Equity
  - Emerging Markets Equity
  - UK Listed Equity Alpha
- Annual Performance Reviews
  - Alternatives
  - UK Listed Equity
  - Overseas Developed Equity
- Chief Executive Officer (CEO) Report

5.6 The next JC meeting will be held on 24 November 2020 and papers will be circulated to Board members. Any questions or comments on the papers should be directed to Cllr Strenziel, who can raise them at the meeting.

## **Shareholder Matters**

- 5.7 As the Board are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The Pensions Committee's role is that of investor, and is represented at the Joint Committee by the Chairman of the Pensions Committee. The shareholder role is undertaken by the Executive Director of Resources, and fulfils the role as set out in the Shareholder Agreement, which was approved by Full Council in February 2017.
- 5.8 Ahead of any shareholder approvals, officers, including S151 officers, work closely with Border to Coast to ensure full understanding of the resolution, the impact of it not being approved and discuss this with the JC ahead of any resolution being sent for approval. An informal shareholder meeting is also held on the date of each Joint Committee meeting.
- 5.9 There were only two shareholder resolutions since the last report. This was related to the appointment of two new Non-Executive Directors (one as the Remuneration Committee Chair and one as the new Partner Funds nominated NED).

## **6. Funding Strategy Update and Exit Credit Policy**

- 6.1 Further to the LGPS regulation changes in May 2018 around the introduction of exit credit payments, as detailed in previous administration update reports brought to this Board, amended Regulations came in earlier this year to put the onus onto the administering authority to determine whether to pay out an exit credit and the level of that exit credit, following an employer cessation event. Administering authorities are now required to have a robust policy on exit credits which is documented within their Funding Strategy Statement.
- 6.2 The regulations require that, when making any determination, the Administering Authority will take into account the following factors;
- a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified;
  - b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions;
  - c) any representations to the Administering Authority made by the exiting employer, guarantor or Scheme Employer or by someone who owns, funds or controls the exiting employer; or in some cases, the Secretary of State; and
  - d) any other relevant factors.

- 6.3 The draft policy, at appendix C, sets out the general guidelines that the Lincolnshire Pension Fund will follow when determining the amount of an exit credit payable, if any, to a ceasing employer in line with Regulation 64 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”), detailed above. The appendix also contains an update to include in the Funding Strategy Statement (FSS).
- 6.4 The policy contains guidelines only, and the Fund will also consider any other factors that are relevant, or presented to them by an employer, on a case-by-case basis.
- 6.5 The draft policy, alongside the proposed amendment to the FSS, has been sent out to employers for consultation, and no negative responses have been received.

## Conclusion

- 7 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
Appendix C	Exit Credit Policy and FSS Update

## Background Reports

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

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

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

## Summary Results Dashboard

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

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

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

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

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

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## Lincolnshire Pension 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		

<b>Date</b>	<b>Category (e.g. administration, contributions, funding, investment, criminal activity)</b>	<b>Description and cause of breach</b>	<b>Possible effect of breach and wider implications</b>	<b>Reaction of relevant parties to breach</b>	<b>Reported / Not reported (with justification if not reported and dates)</b>	<b>Outcome of report and/or investigations</b>	<b>Outstanding actions</b>
May 2017	Administration	Data security breach – a small number of ABS's went out unsealed	Potential for individuals data to be seen by unauthorised individuals	WYPF contacted printing company for explanation. Breach reported to information security officers at both WYPF and LPF	Not reported to tPR. Small number 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.		

<b>Date</b>	<b>Category (e.g. administration, contributions, funding, investment, criminal activity)</b>	<b>Description and cause of breach</b>	<b>Possible effect of breach and wider implications</b>	<b>Reaction of relevant parties to breach</b>	<b>Reported / Not reported (with justification if not reported and dates)</b>	<b>Outcome of report and/or investigations</b>	<b>Outstanding actions</b>
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 sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	Update on improvement plan presented to Board to discuss in March	Not reported, but under review.		
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	Jan 19 - Improvement plan completed and reported back to TPR	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

<b>Date</b>	<b>Category (e.g. administration, contributions, funding, investment, criminal activity)</b>	<b>Description and cause of breach</b>	<b>Possible effect of breach and wider implications</b>	<b>Reaction of relevant parties to breach</b>	<b>Reported / Not reported (with justification if not reported and dates)</b>	<b>Outcome of report and/or investigations</b>	<b>Outstanding actions</b>
July 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	TPR updated		Regular updates to be provided to TPR and Board
September 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
September 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	TPR updated		Regular updates to be provided to TPR and Board
December 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
February 19	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 Fines increased

<b>Date</b>	<b>Category (e.g. administration, contributions, funding, investment, criminal activity)</b>	<b>Description and cause of breach</b>	<b>Possible effect of breach and wider implications</b>	<b>Reaction of relevant parties to breach</b>	<b>Reported / Not reported (with justification if not reported and dates)</b>	<b>Outcome of report and/or investigations</b>	<b>Outstanding actions</b>
June 19	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers
Sept 19	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
December 19	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
March 20	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process

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
June 20	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process

### Exit Credit Policy

The below sets out the general guidelines that the Lincolnshire Pension Fund (“the Fund”) will follow when determining the amount of an exit credit payable, if any, to a ceasing employer in line with Regulation 64 of the Local Government Pension Scheme Regulations 2013 (“the Regulations”). **Please note that these are guidelines only and the Fund will also consider any other factors that are relevant, or presented to them, on a case-by-case basis.**

#### Admitted bodies:

- a) No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph c) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or ‘rolled over’ beyond the initial expiry date and on the same terms that applied on joining the Fund, and those admissions who joined the Fund after September 2020 and chose to become admitted through the Funds former standard admission route.
- b) No exit credit will be payable to any admission body who participates in the Fund via the default pass through approach (effective from September 2020) as set out in this Funding Strategy Statement. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the “Letting employer retains pre-contract risks” route is subject to its risk sharing arrangement, as per paragraph c) below.
- c) The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the Administering Authority) of the admission body ceasing participation in the Fund.
- d) In the absence of this information or if there is any dispute from either party with regards to the interpretation of contractual or risk sharing agreements as outlined in c), the Fund will withhold payment of the exit credit until such

disputes are resolved and the information is provided to the Administering Authority.

- e) Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- f) If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies), the total assets of the employer and the size of any cessation surplus.
- g) If an admitted body leaves on a gilts cessation basis (because no guarantor is in place), then any exit credit will normally be paid to the employer.
- h) The decision of the Fund is final in interpreting how any arrangement described under c), e), f) and g) applies to the value of an exit credit payment.

#### **Scheduled bodies and resolution bodies**

- a) Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- b) Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.
- c) The decision of the Fund is final in interpreting how any arrangement described under a) and b) applies to the value of an exit credit payment.
- d) If a scheduled body or resolution body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.
- e) If a scheduled body or resolution body leaves on a gilts cessation basis (because no guarantor is in place), then any exit credit will normally be paid to the employer.

## **General**

- a) The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.
- b) Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.
- c) The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.
- d) The final decision will be made by the Head of Pensions, in conjunction with advice from the Fund's Actuary and/or legal advisors where necessary, in consideration of the points held within this policy.
- e) The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.
- f) Where there is an exit credit payable, the Fund will advise the exiting employer of the amount due to be repaid and seek to make the payment within six months of the exit date or such longer time as the administering authority and the exiting employer may agree. In order to meet the six-month timeframe, the Fund requires prompt notification of an employer's exit and all data and relevant information as requested. The Fund is unable to make any exit credit payment until it has received all data and information requested.
- g) The guidelines above at point e) in the 'Admitted Bodies' section, and at points a) and b) in the 'Scheduled bodies and resolution bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Section 3 of this document. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined in Section 3.3). Equally, a shorter than usual funding

time horizon or lower than usual likelihood of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

**To add into FSS main body (3.3 note j - Admitted bodies ceasing) with the policy above as an appendix**

In circumstances where there is a surplus, the Administering Authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the Admission Body.

The Administering Authority's entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all Admission Bodies ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The Administering Authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors;

- a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified;
- b) the proportion of the excess of assets which has arisen because of the value of the employer's contributions;
- c) any representations to the Administering Authority made by the exiting employer, guarantor or Scheme Employer or by someone who owns, funds or controls the exiting employer; or in some cases, the Secretary of State; and
- d) any other relevant factors.

**Disputes**

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

Please refer to appendix F for the Fund's policy on exit credits.

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

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>15 October 2020</b>
Subject:	<b>Pensions Administration Update Report</b>

**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 Board on current administration issues.

**Recommendation(s):**

That the Board note the report.

**Background**

**1.0 Performance and Background**

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 April 2020 to 30 June 2020.

<b>KPI's for the period 1.4.20 to 30.6.20</b>						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
AVC In-house (General)	44	10	42	85	95.45	3.16
Change of Address	307	5	287	85	93.49	1.24
Change of Bank Details	49	5	41	85	83.67	2.84

KPI's for the period 1.4.20 to 30.6.20						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
DWP request for Information	8	10	6	85	75.00	7.25
Death Grant Nomination Form Received	839	20	838	85	99.88	6.15
Death Grant to Set Up	26	5	26	85	100	1.54
Death In Retirement	170	5	159	85	93.53	2.47
Death In Service	2	5	1	85	50	6
Death on Deferred	7	5	7	85	100	2.29
Deferred Benefits Into Payment Actual	215	5	205	90	95.35	1.2
Deferred Benefits Into Payment Quote	237	35	235	85	99.16	4.73
Deferred Benefits Set Up on Leaving	443	10	405	85	91.42	9.33
Divorce Quote	27	20	24	85	88.89	9.63
Enquiry	2	5	2	85	100	1.5
Estimates for Deferred Benefits into Payment	6	10	6	90	100	1.83
General Payroll Changes	98	5	96	85	97.96	1.62
Initial Letter Death in Service	2	5	2	85	100	1.45
Initial letter Death in Retirement	170	5	168	85	98.82	1.11
Initial letter Death on Deferred	7	5	7	85	100	2.71
Monthly Posting*	932	10	856	95	91.85	2.12
NI adjustment to Pension at State Pension Age	4	Next pension payroll	4	85	100	19.5
Payment of Spouses _Child Benefits	70	10	64	90	91.42	6.31
Pension Estimate	122	10	120	75	98.36	2.13
Pension Saving Statement	1	20	1	100	100	1
Refund Actual	143	10	143	95	100	1.33
Refund Quote	176	35	175	85	99.43	4.6
Retirement Actual	111	3	104	90	93.69	1.3
Set Up New Spouse Pension	70	5	63	85	90	6.27
Spouse Potential	4	20	4	85	100	6.5
Transfer In Actual	29	35	29	85	100	1.38
Transfer In Quote	30	35	30	85	100	1.4

KPI's for the period 1.4.20 to 30.6.20						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
Transfer Out Payment	12	35	11	85	91.67	9.83
Transfer Out Quote**	74	20	54	85	72.97	15.31
Update Member Details	780	20	779	100	99.87	1.21

\* Monthly Posting – Late returns and processing due to remote working

\*\*Transfer Out Quote – extra requirements from TPR to highlight pension scams to members

## 2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	22,311	26,787	666	24,013	2,533
Percentage of Membership	29.24	35.10	0.87	31.47	3.32
Change from Last Quarter	-662	-256	+86	+490	-3

2.2 The number of new joiners in the Fund were during the period 1 April 20 to 30 June 20 were 452 made up as:

Lincolnshire County Council	111
Other Employers	341

2.3 The number of members who are in the 50:50 scheme are 302 made up as:

Lincolnshire County Council	133
Other Employers	169

2.4 Age Profile of the Scheme:

Status	Age Groups												TOTAL
	U20	20-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70	70+	
Active	283	1,405	1,485	1,909	2,438	2,676	3,530	3,647	2,983	1,620	261	74	22,311

2.5 Employer Activity – During April 2020 to June 2020:

New Academies and Education Trusts	0
New Town and Parish Council	0
New Admission Bodies	0
<b>Total of New Employer</b>	<b>0</b>
Employers Exited	1
<b>Total Numbers of employers</b>	<b>275</b>

**3.0 Member and Employer Contact**

3.1 Over the quarter April to June we received 0 online customer responses.

3.2 Over the quarter April to June 111 Lincolnshire member's sample survey letters were sent out and 19 (17.2%) returned.

Overall Customer Satisfaction Score:

<b>April to June 2019</b>	<b>July to September 2019</b>	<b>October to December 2019</b>	<b>January to March 2020</b>	<b>April to June 2020</b>
83.5%	87.9%	84.5%	78.7%	92.7%

3.3 **Appendix A** set out the Customer survey results.

3.4 Employer Training. Due to Covid-19 restrictions no Employer training took place during this period. Training and workshops have now recommenced virtually.

**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 WYPF.

4.2 Stage 1 appeals against the fund

No appeals in this period.

4.3 Stage 1 appeals against scheme employers

No appeals in this period.

#### 4.4 Stage 2 appeals

No appeals in this period.

#### 4.5 Ombudsman

One case outstanding.

<b>Date application received</b>	<b>Details of complaint</b>	<b>Current position/outcome</b>	<b>Date complete</b>
5/7/2019	Appeal against service used in pension calculation.	Being dealt with by LCC Legal. Information provided to them. Further information provided to LCC Legal in September. Payment of £500 compensation agreed in October. Chasing up with LCC Legal to see if final decision has been made. Now confirmed with LCC Legal that this case was concluded with the only required action being the payment of £500 compensation.	22/6/2020

### 5.0 **Administration Update**

#### 5.1 Remote Working

The arrangements for staff working remotely are working fine with staff being able to do their normal work without any major issues. In line with Government advice, the arrangements are set to continue for the foreseeable future.

#### 5.2 Covid -19

In accordance with the Pensions Regulator's guidance WYPF are prioritising:

- Paying Members Benefits (including processing death and survivor benefits)
- Retirement Processing
- Supporting good decision making and minimising the risk of scams

Transfer Values: The processing of transfers is a second level priority. Club transfers and transfers from schemes with a guarantee date will be processed although it might be more slowly.

Transfers in: Transfers in from personal pensions i.e. money purchase or defined contribution (DC) schemes are more of a concern as investment values are likely to have dropped in the period between receiving the member's election forms and requesting the money.

We are currently investigating with some of the bigger personal pension providers what their view is on proceeding in these circumstances and what the members' options might be. When we have more information on this we will write to affected members in line with the TPRs direction to support good decision making.

Transfers Out: We are aware that unscrupulous financial advisers may still try to target members to release benefits. We have therefore added the TPRs latest guidance on scams to our website and are sending additional information to members when we get enquiries.

### 5.3 Annual Benefit Statements (ABS)

The number of Annual Benefit Statements produced for Lincolnshire by 31 August are 20,477 which represents 99.3% of members eligible to receive one. The remaining records are awaiting responses to queries with Employers.

### 5.4 McCloud

MHCLG has published a consultation on amendments to the statutory underpin.

In summary, the consultation proposes that:

- members who were active in the 2008 Scheme on 31 March 2012 who joined the 2014 Scheme and do not have a disqualifying break will be covered by underpin protection
- members do not need to have an immediate entitlement to benefits when they leave the Scheme to qualify for underpin protection
- underpin protection will take account of early and late payment actuarial adjustments
- information about the impact of the underpin must be included in annual benefit statements.

The 12-week consultation will close on 8 October 2020.

The proposal is to change the regulations retrospectively from 1 April 2014. This will therefore mean members records and benefits awarded will need to be revisited e.g. retired, left with deferred benefits, died, transferred out, or trivially commuted their benefits.

In anticipation of the regulations, WYPF will start preparations for the large volume of work that will be generated by this change. It is anticipated that the impact will be on 30% of Fund membership so the administrative impact

will be huge. Communication to employers and members will be a key area of focus to ensure that members expectations are managed and that employers understand the requirement to provide historic missing data. The Scheme Advisory Board will play a key role in providing centralised guidance and materials to assist and provide consistency across LGPS Funds. WYPF are also working with Civica to ensure that the UPM system is upgraded to deal with the complex calculations required.

## 5.5 Security Breaches

During this period one security breach was logged which were reported to the Council's Data Protection Officer. This was deemed to be an isolated incident due to human error and was not reported to the ICO.

## 5.6 ISO 27001 – Information Security Management

This Comprehensive Audit was undertaken in June by QMS, against WYPF (CBMDC) Management System processes and procedures, based on the requirements of the Standard. The objectives of the audit were to confirm that the management System has been maintained and is operating in accordance with the audit criteria, that WYPF meets statutory, regulatory and contractual requirements and meets its specified objectives, to identify areas for potential improvement of the Management System.

There were no non compliances identified, major or minor and there were 46 positive observations.

