

# Public Document Pack



County Offices  
Newland  
Lincoln  
LN1 1YL

11 March 2020

## Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 19 March 2020** in **Committee Room One, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely

Debbie Barnes OBE  
Chief Executive

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

Councillors E W Strengiel (Chairman), P E Coupland (Vice-Chairman), B Adams, R D Butroid, P M Key, Clio Perraton-Williams, Mrs S Rawlins and Dr M E Thompson

## **Co-Opted Members**

Mr A N Antcliff, Employee Representative  
Steve Larter, Small Scheduled Bodies Representative  
R Waller, District Council Representative



**PENSIONS COMMITTEE AGENDA**  
**THURSDAY, 19 MARCH 2020**

Item	Title	Pages
1	<b>Apologies for Absence</b>	
2	<b>Declarations of Members' Interests</b>	
3	<b>Minutes of the previous meeting held on 9 January 2020</b>	5 - 12
4	<b>Independent Advisor's Report</b> <i>(To receive a report from Peter Jones, Independent Advisor, which provides a commentary on the current state of global investment markets)</i>	13 - 16
5	<b>Report by the Independent Chair of the Lincolnshire Local Pension Board</b> <i>(To receive a report by Roger Butterly, Independent Chair of the Local Pension Board, which updates the Committee on the work of the Pensions Board during the last few months)</i>	17 - 20
6	<b>Pension Fund Update Report</b> <i>(To receive a report by Jo Ray, Head of Pensions, which updates the Committee on Fund matters over the quarter ending 31 December 2019 and any current issues)</i>	21 - 54
7	<b>Pensions Administration Report</b> <i>(To receive a report by Yunus Gajra, Business Development Manager – West Yorkshire Pension Fund, which updates the Committee on current administration issues)</i>	55 - 80
8	<b>Employer Monthly Submissions Update</b> <i>(To receive a report by Claire Machej, Accounting, Investment and Governance Manager, which provides the Committee with up to date information on Employer Monthly Submissions for the third quarter of the financial year 2019/20 (October to December))</i>	81 - 84
9	<b>Investment Management Report</b> <i>(To receive a report by Claire Machej, Accounting, Investment and Governance Manager, which covers the management of the Lincolnshire Pension Fund over the period from 1 October to 31 December 2019)</i>	85 - 102
10	<b>Lincolnshire Pension Fund - Funding Strategy Statement and 2019 Valuation Report</b> <i>(To receive a report by Jo Ray, Head of Pensions, which brings the Funding Strategy Statement and the draft 2019 Valuation report to the Committee for approval)</i>	103 - 182
11	<b>Lincolnshire Pension Fund Policies Review</b> <i>(To receive a report by Jo Ray, Head of Pensions, which brings to the Committee the main policies of the Pension Fund for review)</i>	183 - 232

12	<b>Annual Report and Accounts 2019/20: Review of Accounting Policies</b>	233 - 242
	<i>(To receive a report by Claire Machej, Accounting, Investment and Governance Manager, which summarises the changes to the Code of Practice on Local Government Accounting and the review of the Council's Accounting Policies for the Pension Fund Statements)</i>	
13	<b>Lincolnshire Pension Fund - Business Plan 2020/21</b>	243 - 256
	<i>(To receive a report by Jo Ray, Head of Pensions, which brings the Lincolnshire Pension Fund Business Plan 2020/21 to the Committee for approval)</i>	
14	<b>CONSIDERATION OF EXEMPT INFORMATION</b>	
	<i>(In accordance with Section (100) (A) of the Local Government Act 1972, the following agenda item has not been circulated to the press and public on the grounds that it is considered to contain exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, as amended. The press and public may be excluded from the meeting for consideration of this item of business)</i>	
15	<b>Property Investment</b>	257 - 264
	<i>(To receive an exempt report by Jo Ray, Head of Pensions, which provides the Committee with the opportunity to consider information in relation to property investment)</i>	

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**Please Note:** for more information about any of the following please contact the Democratic Services Officer responsible for servicing this meeting

- Business of the meeting
- Any special arrangements
- Copies of reports

Contact details set out above.

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## PENSIONS COMMITTEE 9 JANUARY 2020

### PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), B Adams, R D Butroid, Clio Perraton-Williams and Dr M E Thompson

Co-Opted Members: Mr A N Antcliff (Employee Representative) and R Waller (District Council Representative)

Councillors: Roger Butterly and David Vickers attended the meeting as observers

Officers in attendance:-

Andrew Crookham (Executive Director Resources), Stuart Duncombe (Team Manager - Business Relations (West Yorkshire Pension Fund)), Peter Jones (Independent Advisor), Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Rachel Wilson (Democratic Services Officer)

### 42 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors P M Key and Mrs S Rawlins.

An apology for absence was also received from Steve Larter, Small Scheduled Bodies Representative.

### 43 DECLARATIONS OF MEMBERS' INTERESTS

Mr A Antcliff declared that he was a contributing member of the Fund.

### 44 MINUTES OF THE PREVIOUS MEETING HELD ON 12 DECEMBER 2019

RESOLVED:

That the minutes of the meeting held on 12 December 2019 be approved as a correct record and signed by Chairman.

### 45 INDEPENDENT ADVISOR'S REPORT

Consideration was given to a report by the Committee's Independent Advisor which provided a market commentary on the current state of global investment markets.

The Committee was advised that this update had been written before Christmas, and therefore an update on the position would be beneficial. Members were advised that

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in December 2018 the markets had experienced a sharp fall, and there had been concerns that this may happen again in 2019, however there had been a quiet end to the year. Economic news that had emerged had been more positive than expected, and messages were coming through that the service sector was growing steadily. However, the manufacturing sector was in decline, this was more of an issue in Germany where it made up 25% of the total economy, but for the UK and other countries where it contributed 10% to the economy this would have a smaller impact. Economic growth of around 1% was expected for the coming year.

In terms of the valuation of the Fund's assets, it was noted that at the end of 2018 it was slightly depressed at £2.2bn, but the November 2019 figures showed a valuation of £2.52bn which was an increase of £320m. However, as some of this increase had been due to the fall in interest rates it was not all good news, but the general outlook was good.

**RESOLVED**

That the report be noted.

**46     REPORT BY THE INDEPENDENT CHAIR OF THE LINCOLNSHIRE  
LOCAL PENSION BOARD**

Consideration was given to a report by Roger Butterly, Independent Chair of the Lincolnshire Local Pension Board, which updated the Committee on the work of the Pensions Board; for the Committee to receive assurances gained from the Board's work; and for the Committee to consider recommendations from the Board.

Members were guided through the report and the following points were highlighted:

- In terms of Employer Monthly Submissions and Contribution Monitoring the year to the end of September had seen 30 late payments and 85 late submissions of monthly returns.
- The report had shown a reduction in data scores since October 2019, with scheme specific now 73.5%. There was a data improvement plan in place which was positive. It was hoped that the Pension Board would have a deep dive on this at their meeting later the same day.
- In relation to Pension Benefits in Suspense, it was noted that £56k was now held on behalf of 45 people.
- It was highlighted that it was extremely positive that the number of Annual Benefit Statements issued to members by the statutory deadline was 99.6%.

The Committee was provided with the opportunity to ask questions in relation to the information contained within the report and some of the points raised during discussion included the following:

- In terms of the late payments, it was queried whether the fines were high enough. Members were advised that the issues were mainly with smaller employers, such as academies, parish and town councils, where there was one person responsible for submitting the monthly returns. There were rarely issues with the larger organisations such as districts or the Police.

- Academies often used payroll providers, and if there were late submissions, the employers would be notified and this could then be passed onto the payroll provider. It was highlighted that the fines did have an impact, as whilst they were not necessarily significant in terms of amount, there could be reputational issues.
- It was suggested that the figure would never be 100% of payments made on time, as there were too many intricacies involved in the process. Some of the payments and submissions may not actually be late but contained errors in the information submitted, for example the payment made and data submitted did not match. It was also noted that Lincolnshire monitored the timeliness and accuracy of information very closely, as it could impact member benefits. Officers did not have as much concern if it was new names coming through with late submissions rather than the same people time and time again.
- In terms of the suspense accounts, it was queried whether there was access to HMRC records. It was noted that a lot of organisations would use specific companies for tracing people. It had also been observed that not all members were willing to complete the necessary paperwork to claim their benefits.
- It was queried whether members of the pension fund were notified if their employer made a late payment, and the Committee was advised that they weren't because this did not have an impact on individual members pension benefits.

RESOLVED

That the report be noted.

47      PENSION FUND UPDATE REPORT

Consideration was given to a report by the Head of Pensions which updated the Committee on Fund matters over the quarter ending 30 September 2019 as well as any current matters.

Members were guided through the report which covered the following:- a funding level update; responsible investments; TPR checklist dashboard; Risk register update; asset pooling update; good governance review; and conference and training attendance.

It was reported that the Chairman, Councillor E Strengiel, had attended the Border to Coast Conference on the 10 and 11 October 2019, along with a number of other members. A wide range of interesting topics had been covered along with some of the challenges. The Employee Representative reiterated that it had been a very good agenda for the conference, the round table on global equity was highlighted as being very interesting. Members were reminded that there were still 10 places available for the Conference taking place in October 2020. Councillors Strengiel and Adams confirmed their intention to attend.

It was also reported that the Head of Pensions had recently attended the LAPFF Annual Conference, which had considered issues for the Pension Fund as a

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shareholder. Topics included a very interesting presentation from Tesco on how they were controlling food waste and packaging during production.

**RESOLVED**

That the report be noted.

**48      PENSIONS ADMINISTRATION REPORT**

Consideration was given to the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund. Stuart Duncombe, Team Manager was in attendance from WYPF to update the Committee on current administration issues.

Members were guided through the report and the following was highlighted:

- Performance and Benchmarking – everything was either above or at target level. The template for the Annual Benefit Statement had been changed so it included a lot of additional information. There had been a reduction in the number of pension estimates requested as this information was now included in the Annual Statement.
- In terms of the age profile of the scheme, it was now a fairly mature scheme.
- It was clarified that 2 online customer responses were received over the quarter July to September 2019.
- In terms of member and employer contact, only one negative comment was received, and a full response had been given to the person and they were now in receipt of their benefits.
- In terms of the Trivial Commutation, it was noted that the uptake had been lower than expected, but the WYPF would continue to follow up where people had not responded.
- In terms of administration costs, there had been a small increase in the admin cost per member, however, this was mainly due to improvements in the IT infrastructure and a staff restructure which had taken place.

Members were provided with the opportunity to ask questions to the officers present in relation to the information contained within the report and some of the points raised included the following:

- It was queried whether it would be helpful if some information was circulated to the Committee regarding what systems were in place for tracing members, and it was agreed that this would be useful.
- In relation to the uptake of the offer to commute trivial pension, it was confirmed that those members affected would be written to. It was also highlighted that work on this had commenced in March 2019.
- It was confirmed that the lump sum would be a final figure, in relation to trivial commutation. It was highlighted that this related to people with pensions of less than £250 per year, and were for small amounts. A copy of a sample letter would be sent out for members' information.

**RESOLVED**

That the update be noted.

**49      EMPLOYER MONTHLY SUBMISSIONS UPDATE**

The Committee received a report which provided up to date information on Employer Monthly Submissions for the second quarter of the financial year 2019/20 (July to September).

It was highlighted that members had expressed concerns at the meeting in October 2019 regarding the continuing number of employers submitting late or incorrect data and contributions. The report set out the actions which had been taken in response to these concerns. It was thought that Lincolnshire's processes appeared to be at least as robust as other funds. It was also noted that the processes were more in depth than those at WYPF.

It was confirmed that a letter had been written to all employers.

**RESOLVED**

That the report be noted.

**50      INVESTMENT MANAGEMENT REPORT**

Consideration was given to a report which covered the management of the Lincolnshire Pensions Fund Assets over the period from 1 July 2019 to 30 September 2019. The report covered the Fund Summary – Asset Allocation and Performance; Hymans Robertson Manager Ratings; and Individual Manager Updates.

Members were guided through the report and no questions were raised in relation to the contents.

**RESOLVED**

That the report be noted.

**51      BORDER TO COAST RESPONSIBLE INVESTMENT POLICY AND CORPORATE GOVERNANCE VOTING GUIDELINES REVIEW**

Consideration was given to a report which highlighted to the Committee the changes from the Border to Coast Pensions Partnership annual review of their Responsible Investment Policy and Corporate Governance and Voting Guidelines. The report also asked the Committee to approve the alignment of the new version to the current Lincolnshire policy and guidelines.

It was reported that this was the third year this had been brought to the Committee. The key changes were shown on pages 103 and 104 of the agenda pack. It was highlighted that one area not included in the revised policy was Border to Coast's

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approach to exclusions. They currently did not have an exclusion policy or any red-lines for investing and further work would be needed to assess investment implications and impacts if they were to adopt any red-lines and/or exclusions and how this could affect Partner Funds' assets held outside the pool.

It was queried whether, as a member of the Border to Coast Officer Group, officers were aware of what other pools were doing in terms of red-lines/exclusions. The Committee was advised that they were all in very different places. There were individual funds which had exclusions, but the Head of Pensions was not aware of any pools that had exclusions at this time. It was noted that there was an allowance within the Policy, for individual funds to choose to vote their holding in a sub fund differently by exception. However, this would be administratively challenging, and had not happened yet.

**RESOLVED**

1. That the proposed Border to Coast Responsible Investment Policy and Corporate Governance and Voting Guidelines be agreed;
2. That the Lincolnshire Responsible Investment Policy and Voting Guidelines be aligned with Border to Coast's; and
3. That the report be noted.

**52      CONSIDERATION OF EXEMPT INFORMATION****RESOLVED**

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

**53      MANAGER PRESENTATION - INVESCO - GLOBAL EX. UK EQUITY PORTFOLIO**

Members received a presentation from representatives of Invesco Asset Management who managed the Global ex. UK Equity Portfolio.

A number of questions and points from the Committee were responded to.

**RESOLVED**

That the presentation be noted.

**54      INVESTMENT STRATEGY UPDATE**

Consideration was given to a report by the Head of Pensions which updated the Committee on the Fund's investment strategy.

A number of points and questions were responded to by officers.

RESOLVED

That the recommendations as set out in the exempt report be approved.

The meeting closed at 12.42 pm

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# Agenda Item 4



## Regulatory and Other Committee

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

Report to:	<b>Pensions Committee</b>
Date:	<b>19 March 2020</b>
Subject:	<b>Independent Advisor's Report</b>

#### **Summary:**

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

#### **Recommendation(s):**

That the Committee note the report.

#### **Background**

#### **Investment Commentary – March 2020**

##### **How will the Coronavirus affect the health of the Global Economy?**

##### **Recent market movements**

For most of February, investment markets were taking a relaxed attitude to the developing Coronavirus threat. They probably believed that either the Chinese authorities would successfully contain the threat or alternatively that any impact on the global economy would be readily offset by the Central Banks of the world.

US equities hit an all-time high in mid-February and many other equity markets were at or pretty close to their peak levels. And bond yields were flirting with previous price highs, i.e. yield lows. However, in late February, as significant cases of infection were revealed outside China, in South Korea, Italy, Iran etc, equity markets reacted sharply downwards, with falls of around 10%. And, bond yields fell once more, i.e. prices rose. It was not quite a good, old fashioned panic – but getting uncomfortably close!

##### **Coronavirus**

Medically, the Coronavirus does not appear especially potent. Certainly not compared to the usual winter strains of influenza, which is far more widespread

and has a higher mortality rate. And does not attract more than routine media headlines. The draconian, if warranted, actions of the Chinese authorities in isolating Wuhan (a city of over 10 million citizens) changed everything and was news everywhere around the world. The Coronavirus itself does not seem to be especially harmful to young people: the average age of those dying from it is in the mid 70's and often with pre-existing medical conditions.

At present, the medical authorities around the world have few specific treatments other than quarantine. And it is this that is the threat to the global economy and that has led to stock market "jitters". Before the outbreak of the virus, the growth rate of the global economy was certainly slowing down, with the US and China still expanding and Europe and Japan in the doldrums, if not actually in recession. The UK was advancing modestly. The vulnerability of the global economy stems from its interdependence on trading partners, notably China, for a complex supply chain of component parts and raw materials. Quite how this pans in the coming weeks is impossible to define. The potential for serious disruption, for example in the motor industry, is obvious and could last some months. Added to this is a sharp reduction in demand from consumers in some sectors, e.g. airline travel, leisure, and conferencing.

### Trade negotiations between China and the USA

Before the outbreak of the virus, the US and China appeared to have reached some measure of agreement – the so called “phase one” agreement. Seemingly this gave the US little of what it was demanding and no doubt the fact that 2020 is the year of the election of the President and for a third of the seats in the US Senate had something to do with the pause in negotiations. So, this topic was removed, at least temporarily, from the list of professional investors’ anxieties.

There are still some anxieties about the health of the US economy but employment is at record high levels and consumers are still spending fairly freely. Presidential election year traditionally sees a short term boost to economic growth but this year the saga of Boeing’s 737 Max aircraft, the manufacture of which has been suspended for many months following the two disastrous crashes, has had a surprisingly large negative effect, perhaps as much as 0.25% per annum on the US GDP growth rate.

In the UK, the Brexit negotiations are likely to constrain the UK equity markets, and less so, European ones. Boris Johnson’s hard line stance on the negotiations leaves open the possibility of the UK leaving without a deal. And President Macron, of France, is seemingly intransigent on a number of issues, e.g. fishing, which also raises that likelihood.

### **Conclusion**

The Coronavirus is a “flu type” illness. So most observers expect it to recede as the weather in the northern hemisphere turns from winter into spring and then summer. That will at least bring some respite and enable time for vaccine treatments to be developed. It does not remove the threat of a return next winter.

At the time of writing, new cases of Coronavirus are falling in China (a welcome sign) but increasing elsewhere in the world. The situation remains very fluid from day to day and I expect stock markets to react accordingly.

My working assumption, at this stage, is that there will be at least one quarter when the Coronavirus, the disruption to supply chains and inadequate demand in selected sectors dominate headlines. But they will gradually return to normal and permit more orderly investment markets, which should bring renewed buoyancy in equity markets and a modest rise in bond yields.

Peter Jones

2 March 2020

### **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**

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

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# Agenda Item 5



## Regulatory and Other Committee

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

Report to:	<b>Pensions Committee</b>
Date:	<b>19 March 2020</b>
Subject:	<b>Report by the Independent Chair of the Lincolnshire Local Pension Board</b>

#### **Summary:**

The purpose of this report is:

- A) To update the Pensions Committee on the work of the Pensions Board (PB) during the last few months;
- B) For the Pensions Committee to receive assurances gained from the PB's work; and
- C) For the Pensions Committee to consider recommendations from the PB.

#### **Recommendation(s):**

The Pensions Committee is requested to note the report.

#### **Background**

##### **1.0 OUTCOMES FROM PENSION BOARD MEETING ON 9 JANUARY 2020**

- 1.1 The PB met on the 9 January and a particular focus was on the three issues on which I have reported previously, namely Employer Monthly Submissions and Contribution Monitoring, Data Scores and Pension Benefits in Suspense.
- 1.2 Employer Monthly Submissions and Contribution Monitoring – the Pensions Team remain content that the processes in place to monitor contributions are robust and at least as comprehensive as other LGPS Administering Authorities. I wrote to all employers and payroll providers in November reminding them of their statutory responsibilities for providing information to the Pension Fund as well as paying the contributions by the due date. The Pensions Team has also reviewed the internal processes to ensure that these remain focussed and robust. The Team has also revisited its escalation processes to ensure that any issues are addressed at the earliest opportunity. For the vast majority of employers, the payment of contributions

and the data submissions are made on a timely basis. For the first nine months of the new financial year, there were 38 cases of the late payment of contributions and 117 cases of the late submission of the monthly returns. Efforts will continue to remind employers/payroll providers of their duties and responsibilities through individual contacts either in person, by email or telephone.

- 1.3 Data Scores – the PB considered a further update from WYPF on the data scores for the Lincolnshire Pension Fund as reported to the Pensions Regulator; these were Common 96.12% and Scheme Specific 85.69%. The target is 100%, particularly for Common Data. WYPF are currently working on a data improvement plan, using a tracing company in an attempt to track lost members. The PB will continue to monitor the position because the Pensions Regulator expects an improvement in data quality for all public sector schemes.
- 1.4 Pension Benefits in Suspense – in an earlier report, I mentioned that when a member reaches pension age and they have not been successfully traced, WYPF had set up a HSBC bank account with sub accounts for each pensioner. This avoids any unauthorised payment tax charges for the members once they are found. Whilst the Board understands the reasons for this arrangement, it is concerned at the number of members who are not in receipt of their benefits. The PB considered a further report on the amounts currently held in these Sub Accounts and the proposed course of action to find the members. The number of temporary deposit accounts held for lost contact pensioners and deferred members had decreased to 42 (from 64), with a total of £55,736 held by HSBC. The number of temporary deposit accounts held for post 2014 preserved refunds had increased to 64 (from 38), with a small total of £3,778 held by HSBC. The PB was advised that WYPF review annually the bank accounts and carry out traces to locate the rightful owners of the funds held on a temporary basis. The PB requested a further update including timescales as to the length of time each unclaimed benefit has been outstanding.
- 1.5 The Pensions Regulator- Governance and Administration “Deep Dive” Engagement Report – the PB considered this report and concluded that Lincolnshire was already delivering the key recommendations.

## **Conclusion**

### **ASSURANCES GAINED BY THE BOARD**

- 2.1 The vast majority of employers pay their contributions on time and submit the required documentation. However, there are a few late payers and even more where the data submission is late.
- 2.2 The PB has some concerns about the data scores and cannot provide full assurance on this aspect.

- 2.3 The PB has some concerns over the controls of the Suspense Account for unpaid pension benefits and the length of time that it takes to locate "missing" members.

**Roger Buttery**  
**Independent Chairman**

March 2020

### **Consultation**

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

No

**b) Risks and Impact Analysis**

N/A

### **Background Papers**

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

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# Agenda Item 6



## Regulatory and Other Committee

### Open Report on behalf of Andrew Crookham Executive Director – Resources

Report to:	<b>Pensions Committee</b>
Date:	<b>19 March 2020</b>
Subject:	<b>Pension Fund Update Report</b>

#### **Summary:**

This report updates the Committee on Fund matters over the quarter ending 31 December 2019 and any current issues.

The report covers:

1. A Funding Level Update
2. Responsible Investments
3. TPR Checklist Dashboard
4. Breaches Register Update
5. Risk Register Update
6. Asset Pooling Update
7. Actuarial Services Contract
8. Conference and Training Attendance

#### **Recommendation(s):**

That the Committee note the report and approve the creation of a working group of officers and volunteers from the Pensions Committee to consider the Actuarial appointment and, following due process, recommend an appointment to the October meeting of the Pensions Committee.

#### **Background**

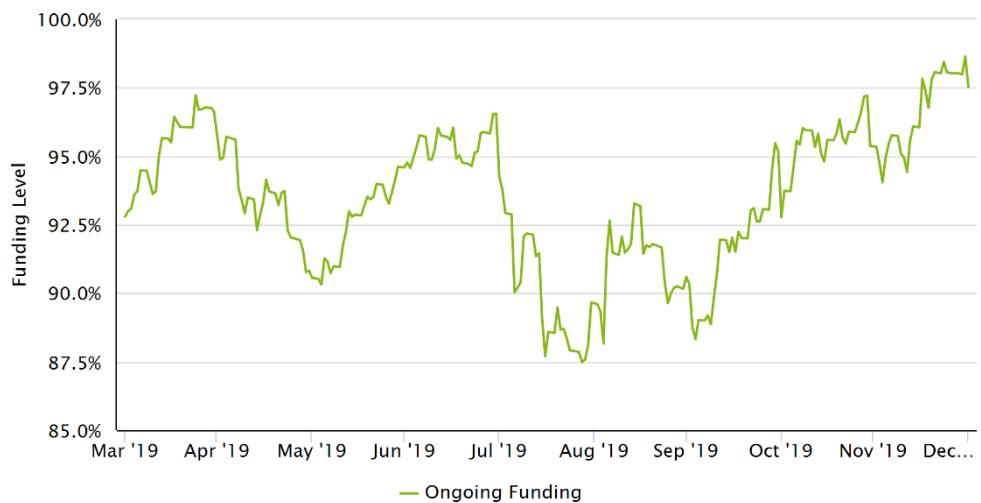
##### **1. Funding Level Update**

- 1.1 The funding update is provided to illustrate the estimated development of the funding position of the Lincolnshire Pension Fund from the latest formal valuation, 31 March 2019, to the current quarter end, 31 December 2019. The accuracy of this type of funding update is expected to decline over time, as the period since the last valuation increases. This is because the funding update does not allow for changes in individual members' data since the last valuation. It is, however, a useful tool to assist the Committee to identify

whether the time is right to reduce the overall risk in the asset allocation of the Fund, as it approaches a 100% funding level.

- 1.2 At the last formal valuation, the Fund assets were £2,353m and the liabilities were £2,536m. This represented a deficit of £183m and equated to a funding level of 93%. Since the valuation the funding level has increased by 5% to 98%. The graph below shows the changes to the funding level since 31 March 2019.

### Change in funding level since last valuation



- 1.3 Over the period 31 March 2019 to 31 December 2019 the deficit, in real money, has decreased from £183m to £65m. The table below shows the main impactors on the deficit. Investment returns of 7.9% over the period since the valuation have been higher than expected. However, the outlook for future investment returns over the next 20 years on the Fund's portfolio of assets has fallen (from 4.0% p.a. to 3.8% p.a.), increasing the value placed on liabilities. Since the valuation contributions have broadly matched the accrual of new benefits.

### Overall effect

Surplus/(deficit)	£m
Surplus/(deficit) as at 31/03/2019	(183)
Contributions (less benefits accruing)	2
Interest on surplus/(deficit)	(6)
Excess return on assets	117
Change in inflation & expected future investment return	5
Surplus/(deficit) as at 31/12/2019	(65)

## **2. Responsible Investments**

### **Voting**

2.1 Appendix A presents summarised information in respect of how external managers have voted in relation to the Fund's equity holdings. As requested at the October Committee meeting, the narrative has been expanded to include a brief rationale where voting has been different to the management recommendation.

### **Local Authority Pension Fund Forum Membership**

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

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

2.3 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 engaged with 35 companies on issues ranging from human rights and employment standards to climate change reporting and environmental risk.
- LAPFF issued voting alerts for both the BHP and ANZ AGMs during the quarter. Both alerts addressed climate lobbying, an aspect of company behaviour that is increasingly surfacing in shareholder resolutions. For both companies, the Forum recommended votes in favour of two resolutions, one procedural resolution to change company articles of association to allow for the second, substantive, resolution on company membership of trade associations with poor policies and records on tackling climate change.

- LAPFF Vice-Chair Cllr Rob Chapman met with Sainsbury's chair, Martin Scicluna and Judith Batchelor, Director of Sainsbury's Brands, to understand better the board's strategy for resilient and sustainable business practices, including plastic reduction, as well as a commitment to work toward a zero carbon business using a just transition approach.
  - LAPFF, along with other Climate Action 100+ investors, met with BP CEO-elect Bernard Looney in November to discuss the company's strategy relating to the Paris Goals as well as investor expectations of oil and gas companies more broadly. The Forum also asked the company about its governance of and practices relating to corporate climate lobbying, requesting that BP undertake and report on an industry association mapping exercise.
  - At a meeting with National Grid, LAPFF and other Climate Action 100+ investors sought more granularity on climate targets, including science based targets and operating the grid at zero carbon by 2025. Clarification was also sought on integrating renewables into the grid and on the roll-out of electric vehicle charging points. A final request of the company was to enhance TCFD (Task force on Climate-related Financial Disclosures) disclosure for the US business, including methane management.
- 2.4 The LAPFF Annual Conference took place in Bournemouth in December. Speakers ranged from Brazilian representatives of communities affected by the Samarco and Brumadinho dam collapses to Sir Peter Gershon, Chair of National Grid, to Kenneth Clarke and John Bercow, who offered their thoughts on Parliament and Brexit proceedings. Topics covered the investor tailings dam initiative, food waste and plastic, the transition to net zero, cyber security and social media abuse, media standards and a LAPFF engagement round up.
- 2.5 Members of the Committee should contact the author of this report if they would like further information on the Forum's activities.

### **3 TPR Checklist Dashboard**

- 3.1 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.
- 3.2 No areas have changed since the last quarter's report.
- 3.3 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.*

#### **4 Breaches Reporting - update**

4.1 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 C shows those breaches logged since recording began. Since the last quarter end, one breach has been added, detailed below:

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

## 5 Risk Register Update

- 5.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Committee to be approved.
- 5.2 There has been one change to the risk register since the last Committee meeting. This impacts an operational risk, number O3 - Calculating and paying pensions correctly. The likelihood score has been increased in this risk because we have been made aware that one employer, Lincolnshire County Council (LCC), could potentially lose access to historical payroll data. If this were to be the case then LCC would be unable to provide data required to calculate pensions correctly for some scheme members. This has been escalated within LCC and the matter is being addressed, and progress is being monitored closely.

Risk O3	Consequences	Controls	Risk Score*	
			L	I
Calculating / paying pensions correctly (inc. completion of Guaranteed Minimum Pension Reconciliation and communication with members)	Damaged reputation Financial loss	Internal control through audit process Constant monitoring / checking Quality standard at WYPF Process management NFI and Tracing services Data Cleansing	3	2

- 5.3 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		

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

## **6 Asset Pooling Update**

### **Sub Funds**

- 6.1 The Fund made its second investment with Border to Coast in February, into the Investment Grade Credit Fund. The transition was managed by Blackrock, and overseen by Inalytics. At the time of writing this report, the transition from the partner funds legacy assets into the final Border to Coast managers' portfolios was underway. Inalytics will provide a report on the transition work undertaken by Blackrock in due course, and officers will attend a post transition meeting with Border to Coast to discuss the process.
- 6.2 The next investment is into the Multi Asset Credit (MAC) Fund, in the second half of 2020. As agreed at the January meeting of this Committee, an initial investment may be made into the appointed core MAC manager's fund ahead of the move to Border to Coast.
- 6.3 Following the presentation and additional due diligence on the internally managed Border to Coast UK Equity Fund, an investment will be made into this Fund in due course, subject to the delegated approval as agreed at the January Committee meeting.
- 6.4 The development of the Alternatives products have progressed well, with the Private Equity, Infrastructure and Private Debt sleeves open and they have made their first commitments. Discussion is still being had with Funds and advisors on the other alternative requirements. As the Committee are aware, Lincolnshire Pension Fund will not be transitioning across to the Alternatives offering until all sleeves are available, and the Committee is satisfied that Border to Coast are able to offer a fully managed solution, akin to the Morgan Stanley mandate currently held.
- 6.5 Officers and advisors across the Partner Funds have continued to work closely with Border to Coast on the development of the sub-fund products, with a number of workshops attended and planned to discuss requirements and agree structures.

### **Joint Committee Meetings**

- 6.6 As mentioned in the January Fund Update report, a Responsible Investment (RI) Meeting was arranged on 2 March for the Joint Committee members to discuss and understand the partner funds RI views and beliefs and to understand and prioritise the activities undertaken by Border to Coast to ensure that all Funds are content with the direction of travel on RI. Cllr Mike Thompson and the Head of Pensions attended for Lincolnshire.
- 6.7 The papers of the 9 March JC were circulated to all Pensions Committee members. The minutes will be circulated once approved, and below are the agenda items for the meeting:

- Elections for the Roles of Chairman and Vice Chairman of the Joint Committee and nominations for the Border to Coast Board
- Joint Committee Budget
- Partner Fund Satisfaction Survey
- Governance Charter
- Market Returns
- Performance Report
- Global Equity Alpha Transition
- Multi Asset Credit (MAC) - Design and Prospectus Submission
- Sterling Index Linked Bonds Fund - Design and Prospectus Submission
- Emerging Market Equities Capabilities - Design and Prospectus Submission
- Alternatives Update
- Chief Executive Officer (CEO) Report

6.8 The next JC meeting is being held on 16 June 2020 and papers will be circulated to Committee members. Any questions or comments on the papers should be directed to Cllr Strengiel, who can raise them at the meeting.

### **Shareholder Matters**

- 6.9 As the Committee are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The Committee's role is that of investor, and is represented at the Joint Committee by the Chairman of the Pensions Committee. The shareholder role is undertaken by the Executive Director of Resources, and fulfils the role as set out in the Shareholder Agreement, which was approved by Full Council in February 2017.
- 6.10 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.
- 6.11 There were a number of shareholder resolutions since the last report. These were:
- to approve the strategy and business plan;
  - to approve the NED remuneration;
  - to approve the appointment of three NED's, including the two Partner Fund nominated NED's; and
  - to approve the increase in regulatory capital by issuing additional "B" shares.

## **7      Actuarial Services Appointment**

- 7.1 At the July 2019 meeting of this Committee, it was agreed that the Actuarial Services contract could have a ten month extension to 31 October 2020, to allow for the completion of the 2019 Triennial Valuation and the 2020 Accounting reports. This service covers both Actuarial Services and Benefits Consultancy.
- 7.2 The intention is to use the National Frameworks Actuarial Services framework agreement to call off from. This is currently being refreshed, and the Head of Pensions is working alongside other LGPS funds to make the appointments to this framework. It is expected that this process will be completed by mid-July.
- 7.3 To enable a robust call-off process within the timeframe available, officers request that a working group is created from officers and volunteers from the Committee to:
  - agree the specification and information to tender (ITT) documentation for call-off from the framework;
  - to evaluate responses; and
  - to recommend an appointment to the October meeting of this Committee
- 7.4 It is expected that this work would begin in mid-July 2020, following the launch of the new Actuarial Services framework.
- 7.5 The Committee are therefore asked to approve the recommendation to create this working group, and to agree volunteers to participate in the group.

## **8      Conference and Training Attendance**

- 8.1 It is stated in the Committee's Training Policy, approved each July, that following attendance at any conferences, seminars or external training events, members of the Committee and officers will share their thoughts on the event, including whether they recommended it for others to attend.
- 8.2 The Committee and officers are therefore requested to share information on relevant events attended since the last Committee meeting.

## **Conclusion**

- 9 The work with Border to Coast continues and the second transition to the Investment Grade Credit sub-fund has completed successfully. Planning is already underway for the next transitions into Multi-Asset Credit and UK Equities.

- 10 The Committee are requested to approve the creation of a working group of officers and volunteers from the Pensions Committee to consider the Actuarial Services appointment and, following due process, recommend an appointment to the October meeting of the Pensions Committee.

## **Consultation**

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

Yes

### **b) Risks and Impact Analysis**

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

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Equity Voting Activity
Appendix B	TPR Checklist Dashboard
Appendix C	Breaches Register

## **Background Papers**

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

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

## Appendix A

### Manager Voting – October-December 2019

#### **Border to Coast**

Company Name	Country	Meeting Date	Proponent	Proposal Number	Proposal Description	Management Recommendation	Vote Decision	With Or Against Management	Vote Note
London Stock Exchange Group	United Kingdom	11/26/2019	Management	1	Acquisition of Refinitiv	For	For	With Management	
London Stock Exchange Group	United Kingdom	11/26/2019	Management	2	Share Issuance Pursuant to Acquisition	For	For	With Management	
Factset Research Systems Inc.	United States	12/19/2019	Management	1.1	Elect F. Phillip Snow	For	For	With Management	
Factset Research Systems Inc.	United States	12/19/2019	Management	1.2	Elect Sheila B. Jordan	For	For	With Management	
Factset Research Systems Inc.	United States	12/19/2019	Management	1.3	Elect James J. McGonigle	For	For	With Management	
Factset Research Systems Inc.	United States	12/19/2019	Management	2.	Ratification of Auditor	For	For	With Management	
Factset Research Systems Inc.	United States	12/19/2019	Management	3.	Advisory Vote on Executive Compensation	For	Against	Against Management	Long term awards are not linked to performance.

#### **Invesco**

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Teleperformance SE	France	01-Oct-19	Special	Management	1	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	For	For	
Teleperformance SE	France	01-Oct-19	Special	Management	2	Authorize Filing of Required Documents/Other Formalities	For	For	
Singapore Exchange Limited	Singapore	03-Oct-19	Annual	Management	1	Adopt Financial Statements and Directors' and Auditors' Reports	For	For	
Singapore Exchange Limited	Singapore	03-Oct-19	Annual	Management	2	Approve Final Dividend	For	For	
Singapore Exchange Limited	Singapore	03-Oct-19	Annual	Management	3a	Elect Chew Gek Khim as Director	For	For	
Singapore Exchange Limited	Singapore	03-Oct-19	Annual	Management	3b	Elect Jane Diplock as Director	For	For	
Singapore Exchange Limited	Singapore	03-Oct-19	Annual	Management	3c	Elect Lim Sok Hui as Director	For	For	
Singapore Exchange Limited	Singapore	03-Oct-19	Annual	Management	4	Approve Directors' Fees to be Paid to the Chairman	For	For	
Singapore Exchange Limited	Singapore	03-Oct-19	Annual	Management	5	Approve Directors' Fees to be Paid to All Directors (Other than the Chief Executive Officer)	For	For	
Singapore Exchange Limited	Singapore	03-Oct-19	Annual	Management	6	Approve KPMG LLP as Auditors and Authorize Board to Fix Their Remuneration	For	For	
Singapore Exchange Limited	Singapore	03-Oct-19	Annual	Management	7	Approve Issuance of Equity or Equity-Linked Securities with or without Preemptive Rights	For	For	
Singapore Exchange	Singapore	03-Oct-19	Annual	Management	8	Authorize Share Repurchase	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Limited						Program			
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1a	Elect Director Francis S. Blake	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1b	Elect Director Angela F. Braly	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1c	Elect Director Amy L. Chang	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1d	Elect Director Scott D. Cook	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1e	Elect Director Joseph Jimenez	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1f	Elect Director Terry J. Lundgren	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1g	Elect Director Christine M. McCarthy	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1h	Elect Director W. James McNerney, Jr.	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1i	Elect Director Nelson Peltz	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1j	Elect Director David S. Taylor	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1k	Elect Director Margaret C. Whitman	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	1l	Elect Director Patricia A. Woertz	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	2	Ratify Deloitte & Touche LLP as Auditors	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	3	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
The Procter & Gamble Company	USA	08-Oct-19	Annual	Management	4	Approve Omnibus Stock Plan	For	For	
CK Asset Holdings Limited	Cayman Islands	09-Oct-19	Special	Management	1	Approve Proposed Recommended Cash Acquisition of the Entire Issued and to be Issued Share Capital of Greene King Plc	For	For	
Raytheon Company	USA	11-Oct-19	Special	Management	1	Approve Merger Agreement	For	For	
Raytheon Company	USA	11-Oct-19	Special	Management	2	Advisory Vote on Golden Parachutes	For	For	
Raytheon Company	USA	11-Oct-19	Special	Management	3	Adjourn Meeting	For	For	
United Technologies Corporation	USA	11-Oct-19	Special	Management	1	Issue Shares in Connection with Merger	For	Against	
United Technologies Corporation	USA	11-Oct-19	Special	Management	2	Adjourn Meeting	For	Against	
Allergan plc	Ireland	14-Oct-19	Special	Management	1	Approve Scheme of Arrangement	For	For	
Allergan plc	Ireland	14-Oct-19	Special	Management	1	Approve Scheme of Arrangement	For	For	
Allergan plc	Ireland	14-Oct-19	Special	Management	2	Approve Cancellation of Cancellation Shares	For	For	
Allergan plc	Ireland	14-Oct-19	Special	Management	3	Authorize Board to Allot and Issue Shares	For	For	
Allergan plc	Ireland	14-Oct-19	Special	Management	4	Amend Articles of Association	For	For	
Allergan plc	Ireland	14-Oct-19	Special	Management	5	Advisory Vote on Golden Parachutes	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Allergan plc	Ireland	14-Oct-19	Special	Management	6	Adjourn Meeting	For	For	
Telstra Corporation Limited	Australia	15-Oct-19	Annual	Management	3a	Elect Eelco Blok as Director	For	For	
Telstra Corporation Limited	Australia	15-Oct-19	Annual	Management	3b	Elect Craig Dunn as Director	For	For	
Telstra Corporation Limited	Australia	15-Oct-19	Annual	Management	3c	Elect Nora Scheinkestel as Director	For	For	
Telstra Corporation Limited	Australia	15-Oct-19	Annual	Management	4a	Approve Grant of Restricted Shares to Andrew Penn	For	For	
Telstra Corporation Limited	Australia	15-Oct-19	Annual	Management	4b	Approve Grant of Performance Rights to Andrew Penn	For	For	
Telstra Corporation Limited	Australia	15-Oct-19	Annual	Management	5	Approve Remuneration Report	For	For	
Telstra Corporation Limited	Australia	15-Oct-19	Annual	Management	6	Approve Spill Resolution	Against	Against	
Commonwealth Bank of Australia	Australia	16-Oct-19	Annual	Management	2a	Elect Shirish Apte as Director	For	For	
Commonwealth Bank of Australia	Australia	16-Oct-19	Annual	Management	2b	Elect Mary Padbury as Director	For	For	
Commonwealth Bank of Australia	Australia	16-Oct-19	Annual	Management	2c	Elect Genevieve Bell as Director	For	For	
Commonwealth Bank of Australia	Australia	16-Oct-19	Annual	Management	2d	Elect Paul O'Malley as Director	For	For	
Commonwealth Bank of Australia	Australia	16-Oct-19	Annual	Management	3	Approve Remuneration Report	For	For	
Commonwealth Bank of Australia	Australia	16-Oct-19	Annual	Management	4	Approve Grant of Rights to Matt Comyn	For	For	
Commonwealth Bank of Australia	Australia	16-Oct-19	Annual	Management	5	Adopt New Constitution	For	For	
Treasury Wine Estates Limited	Australia	16-Oct-19	Annual	Management	2a	Elect Louisa Cheang as Director	For	For	
Treasury Wine Estates Limited	Australia	16-Oct-19	Annual	Management	2b	Elect Ed Chan as Director	For	For	
Treasury Wine Estates Limited	Australia	16-Oct-19	Annual	Management	2c	Elect Warwick Every-Burns as Director	For	For	
Treasury Wine Estates Limited	Australia	16-Oct-19	Annual	Management	2d	Elect Garry Hounsell as Director	For	For	
Treasury Wine Estates Limited	Australia	16-Oct-19	Annual	Management	2e	Elect Colleen Jay as Director	For	For	
Treasury Wine Estates Limited	Australia	16-Oct-19	Annual	Management	2f	Elect Lauri Shanahan as Director	For	For	
Treasury Wine Estates Limited	Australia	16-Oct-19	Annual	Management	2g	Elect Paul Rayner as Director	For	For	
Treasury Wine Estates Limited	Australia	16-Oct-19	Annual	Management	3	Approve Proportional Takeover Provision	For	For	
Treasury Wine Estates Limited	Australia	16-Oct-19	Annual	Management	4	Approve Remuneration Report	For	For	
Treasury Wine Estates Limited	Australia	16-Oct-19	Annual	Management	5	Approve Grant of Performance Rights to Michael Clarke	For	For	
Aurizon Holdings Limited	Australia	17-Oct-19	Annual	Management	2a	Elect Russell Caplan as Director	For	For	
Aurizon Holdings Limited	Australia	17-Oct-19	Annual	Management	2b	Elect Michael Fraser as Director	For	For	
Aurizon Holdings Limited	Australia	17-Oct-19	Annual	Management	2c	Elect Kate Vidgen as Director	For	For	
Aurizon Holdings Limited	Australia	17-Oct-19	Annual	Management	3	Approve Grant of Performance Rights to Andrew Harding	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Aurizon Holdings Limited	Australia	17-Oct-19	Annual	Management	4	Approve Remuneration Report	For	For	
Magellan Financial Group Ltd.	Australia	24-Oct-19	Annual	Management	2	Approve Remuneration Report	For	For	
Magellan Financial Group Ltd.	Australia	24-Oct-19	Annual	Management	3a	Elect Hamish Douglass as Director	For	For	
Magellan Financial Group Ltd.	Australia	24-Oct-19	Annual	Management	3b	Elect Hamish McLennan as Director	For	For	
Magellan Financial Group Ltd.	Australia	24-Oct-19	Annual	Management	4a	Approve Issuance of Shares to Brett Cairns Under the Share Purchase Plan	For	For	
Magellan Financial Group Ltd.	Australia	24-Oct-19	Annual	Management	4b	Approve Grant of Related Party Benefits to Brett Cairns	For	For	
Insurance Australia Group Ltd.	Australia	25-Oct-19	Annual	Management	1	Approve the Remuneration Report	For	For	
Insurance Australia Group Ltd.	Australia	25-Oct-19	Annual	Management	2	Approve Grant of Deferred Award Rights and Executive Performance Rights to Peter Harmer	For	For	
Insurance Australia Group Ltd.	Australia	25-Oct-19	Annual	Management	3	Elect George Savvides as Director	For	For	
Insurance Australia Group Ltd.	Australia	25-Oct-19	Annual	Management	4	Elect Helen Marion Nugent as Director	For	For	
Insurance Australia Group Ltd.	Australia	25-Oct-19	Annual	Management	5	Elect Thomas William Pockett as Director	For	For	
Insurance Australia Group Ltd.	Australia	25-Oct-19	Annual	Management	6	Ratify Past Issuance of Subordinated Medium Term Notes to Institutional Investors	For	For	
Insurance Australia Group Ltd.	Australia	25-Oct-19	Annual	Share Holder	7a	Approve the Amendments to the Company's Constitution	Against	Against	
Insurance Australia Group Ltd.	Australia	25-Oct-19	Annual	Share Holder	7b	Approve Fossil Fuel Investment Exposure Reduction Targets	Against	Against	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1a	Elect Director Sallie B. Bailey	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1b	Elect Director William M. Brown	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1c	Elect Director Peter W. Chiarelli	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1d	Elect Director Thomas A. Corcoran	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1e	Elect Director Thomas A. Dattilo	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1f	Elect Director Roger B. Fradin	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1g	Elect Director Lewis Hay, III	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1h	Elect Director Lewis Kramer	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1i	Elect Director Christopher E. Kubasik	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1j	Elect Director Rita S. Lane	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1k	Elect Director Robert B. Millard	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	1l	Elect Director Lloyd W. Newton	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	2	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
L3Harris Technologies, Inc.	USA	25-Oct-19	Annual	Management	3	Ratify Ernst & Young LLP as Auditors	For	For	
Qantas Airways Limited	Australia	25-Oct-19	Annual	Management	2.1	Elect Richard Goyder as Director	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Qantas Airways Limited	Australia	25-Oct-19	Annual	Management	2.2	Elect Paul Rayner as Director	For	For	
Qantas Airways Limited	Australia	25-Oct-19	Annual	Management	2.3	Elect Todd Sampson as Director	For	For	
Qantas Airways Limited	Australia	25-Oct-19	Annual	Management	2.4	Elect Barbara Ward as Director	For	For	
Qantas Airways Limited	Australia	25-Oct-19	Annual	Management	3	Approve Participation of Alan Joyce in the Long Term Incentive Plan	For	For	
Qantas Airways Limited	Australia	25-Oct-19	Annual	Management	4	Approve Remuneration Report	For	For	
Qantas Airways Limited	Australia	25-Oct-19	Annual	Share Holder	5.1	Approve the Amendments to the Company's Constitution	Against	Against	
Qantas Airways Limited	Australia	25-Oct-19	Annual	Share Holder	5.2	Approve Human Rights Risks	Against	For	
Fortescue Metals Group Ltd.	Australia	29-Oct-19	Annual	Management	1	Approve Remuneration Report	For	For	
Fortescue Metals Group Ltd.	Australia	29-Oct-19	Annual	Management	2	Elect Sharon Warburton as Director	For	For	
Fortescue Metals Group Ltd.	Australia	29-Oct-19	Annual	Management	3	Elect Ya-Qin Zhang as Director	For	For	
Fortescue Metals Group Ltd.	Australia	29-Oct-19	Annual	Management	4	Approve the Increase in Maximum Aggregate Remuneration of Non-Executive Directors	None	For	
Fortescue Metals Group Ltd.	Australia	29-Oct-19	Annual	Management	5	Approve Grant of Performance Rights to Elizabeth Gaines	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	1a	Elect Director William D. Mosley	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	1b	Elect Director Stephen J. Luczo	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	1c	Elect Director Mark W. Adams	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	1d	Elect Director Judy Bruner	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	1e	Elect Director Michael R. Cannon	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	1f	Elect Director William T. Coleman	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	1g	Elect Director Jay L. Geldmacher	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	1h	Elect Director Dylan G. Haggart	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	1i	Elect Director Stephanie Tilenius	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	1j	Elect Director Edward J. Zander	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	2	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	3	Approve Ernst & Young LLP as Auditors and Authorize Board to Fix Their Remuneration	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	4	Amend Omnibus Stock Plan	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	5	Authorize Board to Allot and Issue Shares	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	6	Authorize Board to Opt-Out of Statutory Pre-Emption Rights	For	For	
Seagate Technology plc	Ireland	29-Oct-19	Annual	Management	7	Determine Price Range for Reissuance of Treasury Shares	For	For	
Lam Research Corporation	USA	05-Nov-19	Annual	Management	1.1	Elect Director Sohail U. Ahmed	For	For	
Lam Research Corporation	USA	05-Nov-19	Annual	Management	1.2	Elect Director Timothy M. Archer	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Lam Research Corporation	USA	05-Nov-19	Annual	Management	1.3	Elect Director Eric K. Brandt	For	For	
Lam Research Corporation	USA	05-Nov-19	Annual	Management	1.4	Elect Director Michael R. Cannon	For	For	
Lam Research Corporation	USA	05-Nov-19	Annual	Management	1.5	Elect Director Youssef A. El-Mansy	For	For	
Lam Research Corporation	USA	05-Nov-19	Annual	Management	1.6	Elect Director Catherine P. Lego	For	For	
Lam Research Corporation	USA	05-Nov-19	Annual	Management	1.7	Elect Director Bethany J. Mayer	For	For	
Lam Research Corporation	USA	05-Nov-19	Annual	Management	1.8	Elect Director Abhijit Y. Talwalkar	For	For	
Lam Research Corporation	USA	05-Nov-19	Annual	Management	1.9	Elect Director Lih Shyng (Rick L.) Tsai	For	For	
Lam Research Corporation	USA	05-Nov-19	Annual	Management	1.10	Elect Director Leslie F. Varon	For	For	
Lam Research Corporation	USA	05-Nov-19	Annual	Management	2	Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against	A vote AGAINST this proposal is warranted. The short-term program relies heavily on individual performance assessments, which is increasingly rare for S&P 500 companies. Further, the financial goal in the STI program was set below last year's performance level, while payouts were above target. Moreover, the internally promoted CEO received entirely time-based promotional awards and the CFO received a sizable time-based retention grant as well. Both grants have relatively short vesting periods, limiting their retentive value. Additionally, investors generally prefer for at least a portion of special grants to maintain pre-set performance criteria.
Lam Research Corporation	USA	05-Nov-19	Annual	Management	3	Ratify Ernst & Young LLP as Auditors	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.1	Elect Director Colleen F. Arnold	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.2	Elect Director Carrie S. Cox	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.3	Elect Director Calvin Darden	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.4	Elect Director Bruce L. Downey	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.5	Elect Director Patricia A. Hemingway Hall	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.6	Elect Director Akhil Johri	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.7	Elect Director Michael C. Kaufmann	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.8	Elect Director Gregory B. Kenny	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.9	Elect Director Nancy Killefer	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.10	Elect Director J. Michael Losh	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.11	Elect Director Dean A. Scarborough	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	1.12	Elect Director John H. Weiland	For	For	
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	2	Ratify Ernst & Young LLP as Auditors	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Cardinal Health, Inc.	USA	06-Nov-19	Annual	Management	3	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	1	Accept Financial Statements and Statutory Reports	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	2	Appoint Ernst & Young as Auditor of the Company	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	3	Authorize the Risk and Audit Committee to Fix Remuneration of the Auditors	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	4	Approve General Authority to Issue Shares in BHP Group Plc	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	5	Approve General Authority to Issue Shares in BHP Group Plc for Cash	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	6	Approve the Repurchase of Shares in BHP Group Plc	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	7	Approve Remuneration Policy	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	8	Approve Remuneration Report for UK Law Purposes	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	9	Approve Remuneration Report for Australian Law Purposes	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	10	Approve the Grant of Awards to Andrew Mackenzie	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	11	Elect Ian Cockerill as Director	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	12	Elect Susan Kilsby as Director	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	13	Elect Terry Bowen as Director	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	14	Elect Malcolm Broomhead as Director	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	15	Elect Anita Frew as Director	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	16	Elect Andrew Mackenzie as Director	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	17	Elect Lindsay Maxsted as Director	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	18	Elect John Mogford as Director	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	19	Elect Shriti Vadra as Director	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Management	20	Elect Ken MacKenzie as Director	For	For	
BHP Group Limited	Australia	07-Nov-19	Annual	Share Holder	21	Amend Constitution of BHP Group Limited	Against	Against	
BHP Group Limited	Australia	07-Nov-19	Annual	Share Holder	22	Approve Suspension of Memberships of Industry Associations That Are Involved in Lobbying Inconsistent with the Goals of the Paris Agreement	Against	Against	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	1a	Elect Director Peter Bisson	For	For	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	1b	Elect Director Richard T. Clark	For	For	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	1c	Elect Director R. Glenn Hubbard	For	For	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	1d	Elect Director John P. Jones	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	1e	Elect Director Francine S. Katsoudas	For	For	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	1f	Elect Director Thomas J. Lynch	For	For	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	1g	Elect Director Scott F. Powers	For	For	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	1h	Elect Director William J. Ready	For	For	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	1i	Elect Director Carlos A. Rodriguez	For	For	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	1j	Elect Director Sandra S. Wijnberg	For	For	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	2	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
Automatic Data Processing, Inc.	USA	12-Nov-19	Annual	Management	3	Ratify Deloitte & Touche LLP as Auditors	For	For	
Newcrest Mining Ltd.	Australia	12-Nov-19	Annual	Management	2a	Elect Peter Hay as Director	For	For	
Newcrest Mining Ltd.	Australia	12-Nov-19	Annual	Management	2b	Elect Vickki McFadden as Director	For	For	
Newcrest Mining Ltd.	Australia	12-Nov-19	Annual	Management	3a	Approve Grant of Performance Rights to Sandeep Biswas	For	For	
Newcrest Mining Ltd.	Australia	12-Nov-19	Annual	Management	3b	Approve Grant of Performance Rights to Gerard Bond	For	For	
Newcrest Mining Ltd.	Australia	12-Nov-19	Annual	Management	4	Approve Remuneration Report	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	1A	Elect Director Michael A. Daniels	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	1B	Elect Director William L. Jews	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	1C	Elect Director Gregory G. Johnson	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	1D	Elect Director J. Phillip London	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	1E	Elect Director John S. Mengucci	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	1F	Elect Director James L. Pavitt	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	1G	Elect Director Warren R. Phillips	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	1H	Elect Director Debora A. Plunkett	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	1I	Elect Director Charles P. Revoie	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	1J	Elect Director William S. Wallace	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	2	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	3	Amend Qualified Employee Stock Purchase Plan	For	For	
CACI International Inc	USA	14-Nov-19	Annual	Management	4	Ratify Ernst & Young LLP as Auditors	For	For	
Wesfarmers Limited	Australia	14-Nov-19	Annual	Management	2a	Elect Vanessa Miscamble Wallace as Director	For	For	
Wesfarmers Limited	Australia	14-Nov-19	Annual	Management	2b	Elect Jennifer Anne Westacott as Director	For	For	
Wesfarmers Limited	Australia	14-Nov-19	Annual	Management	2c	Elect Michael (Mike) Roche as Director	For	For	
Wesfarmers Limited	Australia	14-Nov-19	Annual	Management	2d	Elect Sharon Lee Warburton as Director	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Wesfarmers Limited	Australia	14-Nov-19	Annual	Management	3	Approve Remuneration Report	For	For	
Wesfarmers Limited	Australia	14-Nov-19	Annual	Management	4	Approve Grant of Restricted Shares and Performance Shares to Robert Scott	For	For	
The Estee Lauder Companies Inc.	USA	15-Nov-19	Annual	Management	1.1	Elect Director Ronald S. Lauder	For	For	
The Estee Lauder Companies Inc.	USA	15-Nov-19	Annual	Management	1.2	Elect Director William P. Lauder	For	For	
The Estee Lauder Companies Inc.	USA	15-Nov-19	Annual	Management	1.3	Elect Director Richard D. Parsons	For	For	
The Estee Lauder Companies Inc.	USA	15-Nov-19	Annual	Management	1.4	Elect Director Lynn Forester de Rothschild	For	For	
The Estee Lauder Companies Inc.	USA	15-Nov-19	Annual	Management	1.5	Elect Director Jennifer Tejada	For	For	
The Estee Lauder Companies Inc.	USA	15-Nov-19	Annual	Management	1.6	Elect Director Richard F. Zannino	For	For	
The Estee Lauder Companies Inc.	USA	15-Nov-19	Annual	Management	2	Ratify KPMG LLP as Auditors	For	For	
The Estee Lauder Companies Inc.	USA	15-Nov-19	Annual	Management	3	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
The Estee Lauder Companies Inc.	USA	15-Nov-19	Annual	Management	4	Amend Omnibus Stock Plan	For	For	
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	1	Accept Financial Statements and Statutory Reports	For	For	
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	2	Approve Final Dividend	For	For	
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	3a	Elect Cheng Chi Kong, Adrian as Director	For	For	The nominee sits on more than 5 public company boards. The nominee is non-independent and the full board comprises less than '50.1%' independents (based on the relevant stock exchange's definition of independence).
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	3b	Elect Cheng Chi Ming, Brian as Director	For	For	The nominee is non-independent and the full board comprises less than '50.1%' independents (based on the relevant stock exchange's definition of independence).
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	3c	Elect Tsang Yam Pui as Director	For	For	The nominee is non-independent and the full board comprises less than '50.1%' independents (based on the relevant stock exchange's definition of independence).
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	3d	Elect Kwong Che Keung, Gordon as Director	For	Against	The nominee sits on more than 5 public company boards.
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	3e	Elect Shek Lai Him, Abraham as Director	For	Against	The nominee sits on more than 5 public company boards.
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	3f	Elect Oei Fung Wai Chi, Grace as Director	For	For	
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	3g	Authorize Board to Fix Remuneration of Directors	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	4	Approve PricewaterhouseCoopers as Auditor and Authorize Board to Fix Their Remuneration	For	Against	A vote AGAINST this proposal is warranted given that the non-audit fees exceeded the total audit fees paid to the company's audit firm in the latest fiscal year without satisfactory explanation.
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	5.1	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	For	Against	A vote AGAINST these resolutions is warranted for the following:- The aggregate share issuance limit is greater than 10 percent.- The company has not specified the discount limit.
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	5.2	Authorize Repurchase of Issued Share Capital	For	For	
NWS Holdings Limited	Bermuda	18-Nov-19	Annual	Management	5.3	Authorize Reissuance of Repurchased Shares	For	Against	A vote AGAINST these resolutions is warranted for the following:- The aggregate share issuance limit is greater than 10 percent.- The company has not specified the discount limit.
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.1	Elect Director Jeffrey S. Berg	For	For	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.2	Elect Director Michael J. Boskin	For	For	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.3	Elect Director Safra A. Catz	For	For	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.4	Elect Director Bruce R. Chizen	For	For	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.5	Elect Director George H. Conrades	For	Withhold	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.6	Elect Director Lawrence J. Ellison	For	For	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.7	Elect Director Rona A. Fairhead	For	For	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.8	Elect Director Hector Garcia-Molina *Withdrawn Resolution*			
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.9	Elect Director Jeffrey O. Henley	For	For	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.10	Elect Director Mark V. Hurd - Deceased			
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.11	Elect Director Renee J. James	For	For	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.12	Elect Director Charles W. Moorman, IV	For	Withhold	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.13	Elect Director Leon E. Panetta	For	Withhold	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.14	Elect Director William G. Parrett	For	For	
Oracle Corporation	USA	19-Nov-19	Annual	Management	1.15	Elect Director Naomi O. Seligman	For	Withhold	
Oracle Corporation	USA	19-Nov-19	Annual	Management	2	Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against	
Oracle Corporation	USA	19-Nov-19	Annual	Management	3	Ratify Ernst & Young LLP as Auditors	For	For	
Oracle Corporation	USA	19-Nov-19	Annual	Share Holder	4	Report on Gender Pay Gap	Against	For	
Oracle Corporation	USA	19-Nov-19	Annual	Share Holder	5	Require Independent Board Chairman	Against	For	
Beach Energy Limited	Australia	26-Nov-19	Annual	Management	1	Approve Remuneration Report	For	For	
Beach Energy Limited	Australia	26-Nov-19	Annual	Management	2	Elect Phillip Bainbridge as Director	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Beach Energy Limited	Australia	26-Nov-19	Annual	Management	3	Elect Colin Beckett as Director	For	For	
Beach Energy Limited	Australia	26-Nov-19	Annual	Management	4	Elect Peter Moore as Director	For	For	
Beach Energy Limited	Australia	26-Nov-19	Annual	Management	5	Elect Matthew Kay as Director	For	For	
Beach Energy Limited	Australia	26-Nov-19	Annual	Management	6	Elect Sally-Anne Layman as Director	For	For	
Beach Energy Limited	Australia	26-Nov-19	Annual	Management	7	Approve Issuance of Securities to Matthew Kay Under the Beach 2018 Short Term Incentive Offer	For	For	
Beach Energy Limited	Australia	26-Nov-19	Annual	Management	8	Approve Issuance of Securities to Matthew Kay Under the Beach 2019 Long Term Incentive Offer	For	For	
Beach Energy Limited	Australia	26-Nov-19	Annual	Management	9	Adopt New Constitution	For	For	
Intertrust NV	Netherlands	28-Nov-19	Special	Management	1	Open Meeting			
Intertrust NV	Netherlands	28-Nov-19	Special	Management	2a	Amend Remuneration Policy	For	For	
Intertrust NV	Netherlands	28-Nov-19	Special	Management	2b	Approve Performance Share Plan	For	For	
Intertrust NV	Netherlands	28-Nov-19	Special	Management	3	Elect R.M.S. van Wijk to Management Board	For	For	
Intertrust NV	Netherlands	28-Nov-19	Special	Management	4	Close Meeting			
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	1	Approve Allocation of Income, with a Final Dividend of JPY 40	For	For	
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	2.1	Elect Director Okano, Takaaki	For	For	
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	2.2	Elect Director Kushida, Shigeyuki	For	For	
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	2.3	Elect Director Oshima, Koichiro	For	For	
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	2.4	Elect Director Hosokawa, Tadahiro	For	For	
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	2.5	Elect Director Oriimoto, Kazuya	For	For	
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	3.1	Elect Director and Audit Committee Member Tajima, Koji	For	For	
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	3.2	Elect Director and Audit Committee Member Kubomura, Yasushi	For	For	
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	3.3	Elect Director and Audit Committee Member Imai, Hikari	For	For	
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	3.4	Elect Director and Audit Committee Member Nishikawa, Hidehiko	For	For	
Shimachu Co., Ltd.	Japan	28-Nov-19	Annual	Management	4	Approve Restricted Stock Plan	For	Against	
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1a	Elect Director Samuel Altman	For	For	
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1b	Elect Director Susan C. Athey	For	For	
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1c	Elect Director A. George 'Skip' Battle	For	For	
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1d	Elect Director Chelsea Clinton	For	For	
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1e	Elect Director Barry Diller	For	Withhold	The nominee is non-independent and the full board comprises less than '50.1%' independents (based on the relevant stock exchange's definition of independence).