## 6.0 **Web Registrations**

6.1 The number of members registered for online member web are:

<b>Membership Type</b>	<b>Number</b>	<b>Percentage</b>
Active	1,972	8.84%
Deferred	1,716	6.41%
Pensioner	3,608	15.01%

## 7.0 **Current Technical Issues**

7.1 See **Appendix B**.

## 8.0 Shared service Budget

### 8.1 Cost per member

<b>LPF PENSION ADMIN</b>	<b>2019/20 BUDGET £000</b>	<b>2019/20 FORECAST PD09 £000</b>	<b>2019/20 OUTTURN PD13 £000</b>	<b>2019/20 VAR BGT - PD13 FAV (ADV) £000</b>	<b>2020/21 BUDGET £000</b>
LPF member number	Number reduced as a result of linking members records		76,734		76,734
Cost per member			£15.87		£16.60
			£1,217,768		£1,273,563

### 8.2 Shared Service Budget

<b>WYPF PENSION ADMIN</b>	<b>2018/19 OUTTURN £000</b>	<b>2019/20 OUTTURN PD13 £000</b>	<b>2020/21 BUDGET £000</b>	<b>2020/21 FORECAST PD03 £000</b>	<b>2020/21 VAR BGT - PD03 FAV (ADV) £000</b>
Accommodation	£158	£358	£182	£358	-£176
Actuary	£0	£165	£0	£165	-£165
Computer	£15	£297	£265	£297	-£32
Contingency	£0	£0	£0	£0	£0
Employees	£3,165	£3,532	£3,547	£3,532	£15
Internal Recharge	£1,920	£1,722	£2,244	£1,722	£522
Other Running Costs	£107	£142	£148	£142	£6
Transaction Costs	£0	£0	£0	£0	£0
Printing & stationery	£259	£512	£650	£512	£138
<b>TOTAL EXPENDITURE</b>	<b>£5,624</b>	<b>£6,728</b>	<b>£7,036</b>	<b>£6,728</b>	<b>£308</b>
<b>Member number</b>		<b>423,929</b>	<b>423,929</b>	<b>423,929</b>	
<b>Cost per member</b>		<b>£15.87</b>	<b>£16.60</b>	<b>£15.87</b>	
WYPF Income	-£3,636	-£4,763	-£4,900	-£4,561	-£339
Other Income	-£163	-£40	-£36	-£40	£4
Shared Service Income	-£1,825	-£1,925	-£2,100	-£2,127	£27
<b>TOTAL INCOME</b>	<b>-£5,624</b>	<b>-£6,728</b>	<b>-£7,036</b>	<b>-£6,728</b>	<b>-£308</b>

## 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.

## 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 Head of Pensions.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Customer Survey Results
Appendix B	Current Technical Issues

## 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](mailto:yunus.gajra@wypf.org.uk) .

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## APPENDIX A

### Customer Survey Results - Lincolnshire Members (1<sup>st</sup> April to 30<sup>th</sup> June 2020)

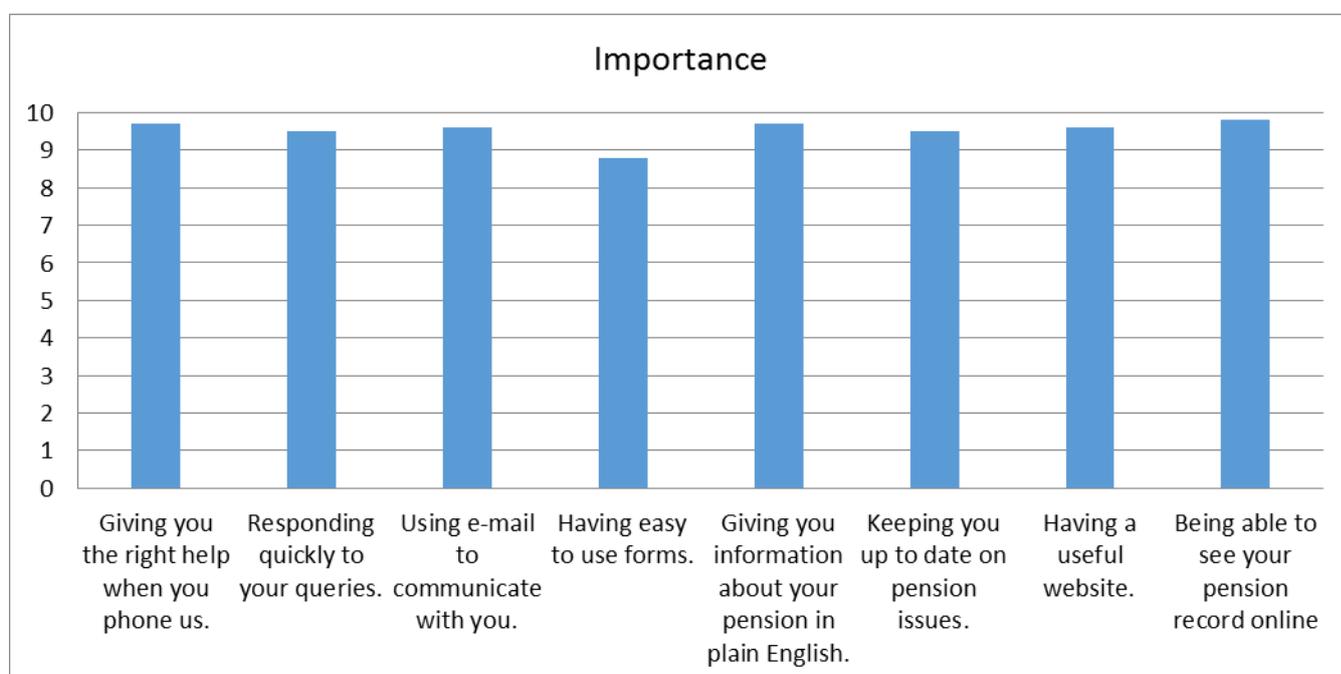
Over the quarter April to June we received **0** online customer responses.

Over the quarter April to June **111** Lincolnshire member's sample survey letters were sent out and **19 (17.2%)** returned:

Overall Customer Satisfaction Score;

April to June 2019	July to September 2019	October to December 2019	January to March 2020	April to June 2020
83.5%	87.9%	84.5%	78.7%	92.7%

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





**Sample of positive comments:**

Member Number	Comments
8131968	Always there to help, when I get in touch with you. On every occasion I have spoken to someone my problem was always been sorted and dealt with quickly, thank you for your professional helpful service.
8092458	Very excellent service, efficiently and friendly. Efficient and effective.
8081778	Efficient and helpful especially at the time of Covid 19. Happy with service.
8005870	Efficient, prompt and helpful

**Complaints/Suggestions:**

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
None		

## Current Issues

### 1. **SAB statement on local pension board meeting cancellations**

It has come to the attention of the SAB that some administering authorities have cancelled meetings of their local pension boards during the COVID-19 emergency.

Having taken legal advice, the SAB is satisfied that:

- arranging a virtual meeting of a local pension board would facilitate the discharge of a local pension board's duty to conduct business during the emergency, and
- a local pension board therefore has the power to hold virtual meetings by virtue of regulation 106(8) of the LGPS Regulations 2013.

A local pension board's terms of reference may already allow virtual meetings. If they do not, the SAB recommends amending them to allow virtual meetings in emergency situations.

### 2. **MHCLG consultation on amendments to the statutory underpin**

MHCLG has published a consultation on amendments to the statutory underpin. The consultation seeks views on proposed changes to the LGPS in England and Wales to remove the unlawful age discrimination identified in the McCloud judgment.

In summary, the consultation proposes that:

- members who were active in the 2008 Scheme on 31 March 2012 who joined the 2014 Scheme and do not have a disqualifying break will be covered by underpin protection
- members do not need to have an immediate entitlement to benefits when they leave the Scheme to qualify for underpin protection
- underpin protection will take account of early and late payment actuarial adjustments
- information about the impact of the underpin must be included in annual benefit statements.

Other proposals clarify how the underpin affects the calculation of survivor benefits, transfer values and trivial commutation payments.

The 12-week consultation will close on 8 October 2020.

### 3. **Actuarial valuation of the LGPS 2016 published**

The Government Actuary's Department (GAD) is undertaking an actuarial valuation of the LGPS as at 31 March 2016 as part of the cost control process. This work was on hold because of the changes to the scheme in response to the McCloud

judgment. On 15 July 2020, the Government published a GAD report on the membership data that will be used to calculate the valuation results.

#### **4. GAD 2020 data collection update**

To carry out the 2020 scheme level valuation, the Government Actuary's Department (GAD) will request data as at 31 March 2020 from administering authorities in September this year. In preparation, GAD reviewed the 2019 valuation data and recently gave individual feedback to administering authorities. The purpose was to start a dialogue on data quality and to find ways of improving it ahead of the 2020 valuation.

To discuss data issues and issues arising from the feedback to authorities, GAD, the Scheme Advisory Board, the Ministry for Housing, Communities and Local Government (MHCLG) and fund actuaries recently held a meeting. On 10 June 2020, LGA emailed administering authorities letting them know the outcome from the meeting, and forwarded a valuation data update from GAD.

The letter confirms that it was not GAD's intention to question the 2019 fund valuations or the data used to complete them. GAD also set out in the letter a revised timetable for the 2020 data collection exercise and that, due to the expected tight timeframe, they do not plan to give administering authorities individual feedback on their data as at 31 March 2020. Rather, GAD will provide a central report on LGPS data quality as part of the valuation advice to MHCLG. Despite the revised timetable, GAD still plan to request the data as at 31 March 2020 in September this year.

#### **5. HMRC**

##### **Pension schemes newsletter 121**

HMRC has published pension schemes newsletter 121.

In previous newsletters, to help administrators during the COVID-19 pandemic, HMRC had announced some temporary easements. In newsletter 121, HMRC announced an extension to these. In particular:

- If a scheme failed to meet the accounting for tax (AFT) deadline for the quarter 1 January 2020 to 31 March 2020 because their resources were affected by the COVID-19 pandemic, HMRC agreed to cancel any penalties. HMRC has extended this easement to cover the quarters 1 April 2020 to 30 June 2020 and 1 July 2020 to 30 September 2020.
- In newsletter 118, HMRC announced that they would cancel any penalties for submitting form APSS262 late. Schemes use this form to tell HMRC about a transfer to a qualifying recognised overseas scheme. HMRC has extended the easement to 31 October 2020.

HMRC has also announced some delays to the Managing pension scheme service. It was previously announced in the Managing pension schemes service newsletter – April 2020 that from 1 July 2020, schemes would be able to –

- submit their AFT return for the quarter 1 April 2020 to 30 June 2020 using the Managing pension scheme service
- use the new service to start compiling their AFT return for the next quarter (1 July 2020 to 30 September 2020). Schemes will now only be able to do so from 21 July 2020.

Lastly, newsletter 121 gives an update on HMRC's amendments to the process for reporting corrections to previous year payroll data, which is set to start from April 2021.

## **6. TPR updates COVID-19 guides**

The Pensions Regulator (TPR) has given guidance to help pension schemes and their employers cope with the impact of COVID-19. The guidance contains various easements, most of which were set to remain until 30 June 2020, such as TPR taking a more flexible approach to what they expect schemes to report. On 16 June 2020, TPR published updated versions, alongside a press release summarising the changes.

In particular, the COVID-19: an update on reporting duties and enforcement activity guidance sets out that, from 1 July 2020, the previously paused reporting requirements resume. TPR says that this will allow them to "horizon-scan effectively, identify risks and act as necessary to protect savers." TPR will continue to assess breaches on a case-by-case basis and respond pragmatically to COVID-19 related breaches.

The Scheme administration: guidance for trustees and public service is also updated to set out the need to ensure that members, particularly the most vulnerable, remain able to contact administrators. TPR acknowledges that some administrators are encouraging members to use electronic communication, such as online portals and emails. However, TPR recommends that administrators also seek to maintain services for those who are not online and potentially vulnerable through the safe and secure processing of post and providing a telephone service for critical queries.

The COVID-19 DB scheme funding and investment guidance for trustees included a reference to suspending transfer payments for up to three months where trustees feel it is in the best interests of scheme members. This guidance does not directly apply to the LGPS. Although, administering authorities may have used it when deciding whether to suspend transfer payments. The updated version has removed references to suspending transfer payments. It now simply refers schemes who need more time to pay a transfer to the normal rules on applying to TPR for an extension.

## **7. Adapted version of transfer warning letter for LGPS now available**

TPR's guidance on communicating to members during the COVID-19 pandemic includes a request for pension managers to issue a transfer warning letter to members applying for a cash equivalent transfer value (CETV) quote from a defined benefits (DB) to a defined contributions (DC) scheme. The original letter, jointly

prepared by TPR, the Financial Conduct Authority (FCA) and the Money and Pension Advice Service (MaPS), contains references to the Pension Protection Fund and is not suitable for use by the LGPS. TPR has now supplied a version of the transfer warning letter suitable for public sector schemes. TPR has asked that the letter is issued to all members requesting a CETV quote to a DC scheme for the foreseeable future. On 16 June 2020, LGA emailed all administering authorities letting them know.

TPR has also asked that pension managers actively monitor the number of requests for CETV quotes and which advisers are supporting the members' requests. If any unusual or concerning patterns emerge, such as spikes in CETV requests or the same adviser across a multitude of requests, LGPS administering authorities should contact the FCA at [DBTransferSchemeInformation@fca.org.uk](mailto:DBTransferSchemeInformation@fca.org.uk).

## **8. Other news and updates**

### **Clarification on whether Club transfer arrangements apply to CARE added pension**

The Cabinet Office (who is responsible for the Club transfer rules) has confirmed that added pension attached to CARE benefits ("CARE added pension") cannot be transferred under Club arrangements, in the same way that added pension attached to final salary benefits also cannot. CARE added pension means added pension awarded by the employer or bought by paying additional pension contributions (APCs).

The Club Memorandum sets out that added pension attached to final salary benefits should not be transferred under Club arrangements (under the "outer Club" rules). When a member with added pension takes an outer Club transfer, the transfer value must be calculated in two parts: the final salary element, calculated on outer Club terms; and the Added pension element calculated on non-Club terms. We queried with the Cabinet Office whether this also applies when a member with CARE added pension takes an inner Club transfer, as we don't believe that it is covered in the Memorandum.

After consulting with the Government Actuary's Department, the Cabinet Office has informed us that the Club arrangements should also not apply to CARE added pension. This is because "the value of accrued Added Pension is not affected by an active service link, so it has no need of the Club."

The Cabinet Office will update the Memorandum accordingly at its next review. In the meantime, they will send an update to all relevant public service pension schemes.

## **9. FCA sets out plans to improve pension transfer advice**

Members of most defined benefit schemes (including the LGPS) must get financial advice if they wish to transfer their benefits to a defined contribution scheme where the transfer value is £30,000 or more.

The Financial Conduct Authority (FCA) has expressed concern about the high levels of unsuitable advice that advisers have given to members.

On 5 June 2020, the FCA set out a package of measures to improve the quality of pension transfer advice. This includes banning contingent charging, with limited exceptions. This type of charging is where the adviser is only paid if they recommend a transfer. The FCA believes that such arrangements create a conflict of interest. The result of this ban, though, may see members paying more for advice. The FCA will also allow advisers to provide a shorter, cheaper form of abridged advice. Abridged advice can only result in a recommendation not to transfer or a statement that it is unclear whether the consumer would benefit from a pension transfer without giving full advice. Members wishing to transfer out who are required to get financial advice will still need to get the full advice.

In addition, the FCA has also published information to help customers check the suitability of advice previously given and information to help customers who are considering transferring out.

## **10. Pensions Dashboards update**

The Money and Pensions Service (MaPS) are leading on the initial phase of the project to implement pensions dashboards. This includes bringing together a delivery group made up of stakeholders from across the industry, consumer groups, regulators and government. The industry delivery group has now been renamed the Pensions Dashboards Programme (PDP). In April 2020 MaPS published the following documents:

- PDP progress update report. This sets out the progress made so far and the work that needs to be undertaken before the service is launched to the public.
- Pensions dashboards data scope: working paper. The paper sets out options for achieving comprehensive coverage across all pension sectors to deliver an acceptable early breadth of coverage for individuals.
- Pensions dashboards data definitions: working paper. This lists the set of data items that could be included in the dashboards data standards.

Initially, MaPS requested informal feedback only on the data scope and data definitions working papers; however, they will be requesting formal industry-wide input throughout July and August. The call for input will start on 6 July. In conjunction with this, the PDP will convene a data working group representing all sectors of the pensions industry.

On 22 June 2020, the PDP started a six-week period of informal market engagement with potential suppliers of the digital architecture which will connect individuals with their pensions information when they request it. The market engagement exercise will enable PDP to examine the readiness, capacity and capability of commercial firms which might be interested in the work. Formal procurement will start in Autumn 2020. Potential suppliers are being invited to register their interest by 31 July 2020.