<b>Company Name</b>	<b>Country</b>	<b>Meeting Date</b>	<b>Meeting Type</b>	<b>Proponent</b>	<b>Proposal Number</b>	<b>Proposal Text</b>	<b>Management Recommend.</b>	<b>Vote Instruction</b>	<b>Rationale</b>
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1f	Elect Director Craig A. Jacobson	For	For	
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1g	Elect Director Victor A. Kaufman	For	Withhold	The nominee is non-independent and the full board comprises less than '50.1% independents (based on the relevant stock exchange's definition of independence). The nominee is an incumbent and attended less than 75% of the board and committee meetings that they were scheduled to attend during the previous fiscal year without a valid excuse.
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1h	Elect Director Peter M. Kern	For	Withhold	The nominee is non-independent and the full board comprises less than '50.1% independents (based on the relevant stock exchange's definition of independence).
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1i	Elect Director Dara Khosrowshahi	For	Withhold	The nominee is non-independent and the full board comprises less than '50.1% independents (based on the relevant stock exchange's definition of independence).
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1j	Elect Director Mark D. Okerstrom	For	Withhold	The nominee is non-independent and the full board comprises less than '50.1% independents (based on the relevant stock exchange's definition of independence).
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1k	Elect Director Alexander von Furstenberg	For	Withhold	The nominee is non-independent and the full board comprises less than '50.1% independents (based on the relevant stock exchange's definition of independence).
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	1l	Elect Director Julie Whalen	For	For	
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	2a	Approve Securities Transfer Restrictions	For	For	
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	2b	Approve Change-of-Control Clause	For	For	
Expedia Group, Inc.	USA	03-Dec-19	Annual	Management	3	Ratify Ernst & Young as Auditors	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.1	Elect Director William H. Gates, III	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.2	Elect Director Reid G. Hoffman	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.3	Elect Director Hugh F. Johnston	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.4	Elect Director Teri L. List-Stoll	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.5	Elect Director Satya Nadella	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.6	Elect Director Sandra E. Peterson	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.7	Elect Director Penny S. Pritzker	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.8	Elect Director Charles W. Scharf	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.9	Elect Director Arne M. Sorenson	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.10	Elect Director John W. Stanton	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.11	Elect Director John W. Thompson	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.12	Elect Director Emma N. Walmsley	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	1.13	Elect Director Padmasree Warrior	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	2	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Management	3	Ratify Deloitte & Touche LLP as Auditors	For	For	
Microsoft Corporation	USA	04-Dec-19	Annual	Share Holder	4	Report on Employee Representation on the Board of Directors	Against	Against	
Microsoft Corporation	USA	04-Dec-19	Annual	Share Holder	5	Report on Gender Pay Gap	Against	Against	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1a	Elect Director Richard H. Anderson	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1b	Elect Director Craig Arnold	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1c	Elect Director Scott C. Donnelly	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1d	Elect Director Andrea J. Goldsmith	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1e	Elect Director Randall J. Hogan, III	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1f	Elect Director Omar Ishrak	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1g	Elect Director Michael O. Leavitt	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1h	Elect Director James T. Lenehan	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1i	Elect Director Geoffrey S. Martha	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1j	Elect Director Elizabeth G. Nabel	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1k	Elect Director Denise M. O'Leary	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	1l	Elect Director Kendall J. Powell	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	2	Approve PricewaterhouseCoopers LLP as Auditors and Authorize Board to Fix Their Remuneration	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	3	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
Medtronic plc	Ireland	06-Dec-19	Annual	Management	4	Renew the Board's Authority to Issue Shares Under Irish Law	For	For	A vote FOR these proposals are warranted as the proposed amounts and durations are within recommended limits.
Medtronic plc	Ireland	06-Dec-19	Annual	Management	5	Renew the Board's Authority to Opt-Out of Statutory Pre-Emptions Rights Under Irish Law	For	For	A vote FOR these proposals are warranted as the proposed amounts and durations are within recommended limits.
Medtronic plc	Ireland	06-Dec-19	Annual	Management	6	Authorize Overseas Market Purchases of Ordinary Shares	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	1a	Elect Director M. Michele Burns	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	1b	Elect Director Wesley G. Bush	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	1c	Elect Director Michael D. Capellas	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	1d	Elect Director Mark Garrett	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	1e	Elect Director Kristina M. Johnson	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	1f	Elect Director Roderick C. McGahey	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	1g	Elect Director Charles H. Robbins	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	1h	Elect Director Arun Sarin	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	1i	Elect Director Brenton L. Saunders	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	1j	Elect Director Carol B. Tome	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	2	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Management	3	Ratify PricewaterhouseCoopers LLP as Auditors	For	For	
Cisco Systems, Inc.	USA	10-Dec-19	Annual	Share Holder	4	Require Independent Board Chairman	Against	For	Invesco will vote FOR this proposal.
AMADA HOLDINGS Co., Ltd.	Japan	12-Dec-19	Special	Management	1	Amend Articles to Change Company Name - Amend Business Lines - Clarify Director Authority on Board Meetings	For	For	
AMADA HOLDINGS Co., Ltd.	Japan	12-Dec-19	Special	Management	2.1	Elect Director Kurihara, Toshinori	For	Against	The nominee is non-independent and the full board comprises less than '50.1%' independents (based on the relevant stock exchange's definition of independence).
AMADA HOLDINGS Co., Ltd.	Japan	12-Dec-19	Special	Management	2.2	Elect Director Fukui, Yukihiro	For	Against	The nominee is non-independent and the full board comprises less than '50.1%' independents (based on the relevant stock exchange's definition of independence).
AMADA HOLDINGS Co., Ltd.	Japan	12-Dec-19	Special	Management	3	Appoint Statutory Auditor Shibata, Kotaro	For	For	
Westpac Banking Corp.	Australia	12-Dec-19	Annual	Management	2a	Elect Nerida Caesar as Director	For	Against	The nominee is an incumbent and ISS has identified there were material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company.
Westpac Banking Corp.	Australia	12-Dec-19	Annual	Management	2b	***Withdrawn Resolution*** Elect Ewen Crouch as Director			
Westpac Banking Corp.	Australia	12-Dec-19	Annual	Management	2c	Elect Steven Harker as Director	For	For	
Westpac Banking Corp.	Australia	12-Dec-19	Annual	Management	2d	Elect Peter Marriott as Director	For	Against	The nominee is an incumbent and ISS has identified there were material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company.
Westpac Banking Corp.	Australia	12-Dec-19	Annual	Management	2e	Elect Margaret Seale as Director	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Westpac Banking Corp.	Australia	12-Dec-19	Annual	Management	3	***Withdrawn Resolution*** Approve Grant of Performance Share Rights to Brian Hartzer			
Westpac Banking Corp.	Australia	12-Dec-19	Annual	Management	4	Approve Remuneration Report	For	Against	A vote AGAINST the remuneration report is warranted because of concerns which include:- High concern in the quantitative pay-for-performance analysis for misalignment between pay and performance and shareholder outcomes.- Misalignment of STI bonuses with shareholder interests in FY19, given that substantial bonuses were paid to most executives in spite of the governance and risk failures across the company.- With financial performance measures not being achieved, primarily due to significant remediation costs from governance, conduct and risk failures, bonuses were still awarded for "non-financial" performance measures, primarily relating to customer, culture and capability which was assessed 'at target', despite the magnitude of governance failures exposed at the Royal Commission and significant provisioning of \$1.5 billion for customer remediation and compliance.- Generous provisions for terminating executives with ongoing consulting contracts and non-forfeiture of LTIs.- Significant sign-on payments to senior executives as compensate them for incentives foregone, and- Significant loans to non-executive directors that may impact on their independence.While the AUSTRAC issue is subject to investigation, the board announced that FY19 STI bonuses and any previously deferred STIs will be withheld, pending the outcome. Shareholders may consider the potential AUSTRAC penalty and remediation costs in determining whether bonuses are in fact appropriate.
Westpac Banking Corp.	Australia	12-Dec-19	Annual	Management	5	Approve Conditional Spill Resolution	Against	Against	
Westpac Banking Corp.	Australia	12-Dec-19	Annual	Share Holder	6a	Approve the Amendments to the Company's Constitution	Against	Against	
Westpac Banking Corp.	Australia	12-Dec-19	Annual	Share Holder	6b	Approve Disclosure of Strategies and Targets for Reduction in Fossil Fuel Exposure	Against	For	Invesco will vote FOR this proposal.
Woolworths Group Ltd.	Australia	16-Dec-19	Annual/Special	Management	2a	Elect Holly Kramer as Director	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
Woolworths Group Ltd.	Australia	16-Dec-19	Annual/Special	Management	2b	Elect Siobhan McKenna as Director	For	For	
Woolworths Group Ltd.	Australia	16-Dec-19	Annual/Special	Management	2c	Elect Kathryn Tesija as Director	For	For	
Woolworths Group Ltd.	Australia	16-Dec-19	Annual/Special	Management	2d	Elect Jennifer Carr-Smith as Director	For	For	
Woolworths Group Ltd.	Australia	16-Dec-19	Annual/Special	Management	3	Approve Remuneration Report	For	For	
Woolworths Group Ltd.	Australia	16-Dec-19	Annual/Special	Management	4	Approve Grant of Performance Rights to Brad Banducci	For	For	
Woolworths Group Ltd.	Australia	16-Dec-19	Annual/Special	Management	5	Approve US Non-Executive Directors Equity Plan	For	For	
Woolworths Group Ltd.	Australia	16-Dec-19	Annual/Special	Management	6	Approve the Amendments to the Company's Constitution	For	For	
Woolworths Group Ltd.	Australia	16-Dec-19	Annual/Special	Management	1	Approve Restructure Scheme	For	For	
Orica Ltd.	Australia	17-Dec-19	Annual	Management	2.1	Elect Maxine Brenner as Director	For	For	
Orica Ltd.	Australia	17-Dec-19	Annual	Management	2.2	Elect Gene Tilbrook as Director	For	For	
Orica Ltd.	Australia	17-Dec-19	Annual	Management	2.3	Elect Karen Moses as Director	For	For	
Orica Ltd.	Australia	17-Dec-19	Annual	Management	2.4	Elect Boon Swan Foo as Director	For	For	
Orica Ltd.	Australia	17-Dec-19	Annual	Management	3	Approve Remuneration Report	For	For	
Orica Ltd.	Australia	17-Dec-19	Annual	Management	4	Approve Grant of Performance Rights to Alberto Calderon	For	For	
Orica Ltd.	Australia	17-Dec-19	Annual	Management	5	Approve the Increase in Maximum Aggregate Remuneration of Non-Executive Directors	None	For	
Orica Ltd.	Australia	17-Dec-19	Annual	Management	6	Approve Proportional Takeover Provisions	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	1.1	Elect Director Douglas H. Brooks	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	1.2	Elect Director Linda A. Goodspeed	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	1.3	Elect Director Earl G. Graves, Jr.	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	1.4	Elect Director Enderson Guimaraes	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	1.5	Elect Director Michael M. Calbert	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	1.6	Elect Director D. Bryan Jordan	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	1.7	Elect Director Gale V. King	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	1.8	Elect Director George R. Mrkonic, Jr.	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	1.9	Elect Director William C. Rhodes, III	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	1.10	Elect Director Jill A. Soltau	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	2	Ratify Ernst & Young LLP as Auditors	For	For	
AutoZone, Inc.	USA	18-Dec-19	Annual	Management	3	Advisory Vote to Ratify Named Executive Officers' Compensation	For	For	
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Management	1a	Elect Director Sue Barsamian	For	For	
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Management	1b	Elect Director Frank E. Dangeard	For	For	

Company Name	Country	Meeting Date	Meeting Type	Proponent	Proposal Number	Proposal Text	Management Recommend.	Vote Instruction	Rationale
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Management	1c	Elect Director Nora M. Denzel	For	For	
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Management	1d	Elect Director Peter A. Feld	For	For	
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Management	1e	Elect Director Kenneth Y. Hao	For	For	
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Management	1f	Elect Director David W. Humphrey	For	For	
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Management	1g	Elect Director Vincent Pilette	For	For	
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Management	1h	Elect Director V. Paul Unruh	For	For	
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Management	2	Ratify KPMG LLP as Auditors	For	For	
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Management	3	Advisory Vote to Ratify Named Executive Officers' Compensation	For	Against	A vote AGAINST this proposal is warranted as certain concerns were raised regarding compensation matters that occurred after the company's fiscal year-end. Namely, the company amended previously entered-into employment agreements that allowed for the acceleration of recently granted equity awards. Moreover, the amended agreement with former interim CEO Hill, who served at the company for a short period of time, allows for the vesting of an additional sizeable equity award upon the pending completion of two stock price targets.
NortonLifeLock Inc.	USA	19-Dec-19	Annual	Share Holder	4	Require Independent Board Chairman	Against	For	Invesco will vote FOR this proposal.
Occidental Petroleum Corporation	USA	31-Dec-19	Proxy Contest	Share Holder	1	Revoke Consent to Request to Fix a Record Date	For	Do Not Vote	REFER all items on the agenda for contested elections and proxy contests.
Occidental Petroleum Corporation	USA	31-Dec-19	Proxy Contest	Share Holder	1	Consent to Request to Fix a Record Date	For	Do Not Vote	REFER all items on the agenda for contested elections and proxy contests.

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## 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
<b>Publishing Scheme Information</b>		
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>Risk and Internal Controls</b>		
D1	G	G
D2	G	G
D3	G	G
D4	G	G
<b>Maintaining Contributions</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>Providing Information to Members and Others</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>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		
May 2017	Administration	Data security breach – a small number	Potential for individuals data to be seen by	WYPF contacted printing	Not reported to tPR. Small number		

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

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

		by LCC					
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
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

# Agenda Item 7



## Regulatory and Other Committee

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

Report to:	<b>Pensions Committee</b>
Date:	<b>19 March 2020</b>
Subject:	<b>Pensions Administration 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.

## **1. Background**

### **1.0 Performance and Benchmarking**

- 1.1 WYPF uses workflow processes developed internally to organise their daily work with target dates and performance measures built into the system. The performance measures ensure tasks are prioritised on a daily basis, however Team Managers have the flexibility to re-schedule work should time pressure demand.
- 1.2 The table below shows the performance against key areas of work for the period 1 October 2019 to 31 December 2019.

<b>KPI's for the period 1.10.19 to 31.12.19</b>						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
AVC In-house (General)	95	10	95	85	100	1.4
Age 55 Increase to Pension	3	Next Payroll	3	85	100	6.33
Change of Address	314	5	306	85	97.45	1.51
Change of Bank Details	95	Next Payroll	80	85	100	2.29

WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
DWP request for Information	1	10	1	85	100	9
Death Grant Nomination Form Received	793	20	793	85	100	3.77
Death Grant to Set Up	25	5	25	85	100	1.28
Death In Retirement	128	5	117	85	91.41	1.92
Death In Service	3	5	3	85	100	1.67
Death on Deferred	6	5	6	85	100	1.5
Deferred Benefits Into Payment Actual	328	5	320	90	97.56	2.95
Deferred Benefits Into Payment Quote	296	35	286	85	96.62	5.46
Deferred Benefits Set Up on Leaving	943	10	862	85	91.41	11.13
Divorce Quote	34	20	34	85	100	7.76
Divorce Settlement Pension Sharing order Implemented	2	80	2	100	100	1
Enquiry	5	5	5	85	100	1
Estimates for Deferred Benefits into Payment	9	10	9	90	100	1
General Payroll Changes	134	5	133	85	99.25	1.83
Initial Letter Death in Service	3	5	3	85	100	1.33
Initial letter Death in Retirement	128	5	128	85	100	1.46
Initial letter Death on Deferred	6	5	6	85	100	1.17
Monthly Posting	768	10	757	95	98.57	1.49
NI adjustment to Pension at State Pension Age	4	Next Payroll	4	85	100	13.5
Payment of Spouses _Child Benefits	62	10	58	100	93.55	11.19
Pension Estimate	144	10	142	75	98.61	4.4
Pension Saving Statement	1	20	1	100	100	1
Refund Payment	251	10	246	95	98.01	1.82
Refund Quote	338	35	326	85	96.45	5.48
Retirement Actual	164	3	151	90	92.07	1.01
Set Up New Spouse Pension	62	5	57	85	91.94	10.92

WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
Transfer In Actual	55	35	52	85	94.55	15.65
Transfer In Quote	55	35	55	85	100	2.18
Transfer Out Payment	23	35	23	85	100	7.26
Transfer Out Quote	115	20	96	85	83.48	9.79
Update Member Details	852	20	850	100	99.77	1.15

## 2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	23,130	27,414	698	23,324	2,617
Percentage of Membership	29.97	35.52	0.90	30.22	3.39
Change from Last Quarter	+489	-289	-130	+152	+45

2.2 The number of new joiners in the Fund during the period October 19 to December 19 were 1038 made up as:

Lincolnshire County Council	314
Other Employers	724

2.3 The number of members who are in the 50:50 scheme are 119 made up as:

Lincolnshire County Council	62
Other Employers	57

### 2.4 Age Profile of the Scheme

	Age Groups												
Status	U20	20-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-	70	TOTAL
Active	336	1,529	1,548	2,034	2,533	2,759	3,732	3,754	2,964	1,616	248	77	23,130

### 2.3 Employer Activity - During Oct 19 to Dec 19

New Academies and Education Trusts	2
New Town and Parish Council	0
New Admission Bodies	0
<b>Total of New Employer</b>	<b>2</b>

Employers Exited	2
<b>Total Numbers of employers</b>	<b>293</b>

### 3.0 Member and Employer Contact

3.1 Over the quarter October to December one online customer response was received. Two hundred and seven sample survey letters were sent out and 38 (18.4%) returned:

3.2

Overall Customer Satisfaction Score;

October to December 2018	January to March 2019	April to June 2019	July to September 2019	October to December 2019
81%	81.3%	83.5%	87.9%	84.5%

Appendix 1 – Customer survey results.

#### 3.2 Employer Training

Over the quarter October 2019 to 31 December 2019 three Employer sessions were held in Lincolnshire, Complete Guide to Administration and Pensionable Pay (additional one held at HR Solutions).

Customer satisfaction scores were 97.25%, 94.39% and 100% respectively.

Appendix 2 – Employer feedback summary.

#### 3.3 Employer Survey

An annual survey is undertaken each year to identify areas of Lincolnshire Pension Fund service with employers that could be improved. A summary of the findings is attached at Appendix 3.

Appendix 3 – Employer Annual Survey

### 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.

#### Stage 1 appeals against the fund

No appeals currently outstanding.

## Stage 1 appeals against scheme employers

Two decisions were made in this period.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
13/2/2019	Appeal against being refused an ill health pension.	Referred to GLL as scheme employer. No copy of decision letter received. Have now established that the person previously dealing with this has left GLL. GLL have confirmed that no decision was made. We have written to the member to point this out to her and say that she may escalate an appeal to Stage 2 to appeal against her employer's failure to make a decision.	29/11/2019
31/7/2019	Appeal against service details.	Turned down.	23/9/2019

## Stage 2 appeals

One decision made in this period and one decision is outstanding.

Date application received	Reason for appeal	Current position/Outcome	Date decision letter sent
23/9/2019	Maladministration - Incorrect ABS	Member had been awarded incorrect value of deferred benefits in 2011 and subsequently issued with annual statements based on these values. WYPF notified member of the error in 2018 and awarded a lower value of benefit. The decision recognised the maladministration and required WYPF to pay £500 in compensation due to an outstanding process not being acted upon when WYPF took over the administration in 2015.	27/11/2019
31/10/19	Refusal to pay CETV when member was within a year of normal retirement age.	Information requested from employer. Holding letter sent to extend deadline to 10/1/2020.	

## **Ombudsman**

### **4.2 One case outstanding**

Date application received	Details of complaint	Current position/outcome	Date complete
5/7/2019	The member's appeal was in regard to a dispute over the periods of service used in her pension calculation. The member had worked changing hours in a number of different employments over the years. The scheme employer did not hold complete historical information of her working hours.	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.	

## **5.0 Administration Update**

### **5.1 Data Scores**

The Pensions Regulator (tPR) issues a scheme return annually which is completed and returned by WYPF. A Data Quality Score is required as part of the return. The data score consists of 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, purchase of additional pension and pension sharing orders.

As of December 2019 the data scores were:

TPR Score - Common                    95.69%

TPR Score – Scheme Specific      73.05%

- 5.2 A data improvement plan is in place to increase the data issues. 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.

### **5.4 Bradford Council Internal Audits**

An audit on 'Transfers In' was undertaken in October.

## 5.5 ISO9001 Quality Audits

The following internal quality audits were completed by WYPF staff:

New Members

AVC's

Estimates

Early Leavers

Any suggestions for improvements to working practices will be analysed by the relevant managers.

In addition SGS undertook the annual external surveillance audit to ensure that WYPF were complying with the ISO 9001 standards. It is pleasing to report that WYPF passed the audit without any non conformities.

## 6.0 Current Technical Issues

See Appendix 4

## 7.0 Shared service Budget

### 7.1 Shared Service spend

Projected spend of £6.73m against budget of £7.71m, underspend of £0.97m. Main change from period 4 to 6 is mainly due to allocation of some actuary costs to pension admin to separate out employer and member technical work from strategic and valuation work. There is a contingency provision of £0.87m to fund cost of restructure.

### 7.2 Actuary cost relating to work on members' processes across our shared service offering including review of ABS, data and cost of restructure. Cost relating to valuation and employer related work is not included in Pension administration.

WYPF PENSION ADMIN	2019/20	2019/20	PD09 VARIANCE OVER(-) / UNDER(+)	2020/21	2020/21
	BUDGET	FORECAST DEC PD09		DRAFT BDGT ZERO BASED	DRAFT BDGT IF CAPD @ £16.64 PER MBR
<b><u>Expenditure</u></b>					
Accommodation	141,830	181,750	-39,920	181,750	190,000
Actuary	0	164,810	-164,810	0	0
Computer	239,850	264,790	-24,940	264,790	264,790
Contingency	865,740	0	865,740	0	350,000

Employees	3,004,550	3,419,175	-414,625	3,547,182	3,550,000
Internal Recharge	2,209,800	1,955,360	254,440	2,245,513	2,200,000
Other Running Costs	69,850	145,920	-76,070	145,920	140,000
Transaction Costs	0	0	0	0	0
Printing & stationery	366,070	593,310	-227,240	650,310	400,000
	<b>6,897,690</b>	<b>6,725,115</b>	<b>172,575</b>	<b>7,035,465</b>	<b>7,094,790</b>
<b>SF3 Per mbr</b>	<b>15.71</b>	<b>15.65</b>		<b>16.71</b>	<b>16.64</b>
<u>Income</u>					
Charge to WYPF Account	-4,605,980	-4,589,115	-16,865	-4,899,465	-4,908,790
Other Income	-100,820	-36,000	-64,820	-36,000	-36,000
Shared Service Income	-2,190,890	-2,100,000	-90,890	-2,100,000	-2,150,000
WYPF PENSION ADMIN	<b>-6,897,690</b>	<b>-6,725,115</b>	<b>-172,575</b>	<b>-7,035,465</b>	<b>-7,094,790</b>

### 7.3 Lincolnshire projected shared service charges

Pension Admin Breakdown Per member	members 2019/20	Forecast Pd 08 2018/19	Final 2018/19	Draft Budget 2019/20	PD06 2019/20	PD09 2019/20	Budget 20/21
Cost per member		£14.58	£15.01	£16.25	£16.11	£16.11	£16.64
Lincolnshire	77,386	£1,128,508	77,042	£1,252,310	1,240,980	1,240,980	1,287,703

### 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 author of this report.

## **Appendices**

These are listed below and attached at the back of the report	
Appendix 1	Customer survey results
Appendix 2	Employer Feedback summary
Appendix 3	Employer Annual Survey
Appendix 4	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@wypforg.uk](mailto:yunus.gajra@wypforg.uk).

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## Customer Survey Results - Lincolnshire Members

(1<sup>st</sup> October to 31<sup>st</sup> December 2019)

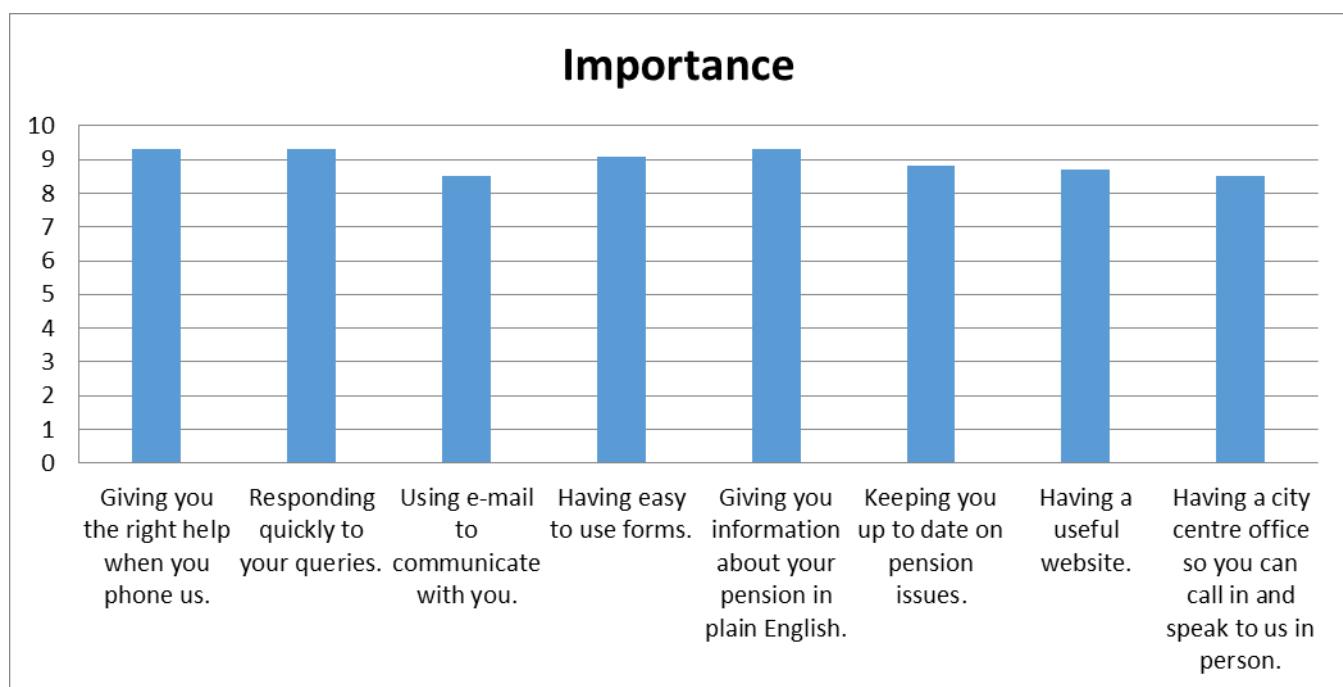
Over the quarter October to December we received **1** online customer response.