#### **11. COVID-19 governance survey**

From 1 to 15 May 2020, the LGPS England & Wales Scheme Advisory Board (SAB) undertook a survey to understand how the governance of the LGPS has been affected by COVID-19. 83 administering authorities responded including authorities in Scotland and Northern Ireland. The SAB has published the results of the COVID-19 governance survey on the Board's website.

#### **12. LGPS employer FAQs**

LGA have created a COVID-19 FAQ web page for LGPS employers. They have been created based on questions and feedback from our COVID-19 employer webinars. The FAQs are designed to help employers understand pension issues that may arise during the pandemic.

#### **13. English life assurance scheme**

The Government has introduced the NHS and Social Care Coronavirus Life Assurance Scheme (England) for eligible frontline health and social care workers during the pandemic. A payment of £60,000 will be made to the estate of eligible individuals who die from coronavirus contracted during their frontline essential work. The scheme specifies that payments are separate to, and regardless of other registered pension scheme benefits. A summary note on the scheme is available on the COVID-19 page of the SAB website. Further information is also available from the life assurance scheme page on the NHSBSA website.

#### **14. Extension to furlough and next steps**

The Chancellor has made a further Treasury Direction in relation to the Coronavirus Job Retention Scheme. The Direction reflects the extension to the Scheme announced by the Chancellor on 17 April and clarifies some provisions within the original Direction.

On 29 May 2020, the Government published the next steps to furlough:

- from 1 July 2020, employers can bring back employees part-time.
- the Scheme will be closed to new entrants from 30 June 2020.
- from August 2020, employers will no longer be able reclaim employer NI and pension contributions.
- from September 2020, employers must fund 10 per cent up to £312.50 (Government will fund 70 per cent up to £2,187.50).
- from October 2020, employers must fund 20 per cent up to £625 (Government will fund 60 per cent up to £1,875).
- the furlough scheme finishes at the end of October 2020.

#### **15. Supreme Court Judgement on LGPS boycotts**

In June 2017 the High Court published its judgment in a judicial review case concerning the statutory guidance issued to accompany the L G P S (Management and Investment of Funds) Regulations 2016. The case was brought by Palestine Solidarity Campaign Ltd and an L G P S member. It ruled that the section within the guidance stating that administering authorities should not pursue policies that are contrary to UK foreign policy or UK defence policy was unlawful.

The statutory guidance was reissued in 2017 with the relevant statements removed; however, M H C L G appealed the High Court decision. In June 2018, the Court of Appeal disagreed with the original ruling by the High Court. This allowed the case to move to the Supreme Court. Meanwhile, the statutory guidance remained published with the relevant statements removed.

In April 2020 the Supreme Court ruled that the legislation does not permit the Secretary of State to impose the government's view on foreign and defence policy, on L G P S administering authorities.

SAB have issued a statement on its website and will publish a summary of the full judgment in due course.

#### **16. 2019 LGPS annual scheme report**

On 22 May 2020, Councillor Phillips (Chair of SAB) launched the 2019 L G P S England and Wales annual scheme report. Highlights from the report include:

- total membership increased from 5.8 million in 2018 to 5.9 million in 2019, a rise of 0.6 percent.
- total assets increased to £291 billion, a change of 5.9 percent.
- local authority returns on investment over 2018/2019 was 6.6 percent. This was reflective of the market conditions during the year and set against the UK Return of 6.4 percent.
- the Scheme maintained a positive cash-flow position overall, including investment income.
- over 1.7 million pensioners were paid over the year.

#### **17. New guidance on avoiding pension scams**

TPR has updated its guidance for avoiding pension scams. The guidance confirms that they cannot prevent a member pursuing their statutory right to transfer and cannot permit administering authorities to prevent a transfer to which a statutory right applies. However, where administering authorities show evidence that the transfer *doesn't meet legal requirements*, TPR will consider this when deciding whether to act due to the non-payment of a transfer. The wording reflects the legal position on statutory transfers.

TPR has also expanded its commentary on applications for an extension of time to complete a transfer, and notes that suspicion of scam activity is not necessarily enough for an extension to be granted. The request must identify one of the specific circumstances under which TPR is permitted to grant an extension. Circumstances where an extension may be granted include when the:

- member has not taken all steps they need for the transfer to take place.
- administering authority has not been provided with the information they reasonably require to carry out the member's request.

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

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>15 October 2020</b>
Subject:	<b>Data Scores</b>

**Summary:**

This report updates the Board on the Data Scores for Lincolnshire Pension Fund reported to The Pensions Regulator (TPR) as required under this year's TPR returns.

Yunus Gajra, the Business Development Manager from WYPF, will update the Board.

**Recommendation(s):**

That the Committee note the report and move this item to half yearly updates to the Board rather than quarterly.

**Background**

1.1 Pension schemes are required by the TPR to report their common and scheme specific data scores in the annual scheme returns in November.

1.2 The current Data Scores for LPF are:

Common	95.90%
Scheme Specific	76.76%

**2.0 Data Issues**

2.1 Missing Addresses

There are 2,987 address's missing for deferred members.

WYPF have a programme of tracing lost contact members on a rolling programme.

## 2.2 Missing Earnings

There are 791 records with missing earnings. This is a reduction of 343. The majority of cases are awaiting leaver/pensioner benefits to be calculated.

## 2.3 Missing CARE Benefits

There are 325 records with missing Career Average Revalued Earnings (CARE). These are cases where leaver forms are outstanding from the Employers or where they have been received by WYPF but benefits not yet calculated.

## 2.4 Missing CARE Rates

There are 15 cases where the revaluation rate is missing from the member's record. These are cases where leaver forms are outstanding from the Employers or where they have been received by WYPF but benefits not yet calculated.

## 2.5 Start Date Inconsistency

There are 5,151 records where the start date on the record

## 2.6 No National Insurance Contributions or GMP

There are 12,673 records with missing National Insurance contributions or GMP. It appears that the report does not correctly pick up the GMP amount held on the record where there is no national Insurance contribution history. WYPF will refine the report.

## 2.7 Missing Crystallisation Details

There are 510 records with missing benefit crystallisation details. This is legacy data that was not supplied by the previous administrator. WYPF will obtain this information from the files to complete the records.

## 2.8 Missing Annual Allowance Calculation

There are 1,070 records with missing annual allowance calculation. This is a reduction of 1,845 and is connected to legacy data that was not supplied by the previous administrator. WYPF will review this requirement as only 3 years records are required for carry forward of unused allowance.

## 2.9 No Total Exit GMP (Deferred)

There are 4,885 records with missing National Insurance contributions or GMP. It appears that the report does not correctly pick up the GMP amount held on the record where there is no national Insurance contribution history. WYPF will refine the report.

## 2.10 No Post 88 GMP on record

There are 4,047 records with missing National Insurance contributions or GMP. Similar to above, it appears that the report does not correctly pick up the GMP amount held on the record where there is no national Insurance contribution history. WYPF will refine the report.

## 3.0 Data Improvement Plan

- 3.1 As a result of the data scores WYPF has devised a Data Improvement Plan (**Appendix A**) which identifies the issues with the data and the resolutions required to resolve those issues.
- 3.2 The reports to measure the data scores will be run on a half yearly basis to measure the improvements in data scores and identify any new issues.
- 3.3 It should be noted that TPR do not expect scores to be 100%, as long as there is a Data Improvement Plan to address the data issues. For example, as we trace members, others are identified as lost contact through returned mail. WYPF also takes every opportunity to remind members to tell us when they move house.

## Conclusion

- 4.1 Data quality is important to the Fund as, as well as being a requirement of the Pensions Regulator. It may affect the employer contributions at the next valuation and can impact on the reputation of the Fund.
- 4.2 The Fund continually reviews the quality of data held throughout the year and strives to keep this as complete, accurate and up to date as possible. The Pensions Regulator requires Funds to undertake a review of data quality at least annually and this report consolidates the work undertaken in compliance with this requirement.
- 4.3 This report concludes that, whilst data quality is considered to be good within the Fund, there are improvements that can be made and as a result a data improvement plan has been developed.

## 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 Head of Pensions.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Data Improvement Plan

## 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](mailto:yunus.gajra@wypf.org.uk).

## **Lincolnshire Pension Fund**

### **Data Improvement Plan 2019/20**

#### **1. Introduction**

- 1.1 This document defines the data improvement plan for Lincolnshire Pension Fund which is administered by West Yorkshire Pension Fund (WYPF) under a shared service arrangement.
- 1.2 WYPF collects and holds large amounts of digital and paper based data and is heavily reliant on the timely receipt of quality data from employers, in order to effectively administer the Local Government Pension Scheme (LGPS).
- 1.3 Fundamentally, the purpose of the LGPS is to pay the correct pension benefits to its members when they become due. It is therefore imperative that the highest possible data quality standards are maintained, to comply with this core function and to ensure the cost effective use of resources.
- 1.4 The LGPS continues to face ongoing legislative change with oversight of administration and governance now falling under the remit of the Pension Regulator, with a heightened responsibility on scheme managers and local pension boards to ensure data is readily available and fit for purpose at all times.
- 1.5 The legal requirements relating to scheme record keeping are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.
- 1.6 The Pension Regulators (tPR) guidance requires that schemes should:
  - Continually review their data and carry out a data review exercise at least annually
  - Where a review of the scheme's data identifies poor or missing data a data improvement plan should be put in place to address these issues

#### **2. The Pension Regulator Annual Scheme Return**

- 2.1 Annually the Pensions Regulator (tPR) issues a scheme return which should be completed and returned. From 2018 each Pension Fund is required to include in the return a Data Quality Score which has two types of data:
  - **Common data** – used to identify scheme members and includes name, address, national insurance number and date of birth.
  - **Scheme-specific data** – essential to calculate benefit entitlement such as pensionable pay and service history. It also encompasses data relating to events that occur during an individual's membership, for example transfers etc.
- 2.2 TPR has issued a quick guide on measuring scheme data which states that one piece of missing data, such as a current address on a deferred member's record should be reported to them as a failed record.

### 3. Key Objectives

The key objectives of this plan are to:

- Ensure member, pensioner, deferred and beneficiary records are maintained as accurately as possible to ensure benefits are paid correctly on time, members receive a high standard of service and the fund is able to meet legal obligations.
- Ensure Investment and Administration costs are reliable/correct.
- Ensure data supplied to the Fund's actuary for the valuation is as accurate as possible so the correct liabilities can be calculated.
- Ensure the Fund complies with tPR's Code of Practice.

### 4. Outcomes

Outcomes of an improvement in the data held by the administrator are:

- Improvement of tPR data score for Common and Scheme Specific (also known as conditional) data.
- Increase in the number of Annual Benefit Statements (ABS) issued by 31 August each year./members aware of the value of their benefits.
- Reduction in the number of Internal Dispute Resolutions (IDRPs) received for incorrect calculation of benefits or delays in paying benefits.
- Reduction in the number of queries from the Fund's Actuary at valuation time.
- Reduction in the number of queries received when ABS are sent out.
- Reduction in administration costs due to increased efficiency.
- Reduces the likelihood of the Government Actuary Department rejecting data for the scheme valuation.
- Improves accuracy for IAS19 valuations.
- Reduction in delays for calculating and paying retirement benefits, death benefits, transfers out.
- Reduction in the queries between WYPF and Employers
- Reduction of breaches recorded on the Breaches Register (e.g. due to ABS being issued late).

## **5. Additional general responsibilities relating to Data Improvement as follows:**

### **5.1 WYPF Officers**

- WYPF officers continually review and ensure data collected is fit-for-purpose and processes are in place to monitor accuracy and timeliness. All processes have working instructions in place to assist with staff training, understanding and compliance.
- Team Managers are responsible for ensuring that staff have the appropriate level of UPM access to fulfil their duties and access is withdrawn upon the member of staff leaving WYPF. This minimises the risk of accidental loss, errors and unauthorised activity.

### **5.2 Scheme Employers**

- WYPF is reliant upon the accuracy, completeness and timeliness of data submitted by scheme employers and any third party agencies that they may utilise e.g. outsourced payroll providers.
- WYPF will work with scheme employers throughout the year to support the provision of data to the required standard.
- Details of the information employers are required to provide and the financial penalties should they fail to do so are detailed in the Fund's Pensions Administration Strategy.

## **6 Ongoing Data Cleansing**

### **6.1 Monthly Returns data quality checks**

WYPF embraced monthly contribution postings several years ago with the aim of simplification, systems integration, increased data accuracy and complete up to date member records. The benefits include ensuring that employee's contributions, member's personal details, and financial records are up to date, accurate and complete.

### **6.2 LGPS National Insurance Database**

Administered by South Yorkshire Pension Fund Authority on behalf of the Local Government Association (LGA), the secure National Insurance Database was developed for Local Government Pension Scheme (LGPS) administering authorities to share data to prevent duplicate payment of death grants. This follows changes to Scheme Regulations in 2014 where payment of a death grant in respect of a member with entitlement across multiple membership categories is restricted to an aggregate payment value in relation to any active or pensioner/deferred membership. When processing the death of a scheme member, officers will check the LGPS National Insurance Database for the existence of membership at other LGPS Funds. (Please note not all LGPS administrators are part of this database).

### **6.3 'Tell Us Once' Service**

The secure LGPS National Insurance Database also facilitates the integration of the Fund's membership profile into the Department of Work and Pensions (DWP) 'Tell Us Once' service (TUO). The service allows a person registering a death to request that the DWP pass on the deceased's information to other government services and council services. If the deceased is a member of the Fund, as determined by the LGPS National Insurance Database, an email notification is received informing the designated officers that a copy of the death certificate is accessible on the secure government gateway.

### **6.4 National Fraud Initiative**

The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. WYPF submit data to National Fraud Initiative on a regular basis to identify deceased members and members who are no longer entitled to receive a pension.

### **6.5 Mortality screening and tracing service**

WYPF engage with a Tracing Bureau for both monthly mortality screening and for members we don't have a current address for. For deferred members, where a current address for a lost contact cannot be found by the Tracing Bureau, a more detailed check is carried out 3 months before payment of pension is due.

### **6.6 Annual Benefits Statement (ABS) checks**

Before producing an ABS each year certain checks are applied to active records to ensure accurate data is used in the production of the ABS. These checks include:

- Ensuring contributions are received for every month during the year,
- Checks to make sure there are no spikes in care pensionable pay,
- Checks to ensure the final pay has not increased by 20% or decreased by 10%,
- Checks to ensure there aren't any outstanding processes,
- Address check to compare the address held on the record and that supplied on the monthly return,
- Identifying casual workers.

If these checks identify further information is required from an employer the ABS production for this case will be blocked and a query will be referred back to the employer. Upon receipt of the appropriate information the record will be updated and the ABS will be released for production.

## 6.7 Deferred pensions increase

As part of the annual deferred pensions increase process certain data errors are identified and pensions increase is blocked until they are resolved. These errors include:

- Incorrect elements present,
- Spouse elements that don't match member elements,
- Incorrect dates for the first entry after the member is deferred,
- Data errors are corrected to allow deferred pensions increase to run on to individual deferred folders.

## 6.8 Annual deferred benefit statements

Before producing the annual deferred benefit statements data errors that would result in potentially incorrect statements being produced are identified. These include:

- Deferred pensions increase not updated
- Multiple 'normal payment' dates being held on the deferred folder
- Multiple entries for the same date shown on the pension history screen
- Initial entries on the pension history missing
- Service start date mismatches

Once these errors are resolved and the records is updated the deferred ABS will be released for production.

## 7 Data errors

When tackling data errors the following considerations will be used when making the decision on the priority of errors to be resolved:

- Priority identified on the error report
- Data improvement plans objectives

## 8. Frequency

Data Quality reports will be run on a quarterly basis to measure the data quality scores and identify any further action that may be required.

## 9 Appendices

- Appendix 1 details the Data Quality scores and errors
- Appendix 2 details to work planned to deal with the data errors identified.