Over the quarter October to December **207** Lincolnshire member's sample survey letters were sent out and **38 (18.4%)** returned:

Overall Customer Satisfaction Score;

October to December 2018	January to March 2019	April to June 2019	July to September 2019	October to December 2019
81%	81.3%	83.5%	87.9%	84.5%

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



**Sample of positive comments:**

<b>Member Number</b>	<b>Comments</b>
811962 email	<p>Afternoon Annamaria</p> <p>Following a telephone conversation with yourself Mrs McKenzie called in to reception with her passport.</p> <p>While here she asked who she had spoken to the previous day and would like to thank you for all your help as you were friendly yet professional in answering all her questions.</p> <p>Regards</p>
8000843	Courteous knowledgeable people who spoke plain terms. Brilliant service received by me.
8012760	Very good. I was very happy with the service received. Everything went out smoothly with no problem at all.
8120531	Very good when I contacted you the service I received was spot on.
8128387	Very helpful, easy to understand and communicate.

### **Complaints/Suggestions:**

<b>Member Number</b>	<b>Comments</b>	<b>Action</b>
8109783	<p>Frustratingly rude and unclear information with your staff upset me.</p> <p>Not a very happy experience. The staff on the phone were rude and every time I received correspondence I was asked to complete the same form again and again.</p>	A letter sent to member to explain that our staff are expected to behave in a polite and professional manner at all times and apologies if this has not been your experience.
8125785	Disappointing, given wrong advice on phone which delayed payment.	<p>Not clear what the 'wrong advice' given is that the member is referring to.</p> <p>Member wanted to transfer to Teachers Scheme but they commenced with them in 1995 so a transfer was outside time limits and the only option for member was a refund. Member did not have the original claim form so we sent a duplicate form and the refund was paid on receipt.</p>
8108653	I phoned for advice and the person went into complicated explanation repeating the same when I said I did not understand. I was just so confused when I hang up as I was before the call.	Sent a letter to ask if they wanted a written explanation of their query.
8130248	I find it all confusing and the letters etc never make any sense to me.	<p>Member was sent a new starter letter.</p> <p>Advised to contact our helpline if they wanted any clarification on any points.</p>

**Employer Feedback (All funds)  
Quarter 4 October – December 2019**

**Complete Guide – October 2019**

**Feedback score 97.25%**

<b>Comment</b>	<b>Action taken</b>
Could specific training be given 'per department' i.e. HR, Payroll etc.	Specific feedback received because this workshop was held at a payroll provider's office for their schools – passed to course owner but no action deemed appropriate.

**A summary of the compliments**

- Very informative and great to make notes against the slides
- Really enjoyed it. Practical and good to have someone explaining it in day-to-day language, thank you.

**Pensionable Pay – November 2019**

**Feedback score 94.39%**

<b>Comment</b>	<b>Action taken</b>
Did not receive any info before course day. Did not receive confirmation of booking.	The booking system notifies people automatically, but only if they put the right email address into the system.
More exercises with different scenarios	Discussed with trainer. There are only 2 number exercises in it so under review.

**A summary of the compliments**

- Liked the use of examples and case studies
- Good content - explained clearly. The exercises helped with understanding. Sheryl's delivery was great and her knowledge is fab! Very engaging session.
- Pre-course info - especially useful if new to pensions.

**Pensionable Pay – November at HR Solutions**

**Feedback score 100%**

<b>Comment</b>	<b>Action taken</b>
None	

### **A summary of the compliments**

- Fab the way they are
- Very useful notes and great practical exercises

# Lincolnshire Pension Fund employer survey 2019

## Priorities for improvement (PFI)

### Purpose

To identify areas of Lincolnshire Pension Fund service with employers that could be improved.

### Sample

The survey was emailed, and made available on the employer blog, to all authorised users notified to use by the scheme employers of Lincolnshire Pension Fund.

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

### Results

Replies received: 54

Overall result: 89.43%

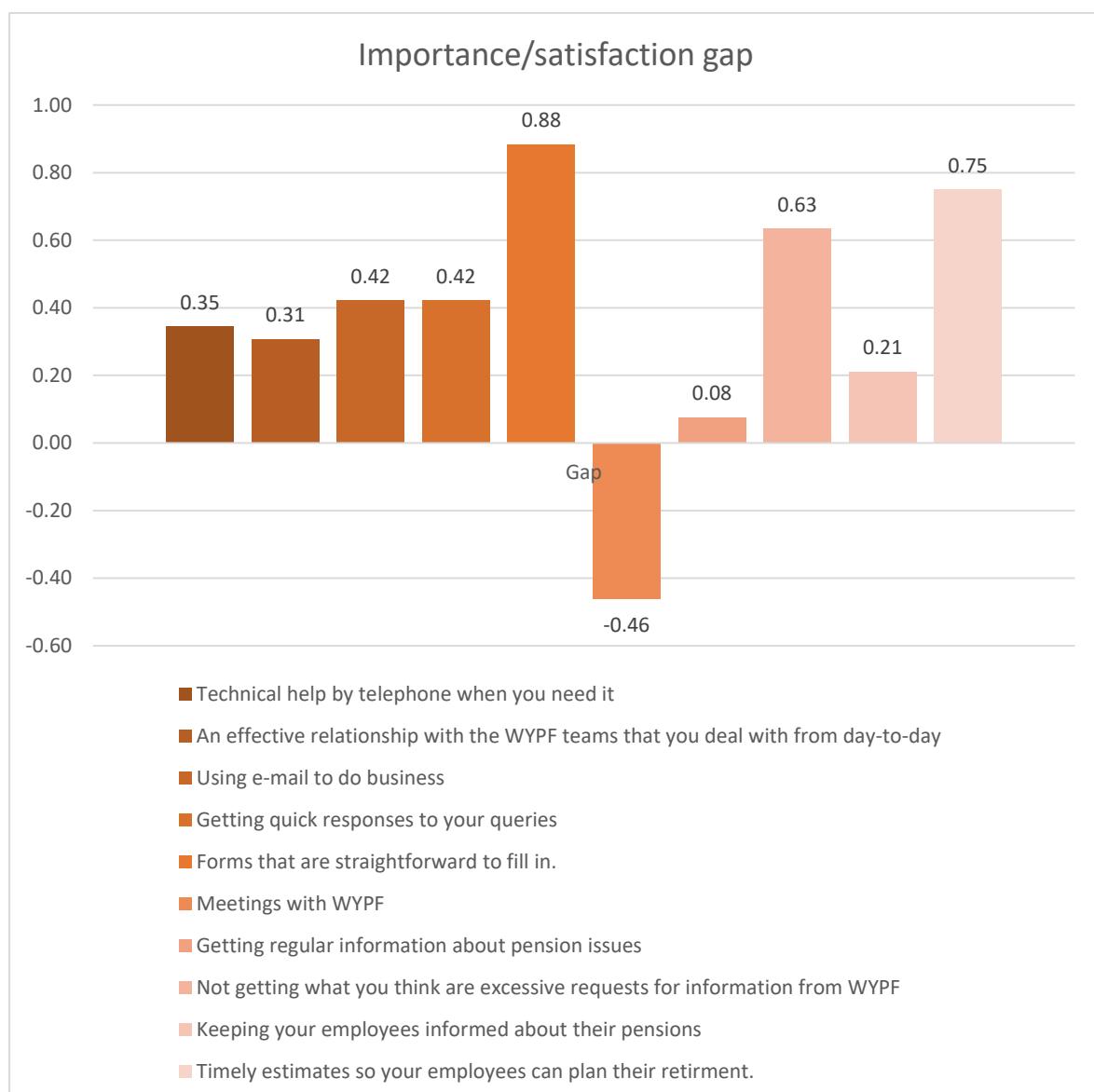


## Importance/satisfaction gap

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

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

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



## Comments

### Any comments you would like to add?

Always very friendly when on the phone. Quick to respond to queries.

When employees want figures to allow them to make a decision about their retirement there seems to be a long wait in getting those quotes i.e. they have to wait until a certain amount of weeks before they are planning to retire. This can't be right & needs looking at. Surely staff should be able to have this at any time? I still think your website looks old fashioned & is very clunky. Having said all of that the service from your staff is usually excellent.

No

The website could be more user friendly with more explanations on leaver forms - instead of links to generic help guides

Don't have too much contact with the fund directly, but all communication has been very good.

NO

There are sometimes emails sent to me as the strategic contact about member information which I do not hold and have to redirect to our payroll provider

No thank you, all is well

### How would you sum up Lincolnshire Pension Fund service in one sentence?

User-friendly and helpful.

Excellent service, very helpful staff, I have absolutely no complaints.

Overall very good

Great service but you probably need to update your website & improve user experience.

Adequate

No complaints - any issues that do arise are dealt with very quickly

Excellent

Always very helpful by telephone and/or email.

Efficient

Very good

Very informative, helpful and reliable

Professional yet friendly, great knowledge with a timely response.

An exceptional service and very satisfied.

Very good and professional fund who are very good to deal with.

Really good!

Excellent

Friendly and helpful

Good

Very approachable and knowledgeable team to help when required

Excellent

Very efficient, effective service

The support is always available at the end of the telephone which is important to me.

Excellent

Whenever we need help we get it quickly

Great

Proactive

It's excellent, if I could find more time I could probably make better use of it.

## Appendix A – Summary of results Lincolnshire Pension Fund

Summary of results Lincolnshire Pension Fund		2016		2017		2018		2019	
		Rank	Score	Rank	Score	Rank	Score	Rank	Score
Technical help by telephone when you need it		8	-0.08	5	0.70	3	0.69	6	0.35
An effective relationship with the WYPF teams that you deal with from day-to-day		4	0.23	7	0.45	6	0.45	7	0.31
Using e-mail to do business		9	-0.15	8	0.24	8	0.31	4	0.42
Getting quick responses to your queries		3	0.31	4	0.73	2	0.75	4	0.42
Forms that are straightforward to fill in.		1	0.85	1	1.58	1	1.47	1	0.88
Meetings with WYPF		10	-1.00	10	-0.28	10	-0.24	10	-0.46
Getting regular information about pension issues		2	0.38	8	0.24	9	-0.02	9	0.08
Not getting what you think are excessive requests for information from WYPF		5	0.23	2	1.14	5	0.49	3	0.63
Keeping your employees informed about their pensions		7	0.00	6	0.66	7	0.33	8	0.21
Timely estimates so your employees can plan their retirement.		6	0.08	3	1.03	4	0.67	2	0.75
Satisfaction Score (%)			91.47		83.42		84.73		89.34
Number of replies			12		71		55		54



## **Current Issues**

**1) SCAPE discount rate – impact on actuarial guidance – update**

MHCLG has recently issued revised late retirement guidance. The new guidance and factors are effective from 1 September 2019. The new methodology removes the ‘cliff edge’ effect which reduced the value of LGPS benefits held by members who were over their Normal Pension Age (NPA) when the factors last changed in January 2017.

**2) Survivor guide published**

LGPC have recently published a technical guide covering survivor benefits in the LGPS. The guide sets out the LGPC Secretariat’s understanding of the membership that is used to calculate survivor benefits. The guide reflects the changes in survivor benefits for civil partners and the spouses of same-sex marriages, brought about by the LGPS (Miscellaneous Amendment) Regulations 2018.

MHCLG plans to introduce statutory guidance for administering authorities, in respect of past trivial commutation and transfer payments that are affected by the change in survivor benefits for civil partners and same sex spouses.

**3) Good governance project - update**

Following on from the presentation of the Good Governance report to SAB on 8 July 2019, the Board agreed to constitute two working groups to take forward the proposals included in the report (Phase II).

The first working group (Compliance and Improvement Workstream) were asked to focus on specifying clearly the outcomes and standards that the SAB wishes to see achieved by funds under the proposed approach, and how those outcomes should be evidenced.

The second working group (Compliance and Improvement Workstream) was asked to focus on establishing the compliance regime that will be required to independently assess funds against this framework.

The findings of both working groups have been reported back to SAB last November and includes detailed implementation proposals and a list of changes required to guidance to implement this framework.

The Working Group’s recommended that SAB and MHCLG accept the recommendations of the working group and initiate phase III of the project.

At their meeting of 6 November 2019, SAB agreed that phase III of the project, including draft statutory guidance on governance compliance statements and establishing a set of key performance indicators should now be developed. Final proposals for phase III of the project will be considered by SAB when it next meets on the 3 February 2020.

**4) Consultation: Exit payments cap – update**

As you are aware, HM Treasury (HMT) had launched a consultation called ‘Restricting exit payments in the public sector: consultation on implementation of the regulations’. The consultation closed on 3 July 2019.

HMT received approximately 600 responses, and it is likely they will publish their response in the autumn of 2019. We understand that HMT are to introduce the cap no sooner than 1 April 2020.

**5) Consultation on changes to TPO – Government response published**

On 19 December 2018 the government published a consultation seeking views on proposals for a new function at the Pensions Ombudsman (TPO) for the earlier resolution of disputes prior to a determination; allowing employers to make complaints or refer disputes to TPO on behalf of themselves; and associated signposting provisions.

On 8 August 2019 the government published its response to the consultation. On the whole, responders were supportive of the government’s proposals. Going forward, the government will:

- collaborate with HMT and the FCA to ensure the services work to support the best interests of parties that will use those services, and
- bring forward legislation to provide a framework for the proposals.

Any amendments to signposting requirements will need to be set out in secondary legislation. If needed, draft regulations will follow on from the necessary primary legislation.

**6) Tailored review of TPO – outcome published**

In November 2018 DWP led a tailored review (last review 2014) of The Pensions Ombudsman (TPO) to ensure that the body remains fit for purpose, well governed and properly accountable for what it does. The government published the outcome of this review on 27 August 2019. Findings indicated that:

- TPO is a well-respected and effective organisation.
- there was strong support from all consulted stakeholders for the quality, clarity and impartiality of its determinations on pension disputes.
- there was improvement to case clearance times, whilst embracing an ambitious internal change agenda.

Areas identified for improvement include:

- developing the governance and performance framework for the organisation to reflect the increasing size, complexity and maturity of its work.
- ensuring that both DWP and TPO take a more robust approach to scoping and tracking efficiencies. This is expected to yield from the investment TPO has received in its digital infrastructure and the potential to more radically streamline case handling.

- building on the outward facing engagement to position TPO more strategically, working with other relevant organisations to enhance the impact on raising standards more broadly in pensions administration.

The next tailored review will take place in around five years' time and should consider the progress made against the recommendations of this review.

## **7) LGPS engagement report published**

On 19 September, the Pensions Regulator (TPR) published a report on the findings from its engagement with ten local government funds. The engagement took place between October 2018 and July 2019.

The report summarises the key findings against the Regulator's Code of Practice 14 both in terms of exceeding and falling short of required standards. The Scheme Advisory Board (England and Wales) will discuss the report in detail at their meeting.

## **8) SF3 data published**

On 16 October 2019, MHCLG published Local government pension scheme funds for England and Wales: 2018 to 2019 (SF3) statistics. Highlights include:

- Total LGPS expenditure in 2018-19 was £12.7 billion. Removing the effect of mergers and large transfers in 2017-18 there was a like-for-like increase of £0.7 billion or 5.7% on 2017-18.
- Total LGPS income in 2018-19 was £15.1 billion. Removing the effect of mergers and large transfers in 2017-18 and 2018-19, there was a like-for-like decrease of £2.3 billion or 13.2% on 2017-18. This is mainly due to an increase in employers' contributions in 2017-18.
- Employers' contributions to LGPS in 2018-19 amounted to £7.1 billion, down 24.7% on 2017-18, and employees' contributions to the scheme were £2.2 billion. The decrease in employers' contributions is largely due to some large upfront pension contribution payments made in 2017-18 following the triennial valuation.
- The market value of the LGPS funds at the end of March 2019 was £287.2 billion, an increase of £16.3 billion or 6.0%.
- The LGPS encompassed 5.9 million people at the end of March 2019. Of this number, 2.0 million are employees who are still contributing to the scheme, 1.7 million are pensioners and 2.2 million are former employees who are entitled to a pension at some time in the future.
- There were 83,508 retirements from the LGPS in 2018-19, an increase of 7,554 or 9.9% compared with 2017-18.

**9) GAD request for valuation data**

As part of the cost management process GAD have requested valuation data as at 31 March 2019. This was submitted by Hounslow before the November deadline.

**10) TPR initiative to improve data quality**

On 2 October 2019, the Pensions Regulator (TPR) announced a crackdown on poor record keeping. TPR is in the process of contacting 400 schemes that it believes have not reviewed their data in the past three years. TPR will ask those schemes to conduct a data review within six months. We understand that some LGPS administering authorities are included in that group and that TPR planned to contact those affected by 25 October. TPR will contact a further 1,200 schemes to remind them to carry out data reviews of common and scheme-specific data every year.

**11) Possible McCloud remedy - employer communications**

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older scheme members. The Court of Appeal ruled that younger members of the Judges and Firefighters Pension schemes were discriminated against because the protections did not apply to them. The Government has confirmed that there will be changes to all public sector schemes to remove this age discrimination.

The Government and the SAB are having high level discussions about what this means for the LGPS. The SAB is confident that the eventual outcome will provide younger members in scope with protection that is equal to the protection provided to older members.

The protection compares the benefits payable under the current rules with the benefits that would have been paid if the Scheme had not changed in 2014 and pays the higher. This protection **will apply automatically** – LGPS members who meet the qualifying criteria do not need to take any action.

It is important that members are made aware that many of them will not see an increase to their pension benefits. For others any increase is likely to be small because of low salary growth since the new schemes were introduced.

The SAB will continue to work with Government to ensure **that the necessary changes to the LGPS are fully implemented and that all members automatically receive the protection they are due.**

Changes to the Scheme will be backdated to April 2014 and will apply to qualifying members who left the LGPS after that date. Implementing and communicating the changes will be extremely challenging. The SAB have set up an implementation group to assist LGPS administering authorities and employers with this challenge.

No decisions have yet been made on the form that any remedy will take, when it will be implemented and who will be in scope. It is **possible** that the remedy will involve the extension of the underpin to members who are not currently offered protection. In order to perform an accurate underpin calculation for a member, a full history of part time hours changes and service break information from 1 April 2014 is needed.

Hours and service break data **may be needed from Scheme employers** for active members and members with a leaving date after 31 March 2014 (who are not covered by the current underpin).

**12) September 2019 rate of CPI**

On 16 October 2019, the Office for National Statistics announced that the Consumer Prices Index (CPI) rate of inflation for September 2019 was 1.7%.

Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year. We await confirmation from the Government that the revaluation of pension accounts and the pensions increase to apply to deferred LGPS pensions and LGPS pensions in payment in April 2019 will be 1.7%.

**13) High Court dismisses State Pension age discrimination claims**

On 3 October 2019, the High Court dismissed claims that the increase in State pension age from 60 to 66 for women born in the 1950s was discriminatory. The judgment found that there had been no discrimination based on sex, or age and sex combined. The judges ruled that the legislation does not treat women less favourably than men in law, rather it equalises a historic asymmetry between men and women and corrects historic discrimination against men.

The Backto60 campaign group have since filed for permission to appeal the decision.

**14) Annual Allowance Tax charges**

HMRC have published a new guide about paying the AA tax charge for pension scheme members. The guide titled 'who must pay the pensions annual allowance tax charge' has information about 'mandatory' and 'voluntary' scheme pays and provides links for members on declaring their AA charge on their self-assessment return.

Administering authorities are asked to remind those members who have exceeded their annual allowance for 2018/19 and who do not have sufficient unused annual allowance to carry forward to cover the excess, that they must declare this on their Self-Assessment tax return, even if the administering authority is paying the tax charge.

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# Agenda Item 8



## Regulatory and Other Committee

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

Report to:	<b>Pensions Committee</b>
Date:	<b>19 March 2020</b>
Subject:	<b>Employer Monthly Submissions Update</b>

#### **Summary:**

This paper provides the Committee with up-to-date information on Employer Monthly Submissions for the third quarter of the financial year 2019/20 (October to December).

#### **Recommendation(s):**

The Committee 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 any contributions due to the Fund by the 19th of the month following their payroll. The Fund considers an employer a 'late payer' if either the cash and/or the data is received after 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 2019 is set out in table one below.

**Table One: Late contributions and data submissions to December 2019**

Month	Payment of Contributions		Submission of Data	
April	6	2.3%	14	5.3%
May	3	1.1%	10	3.8%
June	3	1.1%	23	8.7%
July	9	3.4%	15	5.7%
August	6	2.3%	12	4.5%
September	3	1.1%	11	4.2%
October	2	0.7%	6	2.2%
November	3	1.1%	15	5.6%
December	3	1.1%	11	4.1%
<b>Total for 2019/20</b>	<b>38</b>		<b>117</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 main reasons for late payments in the quarter relates to changes in payroll staff at two of the larger payroll providers.
- 6 None of these 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 2019. There have been no fines issued in the quarter October to December 2019.

**Table Two: Late contributions fines to December 2019**

April	May	June	July	August	September
2	2	5	4	3	3
October	November	December			
0	0	0			

## Conclusion

- 8 This report provides quarterly monitoring information on the timeliness and accuracy of employer submissions to help the Pensions Committee

understand if there are any issues arising from late payments or data 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.

## **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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# Agenda Item 9



## Regulatory and Other Committee

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

Report to:	<b>Pensions Committee</b>
Date:	<b>19 March 2020</b>
Subject:	<b>Investment Management Report</b>

#### **Summary:**

This report covers the management of the Lincolnshire Pension Fund assets over the period from 1 October to 31 December 2019.

The report covers:

1. Fund Summary – Asset Allocation and Performance
2. Hymans Robertson Manager Ratings
3. Individual Manager Updates

#### **Recommendation(s):**

That the Committee note this report.

#### **Background**

##### **1. Fund Summary – Asset Allocation and Performance**

1.1 Over the period covered by this report, the value of the Fund increased in value by £27.9m (1.1%) to £2,542.1m on 31 December 2019.

##### Asset Allocation

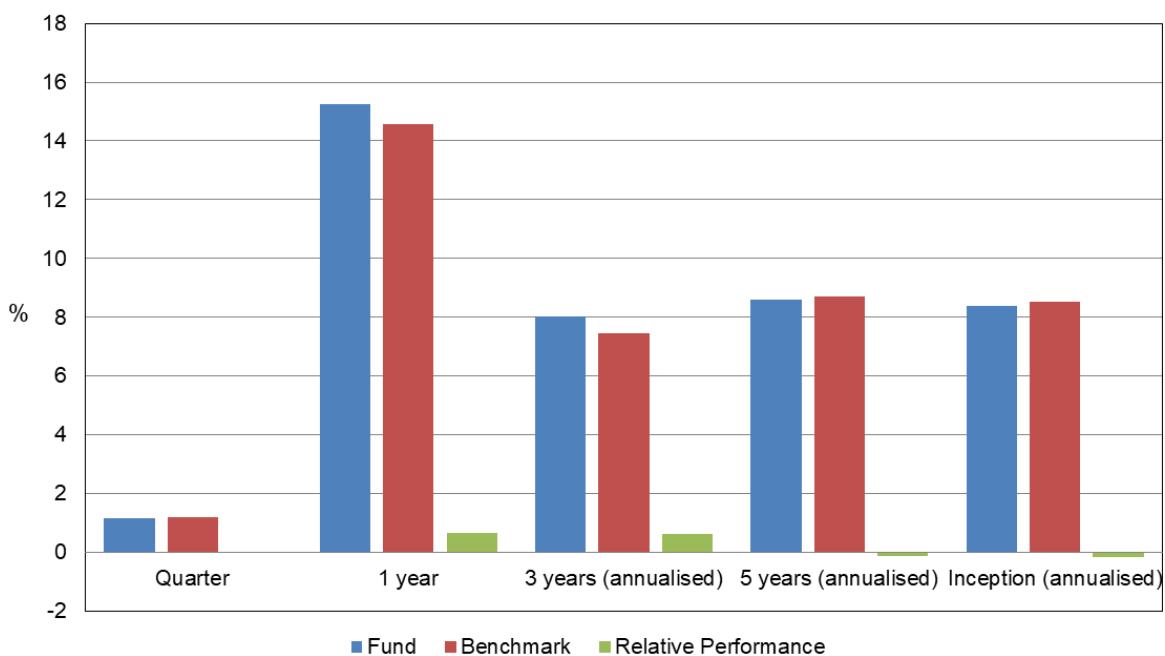
1.2 Appendix A shows the Fund's distribution as at 31 December. Across the asset classes all assets were within tolerance. At a portfolio level, Blackrock Interim (+1.15%) had breached its tolerance level. As previously reported, rebalancing will not generally be undertaken ahead of the transitions to Border to Coast. Holdings in this fund will be transitioned into the Border to Coast Investment Grade Credit (7.5%) and Multi Asset Credit (3.5%) sub-funds in 2020.

1.3 The Fund's overall position relative to its benchmark is set out in the table over the page. This was a relatively flat quarter, with the most significant movement in the quarter seen on UK equities which increased by £18.6m (or 4.1%).

Asset Class	Q4 2019 £m	Q3 2019 £m	Asset Allocation %	Strategic Asset Allocation %	Difference %
UK Equities	468.0	449.4	18.4	18.0	0.4
Global Equities	1,039.5	1,026.8	40.9	40.0	0.9
Alternatives	346.2	342.7	13.6	15.0	(1.4)
Property	201.7	202.8	7.9	9.0	(1.1)
Infrastructure	47.9	47.7	1.9	2.5	(0.6)
Fixed Income	425.5	431.3	16.8	15.5	1.3
Cash	13.3	13.5	0.5	0.0	0.5
<b>Total</b>	<b>2,542.1</b>	<b>2,514.2</b>	<b>100.0</b>	<b>100.0</b>	

### Fund Performance

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



	Fund %	Benchmark %	Relative Performance %
Quarter	1.16	1.19	(0.04)
1 year	15.24	14.58	0.66
3 years*	8.04	7.44	0.61
5 years*	8.58	8.70	(0.12)
Inception**	8.37	8.53	(0.17)

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

- 1.5 Over the quarter, the Fund produced a return of 1.16% (as measured by Northern Trust), underperforming the benchmark by 0.04%. The Fund was

also behind the benchmark over the five year period and since inception, but ahead of the benchmark over the one and three year periods.

- 1.6 Appendix B shows the market returns over the three and twelve months to 31 December 2019.

## 2. Hymans Robertson Manager Ratings

- 2.1 Hymans Robertson, as the Fund's Investment Consultant, regularly meets managers to discuss current issues, management changes and performance. Each manager is then allocated one of four ratings between negative and preferred. The table below shows Hymans Robertson's rating for managers appointed by the Lincolnshire Pension Fund.
- 2.2 During the quarter there have not been any changes to manager ratings. Officers continue to monitor managers closely and arrange meetings to discuss any potential issues.

Manager	Rating				
	No Rating	Negative	Suitable	Positive	Preferred
Invesco Global Equities (Ex-UK)		X			
Morgan Stanley Alternative Investments		X			
Blackrock Fixed Interest				X	
Aviva Pooled Property Fund		X			
Standard Life Pooled Property Fund		X			
Blackrock Property		X			
Infracapital Greenfield Partners I				X	
Pantheon Global Infrastructure					X

## 3. Individual Manager Update

- 3.1 The manager index returns for equity, fixed interest and alternative managers are shown in the table over the page. A detailed report on each manager outlining the investment process, performance, purchases and sales can be found after the table at 3.2.
- 3.2 Over the quarter, three managers showed a positive return relative to their benchmark, Legal and General, Border to Coast Global Equity Alpha and Morgan Stanley Alternatives. Invesco, was behind its benchmark, whilst both Blackrock funds matched their benchmark.

## Manager Performance

Manager	3 months ended 31 Dec 2019			Previous 12 months			Since Inception**			Target p.a. %
	Manager Return %	Index Return %	Relative Variance %	Index Return %	Relative Variance %*	Relative Variance %*	Manager Return %	Index Return %	Relative Variance %*	
Legal & General (UK Equities)	4.2	4.1	0.1	19.2	19.1	0.1	6.4	6.4	0.1	Match Index
Invesco (Global Equities ex UK)	0.5	0.9	(0.4)	19.2	23.2	(3.2)	10.3	9.7	0.6	+1.0%
Border to Coast Global Equity Alpha *** (Global Equities)	4.9	4.3	0.6	N/A	N/A	N/A	N/A	N/A	N/A	+2.0%
Blackrock (Fixed Interest)	(4.0)	(4.0)	0.0	8.1	8.2	0.0	6.7	6.6	0.1	Match Index
Blackrock Interim (Fixed Interest)	0.1	0.1	0.0	3.7	3.8	0.0	1.7	1.7	0.0	Match Index
Morgan Stanley (Alternative Investments)	1.8	1.2	0.6	9.7	4.9	4.5	4.7	4.7	0.0	3M LIBOR + 4%

\*Relative Variance is the scale of the performance achieved. This measures the proportional out/under performance of a portfolio relative to the benchmark.

\*\*Since Inception performance figures are annualised

\*\*\*Quarter since inception at 24 October 2019.

**Lincolnshire Pension Fund**  
**Global Equities – Invesco (Global Ex UK Enhanced)**  
**Quarterly Report December 2019**

### Investment Process

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

### Portfolio Valuation

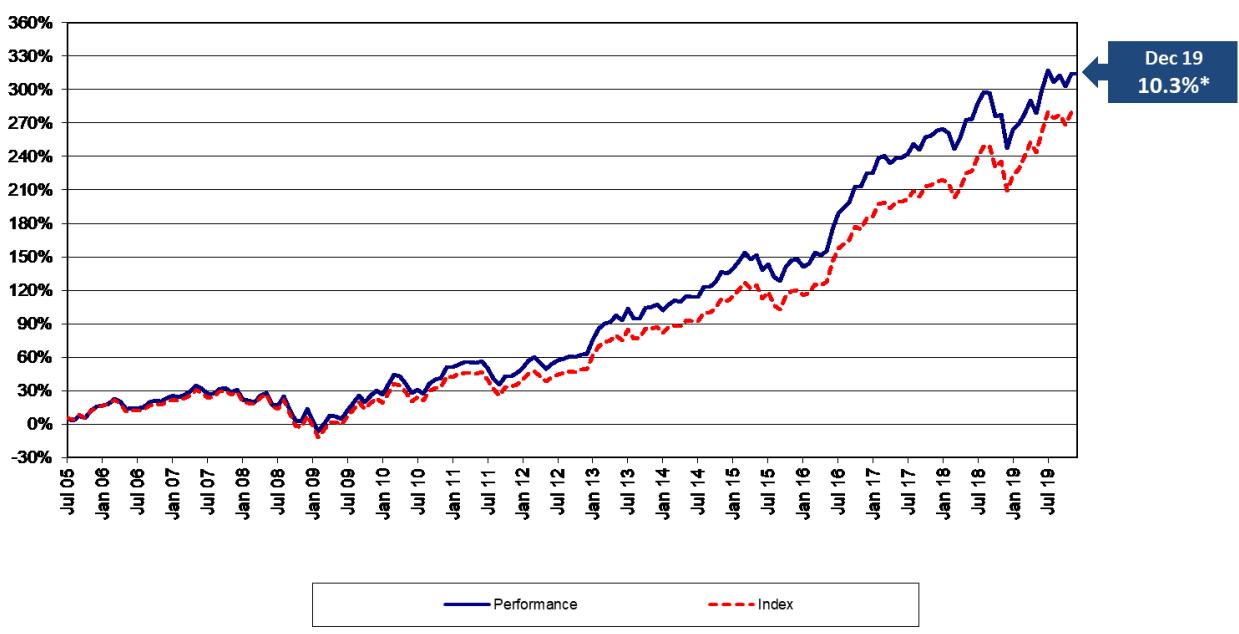
Value at 30.09.19	Value at 31.12.19
£598,157,938.50	£598,359,802.77

### Performance

In the fourth quarter, the strategy underperformed its benchmark. Relative performance is based on different aspects: IQS Factors detracted from relative performance. Exposure to Earnings Momentum, Price Momentum and Quality factors weighed on return, while contribution from Value factors was positive. Stock-specific effects, which are not attributable to any other factor, had a negative impact on return. Contribution from active sector positioning, which is a by-product of the multi-factor portfolio optimisation approach, helped active return with overweight in IT and industrials stocks adding the most.

On the other hand, the overweight position in the consumer staples sector had a negative impact on return. Active country and currency positioning did not have any significant impact on relative performance. Other factors contributed negatively to active return in this quarter, which was mainly driven by exposure to smaller capitalised stocks.

**Invesco Performance Since Inception**



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception * %
Invesco	0.5	19.2	8.5	12.0	10.3
MSCI World ex UK	0.9	23.2	10.3	12.6	9.7
Relative Performance	(0.4)	(3.2)	(1.6)	(0.5)	0.6

\* annualised, inception date 01/07/2005

## Turnover

Holdings at 31.12.19	Holdings at 30.09.19	Turnover in Qtr %	Turnover in Previous Qtr %
491	493	8.92	17.10

## Purchases and Sales

During the quarter, a number of stock adjustments were made to the portfolio as a result of the stock selection process. Positions were increased in Mid-America Apartment Communities and Boliden with a trade weight of 0.28% and 0.27%, respectively. Furthermore, a position was added in Mazda Motor with a trade weight of 0.26%. Positions were decreased in Citigroup, Peugeot and Starbucks with a trade weight of 0.48%, 0.47% and 0.43%, respectively.

## Largest Overweights

Roche	0.83%
Procter & Gamble	0.53%
Atlas Copco	0.53%
Mitsui	0.50%
Popular	0.48%

## Largest Underweights

Walt Disney	(0.50%)
Boeing	(0.41%)
Alphabet	(0.34%)
Netflix	(0.34%)
Nvidia	(0.32%)

\* Measured against MSCI World ex UK (NDR)

## Top 10 Holdings

1	Apple	£19,760,278
2	Microsoft	£18,790,316
3	Amazon	£9,655,217
4	Roche	£8,089,990
5	JP Morgan Chase	£7,861,118

6	Procter & Gamble	£7,551,418
7	Alphabet	£6,489,937
8	Bank Of America	£6,404,577
9	Facebook	£6,325,372
10	Novartis	£4,742,140

## Hymans Robertson View

As a result of the previously announced appointment of Stephanie Butcher as CIO, David Aujla, Investment Strategist has transferred to the Multi Asset Team. In addition, Bernhard Breloer joined as a Portfolio Manager and Anne Unflat retired over the quarter.

## Risk Control

The ex-ante tracking error of the fund slightly increased to 0.94% (ex post target percentage). With 94%, the major part of the active risk was associated with stock selection factors. A further 4% came from risk indices representing style exposures within the portfolio. Country, currency and sector risk contributions, by-products of stock selection, represented 1% each. Within a tight product specific range, the portfolio beta was 1.00.

**Lincolnshire Pension Fund**  
**Global Equities – Border to Coast Global Equity Alpha**  
**Quarterly Report December 2019**

### Investment Process

The Border to Coast Global Equity Alpha Sub-Fund is designed to outperform the MSCI All Countries World Index by 2% per annum. The fund is made up of five high quality managers, which have been selected for their long term track record and blend of complementary investment styles and range of market caps. The fund will benefit from diversification due to low correlation between managers sources of outperformance. All five managers also consider responsible investment factors when making investment decisions.

### Portfolio Valuation

Opening Value at 30.09.19	Value at 31.12.19
£420,969,096	£439,759,625

### Performance

The Fund out-performed its benchmark by 0.62% from the inception of performance reporting (which was 24 October 2019) to the end of Q4 2019 with the benchmark returning 4.31% and the fund returning 4.93%.

Global markets were boosted during Q4 2019 as sentiment shifted towards a more positive economic outlook for 2020. Fears of contractions in manufacturing and service industries were reduced, helping restore confidence that a recession is not imminent.

During the investment period, the US, UK and Asia Pacific regions lead returns. The US economy continued to post stronger than expected economic growth figures, with further reductions in unemployment and better than expected wage growth. The Federal Reserve also cut interest rates which boosted stock prices. US-China tensions eased as tariffs, which were expected to be imposed in January 2020, were reduced prior to implementation which benefitted both US and Asian stocks.

The Fund generated considerable outperformance in December, which came as a result of a rally in UK financial markets following the conclusion of the general election. As at the end of Q4, the Fund was overweight to UK assets, with 15.68% compared to 4.86% in the benchmark.

From a sector perspective, information technology, healthcare and materials all outperformed the index. Tech sector returns rallied as trade tensions eased and the outlook for trade with China improved. At the sub-fund level, we are under-weight to each of these sectors with over-weight positions in more defensive sectors such as financials and consumer staples.

	Quarter %	1 Year %	3 Year %	5 Year %	Inception %*
B2C Global Equity Alpha	4.93	N/A	N/A	N/A	4.93
MSCI ACWI ND	4.31	N/A	N/A	N/A	4.31
Relative Performance	0.62	N/A	N/A	N/A	0.62

\*actual, not annualised – inception date 24 October 2019

## Purchases and Sales

There are no major transactions to report for the quarter.

### Largest Overweights

Booking Holdings	1.64%
Moodys Corporation	1.58%
Bayer	1.56%
London Stock Exchange	1.29%
Glencore	1.19%

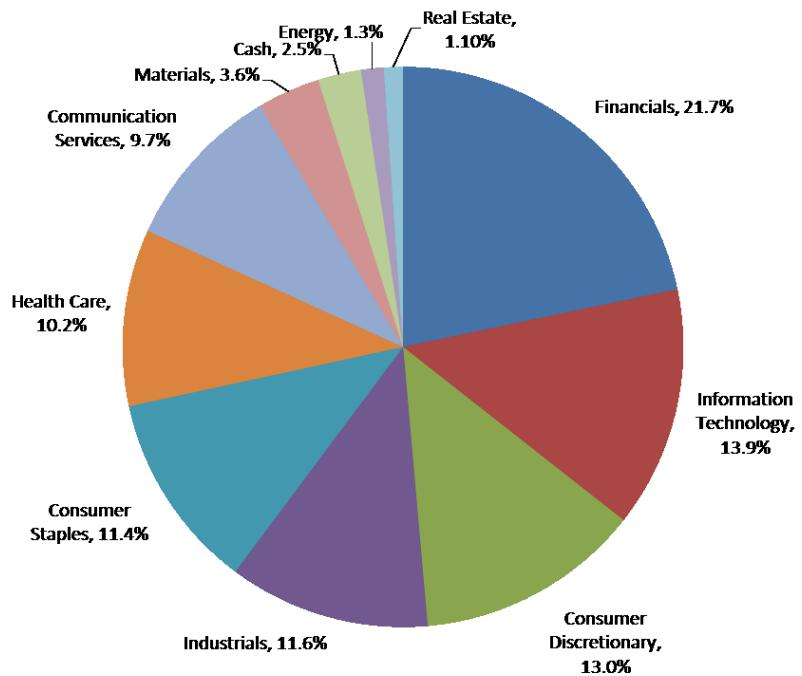
### Largest Underweights

Apple	(2.61%)
JPMorgan	(0.88%)
Microsoft	(0.82%)
Alphabet C	(0.82%)
Amazon	(0.65%)

### Manager Breakdown

Harris Associates	25.4%
Loomis Sayles	24.9%
Investec Value	20.8%
Investec Franchise	19.5%
Lindsell Train	9.4%

### Whole Fund Sector Breakdown



**Lincolnshire Pension Fund  
UK Equities – Legal & General (LGIM)  
Quarterly Report December 2019**

### **Investment Process**

This pooled fund employs a tracking strategy, aiming to replicate the performance of the FTSE All-Share Index to within +/-0.25% p.a. for two years out of three. The fund follows a pragmatic approach to managing an index fund, either investing directly in the securities of that index or indirectly through other LGIM funds. The fund may also hold index and single stock futures for efficient portfolio management.

### **Portfolio Valuation**

Value at 30.09.19	Value at 31.12.19
£449,373,212	£467,958,808

### **Performance**

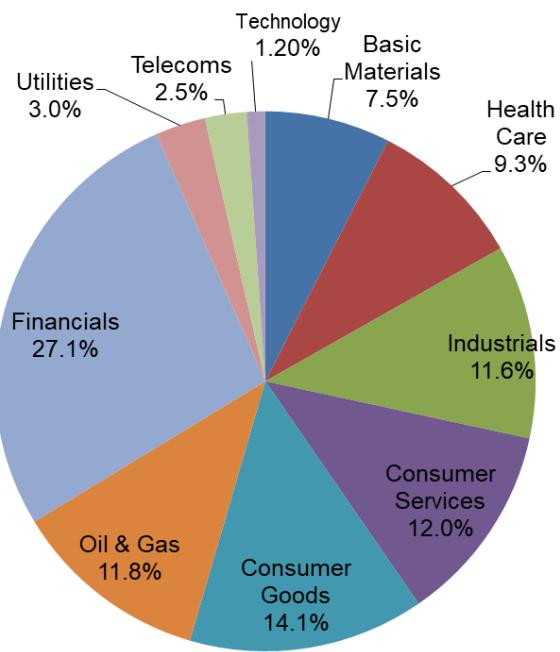
Over all periods the portfolio has performed as expected.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
LGIM	4.2	19.2	N/A	N/A	6.4
Benchmark	4.1	19.1	N/A	N/A	6.3
Relative Performance	0.1	0.1	N/A	N/A	0.1

\*annualised, inception date February 2017

<b>Top Ten Holdings</b>	
<b>Company</b>	<b>% Weighting</b>
HSBC	5.0
AstraZeneca	4.2
BP	4.0
Royal Dutch Shell	3.8
Glaxosmithkline	3.7
Royal Dutch Shell	3.6
Diageo	3.1
British American Tobacco	3.1
Rio Tinto	2.1
Unilever	2.0
<b>Total</b>	<b>34.6</b>

### **Whole Fund Sector Breakdown**



**Lincolnshire Pension Fund  
Passive Bonds – Blackrock  
Quarterly Report December 2019**

### **Investment Process**

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

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

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

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

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

### **Portfolio Valuation**

Portfolio	31.09.19 £	31.12.19 £
Corporate Bond All Stocks Index Fund	77,076,237	74,551,535
Over 5 Years UK Index-Linked Gilt Index Fund	46,942,860	44,691,787
All Stocks UK Gilts*	30,879,621	29,495,606
Cash (residual)	1	1
<b>Total</b>	<b>154,898,719</b>	<b>148,738,929</b>

\*Switched from Overseas Bond Index Fund in February 2017

### **Performance**

Over all periods the portfolio has performed as expected.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception * %
Blackrock	(4.0)	8.1	3.5	5.7	6.7
Composite Benchmark	(4.0)	8.2	3.5	5.6	6.6
Relative Performance	0.0	0.0	0.0	0.1	0.1

\*annualised since inception 28/07/10

## Hymans Robertson View

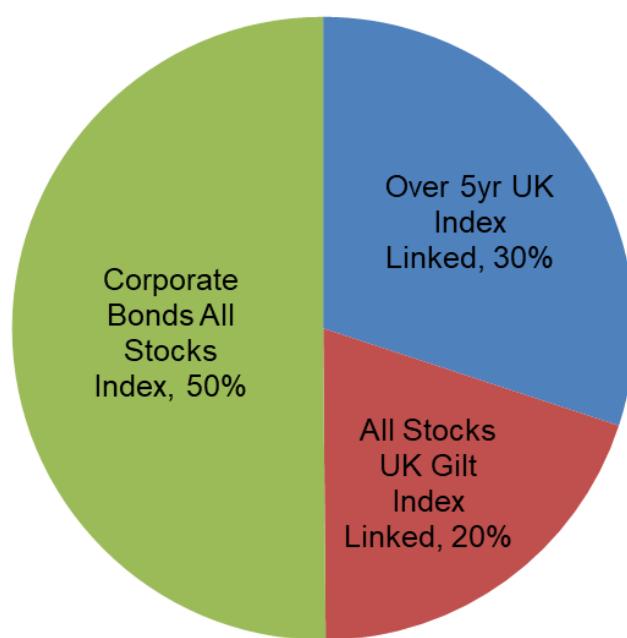
Hymans Robertson continue to rate Blackrock fixed interest at 'positive'.

### Allocation

The target allocation between the three funds is:

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

The pie chart below shows the allocation as at 31 December 2019.



**Lincolnshire Pension Fund  
Passive Bonds – Blackrock interim  
Quarterly Report December 2019**

### **Investment Process**

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

### **Portfolio Valuation**

Value at 30.09.19	Value at 31.12.19
£276,350,552	£276,726,501

### **Performance**

Over all periods the portfolio has performed as expected.

	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception* %
Blackrock Interim	0.1	3.7	1.8	N/A	1.7
Benchmark	0.1	3.8	1.8	N/A	1.7
Relative Performance	0.0	0.0	0.0	N/A	0.0

\*annualised since inception 14/09/16

### **Hymans Robertson View**

Hymans Robertson continue to rate Blackrock fixed interest at 'positive'.

**Lincolnshire Pension Fund**  
**Alternative Investments – Morgan Stanley**  
**Quarterly Report December 2019**

### Investment Process

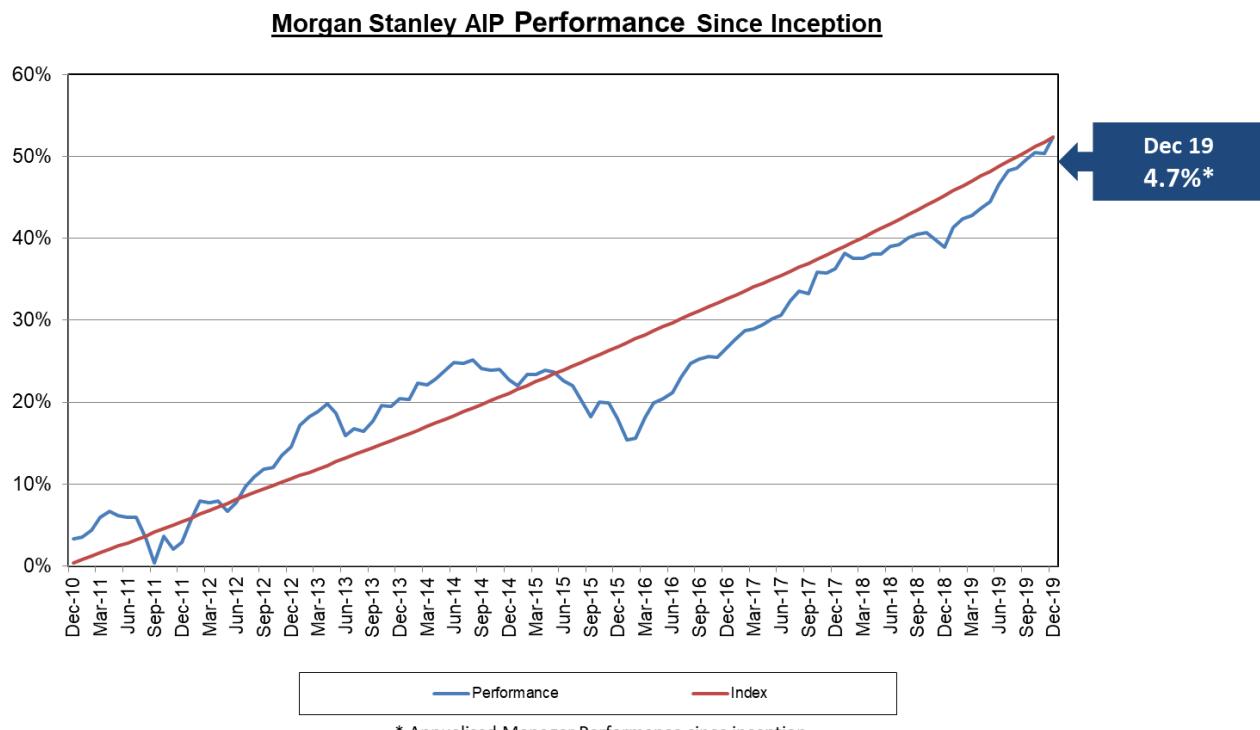
Morgan Stanley manages a bespoke absolute return alternative investment mandate for the Fund. The portfolio is invested in alternatives only, with no exposure to traditional equities or bonds. Investments are made to complement the existing Fund allocation. The manager has a target to beat the return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

### Portfolio Valuation

Value at 30.09.19	Value at 31.12.19
£320,651,811	£327,526,187

### Performance

The total alternatives portfolio (excluding legacy private equity holdings) returned 1.8% during the quarter. During the quarter, most asset classes contributed positively with absolute returns driven by private markets, hedge fund and credit allocations. Tactical decisions contributed to returns while manager selection contributions dragged on returns, particularly stemming from lagged and negative marks in private markets.



	Quarter %	1 Year %	3 Year* %	5 Year* %	Inception * %
Morgan Stanley	1.8	9.7	6.4	4.4	4.7
3 Month LIBOR + 4%	1.2	4.9	4.7	4.7	4.7
Relative Performance	0.6	4.5	1.5	(0.3)	0.0

\* annualised since inception date 24/11/2010 (excludes legacy PE portfolio assets)

## Allocation

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

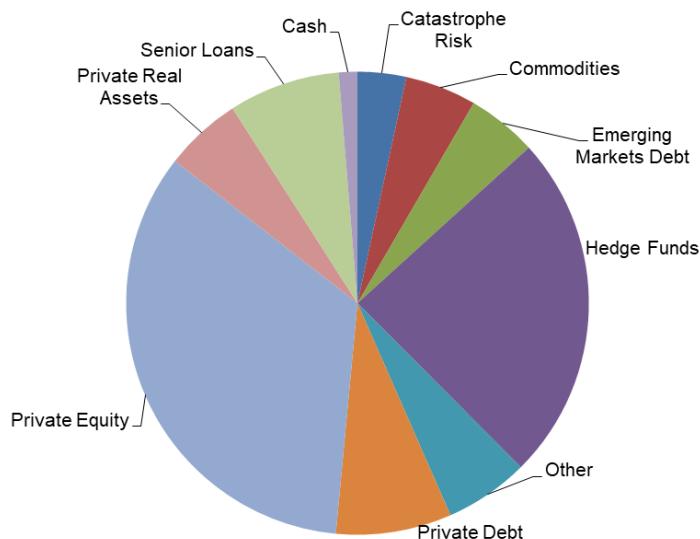
- **Alpha** These are pure return seeking products based on Manager skill. The Alpha investments include Hedge Funds, Global Tactical Asset Allocation (GTAA) and Active Currency.
- **Long Term Real Asset** These are long term investments that seek to access illiquidity premium. Investments include Private Equity, Infrastructure, Real Estate, Commodities and Inflation – linked strategies.
- **Credit** These are the purchase of the lower rated bonds where higher default is more likely. Manager selection is important to ensure the correct bonds are purchased that will appreciate following rating upgrades and merger and acquisition activity. Credit opportunities include Emerging Market Debt, High Yield Bonds, Senior Loans and Convertibles.
- **Discovery** These are new opportunities of investments and can include Frontier Markets, Distressed Opportunities and Volatility.

The table and pie chart below show the strategy and asset class positions of the Morgan Stanley portfolio as at 31 December 2019.

## Strategy

Alpha	27.67%
Credit	14.74%
Real Asset	54.57%
Discovery	1.00%
Cash	2.02%

## Asset Class



## **Hymans Robertson View**

Hymans Robertson rate Morgan Stanley Alternatives at 'suitable'. There has been no change in rating from the previous quarter.

## **Risk Control**

Portfolio volatility since inception is 3.40%, within the guidelines specified by the mandate.

## **Conclusion**

This reporting period saw the value of the Fund increase by £27.9m to £2,542.1m. At the end of the period the asset allocation, compared to the strategic allocation, was:

- overweight UK equities, global equities, fixed income and cash; and
- underweight property, infrastructure and alternatives

Over the quarter, the Fund produced a positive return of 1.16%, underperforming the benchmark which returned 1.19%.

## **Consultation**

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

Yes

### **b) Risks and Impact Analysis**

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

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Distribution of Investments
Appendix B	Changes in Market Indices – Market Returns to 31 December 2019

## **Background Papers**

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

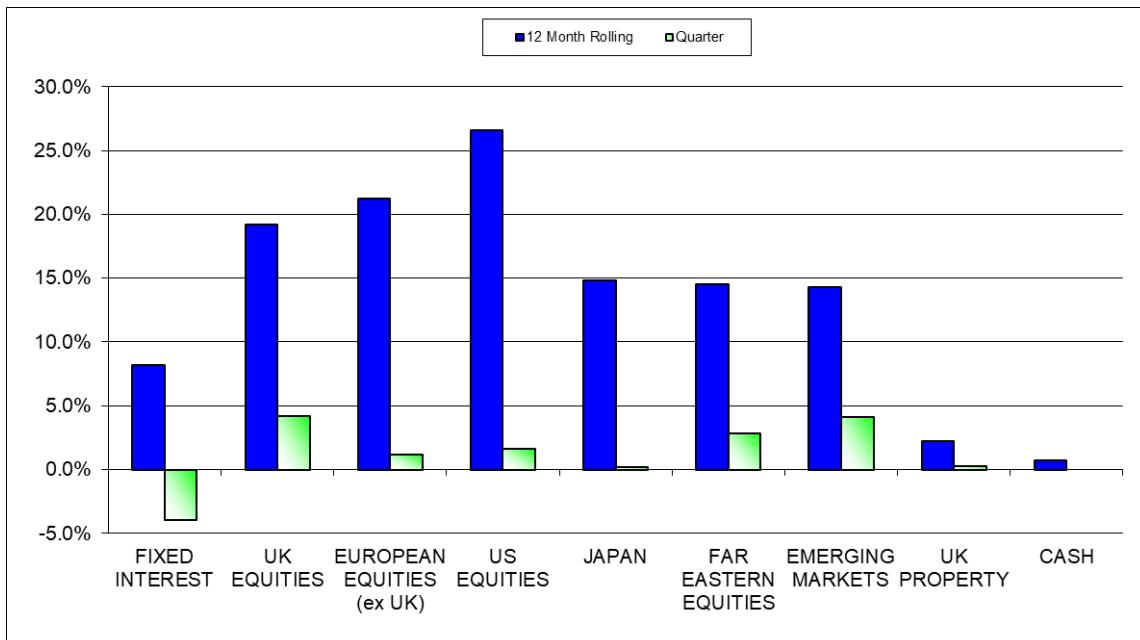
This report was written by Claire Machej, who can be contacted on 01522 553641 or [claire.machej@lincolnshire.gov.uk](mailto:claire.machej@lincolnshire.gov.uk).

## DISTRIBUTION OF INVESTMENTS

INVESTMENT	31 December 2019			30 September 2019			COMPARATIVE STRATEGIC BENCHMARK	
	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	%	TOLERANCE
<b>UK EQUITIES</b>								
UK Index Tracker	76,352	0.0%	0.0%	69,130	0.0%	0.0%		
Legal & General	467,958,808	31.0%	18.4%	449,304,082	30.4%	17.9%	18.0%	+/- 2%
<b>TOTAL UK EQUITIES</b>	<b>468,035,160</b>		<b>18.4%</b>	<b>449,373,212</b>		<b>17.9%</b>	<b>18.0%</b>	
<b>GLOBAL EQUITIES</b>								
Invesco	599,437,807	39.8%	23.6%	596,278,554	40.4%	23.7%	22.5%	+/- 2.5%
Threadneedle	139,566	0.0%	0.0%	3,911,012	0.3%	0.2%		
Schroders	214,623	0.0%	0.0%	3,284,040	0.2%	0.1%		
Morgan Stanley				2,381,446	0.2%	0.1%		
Border to Coast	439,759,625	29.2%	17.3%	420,969,096	28.5%	16.7%	17.5%	+/- 2%
<b>TOTAL GLOBAL EQUITIES</b>	<b>1,039,551,621</b>		<b>40.9%</b>	<b>1,026,761,148</b>		<b>40.8%</b>	<b>40.0%</b>	
<b>TOTAL EQUITIES</b>	<b>1,507,586,781</b>	<b>100%</b>	<b>59.3%</b>	<b>1,476,134,361</b>	<b>100%</b>	<b>58.7%</b>	<b>58.0%</b>	<b>+/- 6%</b>
<b>ALTERNATIVES</b>	<b>346,199,203</b>		<b>13.6%</b>	<b>342,718,717</b>		<b>13.6%</b>	<b>15.0%</b>	<b>+/- 1.5%</b>
<b>PROPERTY</b>	<b>201,701,684</b>		<b>7.9%</b>	<b>202,826,431</b>		<b>8.1%</b>	<b>9.0%</b>	<b>+/- 1.5%</b>
<b>INFRASTRUCTURE</b>	<b>47,872,104</b>		<b>1.9%</b>	<b>47,744,912</b>		<b>1.9%</b>	<b>2.5%</b>	<b>+/- 1.5%</b>
<b>FIXED INTEREST</b>								
Blackrock Interim	148,738,928	35.0%	5.9%	276,350,552	64.1%	11.0%	8.75%	+/- 1%
Blackrock	276,726,501	65.0%	10.9%	154,898,722	35.9%	6.2%	6.75%	+/- 1%
<b>TOTAL FIXED INTEREST</b>	<b>425,465,430</b>	<b>100%</b>	<b>16.7%</b>	<b>431,249,274</b>	<b>100%</b>	<b>17.2%</b>	<b>15.5%</b>	<b>+/- 1.5%</b>
<b>TOTAL UNALLOCATED CASH</b>	<b>13,251,726</b>		<b>0.5%</b>	<b>13,525,112</b>		<b>0.5%</b>	<b>0.0%</b>	<b>+ 0.5%</b>
<b>TOTAL FUND</b>	<b>2,542,076,927</b>		<b>100%</b>	<b>2,514,198,807</b>		<b>100%</b>	<b>100.0%</b>	

## APPENDIX B

### CHANGES IN MARKET INDICES MARKET RETURNS TO 31 DECEMBER 2019



INDEX RETURNS	12 Months to Dec 19 %	Oct-Dec 19 %
<b>FIXED INTEREST</b>	<b>8.2%</b>	<b>(4.0%)</b>
<b>UK EQUITIES</b>	<b>19.2%</b>	<b>4.2%</b>
<b>EUROPEAN EQUITIES</b>	<b>21.2%</b>	<b>1.2%</b>
<b>US EQUITIES</b>	<b>26.6%</b>	<b>1.6%</b>
<b>JAPANESE EQUITIES</b>	<b>14.8%</b>	<b>0.2%</b>
<b>FAR EASTERN EQUITIES</b>	<b>14.5%</b>	<b>2.8%</b>
<b>EMERGING MARKETS</b>	<b>14.3%</b>	<b>4.1%</b>
<b>UK PROPERTY</b>	<b>2.2%</b>	<b>0.3%</b>
<b>CASH</b>	<b>0.8%</b>	<b>0.0%</b>

# Agenda Item 10



## Regulatory and Other Committee

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

Report to:	<b>Pensions Committee</b>
Date:	<b>19 March 2020</b>
Subject:	<b>Lincolnshire Pension Fund - Funding Strategy Statement and 2019 Valuation Report</b>

#### **Summary:**

This paper brings the Funding Strategy Statement and the draft 2019 Valuation report to the Committee for approval. This statement sets out how the Pension Fund aims to become fully funded over the long term, whilst considering affordability, transparency, stability and prudence, and the Valuation shows the funding position as at 31 March 2019 and the employer contribution rates payable for the three years to March 2023.

#### **Recommendation(s):**

That the Committee approve the Funding Strategy Statement and the 2019 Valuation report.

#### **Background**

1. The Funding Strategy Statement (FSS) (draft attached as appendix A) is a summary of the Pension Fund's approach to funding its liabilities. It is required to be reviewed at least every three years, alongside the triennial valuation. The initial Valuation outcome was presented to the Committee in October 2019, and the final draft report detailing the funding position and the employer contribution rates payable to for the three years to March 2023 is attached at Appendix B.
2. As employees contributions are set by the Government, employers must pay the balance of any cost in delivering the benefits to members. The FSS focuses on the pace at which these liabilities are funded, and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities. The final agreed contribution rates for employers are shown in appendix B.
3. The purpose of the FSS, as defined by the Ministry of Housing, Communities and Local Government (MHCLG), is:

- to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory framework to maintain as **nearly constant employer contribution rates as possible**; and
- to take a **prudent longer-term view** of funding those liabilities.

4. The aim of this funding policy is:

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

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

1. What is a suitably (but not overly) prudent funding target?
  2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
  3. What probability is required to reach that funding target? This will always be less than 100% as we cannot be certain of future market movements. Higher probability "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.
6. The FSS also includes mechanisms for dealing with employers ceasing, ill-health retirements and early retirement costs. In addition to these normal

events, the FSS also explains the approach the Fund has taken for dealing with the uncertainty arising from the McCloud court case and its potential impact on the LGPS benefit structure.