### Appendix 1 - Lincolnshire Pension Fund results from November 2019

	Nov 19	March 20	May 20	Nov 20
TPR Score - Common	95.72	95.87	95.90	
TPR Score - Conditional	47.93	63.08	76.76	

### Breakdown of activities for improvement

	Nov 19	March 20	May 20	Nov 20
Count of Missing, Bad or Temp NI Number	81	81	75	
Count of Bad Date of Birth	1	1	1	
Count of Address Missing	3041	3007	2987	
Count of Postcode Missing	27	27	27	
Count of No Date Joined Scheme	14	13	0	
Count of No Folder Status History	10	10	0	
Count of Folder Status/ Status History Mismatch	50	50	51	
Count of Multi Folder Status History Entries on Same Day	61	48	49	
Count of Missing or Bad Expected Retirement Date	5	4	4	
Count of No Folder Scheme History	68	66	62	
Count of no NI contributions or GMP	12801	12715	12673	
Count of no Date of Leaving	1	2	2	
Count of missing benefit crystallisation record	39	39	39	
Count of missing benefit crystallisation details	480	501	510	
Count of Missing Date Joined Employer	2	2	0	
Count of Missing Earnings	1159	909	791	
Count of Invalid Transfer In Present	160	157	156	
Count of Invalid AVC Data for member	65	64	47	
Count of Invalid Part Time Service Present	64	64	63	
Count of Missing CARE Benefit	517	407	325	
Count of Missing CARE Revaluation Rate	5	5	15	
Count of Invalid Contracted Out Date	20	20	20	
Count of Missing Initial Pension (Def)	62	58	55	
Count of Missing Initial Care Pension (Def)	212	177	154	
Count of Missing current Pension	7218	1932	1895	
Count of Missing CARE Initial Pension	27	30	30	
Count of missing annual allowance calculation	2871	11031	1070	
Count of start date inconsistency	5278	5188	5151	
Count of deferred – No total exit GMP	4911	4858	4885	
Count of No post 88 exit GMP	4076	4046	4047	

Appendix 2

Data Category	Category	Priority	Resolution required	Responsibility	Progress	Deadline
Missing Ni Number	Common	Low	Ni number to be identified where possible	Service Centre /Comms	Ongoing	Ongoing
Date of Birth	Common	Medium	Interrogate record	Service Centre		Nov 21
Address and postcode	Common	Medium	Actives – Contact employer	Comms		Nov 21
			Deffereds and preserved refunds use tracing agency	Service Centre	Rolling program	Rolling program
No date joined scheme	Common	Medium	interrogate records and/or obtain information from employer	Service Centre	Completed	Nov 21
No folder Status history	Common	Low	Interrogate record	Service Centre	Completed	Nov 22
Folder Status/ Status History mismatch	Common	Medium	Review cases as it appears they might be changes to folder status from monthly postings?	Finance		Nov 21
Multi folder Status history entries on Same day	Common	Low	Need to look at each case as it appears they might have moved onto 2 status on the same day	Service Centre		Nov 22
Missing or bad expected retirement date	Common	Low	Bulk Update	IT		Nov 22
No folder scheme history	Common	Medium	Interrogate records	Service Centre		Nov 21
Missing Date joined employer	Scheme Specific	Low	Interrogate records possible intrafunds	Service Centre	Completed	Nov 22
Missing	Scheme	High	Majority Awaiting leaver/pensioner benefits to be	Service Centre	Ongoing	Deal with in

earnings	specific		calculated in Service Centre			accordance with KPI targets
Invalid part time service present	Scheme specific	Low	Interrogate record	Service Centre		Nov 22
Missing CARE benefit	Scheme specific	High	Majority Awaiting leaver/pensioner benefits to be calculated in Service Centre	Service Centre	Ongoing	Deal with in accordance with KPI targets
Missing CARE revaluation rates	Scheme specific	High	Majority Awaiting leaver/pensioner benefits to be calculated in Service Centre	Service Centre	Ongoing	Deal with in accordance with KPI targets
Invalid contracted Out date	Scheme specific	Low	Interrogate record	Service Centre		Nov 22
Missing initial pension (DEF)	Scheme specific	Low	Possible bare EPB cases. To interrogate and sample records	IT		Nov 21
Missing Initial CARE Pension(DEF)	Scheme specific	Low	Interrogate record  Spot check a number of cases as it might be where member joined right at the end of the year and no care benefits	Service Centre	Ongoing	Nov 21
Missing CARE initial Pension	Scheme specific	Low	Interrogate record	Service Centre		Nov 22
Missing NI contributions or GMP	Scheme specific	Medium	IT to refine the report	IT		Nov 20
Missing Date of Leaving	Scheme specific	Low	Interrogate record	Service Centre		Nov 22

Missing benefit crystallisation record	Scheme specific	Low	Interrogate records	Service Centre		Nov 21
Missing benefit crystallisation details	Scheme specific	Medium	It to consider bulk update	IT		Nov 20
Invalid AVC Data for member	Scheme specific	Low	Interrogate records	Service Centre		Nov 22
Invalid Part Time service present	Scheme specific	Low	Interrogate record	Service Centre		Nov 22
Missing current pension	Scheme specific	Medium	ITt to refine the report	IT		Nov 20
Missing annual allowance	Scheme specific	Low	IT to consider if a bulk update can be done	IT		Nov 22
Start date inconsistency	Scheme specific	Low	IT to consider if a bulk update can be done	IT		Nov 22
Deferred – No Total exit GMP	Scheme specific	Low	IT to review the report	IT		Nov 20
No post 88 exit GMP	Scheme specific	Low	IT to review the report	IT		Nov 20

This improvement plan primarily aims to address the key issues identified from the Funds Data Quality review and data quality score and details the plans in place to improve the data we hold.

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## Regulatory and Other Committee

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

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>15 October 2020</b>
Subject:	<b>Internal Disputes Resolution Procedures</b>

#### Summary:

This is a report on the Fund's Internal Disputes Resolution Procedure and how the process is administered by both LPF and WYPF.

Yunus Gajra, the Business Development Manager from WYPF, will update the Board.

#### Recommendation(s):

That the Board note the report.

### Background

- 1.1 Over the course of a member's employment, and after they have left, certain decisions are taken that can have an effect upon their rights and benefits. Because of this, where decisions are taken, and the member disagrees with them, the law provides them with the opportunity to challenge the decision.

The IDRP is a formal procedure which is in place to resolve disagreements in relation to decisions taken, or failure to make a decision, regarding LGPS pension matters. It forms part of an overall process where disagreements occur which can be put simply as:

Step 1: A decision is taken that affects rights or benefits (a "first instance decision")

Step 2: An informal approach to resolving a disagreement about that decision

Step 3: The instigation of the formal, two stage IDRP (the internal "appeal")

Step 4: Application to the Pensions Ombudsman for a determination (the external "appeal")

## 1.2 The First Instance Decision

Under the LGPS regulations, Scheme employers and the administering authority for the Fund have different decisions to make that could affect members' or dependants' pension rights or benefits.

### **Administering authority First Instance Decisions**

- Any question concerning the person's previous service or employment;
- Any question about crediting additional pension; or
- The amount of any benefit, or return of contributions, the member becomes entitled to under the regulations

### **Scheme Employer's First Instance Decisions**

- Eligibility for membership;
- Pensionable pay;
- Final pay;
- Employee's contribution rate;
- Entitlement to benefit on termination of membership;
- Entitlement to early release of pension benefits, AND
- EVERYTHING ELSE! - Regulation 72(4)- "A person's Scheme employer must decide any question concerning any other matter relating to the person's rights or liabilities under the Scheme."

Most Employer first instance decisions are made entirely within the employing organisation, without the requirement for any external involvement.

For NON ILL HEALTH decisions where an active or deferred member requests the early release of his pension benefits. The employer must consider the request in accordance with its published discretions policy and the relevant pension regulations.

However, for ILL HEALTH decisions the regulations require external input for an Independent Registered Medical Practitioner BUT it is still the Scheme employer who is responsible to make the first instance decision. A significant number of disputes are regarding entitlement to ill health benefits.

## 1.3 The formal internal appeal process

A member may appeal against any decision made by an Administering Authority or Scheme employer that affects that member's rights or benefits under the scheme, or against any other act or omission by these bodies.

The member must appeal within six months of the date they are notified of that decision, or from the date of the act or omission – the adjudicator has discretion to extend this time limit

An appeal will not be able to be considered if proceedings in respect of it have been commenced in any court or tribunal.

The member has a further right of appeal to the administering authority if dissatisfied with the adjudicator's decision

The formal internal appeal process is in two stages; Stage 1 is looked at by a person who the first instance decision maker has appointed to look at these cases. A stage 1 appeal against the Administering Authority is looked at by Jo Ray. Stage 2 appeals are looked at by the Business Development Manager at WYPF.

## **2.0 Stage 1 Appeals**

2.1 The purpose of the first stage is to carry out a formal review of the initial decision by the authority or body which took that decision. It is an opportunity to reconsider the question and, where appropriate, to alter the decision if it was not a reasonable one to reach based on the relevant procedures, legislation and evidence; e.g. where certain relevant facts or evidence were not taken into account, or where there has clearly been a mistake or oversight. The adjudicator will need to:

- Check that the application has been submitted within 6 months of the relevant date and send an acknowledgement.
- Consider all facts, reports, background information before reaching a determination.
- Request further evidence if necessary.
- Issue a copy of the determination to the applicant / representative, the Scheme employer and the Administering Authority.
- Provide a determination within two months of receipt of the appeal.
- If not, must write immediately to the applicant explaining the reason and when a determination will be made.

2.2 Further points on appeals

- The adjudicator cannot make a determination outside the provisions of the regulations
- The adjudicator cannot consider cases of alleged maladministration
- The adjudicator cannot make an award of compensation
- A right of appeal against a decision on entitlement to a benefit only arises after the earlier of – the date employment ends, or the date specified in a notice to opt out
- Unless the applicant refers the decision of the adjudicator to the administering authority for determination under stage 2, the decision reached by the adjudicator is final and binding on the scheme employer.

### 2.3 Notice of a stage 1 decision

Written notice of the adjudicator's decision must be sent to the applicant, the Scheme employer, and the Administering Authority, within two months of the receipt of the appeal.

The decision notice must include the following:-

- The question for determination
- Evidence received and considered
- The decision
- A reference to any legislation or Scheme provisions that it relies on
- Where relevant, a reference to the Scheme provisions conferring the discretion whose exercise has caused the disagreement
- A reference to the applicant's right to have the disagreement reconsidered by the Administering Authority, and the time limit for doing this
- A statement that TPAS is available to assist the member with any difficulty with the Scheme which remains unresolved, and the address for TPAS.

### 3.0 Stage 2 appeals

3.1 The person determining appeals at Stage 2 will, in many respects, undertake that function in the same way that the adjudicator did under Stage 1.

The applicant's complaint must be considered in depth and in a formal way; the Administering Authority need to satisfy themselves that the first stage decision was reasonable, had considered all relevant facts and regulations, was consistent with other decisions reached and that it would stand up to external scrutiny.

The Administering Authority should:-

- Reconsider the decision, taking full account of the facts of the case and any evidence submitted, or relied on, by either party in the determination at Stage 1,
- Check that the regulations were applied correctly,
- Check that sound, impartial procedures were used to reach the decision. This is particularly important where the dispute concerns the exercise of a discretion by a Scheme employer or by the Administering Authority.

### 3.2 Limit of administering authority powers at Stage 2

- Cannot replace an employer first instance decision, can only instruct to reconsider where discretion is exercised.
- No awards for maladministration even where found although this has recently been amended so that Administering Authorities can make an award of a similar level to that the Pensions Ombudsman would make (between £500 to £2000 depending on the severity).
- No power to act outside of the regulations nor to instruct any party to do so.
- No power to award compensation for any reason, including where an appeal is upheld against the amount of a benefit due; limited to placing the affected party in the position they would have been in.

### 3.3 Impartiality

By definition, an internal resolution procedure must be carried out by those responsible for the scheme; an entirely independent judgement is available via the Ombudsman.

However, the decision must be fair-minded and impartial having regard to the following principles:

- Not representing any party or interest
- No previous personal involvement with the case

In practice, even where the appeal is against a decision that has been taken by the Administering Authority, there will always be sufficient senior officers that have not had any personal interest and who can give an impartial decision without deference to the position of the Administering Authority at an earlier stage.

### 3.4 Notice of a Stage 2 decision

The Administering Authority must respond to a Stage 2 appeal within the same time limits that apply to Stage 1 appeals, i.e. within two months of the receipt of the appeal. A notice of the decision must be in writing and contain:

- The question for determination
- Evidence received and considered
- The decision
- A reference to any legislation or Scheme provisions that it relies on
- Where relevant, a reference to the Scheme provisions conferring the discretion whose exercise has caused the disagreement
- A statement that TPAS is available to assist the member with any difficulty with the Scheme which remains unresolved, and the address for TPAS

- A statement that the Pensions Ombudsman may investigate and determine any complaint or dispute of fact or law and the Pensions Ombudsman's address.

### 3.5 Possible outcomes

#### Appeal not upheld:

The Stage 2 decision maker has reviewed the facts and the evidence in the case and has not found that any decision reached is either incorrect or inconsistent with the appropriate application of the regulations and any discretion applied.

#### Appeal upheld:

The decision maker may not be satisfied that the initial decision was properly reached or that the appropriate legislation has not been correctly applied or adhered to. The stage 2 decision maker cannot impose any alternative decision upon the original decision maker wherein a discretion was exercised – he can only remit the case for reconsideration highlighting his areas of concern or where fault was found in law or in fact. Where it is found that the decision was incorrect in the application of regulations or in calculating benefits due, he can instruct that the correct position be applied in relation to the member.

#### Appeal partially upheld:

Occasionally, an appeal may have more than one head of argument or may rest on more than one determining factor. Where this is the case, the administering authority may find that the appeal should be upheld in part rather than wholly and a combination of the possible outcomes above be applied.

The decision of the administering authority is binding and can only be overturned by the Ombudsman or the High Court. The administering authority will not enter into further correspondence in relation to the appeal.

## 4.0 Beyond IDR – the external appeal

4.1 Where a member remains dissatisfied after the IDR has been exhausted, they can seek independent review of their appeal. There are two bodies responsible for the review of appeal decisions beyond the IDR.

### 4.2 The Pensions Advisory Service

The Pensions Advisory Service (TPAS) is an independent non-profit organisation that provides free information, advice and guidance on all types of pension schemes. Their role is primarily one of negotiation and advice;

they have no statutory power to impose any course of action or determination.

This should be the first port of call for any member seeking an independent review of the IDR. They will attempt to explain or resolve the problem and, where this is not possible, the steps available to the member. TPAS can also give their opinion to the member as to whether they believe this would be a case that the Pensions Ombudsman would pursue.

If resolution can still not be found, the member has one further point of recourse.

#### 4.3 The Pensions Ombudsman

- Will only normally consider cases after the member's case has been through the scheme's two stage IDR and where TPAS have been approached
- May investigate and determine any complaint or dispute of fact or law in relation to the Scheme made or referred in accordance with the Pension Schemes Act 1993
- The Ombudsman can make awards of compensation for loss and for distress and inconvenience
- The determination of the Ombudsman is final and binding on all parties, subject only to an appeal on a point of law to the Chancery Division of the High Court

Where the Ombudsman does make a determination in respect of a case that he feels can and should be before him, the possible outcomes are the same as set out at Stage 2 of the IDR (above).

The appeal may be wholly, or partially, upheld or he may determine that the appeal should not be upheld against the respondents at all. When making his determination, the Ombudsman will have regard to former cases, but these are not precedent, as at law. Consequently, parties to an Ombudsman investigation should concentrate on the facts and law applicable in their circumstances rather than rely upon the outcome of previous cases that were prima facie the same.

### **Conclusion**

The two stage IDR process is a thorough process and cases are looked at by independent Senior Officers who have not had any personal interest and who can give an impartial decision.

## **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 Head of Pensions.

## **Background Papers**

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

This report was written by Yunus Gajra, who can be contacted on 01274 432343 or [yunus.gajra@wypf.org.uk](mailto:yunus.gajra@wypf.org.uk) .

## Regulatory and Other Committee

**Open Report on behalf of Andrew Crookham, Executive Director – Resources**

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>15 October 2020</b>
Subject:	<b>Employer Monthly Submissions Update</b>

**Summary:**

This paper provides the Board with up-to-date information on Employer Monthly Submissions for the first quarter of the financial year 2020/21 (April to June).

**Recommendation(s):**

The Board note the report and consider if there are any further actions they wish to take against employers submitting late or inaccurate payments or data.

### Background

- 1 There are just under 270 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 contributions due to the Fund on a timely basis. The date these are due is set out in the Fund's Administration Strategy, which all employers have signed up to, and has been set as 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 this date.
- 2 The Fund has in place robust processes for monitoring the receipt of payments and data from employers. Within the Pensions Team, the Finance Technician is responsible for monitoring employer contributions monthly. Additional checks on the detailed data submissions and employer rates are undertaken by the West Yorkshire Finance Team. The pensions system itself also identifies errors, queries, or where further information is required from the employer (e.g. additional leavers' information).
- 3 After any late payment (including data submission) an email is sent to the employer reminding them of their responsibilities. In addition to emailing employers, both the Lincolnshire and West Yorkshire Pension Fund teams are in regular contact with employers and their payroll providers to prompt payments/data submissions and clarify any queries. Much work has been put into building a good relationship with the employers and payroll providers, to assist in understanding the process and the data required.

- 4 A summary of all late contributions or data submissions since April 2020 is set out in table one below. Details of employers with late or inaccurate data submissions or payment of contributions are set out at **Appendix A**.