7. The key risks, around financial, demographic and governance issues, and the controls in place are detailed in appendix C of the FSS.
8. The FSS should to be read alongside the Triennial Valuation Report, the Investment Strategy Statement and the Governance Compliance Statement to provide a full overview of the Fund's governance structure.
9. The FSS was sent to all employers in the Fund for consultation in mid-November 2019, alongside their individual schedules of results detailing their contribution rates for the three years to March 2023. Four employer sessions with the Fund Actuary were held in late November, giving employers the opportunity to comment or question the FSS or their contribution rates. No feedback from employers on the consultation has been received.
10. The draft Valuation report (appendix B) summarises the approach that has been undertaken, the results at a Fund level, and a sensitivity analysis showing how the funding level would move should certain assumptions change, e.g. CPI or life expectancy. The individual employer rates are included at Appendix 3.
11. All employers returned signed declarations confirming the contribution rates and any secondary payments that they would pay for the three years to March 2023.
12. There are three areas in the draft that are awaiting further information – a comment on the March 2020 position (p11), the date of the final Valuation report (p20) and appendix 4 (p28) which is the GAD Section 13 dashboard , and will be available shortly. These will be completed before the report is published ahead of 31 March 2020 deadline.

## **Conclusion**

13. The Funding Strategy Statement has been reviewed following the 2019 Triennial Valuation and has been updated to take account of the process used to finalise employer contribution rates, included within the draft Valuation report.
14. The Committee are asked to approve the FSS and the draft Valuation report.

## **Consultation**

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

Yes

### **b) Risks and Impact Analysis**

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

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund - Draft Funding Strategy Statement
Appendix B	Draft 2019 Valuation Report and Employer Contribution Rates

## **Background Papers**

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

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

# Lincolnshire Pension Fund

Funding Strategy Statement

March 2020

# Contents

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# 1 Introduction

## 1.1 What is this document?

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

It has been prepared by the Administering Authority in collaboration with the Fund’s actuary, Hymans Robertson LLP, and after consultation with the Fund’s employers, investment adviser and approval by the Pensions Committee. It is effective from March 2020, and for the setting of employer contribution rates calculated following the March 2019 Valuation.

## 1.2 What is the Lincolnshire Pension Fund?

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

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

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in [Appendix B](#).

## 1.3 Why does the Fund need a Funding Strategy Statement?

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

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

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

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

There are also regulatory requirements for an FSS, as given in [Appendix A](#).

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

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

#### **1.4 How does the Fund and this FSS affect me?**

This depends on who you are:

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

#### **1.5 What does the FSS aim to do?**

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

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

### 1.6 How do I find my way around this document?

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

In [Section 3](#) we outline how the Fund calculates the contributions payable by different employers in different situations.

In [Section 4](#) we show how the funding strategy is linked with the Fund's investment strategy.

In [Section 5](#) we outline Section 13 reporting requirements.

In the [Appendices](#) we cover various issues in more detail if you are interested:

- A. the regulatory background, including how and when the FSS is reviewed,
- B. who is responsible for what,
- C. what issues the Fund needs to monitor, and how it manages its risks,
- D. some more details about the actuarial calculations required,
- E. the assumptions which the Fund actuary currently makes about the future,
- F. a [glossary](#) explaining the technical terms occasionally used here.

If you have any other queries please contact Jo Ray, Head of Pensions, in the first instance at e-mail address [jo.ray@lincolnshire.gov.uk](mailto:jo.ray@lincolnshire.gov.uk) or on telephone number 01522 553656.

## 2 Basic Funding issues

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

### 2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See [2.3](#) below, and the table in [3.3 Note \(e\)](#) for more details.

### 2.2 What is each employer's contribution rate?

This is described in more detail in [Appendix D](#). Employer contributions are normally made up of two elements:

- a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay or a monetary amount in each year.

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

### 2.3 What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

#### 2.4 How does the calculated contribution rate vary for different employers?

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

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners' life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;
2. The **time horizon** required is, the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and
3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund's view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see [3.4](#).

Any costs of non ill-health early retirements must be paid by the employer, see [3.6](#).

Costs of ill-health early retirements are covered in [3.7](#) and [3.8](#).

## 2.5 How is a funding level calculated?

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

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

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

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

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

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

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

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

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

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

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

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

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

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

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

## **2.7 What approach has the Fund taken to dealing with uncertainty arising from McCloud court case and its potential impact on the LGPS Benefit structure?**

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However, it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

[The LGPS Scheme Advisory Board \(SAB\) issued advice to LGPS funds in May 2019](#). As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates.

Uncertainty over the McCloud remedy impact makes it impossible to calculate an 'exact' loading so the Fund's preferred approach is to increase the likelihood of achieving the funding target over a particular time horizon by 5%. This will allow for an additional element of prudence and should mitigate the impact of any changes to benefits following the conclusion to the McCloud case. However, once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table [3.3](#) for further information.

## **2.8 When will the next actuarial valuation be?**

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

## 3 Calculating contributions for individual Employers

### 3.1 General comments

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

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

These and associated issues are covered in this Section.

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

### 3.2 The effect of paying lower contributions

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

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

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

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

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

[Section 3.4](#) onwards deals with various other funding issues which apply to all employers.

### 3.3 The different approaches used for different employers

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

Type of employer	Scheduled Bodies			Community Admission Bodies and Designating Employers		Transferee Admission Bodies*	Designating Bodies
	arrangement						Primary rate. However, reductions may be permitted by the Administering Authority to reduce the surplus over the remaining contract term
Likelihood of achieving target – <a href="#">Note (e)</a>	70%	80%	80%	80%	80%	To be set on an employer by employer basis depending upon strength of covenant	75%
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None	None
Review of rates – <a href="#">Note (f)</a>	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations					Particularly reviewed in last 3 years of contract	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations
New employer	n/a	n/a	n/a	<a href="#">Note (g)</a>	<a href="#">Note (h)</a>	<a href="#">Notes (h) &amp; (i)</a>	n/a

Type of employer	Scheduled Bodies				Community Admission Bodies and Designating Employers	Transferee Admission Bodies*	Designating Bodies
<b>Cessation of participation: exit debt/credit payable</b>	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per <a href="#">Note (j)</a> .				Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see <a href="#">Note (j)</a> .	Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the contractor exit basis, unless the admission agreement is terminated early by the contractor in which case the low risk exit basis would apply. Letting employer will be liable for future deficits and contributions arising. See Note (j) for further details.	Can be ceased subject to passing of resolution. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation - see <a href="#">Note (j)</a> and <a href="#">3.4</a> for small scheduled bodies pool.

\* Where the Administering Authority recognises a fixed contribution rate agreement between a letting authority and a contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the contractor's assets and liabilities will transfer back to the letting employer with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in [note \(i\)](#).

**Note (a) (Gilt exit basis for CABs and Designating Employers closed to new entrants)**

In the circumstances where:

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

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

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

**Note (b) (Stabilisation)**

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

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

The current stabilisation mechanism applies if:

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

On the basis of extensive modelling carried out for the 2019 valuation exercise (see [Section 4](#)), the standard stabilisation arrangements that will apply for employers are as follows. Other stabilisation arrangements may, on occasion, be allowed if the actuary considers them to be prudent.

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

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

#### Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

#### Note (d) (Secondary rate)

For employers where stabilisation is not being applied, the Secondary contribution rate for each employer, covering the period until the next formal valuation, will normally be set as a monetary amount. However, the Administering Authority reserves the right to amend these rates between formal valuations.

#### Note (e) (Likelihood of achieving funding target)

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

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

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

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

### Note (f) (Regular Reviews)

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

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

### Note (g) (New Academy conversions)

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

- i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;
- ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;
- iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;
- iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section [3.3](#) above;
- v. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT. If two MAT's merge during the inter-valuation period, the merged MAT will pay the higher certified rates for the individual MAT's.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance or removal of the formal guarantee currently provided to academies by the DfE. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS.

### Note (h) (New Admission Bodies)

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

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;

- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

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

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

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

#### **Note (i) (New Transferee Admission Bodies)**

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

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

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

i) Pooling

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

ii) Letting employer retains pre-contract risks

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

iii) Fixed contribution rate agreed

Under this option the contractor pays a fixed contribution rate throughout its participation in the Fund and on cessation does not pay any deficit or receive an exit credit. In other words, the pension risks “pass through” to the letting employer. The Administering Authority is willing to administer any of the above options as long as the approach is documented in the Admission Agreement as well as the transfer agreement. Any risk sharing agreement should ensure that some element of risk transfers to the contractor where it relates to their decisions and it is unfair to burden the letting employer with that risk. For example the contractor should typically be responsible for pension costs that arise from:

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

**Note (j) (Admission Bodies Ceasing)**

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

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

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, following the LGPS (Amendment) Regulations 2018 which came into effect on 14<sup>th</sup> May 2018, this will normally result in an exit credit payment to the Admission Body. If a risk-sharing agreement has been put in place (please see [note \(i\)](#) above) no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the actuary will make adjustments to the liability valuation, at individual member level, of the post 2014 benefit accrual, as an estimate of the possible impact of resulting benefit changes.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation, and there will be other Fund administration expenses associated with the cessation which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate.

This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation. For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

- (a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.
- (b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in [Appendix E](#):
- (c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

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

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

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

### **3.4 Pooled contributions**

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

- Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.
- Smaller Transferee Admission Bodies may be pooled with the letting employer, provided all parties (particularly the letting employer) agree.
- Academies will be regarded as separate employers in their own right and will not be pooled with other employers in the Fund, the only exception being when the Academy is part of a Multi Academy Trust (MAT) and they have chosen to pool.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

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

Those employers which have been pooled are identified in the Rates and Adjustments Certificate. As at the 2019 valuation, separate pools were operated for:-

- Lincolnshire County Council;
- Police and Crime Commissioner for Lincolnshire;
- Lindsey Marsh Internal Drainage Board;
- Parish and Town Councils;
- The following Multi Academy Trusts:-
  - David Ross Education Trust
  - Boston Witham Academies Trust
  - Priory Federation of Academies
  - Tall Oaks Academy Trust
  - West Grantham Federation.

- CIT Academies
- Horncastle Education Trust

Where an academy or school joins an existing MAT with a pooled rate, it will be given the primary rate of the MAT, subject to breaching any materiality level in membership increase. If the membership increase is considered to be material, the Fund has the discretion to require an interim valuation of the expanded MAT to be calculated. Any secondary rate attributable to the academy or school will be required to be paid in addition to any existing secondary rate of the MAT. The Fund has the discretion to negate the need for an increase to the secondary rate if the MAT is considered to be sufficiently in surplus at the last valuation.

### **Small Scheduled Bodies Pool**

In addition to the pools mentioned above, there is a small scheduled body pool made up of the Town and Parish Council's within the Fund. Given that these generally have very few members, this is a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

All employers within this pool will have the same contribution rate and individual employer assets and liabilities will not be tracked. The member experience across the pool will be shared.

It should also be noted that, if an employer, who is in the Small Scheduled Body Pool, is considering ceasing from the Fund, the leaving employer's required exit credit/debit to the Fund will be calculated on the ongoing funding position of the pool at the date of the leaving employer's cessation date.

### **3.5 Additional flexibility in return for added security**

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

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

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

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

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

### 3.6 Non ill health early retirement costs

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

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

### 3.7 Ill health early retirement costs

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

### 3.8 External ill health insurance

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

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

When an active member retires on ill health early retirement the claim amount will be paid directly from the insurer to the insured employer. This amount should then be paid to the Fund to allow the employer's asset share to be credited.

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

### 3.9 Employers with no remaining active members

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

- a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;
- b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.
- c) In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period. The Fund would reserve the right to invoke the cessation

requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

### **3.10 Policies on bulk transfers**

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

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

## 4 Funding strategy and links to investment strategy

### 4.1 What is the Fund's investment strategy?

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

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement which is available to members and employers.

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

The same investment strategy is currently followed for all employers.

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

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

Therefore, the funding and investment strategies are inextricably linked.

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

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix [A1](#)).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability. The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

### 4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the quarterly Pensions Committee meetings, and these papers are public documents that can be viewed on the Administering Authorities website.

## 5 Statutory reporting and comparison to other LGPS Funds

### 5.1 Purpose

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

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

### 5.2 Solvency

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

- (a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either
- (b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or
- (c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

### 5.3 Long Term Cost Efficiency

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

- i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,
- ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

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

Relative considerations include:

- 1. the implied deficit recovery period; and
- 2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

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

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

## Appendix A – Regulatory framework

### A1 Why does the Fund need an FSS?

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

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

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

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

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

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

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

### A2 Does the Administering Authority consult anyone on the FSS?

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

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

- a) A draft version of the FSS was issued to all participating employers in November 2019 for comment;
- b) Comments were requested by 20 December, and answers provided;
- c) There was an Employers Forum on 4 March 2020 at which questions regarding the FSS could be raised and answered;
- d) Following the end of the consultation period the FSS was updated where required and approved at the Pensions Committee meeting on 19 March 2020, then published before the month end.

### A3 How is the FSS published?

The FSS is made available through the following routes:

Published on the shared website, at [www.wypf.org.uk](http://www.wypf.org.uk);

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

A copy sent to the Pension Board;

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

Copies made available on request.

#### **A4 How often is the FSS reviewed?**

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

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

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

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

#### **A5 How does the FSS fit into other Fund documents?**

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

These documents can be found on the shared website at [www.wypf.org.uk](http://www.wypf.org.uk).

## Appendix B – Responsibilities of key parties

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

### **B1 The Administering Authority should:-**

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

### **B2 The Individual Employer should:-**

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

### **B3 The Fund Actuary should:-**

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

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

**B4 Other parties:-**

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

## Appendix C – Key risks and controls

### C1 Types of risk

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

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

### C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	<p>Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing.</p> <p>Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc.</p> <p>Analyse progress at three yearly valuations for all employers.</p> <p>Inter-valuation roll-forward of liabilities between valuations at whole Fund level.</p>
Inappropriate long-term investment strategy.	<p>Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes.</p> <p>Chosen option considered to provide the best balance.</p>
Active investment manager under-performance relative to benchmark.	<p>Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.</p>
Pay and price inflation significantly more than anticipated.	<p>The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases.</p> <p>Inter-valuation monitoring, as above, gives early warning.</p> <p>Some investment in bonds also helps to mitigate this risk.</p> <p>Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-</p>

Risk	Summary of Control Mechanisms
	serving employees.
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	<p>The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future.</p> <p>If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see <a href="#">3.9</a>).</p>
Effect of possible asset underperformance as a result of climate change	The Fund has a responsible investment policy and works with external managers to minimise the investment risk through stock selection and engagement.

### C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	<p>Set mortality assumptions with some allowance for future increases in life expectancy.</p> <p>The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.</p>
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, monetary amounts to be continued to be paid rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	<p>Employers are charged the extra cost of non ill-health retirements following each individual decision.</p> <p>Employer ill health retirement experience is monitored, and insurance is an option.</p>
Reductions in payroll causing insufficient deficit recovery payments	<p>In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows:</p> <p>Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see <a href="#">Note (b)</a> to <a href="#">3.3</a>).</p>

Risk	Summary of Control Mechanisms
	<p>For other employers, review of contributions is permitted in general between valuations (see <a href="#">Note (f)</a> to <a href="#">3.3</a>) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.</p>

#### C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known.</p> <p>The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.</p>
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see <a href="#">Section 5</a> ).	<p>Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.</p>
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	<p>The Administering Authority considers all consultation papers issued by the Government and comments where appropriate.</p> <p>Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.</p>

**C5 Governance risks**

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	<p>The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data.</p> <p>The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations</p> <p>Deficit contributions may be expressed as monetary amounts.</p>
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	<p>The Administering Authority maintains close contact with its specialist advisers.</p> <p>Advice is delivered via formal meetings involving Elected Members, and recorded appropriately.</p> <p>Actuarial advice is subject to professional requirements such as peer review.</p>
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	<p>The Administering Authority requires employers with Best Value contractors to inform it of forthcoming changes.</p> <p>Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.</p>
An employer ceasing to exist with insufficient funding or adequacy of a bond.	<p>The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure.</p> <p>The risk is mitigated by:</p> <ul style="list-style-type: none"> <li>Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see <a href="#">Notes (h)</a> and <a href="#">(i)</a> to <a href="#">3.3</a>).</li> <li>Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice.</li> <li>Vetting prospective employers before admission.</li> <li>Where permitted under the regulations requiring a bond to protect the Fund from various risks.</li> <li>Requiring new Community Admission Bodies to have a guarantor.</li> <li>Reviewing bond or guarantor arrangements at regular</li> </ul>

Risk	Summary of Control Mechanisms
	<p>intervals (see <a href="#">Note (f)</a> to <a href="#">3.3</a>).</p> <p>Reviewing contributions well ahead of cessation if thought appropriate (see <a href="#">Note (a)</a> to <a href="#">3.3</a>).</p>
An employer ceasing to exist resulting in an exit credit being payable	<p>The Administering Authority regularly monitors admission bodies coming up to cessation</p> <p>The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.</p>

## Appendix D – The calculation of Employer contributions

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

As discussed in [Section 2](#), the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See [Appendix E](#) for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in [3.3](#) and [Note \(c\)](#) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in [3.3 Note \(e\)](#) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in [Appendix E](#).

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

Employer contributions are normally made up of two elements:

- a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see [D2](#) below); plus
- b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see [D3](#) below).

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

### D2 How is the Primary contribution rate calculated?

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

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

1. meet the required funding target for all future years' accrual of benefits\*, excluding any accrued assets,
2. within the determined time horizon (see [note 3.3 Note \(c\)](#) for further details),

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

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

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

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

### D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see [Appendix E](#)).

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

- meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see [D5](#) below)
- at the end of the determined time horizon (see [3.3 Note \(c\)](#) for further details)
- with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see [3.3 Note \(e\)](#) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in [Appendix E](#). The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

### D4 What affects a given employer's valuation results?

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

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;
8. the difference between actual and assumed amounts of pension ceasing on death;

9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or
10. differences in the required likelihood of achieving the funding target.

#### **D5 How is each employer's asset share calculated?**

The Administering Authority does not operate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this;

- 1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.
- 2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

#### **D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?**

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

## Appendix E – Actuarial assumptions

### E1 What are the actuarial assumptions used to calculate employer contribution rates?

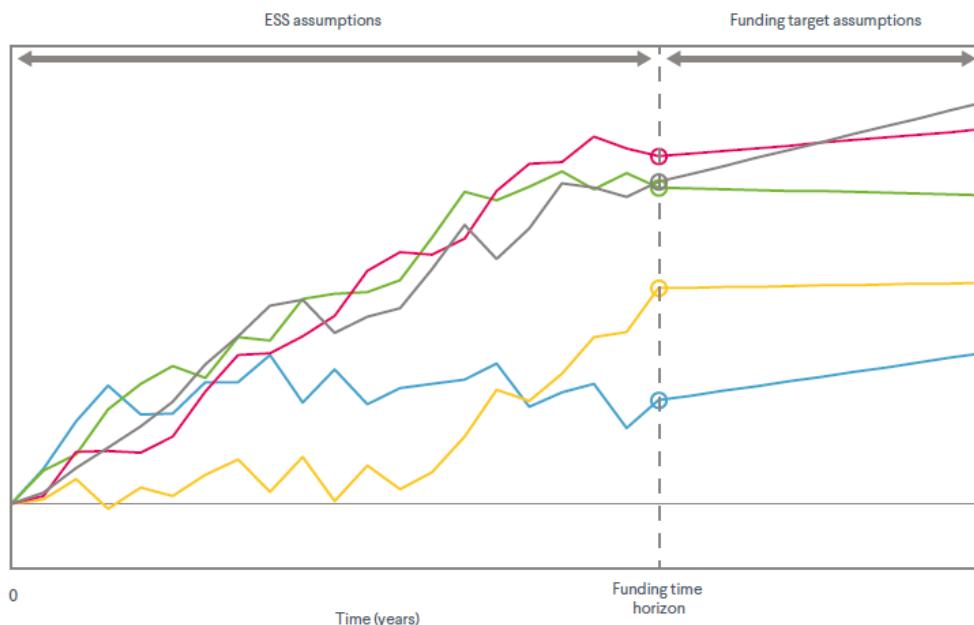
These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions).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

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

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).
2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

## E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

	Annualised total returns							RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
	Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)			
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	2.1%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	1.2%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	2.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	2.2%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	4.0%
<b>Volatility (Disp) (1 yr)</b>		1%	7%	10%	17%	17%	14%	11%	1%	6.3%

## E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the “discount rate”)

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis
<b>Employer type</b>	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
<b>Investment return assumption underlying the employer's funding target (at the end of its time horizon)</b>	Long term government bond yields plus an asset outperformance assumption (AOA) of 2.0% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

#### E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

##### a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2024, followed by
2. retail prices index (RPI) less 0.5% p.a. thereafter.

This gives a single “blended” assumption of RPI less 0.7% p.a. This is a minor change from the previous valuation, which assumed a blended assumption of RPI less 0.6% per annum. The change has led to a very small increase in the funding target (all other things being equal).

##### b) Pension increases

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

At this valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

##### c) Life expectancy

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

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

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

#### **d) General**

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

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

## Appendix F – Glossary

<b>Funding basis</b>	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
<b>Administering Authority</b>	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
<b>Admission Bodies</b>	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see <a href="#">2.3</a> ).
<b>Covenant</b>	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
<b>Designating Employer</b>	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
<b>Employer</b>	An individual participating body in the Fund, which employs (or used to employ) <b>members</b> of the Fund. Normally the assets and <b>funding target</b> values for each employer are individually tracked, together with its <b>Primary rate</b> at each <b>valuation</b> .
<b>Gilt</b>	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but in funding as an objective measure of a risk-free rate of return.
<b>Guarantee / guarantor</b>	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's <b>covenant</b> to be as strong as its guarantor's.
<b>Letting employer</b>	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer. A letting employer will usually be a local authority, but can sometimes be another type of employer such as an Academy.
<b>LGPS</b>	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These

Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.

<b>Maturity</b>	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
<b>Members</b>	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
<b>Primary contribution rate</b>	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
<b>Profile</b>	The profile of an employer's membership or liability reflects various measurements of that employer's <b>members</b> , ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its <b>maturity</b> also.
<b>Rates and Adjustments Certificate</b>	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal <b>valuation</b> . This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
<b>Scheduled Bodies</b>	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
<b>Secondary contribution rate</b>	The difference between the employer's actual and <b>Primary contribution rates</b> . See <a href="#">Appendix D</a> for further details.
<b>Stabilisation</b>	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
<b>Valuation</b>	A risk management exercise to review the <b>Primary and Secondary contribution rates</b> , and other statutory information for a Fund, and usually individual employers too.

# Lincolnshire Pension Fund

DRAFT Actuarial valuation as at 31 March 2019

Valuation report

March 2020

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# 1 Introduction

## Background to the actuarial valuation

We have been commissioned by Lincolnshire County Council ("the Administering Authority") to carry out an actuarial valuation of the Lincolnshire Pension Fund ("the Fund") as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 ("the Regulations").

The actuarial valuation is a risk management exercise with the purpose of reviewing the current funding plans and setting contribution rates for the Fund's participating employers for the period from 1 April 2020 to 31 March 2023. This report summarises the outcomes of the valuation and the underlying advice provided to the Administering Authority throughout the valuation process.

This summary report is the culmination of other communications in relation to the valuation, in particular:

- Our [2019 valuation toolkit](#) which sets out the methodology used when reviewing funding plans;
- Our paper to the Fund's Pension Committee dated 27 June 2019 which discusses the valuation assumptions;
- Our Initial Results Report issued 11 October 2019 which outlines the whole Fund results and inter-valuation experience;
- The Funding Strategy Statement which details the approach taken to adequately fund the current and future benefits due to members.

## Reliances and Limitations

This report has been prepared for the sole use of Lincolnshire County Council in its role as Administering Authority of the Fund to provide an actuarial valuation of the Fund as required under the Regulations. It has not been prepared for any other third party or for any other purpose. We make no representation or warranties to any third party as to the accuracy or completeness of this report, no reliance should be placed on this report by any third party and we accept no responsibility or liability to any third party in respect of it.

Hymans Robertson LLP is the owner of all intellectual property rights in this report. All such rights are reserved.

The totality of our advice complies with the Regulations as they relate to actuarial valuations.

The following Technical Actuarial Standards<sup>1</sup> are applicable in relation to this report and have been complied with where material:

- TAS 100 – Principles for technical actuarial work;
- TAS 300 – Pensions.

<sup>1</sup> Technical Actuarial Standards (TASs) are issued by the Financial Reporting Council (FRC) and set standards for certain items of actuarial work.

### Use of this report by other parties

This report is addressed to the Administering Authority of the Fund only. We appreciate that other parties may also seek information about the 2019 valuation process and methodology. We would encourage such parties to refer to the following publicly available documents for further information:

- The Fund's Funding Strategy Statement;
- The Fund's Investment Strategy Statement;
- Published meeting papers and minutes for the quarterly meetings of the Fund's Pensions Committee.

Considering these papers alongside this valuation report will provide a more complete view of the Fund's funding strategy and decision-making process surrounding this. These documents are available on the Fund's website or on request.

## 2 Valuation approach

### Employer contribution rates

The purpose of the valuation is to review the current funding strategy and ensure the Fund has a contribution plan and investment strategy in place that will enable it to pay members' benefits as they fall due.

Valuations for open defined benefit multi-employer pension funds such as the Lincolnshire Pension Fund are complex. Firstly, the time horizons are very long; benefits earned in the LGPS today will be paid out over a period of the next 80 years or more, and new members will continue to join in the future. Secondly, as they depend on unknowns such as future inflation and life expectancy, the actual value of future benefit payments is uncertain. Finally, to keep contributions affordable, the Fund invests in return seeking assets which have higher levels of future volatility.

Given the above and that the future cannot be predicted with certainty, employer contribution rates can only ever be an estimate. However, the valuation approach adopted uses an understanding of the Fund, and the uncertainties and risks discussed above, to quantify the likelihood of the contribution plan and investment strategy for each employer being sufficient to fund future benefits.

This is achieved in practice by following the process outlined below.

Step 1: The Fund sets a funding target (or funding basis) for each employer which defines the estimated amount of assets to be held to meet the future benefit payments.

Step 2: The Fund sets the funding time horizon over which the funding target is to be achieved.

Step 3: The Fund sets contributions that give a sufficiently high likelihood of meeting the funding target over the set time horizon.

These three steps are central to the "risk-based" approach to funding which is described in Guide 5 of our [2019 valuation toolkit<sup>2</sup>](#).

The risk-based approach uses an Asset Liability Model (described in Guide 6 of the [2019 valuation toolkit](#)) to project each employer's future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore asset values) are variables in the projections. Further details of these variables are provided in Appendix 2. The investment strategy underlying the projection of employer asset values is provided in Appendix 1.

By projecting the evolution of an employer's assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of the future projections being successful i.e. meeting the funding target by the funding time horizon.

The risk-based approach to setting employer contributions allows the Fund and its employers to understand and quantify the level of risk inherent in funding plans, something that is not possible using a single set of assumptions alone.

<sup>2</sup> [https://www.hymans.co.uk/media/uploads/LGPS\\_2019\\_Valuation\\_Toolkit\\_Guides.pdf](https://www.hymans.co.uk/media/uploads/LGPS_2019_Valuation_Toolkit_Guides.pdf)

Further detail on the approach to calculating contributions for individual employers, including the parameters used in the three steps for each type of employer, is set out in the Funding Strategy Statement effective from 19 March 2020.

#### Funding position as at 31 March 2019

The valuation also offers an opportunity to measure the Fund's funding position as at 31 March 2019. Whilst this measurement has limited insight into understanding the long term ability to be able to pay members' benefits, it is a useful summary statistic.

For the purposes of this valuation we have adopted a "mark to market" approach, meaning that the Fund's assets have been taken into account at their market value and the liabilities have been valued by reference to a single set of assumptions based on market indicators at the valuation date. These assumptions are detailed in Appendix 2. As we have taken a market-related approach to the valuation of both the assets and the liabilities, we believe that they have been valued on a consistent basis.

#### Significant events

The figures in this report are based on our understanding of the benefit structure of the LGPS in England and Wales as at 31 March 2019. Details can be found at <http://www.lgpsregs.org/>.

#### McCloud ruling

The LGPS benefit structure is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. At the time of writing, the format and scope of any benefit changes in light of the McCloud ruling is still unknown. In line with the [advice issued by the Scheme Advisory Board in May 2019](#), the following allowance has been made at the valuation for the McCloud ruling:

- Employer contribution rates: additional prudence in funding plans via an increase in the likelihood of success (step 3) when setting contribution rates;
- Measurement of funding position at 31 March 2019: no allowance.

Further details of the approach taken are set out in Section 2.7 of the Funding Strategy Statement.

#### Indexation and equalisation of Guaranteed Minimum Pensions (GMP)

As a result of the Government's introduction of a single-tier state pension (STP) there is currently uncertainty around who funds certain elements of increases on GMPs for members reaching State Pension Age after 6 April 2016.

As part of the introduction of STP, the Government confirmed that public service pension schemes, including the LGPS, will be responsible for funding all increases on GMP as an 'interim solution'. In their [January 2018 consultation response](#), HM Treasury confirmed that the 'interim solution' will continue to remain in place up to 5 April 2021. Thereafter the Government's preferred approach is to convert GMP to scheme pension.

For the 2019 valuation, given the Government's preference for conversion to scheme benefits, we have assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers. This has served to increase the value placed on the liabilities.

The Government have also stated that their preferred long term indexation solution of converting GMP to scheme pension will also meet the requirements of equalisation.

### 3 Valuation results

#### Employer contribution rates

The key objective of the Fund is to set employer contributions that are likely to be sufficient to meet both the cost of new benefits accruing and to address any funding surplus or deficit relative to the funding target over the agreed time horizon. A secondary objective is to maintain relatively stable employer contribution rates.

In order to meet the above objectives, the methodology set out in Section 2 has been used to set employer contributions from 1 April 2020.

Employer contributions are made up of two elements:

- a) the estimated cost of future benefits being built up each year, after deducting members' own contributions and including an allowance for the Fund's administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus
- b) an adjustment for the difference between the Primary rate above, and the total contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay and/or a monetary amount in each year.

The Primary rate and Secondary rate for every contributing employer in the Fund is set out in the Rates and Adjustments Certificate in Appendix 3.

Each employer has been certified Primary and Secondary contributions that are appropriate for that employer's circumstances and which reflects that employer's experience. However, broadly speaking:

- Primary contribution rates have been subject to some upwards pressure as a result of a weaker outlook for future investment returns and the additional prudence built into funding plans to allow for the McCloud ruling;
- Secondary contributions have also increased since 31 March 2016, reflecting the Fund's funding strategy plan.

The table below summarises the whole Fund Primary and Secondary Contribution rates at this 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, calculated in accordance with the Regulations and CIPFA guidance. The whole Fund Primary and Secondary contributions calculated at the 2016 valuation of the Fund are shown for comparison.

	Last Valuation 31 March 2016		This Valuation 31 March 2019	
	Primary Rate (% of pay)	17.4%	Secondary Rate (£)	18.6%
2017/18	18,004,000	2018/19	25,727,000	2020/21
2019/20	23,222,000			2022/23
				22,875,000

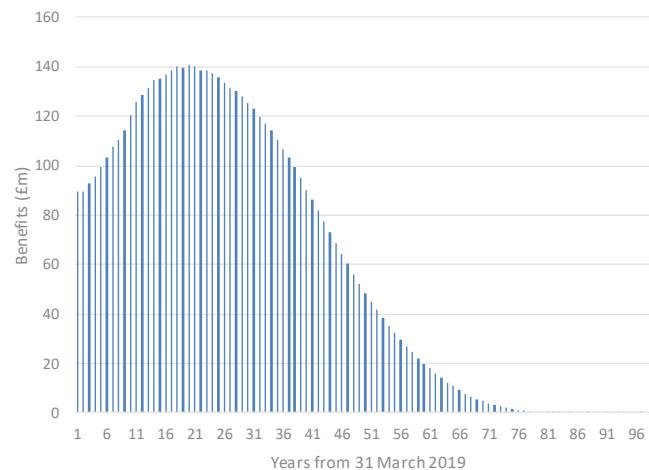
The Primary rate includes an allowance of 0.5% of pensionable pay for the Fund's expenses (0.5% at the 2016 valuation).

The average employee contribution rate is 6.1% of pensionable pay (6.1% at the 2016 valuation).

## Funding position as at 31 March 2019

The funding position is a summary statistic often quoted to give an indication of the health of the Fund. It is limited as it provides only a snapshot in time and is based on a single set of assumptions about the future. To measure the funding position at 31 March 2019, we compare the value of the Fund's assets on that date against the expected cost (including an allowance for future investment returns) of all the future benefit payments accrued up to the valuation date (the liabilities).

The chart below details the projected future benefit payments based on the membership data summarised in Appendix 1 and the demographic, salary and benefit increases assumptions summarised in Appendix 2.

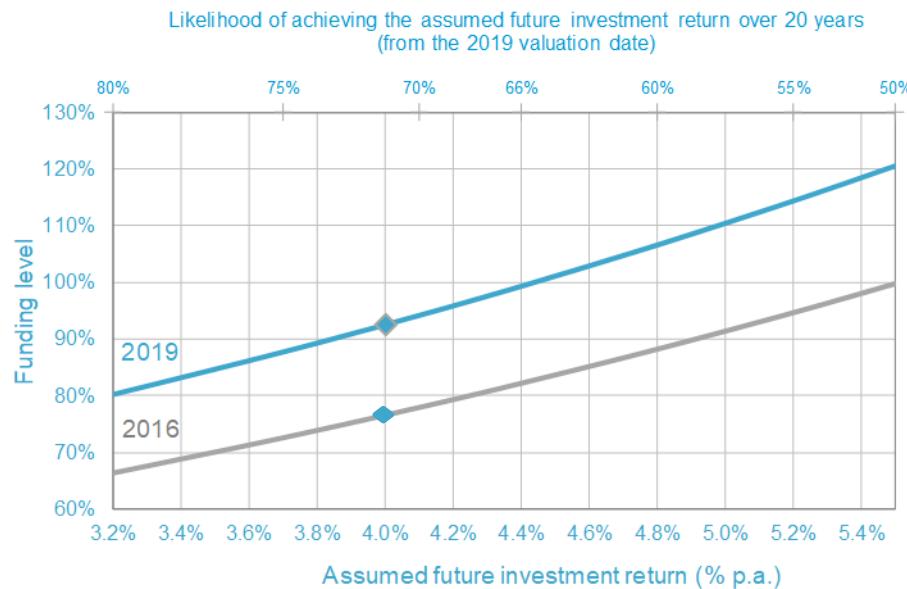


Using an assumption about the future investment return generated from the Fund's assets allows a value to be placed on these payments in today's money; the liabilities. The higher the assumed investment return, the lower the liability value and therefore the higher the funding level.

The value placed on the liabilities is extremely sensitive to the investment return assumption. Based on the Fund's current benchmark investment strategy (detailed in Appendix 1) and the same model used in the contribution rate calculations, it is estimated that:

- There is a 50% likelihood of the Fund's investments achieving at least an annual return of 5.5% p.a. over the next 20 years;
- There is a 71% likelihood of the Fund's investments achieving at least an annual return of 4.0% p.a. over the next 20 years; and
- There is an 80% likelihood of the Fund's investments achieving at least an annual return of 3.2% p.a. over the next 20 years.

The following chart shows how the funding level varies with the future investment return assumption (blue line). For comparison, the funding level associated with the same choice of investment return assumption at the 2016 valuation is also shown (grey line).



From this chart, we can see that:

- Regardless of the investment return assumption used, there has been a genuine improvement in the funding position at 31 March 2019 compared to the last valuation, reflecting an increase in the assets held today per pound of benefit to be paid out in future;
- The funding position would be 100% if future investment returns were around 4.4% p.a. (at 2016, the investment return would have needed to be 5.5% p.a.). The likelihood of the Fund's assets yielding at least this return is approximately 66%;
- If future investment returns were 5.5% p.a. then the Fund currently holds sufficient assets to meet 121% of the accrued liabilities. The likelihood of the Fund's assets yielding at least this return is 50%. 121% can therefore be considered the "best estimate" funding position.

### Reported funding position

The valuation outputs are more meaningful when stakeholders can understand the likelihood, and hence the level of prudence, attached to them. The above chart does this for the measurement of the funding position.

However, there is still a requirement to report a single funding position at 31 March 2019. This reported position must include a margin of prudence.

For the purpose of reporting a funding level and an associated funding surplus/deficit for the 2019 valuation, an investment return of 4.0% p.a. has been used. It is estimated that the Fund's assets have a 71% likelihood of achieving this return.

The resulting funding position is as follows:

Valuation Date	31 March 2016	31 March 2019
<b>Past Service Liabilities</b>		
Employees	£69	869
Deferred Pensioners	488	500
Pensioners	1,031	1,167
<b>Total Liabilities</b>	<b>2,288</b>	<b>2,536</b>
<b>Assets</b>	<b>1,759</b>	<b>2,353</b>
<b>Surplus / (Deficit)</b>	<b>(529)</b>	<b>(183)</b>
<b>Funding Level</b>	<b>77%</b>	<b>93%</b>

There has been an improvement in the reported funding level since 31 March 2016 from 77% to 93% and a reduction in the funding deficit from £529m to £183m.

A breakdown of the key factors that have influenced the reported funding position from 31 March 2016 to 31 March 2019 are detailed overleaf.

<b>Change in the surplus/deficit position</b>	<b>Assets (£m)</b>	<b>Liabilities (£m)</b>	<b>Surplus / (Deficit) (£m)</b>
<b>Last valuation at 31 March 2016</b>	<b>1,759</b>	<b>2,288</b>	<b>(529)</b>
<b>Cashflows</b>			
Employer contributions paid in	222		222
Employee contributions paid in	59		59
Benefits paid out	(261)	(261)	0
Net transfers into / out of the Fund*	5		5
Other cashflows (e.g. Fund expenses)	(5)		(5)
<b>Expected changes in membership</b>			
Interest on benefits already accrued		288	(288)
Accrual of new benefits		273	(273)
<b>Membership experience vs expectations</b>			
Salary increases less than expected		(6)	6
Benefit increases less than expected		(0)	0
Early retirement strain (and contributions)	4	5	(1)
Ill health retirement gain		(6)	6
Early leavers greater than expected		(1)	1
Pensions ceasing greater than expected		(5)	5
Commutation less than expected		3	(3)
Impact of GMP equalisation		3	(3)
Other membership experience		(25)	25
<b>Changes in market conditions</b>			
Investment returns on the Fund's assets	569		569
Changes in future inflation expectations		73	(73)
<b>Changes in actuarial assumptions</b>			
Change in demographic assumptions (excl. longevity)		(5)	5
Change in longevity assumptions		(85)	85
Change in salary increase assumption		(4)	4
Change in assumed rate of investment returns		0	(0)
<b>This valuation at 31 March 2019</b>	<b>2,353</b>	<b>2,536</b>	<b>(183)</b>

\* We have insufficient data to value the impact on the liabilities as a result of transfers in/out

Since the previous valuation, various events have taken place which affect the value placed on the liabilities, including:

- There is an interest cost of £288m. This is broadly three years of compound interest at 4.0% p.a. applied to the previous valuation liability value of £2,288m. The benefits that have been accrued to the valuation date are three years closer to payment at 31 March 2019 than they were at 31 March 2016, meaning there is less opportunity for future investment returns to help meet this cost. This serves to increase the value placed on the liabilities;
- The areas of membership experience that have had the greatest impact on the surplus/deficit position of the Fund are set out below, together with their impact on the liabilities:

	Expected	Actual	Difference	Impact on Liabilities
<b>Pre-retirement experience</b>				
Early leavers (no of lives)	6,103	7,298	1,195	Positive
III health retirements (no of lives)	176	121	(55)	Positive
Salary increases (p.a.)	3.2%	2.9%	(0.3%)	Positive
<b>Post-retirement experience</b>				
Benefit increases (p.a.)	2.1%	2.1%	(0.0%)	Broadly neutral
Pensions ceasing (£m)	5,534	6,122	588	Positive

- The changes to the longevity assumptions used for the valuation have resulted in a modest reduction in life expectancies. This has served to reduce the liabilities by £85m;
- The assumed rate of future CPI inflation has increased from 2.1% p.a. at 31 March 2016 to 2.3% p.a. at 31 March 2019. This has increased the value of the liabilities by £73m.

There has been a large increase in the value of the Fund's assets since the previous valuation because:

- The investment return on the Fund's assets for the period 31 March 2016 to 31 March 2019 was 36.2%. This has increased the value of the assets by £569m.

#### Projection of the funding position

The progression of the funding position will depend on various factors including future asset performance, economic conditions and membership movements. If the financial and demographic assumptions made at this valuation are borne out in practice, and there are no changes to the valuation assumptions, we project that the funding level at the 2022 valuation date will be approximately 94%. This allows for contributions to be paid as described in Appendix 3.

## 4 Sensitivity analysis

The results set out in this report are based on assumptions about the future. The actual cost of providing the benefits will depend on the actual experience of the Fund, which could be significantly better or worse than assumed. This section discusses the sensitivity of the results to some of the key assumptions.

### Sensitivity of contribution rates to changes in assumptions

The approach to setting employer contribution rates mitigates the limitation of relying on one particular set of assumptions about the future by recognising the uncertainty around future investment returns and inflation. Therefore, there is no need to carry out additional analysis of the sensitivity of contribution rates to changes in financial assumptions.

The contribution rates are sensitive to changes in demographic assumptions. The results in this section in relation to the funding position can be broadly applied to the contribution rates.

### Sensitivity of the funding position to changes in assumptions

The reported valuation funding position is based on one set of actuarial assumptions about the future of the Fund. If all of the assumptions made were exactly borne out in practice then the liability value presented in this report would represent the actual cost of providing benefits from the Fund as it stands at 31 March 2019.

### Sensitivity of the funding position to future investment returns

The chart in Section 3 details how the funding position varies with the future assumed investment return.

### Sensitivity of the funding position to future inflation

Pensions (both in payment and in deferment) in the LGPS increase annually in line with CPI. Furthermore, benefits accrued in the CARE scheme are revalued annually in line with CPI. If future CPI inflation is higher than the assumed rate of 2.3% then the cost of the benefits will be higher than we have set out in Section 3.

The table quantifies the impact on the funding position of varying the benefit increases and CARE revaluation (CPI) assumption below.

CPI Assumption	Surplus/(Deficit)	Funding Level
% pa	(£m)	%
2.1%	(110)	96%
2.3%	(183)	93%
2.5%	(256)	90%

### Sensitivity of the funding position to life expectancy

The main area of demographic risk is people living longer than expected. If long term mortality rates fall at a rate of 1.5% p.a. (compared to the assumed 1.25% p.a.) then members will live slightly longer than we have assumed in this valuation. The impact on the funding position is detailed below.

Long term rate of improvement	Surplus/(Deficit)	Funding Level
% pa	(£m)	%
1.25%	(183)	93%
1.50%	(448)	84%

## Other demographic risks to consider

There are other risk factors which would have an impact on the funding position. Examples of these include the level of ill health retirements, withdrawals from the scheme and take up of the 50:50 option. These are probably unlikely to change in such a way that would rank them as amongst the highest risks facing the Fund and therefore there has been no further quantification of their risk.

## Comment on sensitivity analysis

Note that the tables above show the effect of changes to each assumption in isolation. In reality, it is perfectly possible for the experience of the Fund to deviate from more than one of the assumptions simultaneously and so the precise effect on the funding position is therefore more complex. Furthermore, the range of assumptions shown here is by no means exhaustive and should not be considered as the limits of how extreme experience could actually be.

As of March 2020, the funding position is expected to have improved as a result of positive asset performance since 31 March 2019.

## Other risks to consider

### Regulatory, Administration and Governance risks

As well as financial and demographic risks, the Fund also faces:

- Regulatory risks – central government legislation could significantly change the cost of the scheme in the future; and
- Administration and governance risk – failures in administration processes could lead to incorrect data and inaccuracies in the actuarial calculations.

These risks are considered and monitored by the Fund as part of its ongoing risk management framework.

## Resource and environment risks

The Fund is exposed to risks relating to future resource constraints and environmental changes. These risks may prove to be material.

Climate change is a complex issue for the Fund. Adverse future climate change outcomes will have an impact on future longevity, inflation, government and corporate bond yields and equity returns.

Whilst there has been no explicit increase in certified employer contribution related to climate change, these risks may be considered by the Administering Authority when assessing the output from contribution rate ('comPASS') modelling.

## Risk management

Employers participating in the Fund are exposed to a number of risks. These include, but are not limited to:

- Investment risk;
- Market risks;
- Demographic risks;
- Regulatory risks;
- Administration and Governance risks;
- Resource and Environmental risks.

The Funding Strategy Statement has further details about these risks and what actions the Fund takes to monitor, mitigate and manage each one.

## 5 Final comments

The Fund's valuation operates within a broader framework, and this document should therefore be considered alongside the following:

- the Funding Strategy Statement, which in particular highlights how different types of employer in different circumstances have their contributions calculated;
- the Investment Strategy Statement, which sets out the investment strategy for the Fund;
- the general governance of the Fund, such as meetings of the Pensions Committee and Local Pension Board, decisions delegated to officers, the Fund's business plan, etc;
- the Fund's risk register; and
- the information the Fund holds about the participating employers.

### Intervaluation employer events

#### New employers joining the Fund

Any new employers or admission bodies joining the Fund should be referred to the Fund Actuary to assess the required level of contribution. Depending on the number of transferring members the ceding employer's rate may also need to be reviewed.

#### Cessations and bulk transfers

Any employer who ceases to participate in the Fund should be referred to us in accordance with Regulation 62 of the Regulations.

Any bulk movement of scheme members:

- involving 10 or more scheme members being transferred from or to another LGPS fund; or
- involving 2 or more scheme members being transferred from or to a non-LGPS pension arrangement;

should be referred to us to consider the impact on the Fund.

### Valuation frequency

Under the provisions of the LGPS regulations, the next formal valuation of the Fund is due to be carried out as at 31 March 2022 where contribution rates payable from 1 April 2023 will be set.

Peter Summers FFA

Anne Cranston AFA

For and on behalf of Hymans Robertson LLP

4 March 2020

# Appendix

## Appendix 1 – Data

### Membership data as at 31 March 2019

A summary of the membership data provided by the Administering Authority for the purposes of the valuation at 31 March 2019 is shown below. The corresponding membership data from the previous valuation is also shown for reference.

Whole Fund Membership Data	Last Valuation 31 March 2016	This Valuation 31 March 2019
Employee members		
Number	22,304	22,755
Total Actual Pay (£000)	295,783	335,509
Total Accrued Pension (£000) (CARE)	11,560	26,643
Average Age (liability weighted)	50.9	51.3
Future Working Lifetime (years)	9.5	8.5
Deferred pensioners		
Number	33,587	32,184
Total Accrued Pension (£000)	28,263	29,729
Average Age (liability weighted)	50.6	50.9
Pensioners		
Number	18,241	21,576
Total pensions in payment (£000)	65,120	75,310
Average Age (liability weighted)	68.0	68.5
Average duration of liabilities	16.7	17.7

### Benchmark investment strategy

The following investment strategy, extracted from the Fund's Investment Strategy Statement, has been used to assess employer contribution rates and to set the future investment return assumption as at 31 March 2019:

% allocation	Current strategy
UK equities	15%
Overseas equities	40%
Diversified Growth	15%
Infrastructure (equity)	2%
Total growth assets	72%
Index-linked gilts	2%
Fixed interest gilts	5%
UK Corporate Bonds	7%
Total protection assets	14%
Multi asset credit	5%
Property	9%
Total income generating assets	14%
Grand total	100%

### Other data used in this valuation

We have also relied upon asset and accounting data from the Fund's published 2016/17, 2017/18 and 2018/19 Annual Report and Accounts. Employer level cashflow data was provided by the Administering Authority and reconciled against the information shown in these documents.

### Comment on data quality

The results of the valuation are dependent on the quality of the data provided to us by the Administering Authority for the specific purpose of this valuation. We have carried out validations on the membership data provided to ensure it is fit for the purpose of the valuation. Further details can be found in our report issued to the Administering Authority entitled "Data report for 2019 valuation". We believe the membership data is fit for the purposes of this valuation.

## Appendix 2 – Assumptions

### Financial assumptions used to set employer contribution rates

#### Projection of assets and benefit payments

The approach to setting employer contribution rates does not rely on a single set of assumptions but involves the projection of an employer's future benefit payments, contributions and investment returns under 5,000 future economic scenarios. In this modelling, inflation (and therefore benefit payments) and investment returns for each asset class (and employer asset values) are variables and take different values in each projection.

The model underlying these projections is Hymans Robertson's proprietary economic model, the Economic Scenario Service (ESS). The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to simulated yields at that time horizon.

Annualised total returns											
	Cash	Index Linked Gilt (medium)	Fixed Interest Gilt (medium)	UK Equity	Overseas Equity	Property	Corp Medium A	Inflation	17 year real yield	17 year yield	
5 years	16th %ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-27%	1.9%	-2.5%	0.8%
	50th %ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
Volatility (Disp) (1 yr)		1%	7%	10%	17%	17%	14%	11%	1%		

#### Funding target

At the end of an employer's funding time horizon, an assessment is made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). To value the cost of future benefits assumptions are made about the following financial factors:

- Benefit increases and CARE revaluation;
- Salary growth;
- Investment returns (the "discount rate").

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is not appropriate for every projection. Therefore, instead of using a fixed value, each assumption is set with reference to an economic indicator. The economic indicators used are:

Assumption	Economic Indicator
Benefit increases	Future CPI inflation expectations
CARE revaluation	Future CPI inflation expectations
Salary increases	As above plus 0.3% p.a.
Future investment returns	Prevailing risk free rate of return plus margin

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis uses a different margin in the future investment return assumption.

Funding Basis	Margin above risk-free rate
Ongoing participation	2.0%
Contractor exit	Same as used to allocate assets on joining the Fund
Gilts exit	0%

## Financial assumptions used to assess the funding position

### Salary and Benefit Increases

Financial Assumptions (p.a.)	31 March 2016	31 March 2019
Benefit increases and CARE revaluation (CPI)	2.1%	2.3%
Salary increases	2.6%*	2.6%**

\*RPI less 0.6%

\*\*CPI plus 0.3%

### Investment Return

The reported funding position is based on an assumed future investment return of 4.0% p.a. The derivation of this assumption is set out in Section 3. The equivalent assumption at the 2016 valuation was 4.0% p.a. This was derived in a different way, please see the 2016 valuation report for further details.

### Demographic assumptions

The same demographic assumptions are used in setting contribution rates and assessing the current funding position.

### Longevity

As the Fund is a member of Club Vita, the baseline longevity assumptions are a bespoke set of Vita Curves that are tailored to fit the membership profile of the Fund. These curves are based on the data the Fund has provided us with for the purposes of this valuation.

We have also allowed for future improvements in mortality based on the CMI 2018 model with an allowance for smoothing of recent mortality experience and a long-term rate of improvement of 1.25% p.a. for both women and men.

Longevity Assumptions	31 March 2016	31 March 2019
Baseline Longevity	Club Vita	Club Vita
Future Improvements	CMI2013, Peaked, 1.25% p.a. long term	CMI2018, Smoothed, 1.25% p.a. long term

Full details are available on request.

The longevity assumptions result in the following typical future life expectancies from age 65 (figures for 2016 shown for comparison):

Assumed Life Expectancy	31 March 2016	31 March 2019
Male	Pensioners	22.1 years
	Non-pensioners	24.1 years
Female	Pensioners	24.4 years
	Non-pensioners	26.6 years

Non-pensioners are assumed to be aged 45 at the valuation date

### Other demographic assumptions

We are in the unique position of having a very large local authority data set from which to derive our other demographic assumptions. We have analysed the trends and patterns that are present in the membership of local authority funds and tailored our demographic assumptions to reflect LGPS experience. The resulting demographic assumptions are as follows:

<b>Demographic Assumptions</b>	
<b>Retirements in normal health</b>	We have adopted the retirement age pattern assumption as used for the purpose of the 2016 LGPS cost cap valuation. Further details are available on request.
<b>Death in Service</b>	See sample rates below
<b>Retirements in ill health</b>	See sample rates below
<b>Withdrawals</b>	See sample rates below
<b>Promotional salary increases</b>	See sample increases below
<b>Family details</b>	A varying proportion of members are assumed to have a dependant at retirement or on earlier death. For example, at age 60 this is assumed to be 90% for males and 85% for females. The dependant of a male member is assumed to be 3 years younger than him and the dependant of a female member is assumed to be 3 years older than her.
<b>Commutation</b>	50% of future retirements elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% service from 1 April 2008).
<b>50:50 option</b>	1.0% of members (uniformly distributed across the age, service and salary range) will choose the 50:50 option.

### Sample rates for demographic assumptions

#### Males

Age	Salary Scale	Death Before Retirement FT & PT	Incidence per 1000 active members per annum					
			Withdrawals		III Health Tier 1		III Health Tier 2	
FT	PT	FT	PT	FT	PT	FT	PT	
20	105	0.21	252.69	439.47	0.00	0.00	0.00	0.00
25	117	0.21	166.91	290.28	0.00	0.00	0.00	0.00
30	131	0.26	118.43	205.93	0.00	0.00	0.00	0.00
35	144	0.30	92.53	160.88	0.10	0.07	0.02	0.01
40	150	0.51	74.50	129.48	0.16	0.12	0.03	0.02
45	157	0.85	69.98	121.60	0.35	0.27	0.07	0.05
50	162	1.36	57.68	100.12	0.90	0.68	0.23	0.17
55	162	2.13	45.42	78.88	3.54	2.65	0.51	0.38
60	162	3.83	40.49	70.28	6.23	4.67	0.44	0.33
65	162	6.38	0.00	0.00	11.83	8.87	0.00	0.00

#### Females

Age	Salary Scale	Death Before Retirement FT & PT	Incidence per 1000 active members per annum					
			Withdrawals		III Health Tier 1		III Health Tier 2	
FT	PT	FT	PT	FT	PT	FT	PT	
20	105	0.12	227.37	252.63	0.00	0.00	0.00	0.00
25	117	0.12	152.99	169.97	0.10	0.07	0.02	0.01
30	131	0.18	128.25	142.46	0.13	0.10	0.03	0.02
35	144	0.30	110.69	122.91	0.26	0.19	0.05	0.04
40	150	0.48	92.12	102.26	0.39	0.29	0.08	0.06
45	157	0.77	85.97	95.41	0.52	0.39	0.10	0.08
50	162	1.13	72.48	80.35	0.97	0.73	0.24	0.18
55	162	1.49	54.08	60.02	3.59	2.69	0.52	0.39
60	162	1.90	43.58	48.31	5.71	4.28	0.54	0.40
65	162	2.44	0.00	0.00	10.26	7.69	0.00	0.00

### Prudence in assumptions

We are required to include a degree of prudence within the valuation. This has been achieved in both the setting of contributions and assessment of funding position.

### Contribution rates

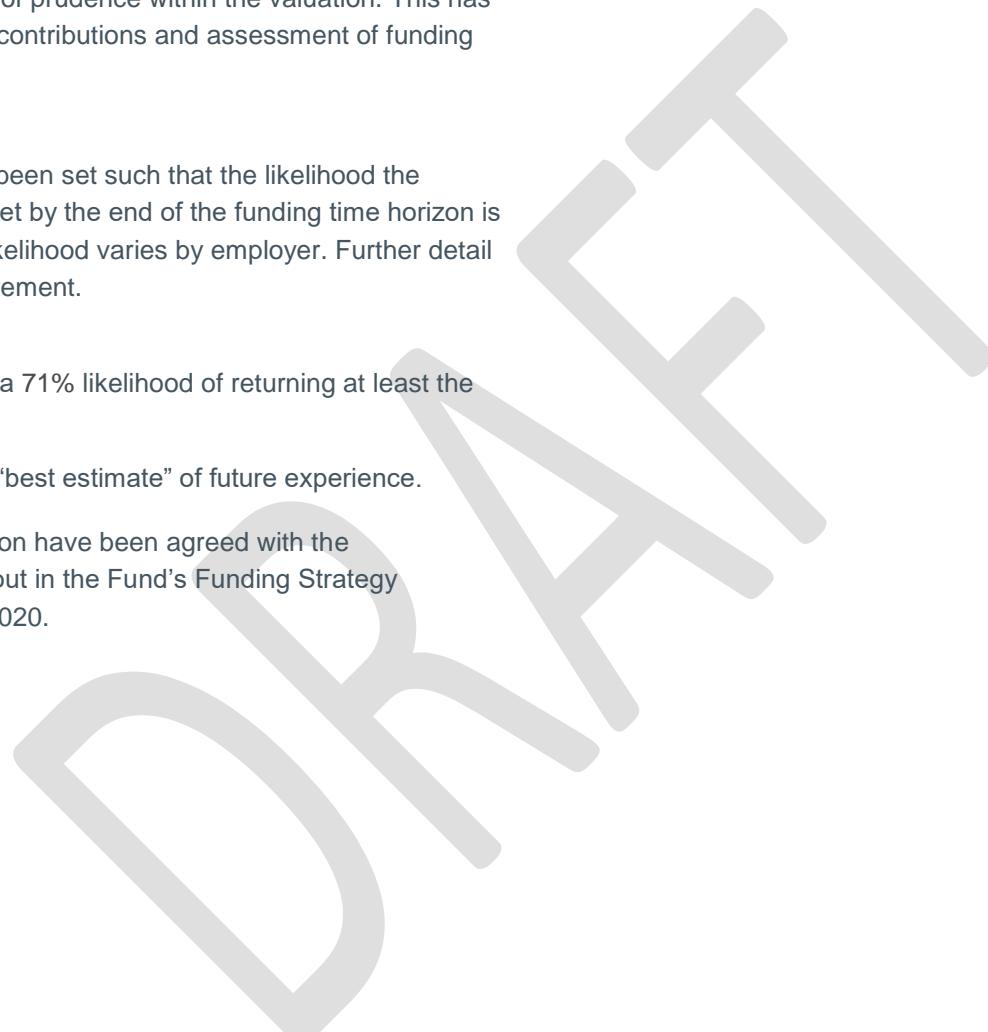
- Employer funding plans have been set such that the likelihood the employer's funding target is met by the end of the funding time horizon is more than 50%. The actual likelihood varies by employer. Further detail is in the Funding Strategy Statement.

### Funding position

- The Fund's investments have a 71% likelihood of returning at least the assumed return.

All other assumptions represent our "best estimate" of future experience.

The assumptions used in this valuation have been agreed with the Administering Authority and are set out in the Fund's Funding Strategy Statement effective from 19 March 2020.



## Appendix 3 – Rates and Adjustments certificate

In accordance with regulation 62(4) of the Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2020 to 31 March 2023 in order to maintain the solvency of the Fund.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement effective from 19 March 2020 and in Appendix 2 of our report on the actuarial valuation dated **TBC**. These assumptions underpin our estimate of the number of members who will become entitled to a payment of pensions under the provisions of the LGPS and the amount of liabilities arising in respect of such members.

The table below summarises the whole fund Primary and Secondary Contribution rates for the period 1 April 2020 to 31 March 2023. 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, calculated in accordance with the Regulations and CIPFA guidance.

<b>Whole Fund Contribution Rate</b>		
Primary Rate (% of pay)	18.6%	
Secondary Rate (£)	2020/21	22,875,000
	2021/22	25,727,000
	2022/23	28,687,000

The required minimum contribution rates for each employer in the Fund are set out below.