**Table One: Late contributions and data submissions to June 2020**

Month	Payment of Contributions		Submission of Data		Payment of Conts & Submission of Data		Data and Payment do not Match	
April	3	1.1%	14	5.1%	4	1.5%	2	0.7%
May	0	0.0%	2	0.7%	1	0.4%	5	1.8%
June	5	1.8%	8	2.9%	3	1.1%	0	0.0%
<b>Total</b>	<b>11</b>		<b>25</b>		<b>8</b>		<b>7</b>	

- 5 The analysis shows the number of employers making late contributions is a relatively small percentage of the overall number of employers. A higher number of employers submitted their data returns late, or have made an incorrect submission by the deadline date (i.e. their data contains errors, or does not agree to the contributions paid across). The first month of the year saw the highest number of late data submissions. This related to teething problems for a number of employers who switched payroll provider from April 2020 and one of the larger payroll providers having difficulty submitting their data returns on the portal. In June again the same payroll provider struggled to submit all their data on time through the portal. This payroll provider has been referred to the Pension Fund Representatives at West Yorkshire for further support and training.
- 6 None of the breaches individually have been material and therefore have not been reported to the Pensions Regulator; however, they have been included en masse in the breaches register.
- 7 If any employer makes contribution payments or submits data late in three out of six months on a rolling basis, they will receive a fine, unless they are able to offer extenuating circumstances. Fines are currently set at a minimum of £136. Table two below sets out the number of fines issued since April 2020. There have been no fines issued in the quarter April to June 2020.

**Table Two: Late contributions fines to June 2020**

April	May	June
0	0	0

## Conclusion

- 8 This report provides quarterly monitoring information on the timeliness and accuracy of employer submissions to help the Pension Board understand if there are any issues arising from late payments or data submissions and any further actions which are required to address employers not meeting their statutory responsibilities.

- 9 Employer submissions have increased in prominence as the number of employers within the scheme has increased. The Fund has responded to this by having a dedicated resource to monitor employer submissions and working closely with West Yorkshire and employers 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**

Appendix A	Employers late data contributions or payments – quarter one (April to June 2020)
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## **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 Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).

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## Late Contributions and Payments April to June 2020

### April 2020

Employer	Late Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
HARROWBY INFANT ACADEMY	Yes	02/06/2020					
THE NATIONAL CofE JUNIOR SCHOOL, HARROWBY	Yes	02/06/2020					
PINCHBECK PARISH COUNCIL	Yes	27/05/2020					
BOSTON WEST ACADEMY			Yes	29/05/2020			
GLL (GREENWICH LEISURE LTD)			Yes	27/05/2020			
GRANTHAM GONERBY HILL FOOT CofE PRIMARY SCHOOL			Yes	22/05/2020			
HOLBEACH WILLIAM STUKELEY			Yes	22/05/2020			
GAINSBOROUGH QUEEN ELIZABETH HIGH SCHOOL			Yes	21/05/2020			
LONG BENNINGTON CofE ACADEMY			Yes	26/05/2020			
MALCOLM SARGENT PRIMARY ACADEMY, STAMFORD			Yes	22/05/2020			
MONKSHOUSE PRIMARY SCHOOL (SPALDING)			Yes	04/06/2020			
ST BERNARDS ACADEMY, LOUTH			Yes	27/05/2020			
ST LAWRENCE ACADEMY, HORNCastle			Yes	22/05/2020			
ST MARYS RC PRIMARY SCHOOL, BOSTON			Yes	03/06/2020			
STAMFORD ST AUGUSTINES CATHOLIC PRIMARY ACADEMY			Yes	03/06/2020			
THE KINGS SCHOOL, GRANTHAM			Yes	26/05/2020			
WESTGATE ACADEMY, LINCOLN			Yes	01/06/2020			
CATERLINK (WALTON GIRLS HIGH SCHOOL)					Yes	19/06/2020	
CATERLINK (SOUTH WITHAM)					Yes	19/06/2020	
OUTSPOKEN TRAINING					Yes	19/06/2020	
TAYLOR SHAW LTD (BRANSTON)					Yes	19/06/2020	
AEGIR (MAYFLOWER ACADEMY TRUST)							Yes
WARREN WOOD (MAYFLOWER ACADEMY TRUST)							Yes
	Total = 3		Total = 14		Total = 4		Total = 2

## May 2020

Employer	Late Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
FUTURE CLEANING SERVICES			Yes	16/07/2020			
BOSTON WEST ACADEMY			Yes	30/06/2020			
VINCI CONSTRUCTION UK LTD					Yes	01/07/2020	
AEGIR (MAYFLOWER ACADEMY TRUST)							Yes
WARREN WOOD (MAYFLOWER ACADEMY TRUST)							Yes
UTTERBY PRIMARY ACADEMY (AET Academies Enterprise Trust)							Yes
NORTH THORESBY PRIMARY ACADEMY (AET Academies Enterprise Trust)							Yes
LINDSEY MARSH INTERNAL DRAINAGE BOARD							Yes
	Total = 0		Total = 2		Total = 1		Total = 5

## June 2020

Employer	Late Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
NIGHTINGALE CLEANING LIMITED	Yes	20/07/2020					
WADDINGTON ALL SAINTS PRIMARY ACADEMY	Yes	20/07/2020					
BOSTON COLLEGE	Yes	22/07/2020					
G4S	Yes	24/07/2020					
SIR ROBERT PATTINSON ACADEMY	Yes	28/07/2020					
BOURNE GRAMMAR ACADEMY			Yes	24/07/2020			
CATERLINK			Yes	18/08/2020			
FISKERTON PRIMARY SCHOOL			Yes	28/07/2020			
MORTON CofE PRIMARY SCHOOL (LAAT)			Yes	31/07/2020			
WELBOURN CofE PRIMARY SCHOOL			Yes	12/08/2020			
WESTGATE ACADEMY, LINCOLN			Yes	23/07/2020			
WESTON ST MARY CE PRIMARY ACADEMY, WESTON (LAAT)			Yes	31/07/2020			
WOODHALL SPA PARISH COUNCIL			Yes	28/07/2020			
CATERLINK (SOUTH WITHAM)					Yes	18/08/2020	
CATERLINK (WALTON GIRLS HIGH SCHOOL)					Yes	18/08/2020	
SUDBROOKE PARISH COUNCIL					Yes	21/07/2020	
	Total = 5		Total = 8		Total = 3		Total = 0

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

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>15 October 2020</b>
Subject:	<b>Pension Fund External Audit Report 2019/2020</b>

**Summary:**

This report summarises the findings from the work undertaken by the Council's External Auditors, Mazars, in giving their opinion on the Pension Fund Accounts and Annual Report. Their findings were initially reported to the Council's Audit Committee in their Audit Completion Report in September 2020 and is summarised here for the Pension Board.

**Recommendation(s):**

That the Board note this covering report and the Audit Completion Report prepared by the Council's External Auditors, Mazars.

**Background**

1. The Pension Fund Annual Report and Accounts for the year ended 31 March 2019 have been completed and these have now been independently audited by the Council's external auditors, Mazars.

**Audit Completion Report**

2. A copy of the External Auditors Audit Completion Report is attached to this report at **Appendix A**. This details the findings from their work on the Pension Fund financial statements.
3. In summary, the External Auditor has confirmed that the audit of the Pension Fund is substantially complete with some work outstanding relating to the normal audit completion procedures. The External Auditor has not at this stage identified any material misstatements or any non-adjusted non-material misstatements in the financial statements which they would need to report.

## **Statement of Accounts**

4. The accounts presented to the Board in July included the asset valuations for illiquid assets that were available to the Fund at 31 March 2020. Some of these related to earlier accounting periods (e.g. 31 December 2019) rolled forward for cash flows. This is standard valuation practice for such assets and is the approach set out in accounting standards. Over the summer, 31 March 2020 valuations for these holdings have been received by the Pension Fund, and after review, have been incorporated into the Pension Fund Accounts. The total impact of these updated valuations is a £7.647m reduction in asset values (across alternatives, infrastructure, private equity and property venture).
5. The Fund has also reviewed the classification of its assets within the Fair Value Hierarchy and has made a number of changes to this analysis, including reclassifying Property Unit Trust holdings in March 2020 from Level 2 to Level 3 to reflect the 'material uncertainty' clause issued by the Valuers of these funds (level 3 assets have at least one input that could have a significant effect on the value of the assets which is not based on observable market data).
6. The above amendments have been made to the Statement of Accounts 2019/20, plus a small number of items identified by the External Auditor during their presentational review of the accounts document. A final version of the Pension Fund Accounts is attached to this report at **Appendix B**.

## **Audit Completion**

7. The External Auditor has confirmed that they expect, based on the work completed to date, to be able to give an unqualified audit opinion on the Pension Fund financial statements at the beginning of October. The consistency opinion given for the Annual Report is expected to be completed at a later date, but before statutory deadline at the end of December.
8. A copy of the Annual Report will be published on the Pension Fund website and all Fund employers will be notified of this once complete. In addition, the link will be shared with 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 members in a future newsletter issued by WYPF, as the Fund's scheme administrator.

## **Conclusion**

9. The audit of the Pension Fund Statement of Accounts for the year ended 31 March 2020 is largely complete and it is expected that the external auditor,

Mazars, will issue an unqualified audit opinion at the beginning of October. They also expect to issue the consistency opinion on the Annual Report by the statutory deadline at the end of December. Copies of the Pension Fund Annual Report and Accounts will be distributed to interested parties after this.

## 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 Head of Pensions.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Audit Completion Report 2019/2020
Appendix B	Lincolnshire Pension Fund - Final Financial Statements 2019/2020

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

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# Audit Completion Report

Lincolnshire Pension Fund  
Year ending 31 March 2020

# CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements

Appendix A – Draft management representation letter

Appendix B – Draft auditor's report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Pension Fund are prepared for the sole use of the Pension Fund and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Lincolnshire County Council Audit Committee  
Council Offices  
Newland  
Lincoln  
LN1 1YL

15 September 2020

Dear Members

### **Audit Completion Report – Year ended 31 March 2020**

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we issued in March 2020. Since then, the COVID-19 pandemic has had significant implications for the UK, including the Pension Fund sector. We have updated our planning work to understand the implications of COVID-19 on our audit and concluded that the original audit risks and other areas of management judgement in the Audit Strategy Memorandum remain appropriate.

In response to the COVID-19 pandemic, MHGLC issued a revised reporting timetable for the Pension Fund to prepare its financial statements for inclusion in the Administering Authority Statement of Accounts and for the audit to be completed. We understand the difficult circumstances that the Pension Fund is facing in order to respond to the pandemic and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0781 375 2053.

Yours faithfully

Cameron Waddell (Key Audit Partner)  
Mazars LLP

Mazars LLP – Salvus House, Aykley Heads, Durham DH1 5TS  
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Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.  
VAT number: 839 8356 73

# 1. EXECUTIVE SUMMARY

## Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of the Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2020, and forms the basis for discussion at the Audit Committee meeting on 28 September 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Section 2 of this report outlines the detailed findings from our work on the financial statements. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of control; and
- valuation of level 3 unquoted investments for which a market price is not readily available.

## Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

### Opinion on the financial statements

We anticipate issuing an unqualified opinion on the Pension Fund's financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B..

### Wider powers

We have not needed to exercise any of our wider powers under the 2014 Act. We have not received any elector enquiries or objections to the accounting records of the Pension Fund. Further details on our responsibilities and wider powers under the 2014 Act are provided in section 2.

Our responsibilities include the requirement to conclude whether the Pension Fund financial statements included within the Pension Fund's Annual Report are consistent with the Fund's financial Statements included within the Administering Authority's Statement of Accounts. The publication deadline for the Pension Fund's Annual Report is 1 December 2020 and our work in this area has not started yet. We will update the Audit Committee on any matters arising from this work and when our consistency report has been issued.

# 1. EXECUTIVE SUMMARY

## Status of our audit work

We have substantially completed our work on the financial statements for the year ended 31 March 2020. At the time of preparing this report the following routine matters remain outstanding:

Audit area	Status	Description of outstanding matters
Audit Quality Control and Completion Procedures		Our audit work, including the specific procedures carried out in relation to the significant audit risks identified, is undergoing final stages of review by the Engagement Lead. In addition, there are residual procedures to complete, including completing our internal technical consultations on the proposed audit opinion and the updated financial statements, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations..

### Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit Committee with an update in relation to these matters and any additional matters in a follow-up letter, prior to signing the auditor's report.

## Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

## Materiality

We set materiality at the planning stage of the audit at £24.6 million using a benchmark of 1% of net assets available to pay benefits. We set a specific materiality for the fund account of £9.8 million at the planning stage of the audit using a benchmark of 10% of contributions receivable.

Our final assessment of materiality, based on the final financial statements and qualitative factors is £22.2 million for the net assets statement and £10.4 million for the fund account, using the same benchmarks. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee, at £666,000 based on 3% of overall materiality.

## Misstatements and internal control recommendations

Section 3 sets out any internal control recommendations that we make.

Section 4 outlines any misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Committee in a follow-up letter.

## 2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 8 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

### Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Pension Fund's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks.

#### Significant risk

Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

#### How we addressed this risk

We addressed this risk by performing audit work in the following areas:

- accounting estimates impacting on amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

#### Audit conclusion

Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Significant risk

Valuation of level 3 unquoted investments for which a market price is not readily available

### Description of the risk

At 31 December 2019 the Pension Fund held investments which were not quoted on an active market with a fair value of £346m, accounting for 13.6 per cent of the Fund's net investment assets.

As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore considered that there was an increased risk of material misstatement.

### How we addressed this risk

We addressed this risk by:

- agreeing holdings from fund manager reports to the custodian's report;
- agreeing the valuation to supporting documentation including investment manager valuation statements and cashflows for any adjustments made to the investment manager valuation;
- agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available; and
- reviewing independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Fund's financial statements.

### Audit conclusion

The work on this significant audit risk is in the process of final review and no material misstatements have been identified in the course of the audit work completed.

The Financial Statements include at Note 5 a disclosure referring to the 'material valuation uncertainty' reported by valuers in relation to the Pooled Property Unit Trust investment assets. Our draft audit report at Appendix B includes an 'emphasis of matter' paragraph referring to this disclosure. Our audit opinion is not being qualified in respect of this matter.

## 2. SIGNIFICANT FINDINGS (CONTINUED)

### Qualitative aspects of the entity's accounting practices

We have reviewed the Pension Fund's accounting policies and disclosures. We have provided feedback on the draft financial statements and agreed amendments in any areas where disclosures could be strengthened. We are satisfied that the final statements comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Pension Fund's circumstances.

The national timetable for the accounts completion and audit this year was changed in response to the COVID-19 pandemic. There was also an expectation that asset valuations would change as a result of updated information due in July 2020 from fund managers. We agreed with management a split audit visit to accommodate these issues. The draft Statement of Accounts, including the Pension Fund's draft financial statements, were received on at the end of June 2020, ahead of the 31 August 2020 deadline, and were of a good quality. Updated statements, to include proposed changes to the investment assets and supporting disclosures, were received at the end of August 2020 and used to complete the audit work from the beginning of September 2020.

### Significant matters discussed with management

Significant matters discussed with management during our audit and which had implications for our audit testing and reporting included the impact of COVID-19 on the Pension Fund's business. This included any potential increased risk of material misstatement. This included the disclosures required regarding the key sources of estimation uncertainty that management has made in preparing the financial statements. The notes to the Pension Fund's financial statements disclose the significant matters considered and reference the "material valuation uncertainty" over the pooled property unit trust investments.

### Significant difficulties during the audit

During the course of the audit we have had the full co-operation of management. The changes to the Council's and Mazars' working arrangements' in response to COVID-19, the changes to the national timetable and other pressures across the sector has led to a number of challenges during the year-end accounts closedown and audit process for management and ourselves. There have understandably been some difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We are grateful for the co-operation and support provided.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised in relation to the Pension Fund.

### Modifications required to our audit report

As described above we expect to modify our audit opinion by including an 'emphasis of matter' paragraph drawing attention to the material valuation uncertainty disclosed in the notes to the financial statements. This does not qualify our audit opinion. We are consulting on the specific wording for this modification and the proposed wording is included in the draft audit report included at Appendix B. We will update the Committee on this matter at its meeting.

### Other matters

Alongside the audit work required directly for the audit opinion on the Pension Fund Financial Statements we are required to provide annual IAS19 pension assurance work at the request of employer auditors. This work is in progress and the results will be reported directly to the employer auditors.

### 3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters we report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Based the audit work carried out this year, we have not identified any significant control deficiencies in 2019/20 that we are required to report to you and there were none reported in 2018/19 which we were required to follow up.

## 4. SUMMARY OF MISSTATEMENTS

We are pleased to report that no material misstatements have been identified during the audit work carried out to date.

A small number of disclosure amendments to the notes to the Pension Fund financial statements have been agreed with management to correct minor errors. None of these are significant and we are not required to highlight them in this report.

There are no unadjusted misstatements identified during the course of the audit above the trivial reporting threshold of £666k. We will update the Audit Committee if any reportable misstatements are identified.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS

Dear Cameron

### **Lincolnshire Pension Fund - audit for year ended 31 March 2020**

This representation letter is provided in connection with your audit of the financial statements of the Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Executive Director for Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

#### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Pension Fund and Committee meetings, have been made available to you.

#### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund's financial position, financial performance and cash flows.

Executive summary

Significant findings

Internal control  
recommendations

Summary of misstatements

Appendices

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund in making accounting estimates, including those measured at fair value, are reasonable.

### Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom. The Pension Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

### Fraud and error

I acknowledge my responsibility as Executive Director for Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund's statement of accounts communicated by employees, former employees, analysts, regulators or others.

### Related party transactions

I confirm that all related party relationships, transactions and balances have been appropriately accounted for and disclosed in accordance with the requirements of the Code. I have disclosed to you the identity of the Pension Fund's related parties and all related party relationships and transactions of which I am aware.

# APPENDIX A

## DRAFT MANAGEMENT REPRESENTATION LETTER

### Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### Specific representation on unquoted investments

Unquoted investments are included in the net assets statement at the value estimated by the general partner managing each fund in accordance with the guidelines used by the industry, and based on the latest information to hand at the time of the valuation. I am satisfied, based on the knowledge I have and in the context of the disclosures made in the Statement of Accounts, with the valuations, and am not aware of any subsequent events that would have a material impact on the estimated value of the unquoted investments.

### Unadjusted misstatements (if applicable)

I confirm that the effects of the uncorrected misstatements as included in the auditor's Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Yours sincerely

Executive Director for Resources  
Xxxx 2020

# APPENDIX B

## DRAFT AUDITOR'S REPORT

*Subject to consultation on 'emphasis of matter'*

### Draft Independent auditor's report to the members of Lincolnshire County Council Report on the financial statements

#### Opinion on the financial statements of the Lincolnshire Pension Fund

We have audited the financial statements of Lincolnshire Pension Fund ('the Pension Fund') for the year ended 31 March 2020, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of Lincolnshire Pension Fund during the year ended 31 March 2020, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2020; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter – effects of Covid-19 on the valuation of the Pension Fund's Pooled Property Unit Trust Investment Assets

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Pension Fund's Pooled Property Unit Trust investment assets as at 31 March 2020. As, disclosed at Note 5 these valuations have been reported by valuers on the basis of 'material valuation uncertainty' as per VPS3 and VPGA 10 of the RICS Red Book Global. Our opinion is not modified in respect of this matter.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### Other information

The Executive Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Executive Director of Resources for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Executive Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Executive Director of Resources is also responsible for such internal control as the Executive Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Executive Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Executive Director of Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

# APPENDIX B

## DRAFT AUDITOR'S REPORT (CONTINUED)

### Use of the audit report

This report is made solely to the members of Lincolnshire County Council, as a body and as administering authority for the Lincolnshire Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Cameron Waddell  
For and on behalf of Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS  
X October 2020

# APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

## CONTACT

### **Cameron Waddell**

Partner

Mobile: 0781 375 2053

Email: [Cameron.Waddell@mazars.co.uk](mailto:Cameron.Waddell@mazars.co.uk)

### **Mike Norman**

Senior Manager

Mobile: 0790 998 4151

Email: [Michael.Norman@mazars.co.uk](mailto:Michael.Norman@mazars.co.uk)

# Lincolnshire Pension Fund 2019/20

## Fund Account – For the Year Ended 31 March 2020

	See note	2018/19 £000	2019/20 £000
<b>Contributions and Benefits</b>			
Contributions Receivable	6	(98,278)	(104,258)
Transfers In from other Pension Funds	7	(7,312)	(10,629)
		<b>(105,590)</b>	<b>(114,887)</b>
Benefits Payable	8	92,904	99,326
Payments To and On Account of Leavers	9	7,803	9,920
		<b>100,707</b>	<b>109,246</b>
<b>Net (additions)/withdrawals from dealings with Fund Members</b>		<b>(4,883)</b>	<b>(5,641)</b>
Management Expenses	10	11,018	12,033
<b>Net (additions)/withdrawals including Management Expenses</b>		<b>6,135</b>	<b>6,392</b>
<b>Returns on Investments</b>			
Investment Income	11	(20,403)	(23,692)
(Profit)/loss on Disposal of Investments and Change in the Value of Investments	12a	(178,619)	141,022
(Profit)/Loss on Forward Foreign Exchange	13	21,050	18,145
<b>Net Returns on Investments</b>		<b>(177,972)</b>	<b>135,475</b>
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(171,837)	141,867
Opening Net Assets of the Fund		(2,189,357)	(2,361,194)
<b>Closing Net Assets of the Fund</b>		<b>(2,361,194)</b>	<b>(2,219,327)</b>

## Net Asset Statement as at 31 March 2020

	See note	31 March 2019 £000	31 March 2020 £000
Long Term Investment Assets	12	833	833
Investment Assets	12	2,344,965	2,202,091
Investment Liabilities	12	(1,277)	(145)
<b>Total Net Current Investments</b>		<b>2,343,688</b>	<b>2,201,943</b>
<b>Total Net Investments</b>		<b>2,344,521</b>	<b>2,202,779</b>
Current Assets	20	19,802	20,418
Current Liabilities	21	(3,129)	(3,870)
<b>Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period</b>		<b>2,361,194</b>	<b>2,219,327</b>

**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 18.

# Notes to the Pension Fund Account

## Note 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, which is a committee of Lincolnshire County Council.

### 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 of the Fund; and
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant employer. Admitted bodies include charitable organisations and similar not-for-profit bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 251 contributing employer organisations in the Fund including the County Council and just over 73,500 members, as detailed below (information reported based on March processed data):

	31 March 2019	31 March 2020
<b>Number of Employers with Active Members</b>	<b>234</b>	<b>251</b>
<b>Number of Employees in the Fund</b>		
Lincolnshire County Council	9,879	9,175
Other Employers	12,941	13,715
<b>Total Active Members</b>	<b>22,820</b>	<b>22,890</b>
<b>Number of Pensioners</b>		
Lincolnshire County Council	14,398	15,444
Other Employers	7,317	7,994
<b>Total Pensioner Members</b>	<b>21,715</b>	<b>23,438</b>
<b>Number of Deferred Pensioners</b>		
Lincolnshire County Council	19,753	18,668
Other Employers	8,468	8,533
<b>Total Deferred Pensioners</b>	<b>28,221</b>	<b>27,201</b>

## 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. Rates paid by employers during 2019/20 were determined at the 2016 Valuation, or when a new employer joins the scheme. Rates paid during 2019/20 ranged from 14.9% to 33.0% of pensionable pay. In addition, the majority of employers are paying monetary amounts to cover their funding deficit.

## 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
<b>Pension</b>	Each year is worth 1/80 x final pensionable salary	Each year is worth 1/60 x final pensionable salary
<b>Lump Sum</b>	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, ill-health pensions and death benefits.

## Note 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2019/20 financial year and its position at year end as at 31 March 2020.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, 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, nor do they taken into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the account, or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in the accounts, this can be found at Note 18.

The accounts have been prepared on a going concern basis.

The accounting policies set out below (at Note 3) have been applied consistently to all periods presented within these financial statements.

### Accounting standards that have been issued but have not yet been adopted

On an annual basis the Code of Practice requires the Pension Fund to consider the impact of accounting standards that have been issued but have not yet been adopted and disclose information relating to the impact of these standards. For 2020/21 there are a number of new accounting standards:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015-2017 Cycle; and
- Amendments to IAS 19 Employee Benefits: Plan Amendments, Curtailment or Settlement.

It is not thought that any of these standards will have a significant impact on the Pension Fund Accounts for 2020/21.

## Note 3. Significant Accounting Policies

### Fund account - revenue recognition

#### a) Contributions income

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

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

Employer deficit funding contributions are accounted for on the day on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than due date.

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

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

#### b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund 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.

##### 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/expense and comprise all realised and unrealised profits/losses during the year.

### Fund account - expense items

#### **d) Benefits payable**

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

#### **e) Taxation**

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

#### **f) Management expenses**

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

##### **i) Administrative expenses**

All 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.

##### **ii) Oversight and Governance**

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

##### **iii) Investment management expenses**

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

Fees 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 Invesco Asset Management (for Global Equities – ex UK) and Morgan Stanley Investment Management Ltd. (for Alternative Investments) that an element of their fee will be performance related.

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

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

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund and are classified as Fair Value through Profit and Loss (FVPL).

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

Alternatives, private equity, property venture and infrastructure valuations are based on valuations provided by managers at the year-end date. Where more up to date valuations are received during the accounts preparation or audit period, their materiality, both individually and collectively will be considered, and the accounts revised to reflect these valuations if necessary. If valuations at the year-end are not produced by the manager, the latest available valuation is adjusted for cash flows in the intervening period.

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

### h) Foreign currency transactions

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 2020 are shown in Note 27.

### i) Derivatives

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

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

### j) Cash and cash equivalents

Cash comprises 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**

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

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

#### **l) Actuarial present value of promised retirement benefits**

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

#### **m) Additional voluntary contributions**

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

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

## **n) Contingent assets and contingent liabilities**

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.

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.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the notes (see Note 24 and 25).

## **Note 4. Critical Judgements in Applying Accounting Policies**

### **Pension Fund liability**

The net Pension Fund liability is recalculated every three years by the appointed actuary. 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 17.

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.

### **Investment in Border to Coast Pension Partnership**

The valuation of the Fund's investment in Border to Coast Pensions Partnership has been assessed using the criteria set out in IFRS9 Financial Instruments. The key factors considered include:

- There is currently no market for these investments and no identical or similar market to compare them to. Therefore it is not possible to use a 'quoted price'.
- Border to Coast Pensions Partnership Ltd is intending to trade at a break even position (no/minimal profit or loss) with any values off-set against Partner Fund future costs. The company have now published a set of full year audited accounts and these show the company equity as equal to the 'Called up Share Capital' i.e. Class B Regulated Capital of £10m (shared equally between the twelve partner fund).

There is insufficient evidence to estimate the fair value at any measure other than cost, therefore fair value is cost. The value of the shareholding in Border to Coast Pension Partnership is £0.833m.

## Covid-19 Impact

The impact of the Covid-19 pandemic has created additional uncertainty surrounding illiquid asset values. As such some of the Pension Fund's holdings as at 31 March 2020 are difficult to value according to preferred accounting policy.

- Pooled property unit trusts. Covid-19 has caused huge disruption and exceptional circumstances within property markets, as a result of this, the valuations provided by independent valuers for these property funds are subject to a 'material valuation uncertainty' qualification as set out in VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these valuations than would normally be the case.
- Unquoted assets (including alternatives and private equity holdings). The fair value of these investments is unavoidably subjective in normal circumstances and Covid-19 disruptions may increase this. The valuations are based on forward-looking estimates and judgements involving many factors. Unquoted private equity assets are valued by the investment managers in accordance with industry standards.

Further details on the carrying value of these holdings are set out in Note 5 below.

## Note 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits (Note 18)	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: <ol style="list-style-type: none"> <li>1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £359m.</li> <li>2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £28m.</li> <li>3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £320m.</li> <li>4) a one-year increase in assumed life expectancy would increase the liability by approximately £151m.</li> </ol>
Estimation of Fair Value for investments which are not publicly listed (including Alternatives, Infrastructure, Private Equity and Property Venture)	Valuation of investments which are not publicly listed involve a degree of estimation. Those assets involving the greatest degree of estimation are classified as level 3 with the fair value hierarchy (details are set out in Note 14). Guidance, including the International Private Equity and Venture Capital Valuation Guidelines (2012) provide a framework for the valuation of these assets, but this involved a degree of estimation in producing a valuation.	The total value of these level 3 investments is £325.5m at 31 March 2020 (£289.6m at 31 March 2019).  The assets classified as level 3 and the sensitivity of the valuation methods employed are described in Note 14.
Pooled Property Unit Trusts	Covid-19 has caused huge disruption and exceptional circumstances within property markets, as a result of this, the valuations provided by independent valuers for these property funds are subject to a 'material valuation uncertainty' qualification as set out in VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these valuations than would normally be the case.	The total pooled property unit trusts invested in by the Fund are valued at £188.8m. If these assets were over or under-stated in the accounts by 1% this would affect the value by £1.9m.

## Note 6. Contributions Receivable

Contributions receivable are analysed below:

	2018-19 £000	2019-20 £000
<b>Employers</b>		
Normal	58,966	60,186
Deficit Recovery Funding	17,138	21,412
Additional – Augmentation	1,632	892
<b>Members</b>		
Normal	20,466	21,684
Additional Years	76	84
<b>Total Contributions Receivable</b>	<b>98,278</b>	<b>104,258</b>

These contributions are analysed by type of Member Body as follows:

	2018-19 £000	2019-20 £000
Administering Authority	40,061	43,539
Scheduled Bodies	53,239	56,339
Admission Bodies	4,978	4,380
<b>Total Contributions Receivable</b>	<b>98,278</b>	<b>104,258</b>

## Note 7. Transfers In From Other Pension Funds

	2018-19 £000	2019-20 £000
Individual Transfers from Other Schemes	7,312	10,629
<b>Total Transfers In from Other Pension Funds</b>	<b>7,312</b>	<b>10,629</b>

There were no material outstanding transfers due to the Pension Fund as at 31 March 2020.

## Note 8. Benefits Payable

	2018-19 £000	2019-20 £000
Pensions	73,016	78,073
Commutations and Lump Sum Retirement Benefits	17,791	18,870
Lump Sum Death Benefits	2,097	2,383
<b>Total Benefits Payable</b>	<b>92,904</b>	<b>99,326</b>

These benefits are analysed by type of Member Body as follows:

	2018-19 £000	2019-20 £000
Administering Authority	49,350	52,290
Scheduled Bodies	39,423	42,340
Admission Bodies	4,131	4,696
<b>Total Benefits Payable</b>	<b>92,904</b>	<b>99,326</b>

## Note 9. Payments To and On Account of Leavers

	2018-19	2019-20
	£000	£000
Individual Transfers to Other Schemes	6,990	9,580
Group Transfers from Other Schemes	419	-
Refunds to Members Leaving Service	394	340
<b>Total Payments To and On Account of Leavers</b>	<b>7,803</b>	<b>9,920</b>

There were no material outstanding transfers due from the Pension Fund as at 31 March 2020.

## Note 10. Management Expenses

	2018-19	2019-20
	£000	£000
Administrative Costs	1,128	1,250
Investment Management Expenses	9,429	10,203
Oversight and Governance Costs	461	580
<b>Total Management Expenses</b>	<b>11,018</b>	<b>12,033</b>

The External Audit fee for the year was £0.019m (£0.019m in 2018/19).

A further breakdown of the investment management expenses is shown below:

	2018-19	2019-20
	£000	£000
Transaction Costs	738	1,583
Management Fees	7,999	6,804
Performance Related Fees	609	1,641
Custody Fees	83	175
<b>Total Investment Management Expenses</b>	<b>9,429</b>	<b>10,203</b>

## Note 11. Investment Income

	2018-19	2019-20
	£000	£000
Equities	18,192	19,323
Pooled Investments		
Property	1,629	2,563
Infrastructure	18	-
Alternatives	3	1,535
Cash Deposits	97	192
Stock Lending	464	79
<b>Total Investment Income</b>	<b>20,403</b>	<b>23,692</b>

## Note 12. Investments

	2018-19 £000	2019-20 £000
<b>Long Term Investments</b>		
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	833
<b>Total Long Term Investment</b>	<b>833</b>	<b>833</b>
	2018-19 £000	2019-20 £000
<b>Investment Assets</b>		
Equities	818,260	495,761
Pooled Investments		
Property	194,973	190,771
Infrastructure	44,437	46,347
Private Equity	22,962	16,559
Bonds	283,158	414,941
Equities	649,490	695,082
Alternatives	290,056	306,633
Cash Deposits	36,413	23,939
Investment Income Due	5,216	3,723
Amounts Receivable from Sales	-	-
Open Forward Foreign Exchange (FX)	-	8,335
<b>Total Investment Assets</b>	<b>2,344,965</b>	<b>2,202,091</b>
<b>Investment Liabilities</b>		
Open Forward Foreign Exchange (FX)	(1,276)	-
Investment Income Payable	(1)	(18)
Amounts Payable for Purchases	-	(127)
<b>Total Investment Liabilities</b>	<b>(1,277)</b>	<b>(145)</b>
<b>Total Net Investment Assets</b>	<b>2,343,688</b>	<b>2,201,946</b>

## Note 12A. Reconciliation of Movements in Investments

2019/20	Market Value 31 March 2019	Purchases and derivative payments	Sales and derivative receipts	Change in market value during the year	Market Value 31 March 2020
	£000	£000	£000	£000	£000
Equities	818,260	380,719	(784,022)	80,804	495,761
Pooled Investments					
Property	194,973	1,124	(3,441)	(1,885)	190,771
Infrastructure	44,437	2,848	(3,346)	2,408	46,347
Private Equity	22,962	356	(7,469)	710	16,559
Bonds	283,158	331,502	(197,591)	(2,128)	414,941
Equities	649,490	429,663	(138,595)	(245,476)	695,082
Alternatives	290,056	103,443	(111,411)	24,545	306,633
	<b>2,303,336</b>	<b>1,249,655</b>	<b>(1,245,875)</b>	<b>(141,022)</b>	<b>2,166,094</b>
Cash Deposits	36,413				23,939
Other Investment Balances:					
Open Forward FX	(1,276)	2,574,575	(2,546,819)	(18,145)	8,335
Amounts Receivable for Sales	-				-
Investment Income Due	5,215				3,705
Amounts Payable for Purchases	-				(127)
<b>Net investment assets</b>	<b>2,343,688</b>				<b>2,201,946</b>

2018/19	Market Value 31 March 2018	Purchases and derivative payments	Sales and derivative receipts	Change in market value during the year	Market Value 31 March 2019
	£000	£000	£000	£000	£000
Equities	751,286	350,985	(335,249)	51,238	818,260
Pooled Investments					
Property	194,461	42	(4,989)	5,459	194,973
Infrastructure	35,420	6,835	(3,294)	5,476	44,437
Private Equity	29,345	423	(13,271)	6,465	22,962
Bonds	264,097	12,317	(2,317)	9,061	283,158
Equities	582,508	-	(1,832)	68,814	649,490
Alternatives	268,167	78,966	(89,183)	32,106	290,056
	<b>2,125,284</b>	<b>449,568</b>	<b>(450,135)</b>	<b>178,619</b>	<b>2,303,336</b>
Cash Deposits	38,746				36,413
Other Investment Balances:					
Open Forward FX	50				(1,276)
Amounts Receivable for Sales	1,409				-
Investment Income Due	4,410				5,215
Amounts Payable for Purchases	(2,016)				-
<b>Net investment assets</b>	<b>2,167,883</b>				<b>2,343,688</b>

## Note 12B. Analysis of Investments

2019/20	UK £000	Overseas £000	Total £000
<b>Quoted</b>			
Equities	-	495,761	495,761
<u>Pooled Investments</u>			
Property – UK Commercial Unit Trust	175,601	-	175,601
Bonds	414,941	-	414,941
Equities	695,082	-	695,082
Alternatives	40,805	-	40,805
<b>Quoted as at 31 March 2020</b>	<b>1,326,429</b>	<b>495,761</b>	<b>1,822,190</b>
<b>Unquoted</b>			
<u>Pooled Investments</u>			
Property	591	14,579	15,170
Infrastructure	42,226	4,121	46,347
Private Equity	-	16,559	16,559
Alternatives	265,828	-	265,828
<b>Unquoted as at 31 March 2020</b>	<b>308,645</b>	<b>35,259</b>	<b>343,904</b>
Cash and Equivalents			23,939
Other Investment Balances - Assets			12,058
Other Investment Balances - Liabilities			(145)
<b>Total as at 31 March 2020</b>			<b>2,201,946</b>

2018/19 – Re-analysed	UK £000	Overseas £000	Total £000
<b>Quoted</b>			
Equities	15,462	802,798	818,260
<u>Pooled Investments</u>			
Property – UK Commercial Unit Trust	178,634	-	178,634
Bonds	283,158	-	283,158
Equities	649,490	-	649,490
Alternatives	60,725	-	60,725
<b>Quoted as at 31 March 2019</b>	<b>1,187,469</b>	<b>802,798</b>	<b>1,990,267</b>
<b>Unquoted</b>			
<u>Pooled Investments</u>			
Property	1,547	14,792	16,339
Infrastructure	40,458	3,979	44,437
Private Equity	-	22,962	22,962
Alternatives	229,331	-	229,331
<b>Unquoted as at 31 March 2019</b>	<b>271,336</b>	<b>41,733</b>	<b>313,069</b>
Cash and Equivalents			36,413
Other Investment Balances - Assets			5,216
Other Investment Balances - Liabilities			(1,277)
<b>Total as at 31 March 2019</b>			<b>2,343,688</b>

## Note 12C. Investments Analysed by Fund Manager

Fund Manager	31 March 2019		31 March 2020	
	£'000	%	£'000	%
<b>Externally Managed</b>				
Border to Coast (Global Equity Alpha)	-	-	344,976	15.6
Border to Coast (Investment Grade Credit)	-	-	180,327	8.2
Invesco	545,516	23.2	503,027	22.8
Schroders	136,451	5.8	-	-
Columbia Threadneedle	149,422	6.4	-	-
Morgan Stanley (Global Brands)	219,728	9.4	-	-
Morgan Stanley (Alternatives)	303,948	13.0	318,790	14.5
Morgan Stanley (Private Equity)	24,679	1.1	17,755	0.8
Blackrock	283,157	12.1	234,613	10.7
Legal & General	429,762	18.3	350,106	15.9
<b>Internally Managed</b>				
Property	202,956	8.7	199,770	9.1
Infrastructure	44,686	1.9	48,386	2.2
UK Equity	344	-	1	-
Unallocated Cash	3,039	0.1	4,195	0.2
<b>Total</b>	<b>2,343,688</b>	<b>100.0</b>	<b>2,201,946</b>	<b>100.0</b>

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 are as follows:

Investment	31 March 2019		31 March 2020	
	£000	%	£000	%
Legal & General UK Equity Fund	429,762	18.2	350,106	15.8
Border to Coast (Global Equity Alpha)	-	-	344,976	15.5
Morgan Stanley Alternative Investments	290,056	12.3	306,633	14.0
Morgan Stanley Global Brands	219,728	9.3	-	-
Border to Coast (Investment Grade Credit)	-	-	180,327	8.1
Blackrock 1-5yr Corporate Bond Fund	139,253	5.9	149,016	6.7

## Note 12D. Stock Lending

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, Northern Trust. The total amount of stock on loan at the year-end was £18.934m (£0.001m at 31 March 2019) and this value is included in the net assets statement to reflect the Fund's 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 £20.722m (£0.001m at 31 March 2019), which represented 109.4% 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 £0.079m for the year ending 31 March 2020 (£0.437m at 31 March 2019) and is included within the 'Investment Income' figure detailed on the Pension Fund Account. There are no liabilities associated with the loaned assets.

## Note 13. Analysis of 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. The Fund's investment managers use forward foreign exchange contracts to reduce their exposure to fluctuations in foreign currency exchange rates.

### Open forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to one month	None					
Over one month	GBP	291,727	USD	351,292	8,798	-
	GBP	7,828	CAD	13,365	260	-
	GBP	955	AUD	1,925	6	-
	GBP	17,026	EUR	18,605	536	-
	EUR	5,230	GBP	4,831	-	(196)
	USD	18,941	GBP	16,323	-	(1,068)
<b>Total</b>					<b>9,600</b>	<b>(1,264)</b>
<b>Net Forward Currency Contracts at 31 March 2020</b>						<b>8,336</b>
<b>Prior Year Comparative</b>						
						6
<b>Net Forward Currency Contracts at 31 March 2019</b>						<b>(1,276)</b>

### 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 2019/20 this was a loss of £18.145m (£21.050m loss in 2018/19).

## Note 14. Fair Value – Basis of Valuation

All investment assets are held at fair value in accordance with the requirements of the Code and IFRS13. 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 based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

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 (inc. overseas equities and bonds)	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
Pooled investments – pooled property unit trusts	Level 3	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	Valuations provided by independent valuers for these property funds are subject to a 'material uncertainty' qualification as set out in VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these valuations than would normally be the case.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled investments – hedge funds	Level 3	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.	Valuations could be affected by post balance sheet events, changes to expected cashflows, or by any differences between audited and unaudited accounts.
Unquoted Equities and Alternatives	Level 3	Comparable valuation of similar companies in accordance with <i>International Private Equity and Venture Capital Valuation Guidelines (2012)</i>	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by post balance sheet events, changes to expected cashflows, or 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 2020.

	Assessed valuation range (+/-)	Value at 31 March 2020 £000	Value on increase £000	Value on decrease £000
Property Unit Trusts	19%	188,776	224,643	152,909
Property Venture	19%	1,996	2,375	1,617
Infrastructure	17%	46,347	54,226	38,468
Private Equity	24%	16,559	20,533	12,585
Alternatives	10%	260,560	586,616	234,504

All movements in the assessed valuation range derive from changes in the underlying profitability of component companies. The range in the potential movement is caused by how this profitability is measured since different methods (listed in the first table of Note 14 above) produce different price results.

## Note 14A. Fair Value Hierarchy

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 2020	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Observable Fair Value	£000	£000	£000	£000
Financial assets at fair value through profit and loss	1,121,286	538,905	514,238	2,174,429
Financial assets at fair value through other comprehensive income and expenditure	-	-	833	833
<b>Net Investment Assets</b>	<b>1,121,286</b>	<b>538,905</b>	<b>515,071</b>	<b>2,175,262</b>

Values at 31 March 2019 Re-analysed	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Observable Fair Value	£000	£000	£000	£000
Financial assets at fair value through profit and loss	1,811,633	202,400	289,303	2,303,336
Financial liabilities at fair value through profit and loss	-	(1,276)	-	(1,276)
<b>Net Investment Assets</b>	<b>1,816,599</b>	<b>201,124</b>	<b>289,552</b>	<b>2,307,275</b>

The holding in Border to Coast Pensions Partnership of £0.833m was carried at cost at 31 March 2019.

## 14B Transfer between levels in the Fair Value Hierarchy

### Property Unit Trusts

The valuations provided by independent valuers for the Funds four UK Commercial Property Funds and the European Growth Fund are subject to a 'material valuation uncertainty' qualification as set out in VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these valuations than would normally be the case. As a consequence of this these assets have been moved from level 2 to level 3 in the fair value hierarchy.

All transfers between levels are recognised from the month in which they occur.

### Re-Categorisation within the Fair Value Hierarchy

On 1 April 2019 the Fund changed custodian. The categorisation of assets in relation to the prior year have been re-analysed in light of the additional information which is now available with the new custodian. This has resulted in a change to the assets reported in each category within the fair value hierarchy. Overall the total value of assets reported remains unaffected.

Re-categorisation as at 1 April 2018 and 31 March 2019 is included within the tables in this note, and are summarised as follows:

- Movement of Infrastructure Assets from Level 2 to Level 3;
- Movement of Property Venture Assets from Level 2 to Level 3;
- Further detail on Alternative Assets allowing them to be analysed between Levels 1, 2 and 3 (previously these were all disclosed in Level 3); and
- Movement of Other Investment Balances from Fair Value through Profit and Loss to Assets at Amortised Cost.

31 March 2019	Original Analysis		Re-analysis	
	Financial Assets £000	Financial Liabilities £000	Financial Assets £000	Financial Liabilities £000
<b>Fair Value through profit and loss</b>				
Level 1 – Quoted Market Price	1,775,869	-	1,811,633	-
Level 2- Using Observable Inputs	239,658	-	202,400	(1,276)
Level 3 – With Significant Unobservable Inputs	313,024	(1,276)	289,303	-
<b>Fair Value through Profit and Loss</b>	<b>2,364,551</b>	<b>(1,276)</b>	<b>2,303,336</b>	<b>(1,276)</b>
<b>Assets/Liabilities at Amortised Cost</b>	<b>56,215</b>	<b>(3,129)</b>	<b>61,431</b>	<b>(3,130)</b>
<b>Total</b>	<b>2,364,766</b>	<b>(4,405)</b>	<b>2,364,767</b>	<b>(4,406)</b>

31 March 2018 Observable Fair Value	Original Analysis		Re-analysis	
	Financial Assets £000	Financial Liabilities £000	Financial Assets £000	Financial Liabilities £000
<b>Fair Value through profit and loss</b>				
Level 1 – Quoted Market Price	1,603,710	-	1,681,263	-
Level 2- Using Observable Inputs	229,931	(2,016)	190,897	-
Level 3 – With Significant Unobservable Inputs	297,512	-	253,174	-
<b>Fair Value through Profit and Loss</b>	<b>2,131,153</b>	<b>(2,016)</b>	<b>2,125,334</b>	<b>-</b>
<b>Assets/Liabilities at Amortised Cost</b>	<b>62,599</b>	<b>(2,379)</b>	<b>68,418</b>	<b>(4,395)</b>
<b>Total</b>	<b>2,193,752</b>	<b>(4,395)</b>	<b>2,193,752</b>	<b>(4,395)</b>

## 14C Reconciliation of Fair Value Measurements within Level 3

Period 2019/20								
	Market value at 31 March 2019	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 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Property Unit Trusts *	-	188,776	-	-	-	-	-	188,776
Property Venture	4,207	-	-	153	(1,495)	(1,082)	213	1,996
Infrastructure	44,437	-	-	2,848	(3,346)	2,397	11	46,347
Private Equity	22,962	-	-	356	(7,469)	(5,376)	6,086	16,559
Alternatives	217,697	-	-	58,796	(47,626)	28,938	2,755	260,560
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	-	-	-	-	-	-	833
<b>Total</b>	<b>290,136</b>	<b>188,776</b>	<b>-</b>	<b>62,153</b>	<b>(59,936)</b>	<b>24,877</b>	<b>9,065</b>	<b>515,071</b>

\* the transfer of Property Unit Trusts into level 3 happened in March 2020, therefore there are no purchases, sales or gains and losses. These all relate to when these assets were classed in level 2.

Period 2018/19 Re-analysed								
	Market value at 31 March 2019	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 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Property Venture	6,886	-	-	42	(3,107)	168	218	4,207
Infrastructure	35,420	-	-	6,835	(3,294)	-	5,476	44,437
Private Equity	29,345	-	-	423	(13,271)	(5,350)	11,815	22,962
Alternatives	181,523	-	-	44,852	(38,081)	26,992	2,411	217,697
<b>Total</b>	<b>253,174</b>	<b>-</b>	<b>-</b>	<b>52,152</b>	<b>(57,753)</b>	<b>21,810</b>	<b>19,920</b>	<b>289,303</b>

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.

## Note 15. Financial Instruments

### Note 15A. 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 2020				
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£000	£000	£000	£000
<b>Financial Assets</b>				
Unquoted Equity Holding in Border to Coast	-	-	-	833
Pensions Partnership				
Equities	495,761	-	-	-
Pooled Investments				
Property	190,977	-	-	-
Infrastructure	46,347	-	-	-
Private Equity	16,559	-	-	-
Bonds	414,941	-	-	-
Equities	695,082	-	-	-
Alternatives	306,633	-	-	-
Cash	-	37,010	-	-
Other Investment Balances	8,335	3,723	-	-
Debtors	-	7,347	-	-
	<b>2,174,429</b>	<b>48,080</b>	<b>-</b>	<b>833</b>
<b>Financial Liabilities</b>				
Other Investment Balances	-	-	(145)	-
Creditors	-	-	(3,870)	-
	-	-	<b>(4,015)</b>	<b>-</b>
<b>Grand Total</b>	<b>2,174,429</b>	<b>48,080</b>	<b>(4,015)</b>	<b>833</b>

31 March 2019 Re-Analysed				
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£000	£000	£000	£000
<b>Financial Assets</b>				
Unquoted Equity Holding in Border to Coast Pensions Partnership	-	-	-	833
Equities	818,260	-	-	-
Pooled investments				
Property	194,973	-	-	-
Infrastructure	44,437	-	-	-
Private Equity	22,962	-	-	-
Bonds	283,158	-	-	-
Equities Alternatives	649,490	-	-	-
	290,056	-	-	-
Cash	-	47,123	-	-
Other Investment Balances	-	5,216	-	-
Debtors	-	9,092	-	-
	<b>2,303,336</b>	<b>61,431</b>	<b>-</b>	<b>833</b>
<b>Financial Liabilities</b>				
Other Investment Balances	(1,276)	-	(1)	-
Creditors	-	-	(3,129)	-
	<b>(1,276)</b>	<b>-</b>	<b>(3,130)</b>	<b>-</b>
<b>Grand Total</b>	<b>2,302,060</b>	<b>61,431</b>	<b>(3,130)</b>	<b>833</b>

## 15B Net Gains and Losses on Financial Instruments

	2018/19 £000	2019/20 £000
<b>Financial Assets</b>		
Fair Value through Profit and Loss	178,619	(133,375)
<b>Total</b>	<b>178,619</b>	<b>(133,375)</b>

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

## Note 16. 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 2019/20; assuming that all other variables, in particular foreign exchange rates and interest rates remain the same:

Asset Type	Potential Market Movements (+/-)
UK Equities	30.0%
Overseas Equities	33.0%
UK Bonds	16.0%
Property	19.0%
Infrastructure	17.0%
Private Equity	24.0%
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 2020 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	695,082	30.0%	903,607	486,557
Overseas Equities	495,761	33.0%	659,362	332,160
UK Bonds	414,941	16.0%	481,332	348,550
Property	190,771	19.0%	227,017	154,525
Infrastructure	46,347	17.0%	54,226	38,468
Private Equity	16,559	24.0%	20,533	12,585
Alternatives	306,633	10.0%	337,296	275,970
<b>Total</b>	<b>2,166,094</b>		<b>2,683,373</b>	<b>1,648,815</b>

Asset Type	Value at 31 March 2019 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	664,952	13%	751,396	578,508
Overseas Equities	802,798	13%	907,162	698,434
UK Bonds	283,158	5%	297,316	269,000
Property	194,973	15%	224,219	165,727
Infrastructure	44,437	17%	51,991	36,883
Private Equity	22,962	24%	28,473	17,451
Alternatives	290,056	10%	319,062	261,050
<b>Total</b>	<b>2,303,336</b>		<b>2,579,619</b>	<b>2,027,053</b>

## 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 risk, 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 2020 and 31 March 2019 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 Fund recognises that interest rates can vary and can affect both income to the Fund and carrying value of Fund assets, both of which affect the value of the net assets available to pay benefits. Experience suggests that a movement of less than +/- 1% in interest rates from one year to the next is likely. 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 2020	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000		£000	£000
Cash and cash equivalents	23,939	-	23,939	23,939
Cash balances	13,071	-	13,071	13,071
Bonds	414,941	4,149	419,090	410,792
<b>Total</b>	<b>451,951</b>	<b>4,149</b>	<b>456,100</b>	<b>447,802</b>

Assets Exposed to Interest Rate Risk	Value at 31 March 2019	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000		£000	£000
Cash and cash equivalents	36,413	-	36,413	36,413
Cash balances	10,710	-	10,710	10,710
Bonds	283,158	2,832	285,990	280,326
<b>Total</b>	<b>330,281</b>	<b>2,832</b>	<b>333,113</b>	<b>327,449</b>

Income Exposed to Interest Rate Risk	Interest Receivable 2019/20	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000	%	£000	£000
Cash deposits, cash and cash equivalents	192	2	194	190
Bonds	-	-	-	-
<b>Total</b>	<b>192</b>	<b>2</b>	<b>194</b>	<b>190</b>

Income Exposed to Interest Rate Risk	Interest Receivable 2018/19 £000	Percentage Movement on 1% change in interest Rates %	Value on Increase £000	Value on Decrease £000
Cash deposits, cash and cash equivalents	97	1	98	96
Bonds	-	-	-	-
<b>Total</b>	<b>97</b>	<b>-</b>	<b>98</b>	<b>96</b>

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.

### 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.

Following analysis of historical data and in consultation with an investment manager, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 10%, as measured by one standard deviation (8% in 2018/19). An 10% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net asset available to pay benefits as follows:

Assets Exposed to Currency Risk	Value at 31 March 2020 £000	Percentage Market Movement £000	Value on Increase £000	Value on Decrease £000
Overseas Equities	495,761	49,576	545,337	446,185
<b>Pooled Investments:</b>				
Overseas Property	14,579	1,458	16,037	13,121
Overseas Infrastructure	4,453	445	4,898	4,008
Overseas Private Equity	18,026	1,803	19,829	16,223
<b>Total</b>	<b>532,819</b>	<b>53,282</b>	<b>586,101</b>	<b>479,537</b>

Assets Exposed to Currency Risk	Value at 31 March 2019 £000	Percentage Market Movement £000	Value on Increase £000	Value on Decrease £000
Overseas Equities	802,798	64,224	867,022	738,574
<b>Pooled Investments:</b>				
Overseas Property	14,792	1,183	15,975	13,609
Overseas Infrastructure	3,979	318	4,297	3,661
Overseas Private Equity	22,962	1,837	24,799	21,125
<b>Total</b>	<b>844,531</b>	<b>67,562</b>	<b>912,093</b>	<b>776,969</b>

### 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 (see Note 12D) and its daily treasury activities.

The securities lending programme is run by the Fund's custodian, Northern Trust, 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, Northern Trust 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. At 31 March 2020 the balance at Barclays was £12.071m (£9.710m at 31 March 2019).

### **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 assets (equities and bonds), instruments that can be liquidated at short notice, normally three working days. As at 31 March 2020, these assets totalled £1,605.784m (£1,750.908m as at 31 March 2019), with a further £37.010m held in cash (£47.123m as at 31 March 2019). 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.

## **Note 17. 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 valuation which applies to the 2019/20 accounts took place as at 31<sup>st</sup> March 2016. The details set out in the note below relate to the valuation. The next valuation took place on 31<sup>st</sup> March 2019 and relates to accounting period from 01 April 2020.

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)		Secondary Rate (£000)	
1 April 2017-31 March 2020	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 & Infrastructure	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
<b>Male</b>		
Current Pensioners	22.2 years	22.1 years
Future Pensioners	24.5 years	24.1 years
<b>Female</b>		
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.

## Note 18. Actuarial Present Value of Promised Retirement Benefit

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 2020 for IAS 19 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 2019/20 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 2019 £'m	31 March 2020 £'m
Active Members	1,793	1,368
Deferred Members	843	704
Pensioners	1,131	1,268
<b>Total</b>	<b>3,767</b>	<b>3,340</b>

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2019. 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.

Note that the above figures at 31 March 2020 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes.

The 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 2020 and 31 March 2019. I estimate that the impact of the change in financial assumptions to 31 March 2020 is to decrease the actuarial present value by £339m. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £118m.

### Financial assumptions

Year Ended (% p.a.)	31 March 2019	31 March 2020
Pension Increase Rate	2.5%	1.9%
Salary Increase Rate	2.9%	2.2%
Discount Rate	2.4%	2.3%

### Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2018 model, an allowance for smoothing of recent mortality experience and a 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	21.4 years	23.7 years
Future Pensioners (assumed to be aged 45 at the latest formal valuation)	22.4 years	25.2 years

Please note that the longevity assumptions have not 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 2020	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	9%	299
0.5% p.a. increase in the Salary Increase Rate	1%	31
0.5% p.a. decrease in the Real Discount Rate	10%	332

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 2020 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 on 18 May 2020 by:

Anne Cranston AFA

For and on behalf of Hymans Robertson LLP

## Note 19. Current Assets

	31 March 2019	31 March 20
	£000	£000
<b>Short Term Debtors</b>		
Contributions due - Employers	5,238	4,782
Contributions due - Employees	1,375	1,431
Sundry Debtors	2,479	1,134
<b>Total Short Term Debtors</b>	<b>9,092</b>	<b>7,347</b>
Cash Balances	10,710	13,071
<b>Cash Balances</b>	<b>10,710</b>	<b>13,071</b>
<b>Total Current Assets</b>	<b>19,802</b>	<b>20,418</b>

## Note 20. Current Liabilities

	31 March 2019	31 March 20
	£000	£000
<b>Creditors</b>		
Contributions – paid in advance	(34)	(122)
Sundry Debtors	(3,095)	(3,748)
<b>Total</b>	<b>(3,129)</b>	<b>(3,870)</b>

## Note 21. 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 £8.077m (£8.683m in 2018/19). Member contributions of £0.909m (£0.998m in 2018/19) were received by the Prudential in the year to 31 March and £1.782m (£1.700m in 2018/19) 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.

## Note 22. Related Party Transactions

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the Council incurred costs of £0.231m 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 £34.135m to the Fund in 2019/20. 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 £13.016m and interest of £0.127m was earned over the year.

Each member of the Pension Fund Committee is required to declare their interests at each meeting and also is asked to sign an annual declaration disclosing any related party transactions. Three Committee members: Cllr P Key, A Antcliff (Employee Representative) and S Larter (Small Scheduled Bodies Representative) were contributing members of the Pension Fund during 2019/20. Cllr R Waller's daughter (District Council Representative) was also a contributing member of the scheme during 2019//20. S Larter (Small Scheduled Bodies Representative) is also a deferred member of the scheme.

## Note 23. Key Management Personnel

The key management personnel of the Fund are the Executive Director of Resources, the Head of Pensions and the Accounting, Investment and Governance Manager. The Fund does not employ any staff directly. Lincolnshire County Council employs the staff involved in providing the duties of the Administering Authority for the Fund. The proportion of employee benefits earned by key management personnel relating to the Pension Fund are: £0.130m short term benefits (£0.122m in 2018/19) and £0.021m post-employment benefits (£0.021m in 2018/19).

## Note 24. Contingent Liabilities and Contractual Commitments

At 31 March 2020 the fund had outstanding capital commitments (investments) to nineteen investment vehicles, amounting to £35.035m. These commitments relate to outstanding call payments due on unquoted limited partnerships making investments in private equity, property or infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over the lifetime of the funds.

## Note 25. Contingent Assets

Seven 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.

No such defaults have occurred in 2019/20 (or 2018/19)

## Note 26. Impairment Losses

The Fund has no recognised impairment losses.

## Note 27. Exchange Rates Applied

The exchange rates used at 31 March 2020 per £1 sterling were:

Australian Dollar	2.0259
Canadian Dollar	1.7649
Swiss Franc	1.1997
Danish Krone	8.4327
Euro	1.1301
Hong Kong Dollar	9.6107
New Israeli Shekel	4.3863
Japanese Yen	133.8588
Norwegian Krone	13.0207
Swedish Krona	12.2851
Singapore Dollar	1.7655
US Dollar	1.2400

## Glossary of Terms

**Actuary** – An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund’s financial position, known as the Actuarial Valuation.

**Admitted Body** – Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain.

**Alternatives** – Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure and property, and financial assets such as private equity and derivatives.

**Asset Allocation** – Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return, and is a central concept in financial planning and investment management.

**Asset Pooling** – In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale, as requested by MHCLG: ‘significantly reducing costs whilst maintaining investment performance’.

**Auto Enrolment** – UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria, and repeat this process every three years to re-enrol any employees that have opted out of the pension scheme.

**Bonds** – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

**Career Average Revalued Earnings (CARE) Scheme** – The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

**CIPFA** – Chartered Institute of Public Finance & Accountancy.

**Consumer Price Index (CPI)** – The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.

**Counterparty** – The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to complete. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.

**Custodian** – Organisation which is responsible for the safekeeping of assets, income collection and settlement of trades for a portfolio, independent from the asset management function.

**Defined Benefit** – An employer-sponsored retirement plan where employee benefits are assessed based on a formula using factors such as salary history and duration of employment. Public sector pension schemes are defined benefit schemes.

**Derivative** – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

**Diversification** – Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

**Equities** – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

**Fiduciary Duty** – A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

**Final Salary** – One type of defined benefit pension scheme where employee benefits are based on the person's final salary when they retire. The LGPS Scheme has moved from this to a CARE (career average revalued earnings) scheme in 2014.

**Funding Level** – The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.

**IFRS** – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

**Infrastructure** – The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

**Investment Strategy** – The investor's long-term distribution of assets across various asset classes taking into consideration their objectives, their attitude to risk and timescale.

**Liabilities** – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pension liabilities are the pensions benefits and payments that are due to be paid when someone retires.

**Market Value** – The price at which an investment can be bought or sold at a given date.

**Pooled Investment Fund** – A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are used as an efficient low-risk method of investing in the asset classes.

**Portfolio** – Block of assets generally managed under a single mandate.

**Private Equity** – Shares in unquoted companies. Usually high risk, high return in nature.

**Return** – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

**Risk** – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

**Scheduled Body** – Public sector employers or designating bodies that have an automatic right and requirement to be an employer within the LGPS.

**Settlement** – Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.

**Stock Lending** – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

**Target** – Managers are set a target for investment performance, such as 1% above benchmark per year over three year rolling periods.

**Triennial Actuarial Valuation** – Every three years the actuary formally reviews the assets and liabilities of the Lincolnshire Fund and produces a report on the Fund's financial position.

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

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>15 October 2020</b>
Subject:	<b>Training Needs</b>

**Summary:**

This item provides Board Members the opportunity to discuss any training attended since the last Board meeting and provide feedback to other Board Members on its content.

This report also brings to the Board any conference or training highlight notes from the previous three month period.

The Board should consider if there is any further training they wish to receive or attend in future months.

**Recommendation(s):**

That the Board are:

1. requested to share information on relevant events attended since the last Board meeting;
2. note any conference and training feedback from the previous three months; and
3. consider if there is any further training required in future months.

**Background**

- 1 The Fund's Training Policy requires members of the Pensions Committee, following attendance at any conference, seminar or external training events to share their thoughts on the event, including whether they would recommend it for others to attend. It was agreed that this would be a useful addition to Pension Board meetings too.
2. Therefore the Board are requested to share information on relevant events attended since the last Board meeting.

3. Due to on-going Covid-19 restrictions there are no conference notes to share with the Board.

## **Conclusion**

4. The Board should consider past training events attended and future training needs.

## **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 Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).

## Regulatory and Other Committee

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

Report to:	<b>Lincolnshire Pension Board</b>
Date:	<b>15 October 2020</b>
Subject:	<b>Work Programme</b>

#### Summary:

This report provides the Board with any opportunity to consider its work programme for the coming meetings.

#### Recommendation(s):

To review the Board's future work programme, highlighting any activity for possible inclusion in the work programme.

#### Background

The work programme, which is attached at **Appendix A** to this report, outlines the items for consideration at future meetings of the Board.

#### Conclusion

Members of the Board are invited to review, consider and comment on the work programme.

#### Consultation

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

No

**b) Risks and Impact Analysis**

N/A

#### Appendices

These are listed below and attached at the back of the report

Appendix A	Work Programme
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## **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 Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk) .

## LGPS PENSION BOARD – WORK PLAN

<b>15 October 2020</b>	
<b>Meeting to be held virtually and broadcast to the public</b>	
<i>Item</i>	<i>Lead Officer</i>
Pension Fund Update Report <i>(Report)</i>	Jo Ray (Head of Pensions)
Pensions Administration Update Report <i>(Report)</i>	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulator Data Scores <i>(Report)</i>	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
Internal Dispute Resolution Process <i>(Report)</i>	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
Employer Monthly Submissions Update <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Cyber Security <i>(Report and Presentation)</i>	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
Annual Report and Accounts 2019/20 – External Audit Outcomes <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Workplan <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)
Actuarial Appointment <i>(Report)</i>	Jo Ray (Head of Pensions)
LCC and WY Internal Audit Reviews <i>(Report)</i>	Claire Machej (Accounting, Investment and Governance Manager)

<b>7 January 2021</b>	
<b>Meeting Location: TBC</b>	
<i>Item</i>	<i>Lead Officer</i>
Pension Fund Update Report ( <i>Report</i> )	Jo Ray (Head of Pensions)
Pensions Administration Update Report ( <i>Report</i> )	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulator Data Scores ( <i>Report</i> )	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
Temporary Bank Accounts ( <i>Report</i> )	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
Employer Monthly Submissions Update ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Workplan ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)

**18 March 2021**

**Meeting Location: TBC**

<i>Item</i>	<i>Lead Officer</i>
Pension Fund Update Report ( <i>Report</i> )	Jo Ray (Head of Pensions)
Pensions Administration Update Report ( <i>Report</i> )	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulator Data Scores ( <i>Report</i> )	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
Employer Monthly Submissions Update ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Annual Review of Policies	Jo Ray (Head of Pensions)
Annual Report and Accounts 2020/21 – Review and Approval of Accounting Policies ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Border to Coast Report	Jo Ray (Head of Pensions)
Training Needs ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Workplan ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)

15 July 2021

Meeting Location: TBC

<i>Item</i>	<i>Lead Officer</i>
Pension Fund Update Report ( <i>Report</i> )	Jo Ray (Head of Pensions)
Pensions Administration Update Report ( <i>Report</i> )	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
The Pension Regulator Data Scores ( <i>Report</i> )	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
Temporary Bank Accounts ( <i>Report</i> )	Yunus Gajra (Business Development Manager, West Yorkshire Pension Fund)
Employer Monthly Submissions Update ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Annual Review of Pension Fund Risk Register ( <i>Report</i> )	Jo Ray (Head of Pensions)
Annual Report and Accounts 2020/21 – Approval of Draft Report and Accounts ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)
Workplan ( <i>Report</i> )	Claire Machej (Accounting, Investment and Governance Manager)

# Agenda Item 12

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

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# Agenda Item 13

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# Agenda Item 14

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