Employer / Pool code	Agcesso code	Employer/Pool name	Contributions in payment (2019/2020)		Primary rate % 1 April 2020 2023	Secondary Rate						Total Contribution Rate						
			Primary Secondary rate			2020/2021		2021/2022		2022/2023		2020/2021		2021/2022		2022/2023		
			%	(%)		(%)	(£000)	(%)	(£000)	(%)	(£000)	(%)	(£000)	(%)	(£000)	(%)	(£000)	
<b>Scheduled Bodies</b>																		
Pool		Lincolnshire County Council	16.4%	0.0%	£6,510	17.5%		£8,240		£9,540		£10,890	17.5%	plus £8,240	17.5%	plus £9,540	17.5%	plus £10,890
		- Lincolnshire Schools	16.4%	7.5%	£0	17.5%	7.4%		8.4%		9.4%		24.9%	plus £0	25.9%	plus £0	26.9%	plus £0
		- SERCO	16.4%	7.5%	£0	17.5%	7.4%		8.4%		9.4%		24.9%	plus £0	25.9%	plus £0	26.9%	plus £0
		- GLL	16.4%	7.5%	£0	17.5%	7.4%		8.4%		9.4%		24.9%	plus £0	25.9%	plus £0	26.9%	plus £0
902	P30002	West Lindsey District Council	16.2%	0.0%	£863	17.2%		£940		£1,028		£1,119	17.2%	plus £940	17.2%	plus £1,028	17.2%	plus £1,119
903	P30003	East Lindsey District Council	16.6%	0.0%	£789	17.5%		£872		£968		£1,067	17.5%	plus £872	17.5%	plus £968	17.5%	plus £1,067
904	P30004	City of Lincoln Council	16.0%	0.0%	£1,743	17.3%		£1,777		£1,959		£2,147	17.3%	plus £1,777	17.3%	plus £1,959	17.3%	plus £2,147
905	P30006	Boston Borough Council	16.6%	0.0%	£570	17.7%		£598		£670		£745	17.7%	plus £598	17.7%	plus £670	17.7%	plus £745
906	P30005	North Kesteven District Council	16.3%	0.0%	£779	17.6%		£795		£901		£1,010	17.6%	plus £795	17.6%	plus £901	17.6%	plus £1,010
907	P30007	South Kesteven District Council	16.5%	0.0%	£1,128	17.5%		£1,226		£1,393		£1,566	17.5%	plus £1,226	17.5%	plus £1,393	17.5%	plus £1,566
908	P30008	South Holland District Council	16.7%	0.0%	£638	17.4%		£744		£818		£894	17.4%	plus £744	17.4%	plus £818	17.4%	plus £894
Pool		Police and Crime Commissioner for Lincolnshire & G4S	16.3%	0.0%	£1,265	17.5%	-1.2%	£1,448	-1.2%	£1,657	-1.2%	£1,874	16.3%	plus £1,448	16.3%	plus £1,657	16.3%	plus £1,874
<b>Further Education Bodies</b>																		
910	P30009	Bishop Grosseteste University	20.9%	0.0%	£84	23.5%		£76		£76		£76	23.5%	plus £76	23.5%	plus £76	23.5%	plus £76
974	P30026	New College Stamford	20.6%	0.0%	£65	23.8%		£26		£27		£28	23.8%	plus £26	23.8%	plus £27	23.8%	plus £28
975	P30027	Grantham College	21.0%	0.0%	£88	23.8%		£42		£43		£44	23.8%	plus £42	23.8%	plus £43	23.8%	plus £44
977	P30029	Boston College	21.5%	0.0%	£78	23.8%	0.0%	£0	0.0%	£0	0.0%	£0	23.8%	plus £0	23.8%	plus £0	23.8%	plus £0
978	P30030	Lincoln College	22.3%	0.0%	£457	24.5%		£264		£271		£278	24.5%	plus £264	24.5%	plus £271	24.5%	plus £278
<b>Community Admission Bodies</b>																		
815	P20006	Waterloo Housing Group	26.0%	0.0%	£659	28.2%		£392		£392		£392	28.2%	plus £392	28.2%	plus £392	28.2%	plus £392
818	P20008	Lincolnshire Housing Partnership	26.2%	0.0%	£115	29.7%		£143		£143		£143	29.7%	plus £143	29.7%	plus £143	29.7%	plus £143
832	P20014	Active Lincolnshire	21.9%	0.0%	£3	21.6%	0.0%	£0	0.0%	£0	0.0%	£0	21.6%	plus £0	21.6%	plus £0	21.6%	plus £0
833	P20000	Adults Supporting Adults	29.1%	0.0%	£0	31.1%	-2.0%	£0	-2.0%	£0	-2.0%	£0	29.1%	plus £0	29.1%	plus £0	29.1%	plus £0
862	P20022	Lincoln Arts Trust	25.6%	0.0%	£0	28.3%	-2.7%	£0	-2.7%	£0	-2.7%	£0	25.6%	plus £0	25.6%	plus £0	25.6%	plus £0
<b>Drainage Boards</b>																		
911	P30010	Witham Third Internal Drainage Board	17.3%	6.7%	£39	18.9%		£26		£26		£27	18.9%	plus £26	18.9%	plus £26	18.9%	plus £27
Pool		Lindsey Marsh Internal Drainage Board	17.5%	0.0%	£26	18.5%		£28		£29		£30	18.5%	plus £28	18.5%	plus £29	18.5%	plus £30
921	P30045	Black Sluice Internal Drainage Board	16.8%	0.0%	£98	18.2%		£62		£64		£66	18.2%	plus £62	18.2%	plus £64	18.2%	plus £66
922	P30046	Witham Fourth Internal Drainage Board	18.0%	0.0%	£92	19.4%		£76		£77		£80	19.4%	plus £76	19.4%	plus £77	19.4%	plus £80
923	P30047	Welland and Deeping Internal Drainage Board	17.7%	0.0%	£125	19.2%		£112		£115		£118	19.2%	plus £112	19.2%	plus £115	19.2%	plus £118
924	P30048	South Holland Internal Drainage Board	18.3%	10.4%	£100	19.3%	9.4%	£150	9.4%	£150	9.4%	£150	28.7%	plus £150	28.7%	plus £150	28.7%	plus £150
926	P30050	Witham First Internal Drainage Board	19.3%	7.5%	£5	20.5%	-1.2%	£0	-1.2%	£0	-1.2%	£0	19.3%	plus £0	19.3%	plus £0	19.3%	plus £0
927	P30051	Upper Witham Internal Drainage Board	18.4%	0.0%	£58	19.7%		£51		£53		£54	19.7%	plus £51	19.7%	plus £53	19.7%	plus £54
932	P30054	North East Lindsey Internal Drainage Board	17.9%	0.0%	£17	20.7%		£1		£1		£1	20.7%	plus £1	20.7%	plus £1	20.7%	plus £1

Employer / Pool code	Agresso code	Employer/Pool name	Contributions in payment (2019/2020)				Primary rate % 1 April 2020 2023	Secondary Rate						Total Contribution Rate					
			Primary		Secondary rate			2020/2021		2021/2022		2022/2023		2020/2021		2021/2022		2022/2023	
			%	(%)	(£000)	Secondary rate	(%)	(£000)	Secondary rate	(%)	(£000)	Secondary rate	(%)	% of pay	(£000)	% of pay	(£000)	% of pay	(£000)
<b>Academies</b>																			
500	P40073	Welton St Marys Church of England Primary Academy	18.8%	0.0%	£1	21.3%		£5		£6		£6	21.3%	plus	£5	21.3%	plus	£6	21.3% plus £6
501	P40074	Boston High School	18.6%	0.0%	£21	21.2%		£28		£29		£30	21.2%	plus	£28	21.2%	plus	£29	21.2% plus £30
502	P40076	Spalding Academy	19.4%	0.0%	£59	21.7%		£63		£65		£66	21.7%	plus	£63	21.7%	plus	£65	21.7% plus £66
503	P40075	Bracebridge Infant and Nursery School	18.4%	0.0%	£0	20.7%		£2		£2		£2	20.7%	plus	£2	20.7%	plus	£2	20.7% plus £2
505	P40080	Boston Grammar School	18.4%	0.0%	£7	20.1%		£7		£7		£8	20.1%	plus	£7	20.1%	plus	£7	20.1% plus £8
508	P40086	Manor Leas Junior	18.9%	0.0%	£6	21.3%		£6		£7		£7	21.3%	plus	£6	21.3%	plus	£7	21.3% plus £7
509	P40082	Gipsey Bridge Academy	19.9%	0.0%	£4	20.9%		£4		£4		£4	20.9%	plus	£4	20.9%	plus	£4	20.9% plus £4
510	P40081	Spalding Grammar School	19.6%	0.0%	£27	21.1%		£27		£28		£29	21.1%	plus	£27	21.1%	plus	£28	21.1% plus £29
515	P40089	St Peter and St Paul Catholic Voluntary Academy	19.1%	0.0%	£16	20.8%		£13		£13		£13	20.8%	plus	£13	20.8%	plus	£13	20.8% plus £13
516	P40090	Lincoln Our Lady of Lincoln Catholic Primary School	18.8%	0.0%	£2	20.6%	0.0%	£0	0.0%	£0	0.0%	£0	20.6%	plus	£0	20.6%	plus	£0	20.6% plus £0
517	P40091	Sleaford Our Lady of Good Counsel	17.9%	0.0%	£0	19.9%	-2.0%	£0	-2.0%	£0	-2.0%	£0	17.9%	plus	£0	17.9%	plus	£0	17.9% plus £0
518	P40092	Lincoln St Hugh's Catholic Primary School	19.0%	0.0%	£8	21.5%		£7		£7		£7	21.5%	plus	£7	21.5%	plus	£7	21.5% plus £7
519	P40093	Stamford St Augustines	18.8%	0.0%	£3	20.1%		£2		£2		£2	20.1%	plus	£2	20.1%	plus	£2	20.1% plus £2
521	P40094	Utterby Primary School	19.5%	0.0%	£1	21.7%		£2		£2		£2	21.7%	plus	£2	21.7%	plus	£2	21.7% plus £2
522	P40095	North Thoresby Primary School	18.6%	0.0%	£0	20.6%	0.0%	£0	0.0%	£0	0.0%	£0	20.6%	plus	£0	20.6%	plus	£0	20.6% plus £0
524	P50000	Acorn Free School	16.5%	0.0%	£0	19.5%	-3.0%	£0	-3.0%	£0	-3.0%	£0	16.5%	plus	£0	16.5%	plus	£0	16.5% plus £0
526	P40097	Carlton Academy	17.6%	0.0%	£0	19.8%		£4		£4		£4	19.8%	plus	£4	19.8%	plus	£4	19.8% plus £4
527	P40096	Kirkby La Thorpe	19.4%	0.0%	£2	20.0%		£2		£2		£2	20.0%	plus	£2	20.0%	plus	£2	20.0% plus £2
532	P40099	Wainfeild Magdalene C of E Academy	18.5%	0.0%	£16	20.6%		£14		£14		£14	20.6%	plus	£14	20.6%	plus	£14	20.6% plus £14
535	P40100	Beacon Primary Academy	15.9%	0.0%	£0	19.1%	0.0%	£0	0.0%	£0	0.0%	£0	19.1%	plus	£0	19.1%	plus	£0	19.1% plus £0
536	P40101	Weston St Marys Primary School	16.3%	0.0%	£1	20.2%		£1		£1		£1	20.2%	plus	£1	20.2%	plus	£1	20.2% plus £1
539	P40104	Holbeach Primary Academy	17.2%	0.0%	£10	20.4%		£12		£12		£12	20.4%	plus	£12	20.4%	plus	£12	20.4% plus £12
542	P40107	Lincoln UTC	17.6%	0.0%	£0	18.7%		£7		£7		£7	18.7%	plus	£7	18.7%	plus	£7	18.7% plus £7
543	P40108	Lincoln St Giles Academy	18.2%	0.0%	£29	19.5%		£29		£30		£30	19.5%	plus	£29	19.5%	plus	£30	19.5% plus £30
701	P40039	Witham St Hughs Academy	17.6%	0.0%	£4	20.3%		£2		£2		£2	20.3%	plus	£2	20.3%	plus	£2	20.3% plus £2
702	P40041	Gainsborough Benjamin Adlard Community School	18.6%	0.0%	£0	20.4%	-1.8%	£0	-1.8%	£0	-1.8%	£0	18.6%	plus	£0	18.6%	plus	£0	18.6% plus £0
703	P40040	Washingborough Academy	19.3%	0.0%	£0	21.0%		£6		£6		£6	21.0%	plus	£6	21.0%	plus	£6	21.0% plus £6
704	P40038	Ruskington Chestnut Street C of E Primary School	19.5%	0.0%	£22	20.6%		£23		£23		£24	20.6%	plus	£23	20.6%	plus	£23	20.6% plus £24
705	P40042	Long Bennington Church of England Academy	19.7%	0.0%	£6	21.6%		£9		£10		£10	21.6%	plus	£9	21.6%	plus	£10	21.6% plus £10
706	P40049	Boston West Academy	19.2%	0.0%	£0	21.0%	-1.8%	£0	-1.8%	£0	-1.8%	£0	19.2%	plus	£0	19.2%	plus	£0	19.2% plus £0
707	P40043	Lincoln Manor Leas Infants School	19.3%	0.0%	£2	21.0%	0.0%	£0	0.0%	£0	0.0%	£0	21.0%	plus	£0	21.0%	plus	£0	21.0% plus £0
708	P40045	Gainsborough Hillcrest Early Years Academy	16.9%	0.2%	£8	19.4%		£12		£12		£12	19.4%	plus	£12	19.4%	plus	£12	19.4% plus £12
709	P40044	Rauceby Church of England Primary School	19.6%	0.0%	£6	22.2%		£6		£6		£6	22.2%	plus	£6	22.2%	plus	£6	22.2% plus £6
710	P40046	Grantham National Church of England Junior School	19.2%	0.0%	£14	20.6%		£17		£17		£18	20.6%	plus	£17	20.6%	plus	£17	20.6% plus £18
711	P40050	Harrowby Church of England Infant School	18.6%	0.0%	£5	20.6%		£2		£2		£2	20.6%	plus	£2	20.6%	plus	£2	20.6% plus £2
712	P40051	Branston Junior Academy	19.2%	0.0%	£12	21.9%		£14		£14		£14	21.9%	plus	£14	21.9%	plus	£14	21.9% plus £14
713	P40052	Woodhall Spa St Andrews Church of England	17.8%	0.5%	£5	20.4%		£1		£1		£1	20.4%	plus	£1	20.4%	plus	£1	20.4% plus £1
714	P40079	Stamford St Gilberts Church of England Primary	18.6%	0.0%	£8	21.0%		£10		£10		£11	21.0%	plus	£10	21.0%	plus	£10	21.0% plus £11

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			Primary %		Secondary rate % (%) (£000)		2020/2021		2021/2022		2022/2023		2020/2021		2021/2022		2022/2023	
			Primary % (%)	Secondary rate £000	Secondary rate % (%) (£000)		Secondary rate % (%) (£000)	% of pay £000	% of pay £000	% of pay £000	% of pay £000	% of pay £000	% of pay £000					
<b>Academies (cont.)</b>																		
717	P40055	Kesteven and Grantham Academy	19.1%	0.0%	£37	21.4%		£33		£34		£35	21.4%	plus £33	21.4%	plus £34	21.4%	plus £35
718	P40056	Donington Thomas Cowley High School	19.0%	0.0%	£28	20.8%		£18		£18		£19	20.8%	plus £18	20.8%	plus £18	20.8%	plus £19
719	P40057	Gainsborough Parish Church Academy	18.5%	0.0%	£13	20.3%		£12		£12		£12	20.3%	plus £12	20.3%	plus £12	20.3%	plus £12
720	P40058	Louth Kidgate Academy	17.4%	0.0%	£10	19.6%		£11		£12		£12	19.6%	plus £11	19.6%	plus £12	19.6%	plus £12
721	P40059	Scotthern Ellison Boulters Church of England Academy	20.0%	0.0%	£4	20.3%		£1		£1		£2	20.3%	plus £1	20.3%	plus £1	20.3%	plus £2
722	P40060	William Lovell Church of England Academy	19.9%	0.0%	£29	21.0%		£28		£28		£29	21.0%	plus £28	21.0%	plus £28	21.0%	plus £29
724	P40062	The Skegness Junior Academy	18.7%	0.0%	£7	20.9%		£6		£6		£7	20.9%	plus £6	20.9%	plus £6	20.9%	plus £7
725	P40063	The Ingoldmells Academy	18.7%	0.0%	£5	20.1%		£1		£2		£2	20.1%	plus £1	20.1%	plus £2	20.1%	plus £2
726	P40064	Nettleham Infants School	19.1%	0.0%	£7	19.9%		£11		£12		£12	19.9%	plus £11	19.9%	plus £12	19.9%	plus £12
730	P40068	Mablethorpe Primary Academy	19.2%	0.0%	£13	20.8%		£13		£14		£14	20.8%	plus £13	20.8%	plus £14	20.8%	plus £14
731	P40069	The Skegness Infant Academy	18.1%	0.0%	£11	20.4%		£11		£11		£12	20.4%	plus £11	20.4%	plus £11	20.4%	plus £12
733	P40071	Welbourn Sir William Robertson Academy	18.7%	0.0%	£25	21.0%		£20		£20		£21	21.0%	plus £20	21.0%	plus £20	21.0%	plus £21
734	P40070	Little Gonerby Church of England Infants School	19.6%	0.0%	£5	21.2%		£2		£2		£3	21.2%	plus £2	21.2%	plus £2	21.2%	plus £3
735	P40072	Huttoft Primary School	18.7%	0.0%	£0	19.7%	0.0%	£0	0.0%	£0	0.0%	£0	19.7%	plus £0	19.7%	plus £0	19.7%	plus £0
851	P40048	Gainsborough Academy	18.8%	0.0%	£0	20.5%	0.0%	£0	0.0%	£0	0.0%	£0	20.5%	plus £0	20.5%	plus £0	20.5%	plus £0
856	P40001	Sleaford St Georges Academy	19.1%	0.0%	£0	20.9%	0.0%	£0	0.0%	£0	0.0%	£0	20.9%	plus £0	20.9%	plus £0	20.9%	plus £0
860	P40002	Skegness Academy	18.4%	0.0%	£26	20.0%		£15		£16		£16	20.0%	plus £15	20.0%	plus £16	20.0%	plus £16
863	P40004	West Grantham Federation	18.6%	0.0%	£11	20.2%		£14		£14		£15	20.2%	plus £14	20.2%	plus £14	20.2%	plus £15
864	P40005	Giles Academy	17.4%	0.0%	£6	19.5%		£7		£7		£7	19.5%	plus £7	19.5%	plus £7	19.5%	plus £7
865	P40006	Alford Queen Elizabeth Selective Academy	19.5%	0.0%	£0	21.2%	0.0%	£0	0.0%	£0	0.0%	£0	21.2%	plus £0	21.2%	plus £0	21.2%	plus £0
866	P40007	Caistor Grammar	18.7%	0.0%	£1	21.0%	0.0%	£0	0.0%	£0	0.0%	£0	21.0%	plus £0	21.0%	plus £0	21.0%	plus £0
867	P40008	Branston Community Academy	19.1%	0.0%	£0	20.9%	0.0%	£0	0.0%	£0	0.0%	£0	20.9%	plus £0	20.9%	plus £0	20.9%	plus £0
868	P40009	Bourne Abbey C of E Academy	19.0%	0.0%	£3	20.9%		£10		£10		£10	20.9%	plus £10	20.9%	plus £10	20.9%	plus £10
869	P40010	Welton William Farr CE Comprehensive School	19.2%	0.0%	£49	21.4%		£35		£35		£36	21.4%	plus £35	21.4%	plus £35	21.4%	plus £36
870	P40012	Grantham Walton Girls	19.8%	0.0%	£11	21.2%		£10		£10		£10	21.2%	plus £10	21.2%	plus £10	21.2%	plus £10
871	P40013	Lincoln Castle Academy	19.4%	0.0%	£18	21.1%		£19		£20		£20	21.1%	plus £19	21.1%	plus £20	21.1%	plus £20
872	P40011	Market Rasen De Aston School (Academy)	18.8%	0.0%	£3	20.7%	0.0%	£0	0.0%	£0	0.0%	£0	20.7%	plus £0	20.7%	plus £0	20.7%	plus £0
873	P40014	Tower Road Academy (Primary)	19.5%	0.0%	£17	20.3%		£5		£5		£5	20.3%	plus £5	20.3%	plus £5	20.3%	plus £5
874	P40015	Fosse Way Academy	19.0%	0.0%	£10	20.7%	0.0%	£0	0.0%	£0	0.0%	£0	20.7%	plus £0	20.7%	plus £0	20.7%	plus £0
875	P40017	North Kesteven School	18.7%	0.0%	£65	21.6%		£58		£60		£62	21.6%	plus £58	21.6%	plus £60	21.6%	plus £62
876	P40019	Sir Robert Pattinson Academy	18.8%	0.0%	£22	20.6%		£25		£25		£26	20.6%	plus £25	20.6%	plus £25	20.6%	plus £26
877	P40022	John Spendlove Technology College	18.8%	0.0%	£26	20.7%		£20		£20		£21	20.7%	plus £20	20.7%	plus £20	20.7%	plus £21
878	P40018	Sleaford Carres Grammar School (Academy)	19.3%	0.0%	£30	21.2%		£36		£37		£38	21.2%	plus £36	21.2%	plus £37	21.2%	plus £38
879	P40020	Grantham Kings School	19.9%	0.0%	£13	21.6%		£2		£2		£2	21.6%	plus £2	21.6%	plus £2	21.6%	plus £2
881	P40016	Ermine Primary Academy	18.5%	0.0%	£9	20.3%		£10		£10		£10	20.3%	plus £10	20.3%	plus £10	20.3%	plus £10
882	P40023	Caistor Yarborough Academy	17.9%	0.0%	£9	20.0%		£3		£3		£3	20.0%	plus £3	20.0%	plus £3	20.0%	plus £3
883	P40024	Bourne Academy	19.4%	0.0%	£23	21.1%		£13		£14		£14	21.1%	plus £13	21.1%	plus £14	21.1%	plus £14
884	P40025	Lincoln Westgate Academy	18.4%	0.0%	£6	20.5%		£3		£3		£3	20.5%	plus £3	20.5%	plus £3	20.5%	plus £3
885	P40026	Lincoln Christs Hospital School (Academy)	19.5%	0.0%	£30	21.2%		£33		£34		£35	21.2%	plus £33	21.2%	plus £34	21.2%	plus £35

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			Primary %		Secondary rate % (%)		2020/2021		2021/2022		2022/2023		2020/2021		2021/2022		2022/2023		
					(£000)		(%)	(£000)	(%)	(£000)	(%)	(£000)	% of pay	(£000)	% of pay	(£000)	% of pay	(£000)	
<b>Academies (cont.)</b>																			
886	P40027	University Academy Holbeach	19.1%	0.0%	£40	20.9%		£39		£40		£41	20.9%	plus	£39	20.9%	plus	£40	20.9% plus £41
887	P40028	Mount Street Academy	17.6%	0.0%	£11	20.2%		£10		£10		£10	20.2%	plus	£10	20.2%	plus	£10	20.2% plus £10
888	P40029	Sleaford William Alvey	18.9%	0.0%	£4	20.4%		£2		£2		£2	20.4%	plus	£2	20.4%	plus	£2	20.4% plus £2
890	P40036	Hartsholme Academy	16.1%	0.0%	£5	17.8%		£10		£10		£10	17.8%	plus	£10	17.8%	plus	£10	17.8% plus £10
891	P40031	Kesteven & Sleaford High School Selective Academy	19.0%	0.0%	£18	21.2%		£18		£18		£18	21.2%	plus	£18	21.2%	plus	£18	21.2% plus £18
892	P40032	Keystone Academy	19.5%	0.0%	£9	21.2%		£3		£3		£3	21.2%	plus	£3	21.2%	plus	£3	21.2% plus £3
893	P40030	Stamford Welland Academy	20.6%	0.0%	£0	21.7%	-1.1%	£0	-1.1%	£0	-1.1%	£0	20.6%	plus	£0	20.6%	plus	£0	20.6% plus £0
894	P40033	Stamford Malcolm Sargent Primary	18.5%	0.0%	£0	20.8%	0.0%	£0	0.0%	£0	0.0%	£0	20.8%	plus	£0	20.8%	plus	£0	20.8% plus £0
895	P40034	Bourne Grammar	19.0%	0.0%	£31	21.3%		£29		£30		£31	21.3%	plus	£29	21.3%	plus	£30	21.3% plus £31
896	P40035	St. John's Primary Academy	18.8%	0.0%	£16	21.1%		£13		£14		£14	21.1%	plus	£13	21.1%	plus	£14	21.1% plus £14
897	P40037	The Deepings School	19.7%	0.0%	£0	21.1%	-1.4%	£0	-1.4%	£0	-1.4%	£0	19.7%	plus	£0	19.7%	plus	£0	19.7% plus £0
40112	P40112	Keelby Primary Academy	19.7%	0.0%	£11	21.4%		£14		£14		£14	21.4%	plus	£14	21.4%	plus	£14	21.4% plus £14
40114	P40114	Lincoln Anglican Academy Trust	16.4%	0.0%	£0	17.7%	-1.3%	£0	-1.3%	£0	-1.3%	£0	16.4%	plus	£0	16.4%	plus	£0	16.4% plus £0
40115	P40115	Somercotes Academy	18.5%	0.0%	£28	18.7%		£28		£29		£29	18.7%	plus	£28	18.7%	plus	£29	18.7% plus £29
40116	P40116	King Edward VI Grammar School (Louth)	19.0%	0.0%	£44	21.3%		£55		£57		£58	21.3%	plus	£55	21.3%	plus	£57	21.3% plus £58
40117	P40117	St Lawrence School (Horncliffe)	17.2%	0.0%	£30	19.3%		£28		£29		£29	19.3%	plus	£28	19.3%	plus	£29	19.3% plus £29
40119	P40119	St Bernards School (Louth)	19.0%	0.0%	£59	19.7%		£55		£56		£58	19.7%	plus	£55	19.7%	plus	£56	19.7% plus £58
40120	P40120	Aegir Specialist Academy	19.0%	0.0%	£35	21.0%		£37		£38		£39	21.0%	plus	£37	21.0%	plus	£38	21.0% plus £39
40121	P40121	Warren Wood Specialist Academy	19.5%	0.0%	£34	20.5%		£24		£25		£26	20.5%	plus	£24	20.5%	plus	£25	20.5% plus £26
40126	P40126	Spilsby Primary School	18.5%	0.0%	£10	21.2%		£25		£26		£26	21.2%	plus	£25	21.2%	plus	£26	21.2% plus £26
40127	P40127	Gosberton House Academy	18.6%	0.0%	£23	18.9%		£21		£22		£22	18.9%	plus	£21	18.9%	plus	£22	18.9% plus £22
40128	P40128	Theddlethorpe Primary School	21.5%	0.0%	£6	21.2%		£3		£3		£3	21.2%	plus	£3	21.2%	plus	£3	21.2% plus £3
40129	P40129	South Witham Academy	20.6%	0.0%	£7	21.5%		£8		£8		£8	21.5%	plus	£8	21.5%	plus	£8	21.5% plus £8
40131	P40131	Browns Church of England Primary School	21.7%	0.0%	£5	21.9%		£2		£2		£3	21.9%	plus	£2	21.9%	plus	£3	21.9% plus £3
40133	P40133	Edenham Church of England School	21.3%	0.0%	£8	21.8%		£6		£6		£6	21.8%	plus	£6	21.8%	plus	£6	21.8% plus £6
40134	P40134	Morton Church of England Primary School	20.8%	0.0%	£16	21.0%		£12		£12		£12	21.0%	plus	£12	21.0%	plus	£12	21.0% plus £12
40143	P40143	Manor Farm Academy	17.4%	0.0%	£0	18.7%		£0		£0		£0	18.7%	plus	£0	18.7%	plus	£0	18.7% plus £0
40148	P40148	Branton C of E Infants School	20.5%	0.0%	£3	20.8%		£2		£2		£2	20.8%	plus	£2	20.8%	plus	£2	20.8% plus £2
40149	P40149	Whaplode C of E Primary School	19.9%	0.0%	£4	20.6%		£6		£6		£6	20.6%	plus	£6	20.6%	plus	£6	20.6% plus £6
40151	P40151	The Marton Academy	20.5%	0.0%	£5	21.4%		£5		£6		£6	21.4%	plus	£5	21.4%	plus	£6	21.4% plus £6
40153	P40153	Holy Trinity Church of England Primary	20.1%	0.0%	£6	21.2%		£6		£6		£6	21.2%	plus	£6	21.2%	plus	£6	21.2% plus £6
40154	P40154	Bassingham Primary School	20.8%	0.0%	£8	22.0%		£8		£8		£8	22.0%	plus	£8	22.0%	plus	£8	22.0% plus £8
40156	P40156	St Michael's Church of England Primary School	19.7%	0.0%	£9	20.1%		£14		£14		£15	20.1%	plus	£14	20.1%	plus	£14	20.1% plus £15
40157	P40157	All Saints Academy Waddington	19.8%	0.0%	£7	21.1%		£9		£9		£9	21.1%	plus	£9	21.1%	plus	£9	21.1% plus £9
40160	P40160	Holbeach Bank Academy	19.8%	0.0%	£1	20.7%		£2		£2		£2	20.7%	plus	£2	20.7%	plus	£2	20.7% plus £2
40166	P40166	Boston St Mary's RC Primary Academy	18.6%	0.0%	£2	20.3%		£4		£4		£4	20.3%	plus	£4	20.3%	plus	£4	20.3% plus £4
40167	P40167	St Mary's Catholic Primary Voluntary Academy	20.1%	0.0%	£4	21.2%		£7		£7		£7	21.2%	plus	£7	21.2%	plus	£7	21.2% plus £7
40168	P40168	St Norberts Catholic Primary School (Academy)	19.1%	0.0%	£1	20.5%		£3		£3		£3	20.5%	plus	£3	20.5%	plus	£3	20.5% plus £3

Employer / Pool code	Agresso code	Employer/Pool name	Contributions in payment (2019/2020)			Primary rate % 1 April 2020 2023	Secondary Rate						Total Contribution Rate						
			Primary		Secondary rate		2020/2021		2021/2022		2022/2023		2020/2021		2021/2022		2022/2023		
			%	(%)	(£000)		Secondary rate	(%)	(£000)	Secondary rate	(%)	(£000)	% of pay	(£000)	% of pay	(£000)	% of pay	(£000)	
<b>Academies (cont.)</b>																			
Pool		CIT Academies	see below			19.9%		£216		£221		£227	19.9%	plus	£216	19.9%	plus	£221	19.9% plus £227
		- Grantham Sandon School	18.5%	0.0%	£31														
		- Grantham Ambergate School	18.0%	0.0%	£27														
		- Grantham Isaac Newton Primary School	19.3%	0.0%	£13														
		- The Phoenix Academy	18.9%	0.0%	£11														
		- The John Fielding Special School, Boston	17.9%	0.0%	£28														
		- The Garth School, Spalding	18.2%	0.0%	£24														
		- The Priory School, Spalding	18.4%	0.0%	£19														
		- Woodlands Academy	19.9%	0.0%	£34														
		- Caythorpe Primary	19.7%	0.0%	£5														
		- Chapel St Leonards Primary School	20.2%	0.0%	£6														
		- Poplar Farm School	17.2%	0.0%	£0														
Pool		Priory Academy Schools	see below			20.3%	0.0%	£0	0.0%	£0	0.0%	£0	20.3%	plus	£0	20.3%	plus	£0	20.3% plus £0
		- Grantham Huntingtower Community Primary	17.9%	3.0%	£0														
		- North Hykeham Ling Moor Academy	19.1%	0.0%	£7														
		- Priory Federation of Academies	18.2%	0.0%	£0														
		- Heighington Millfield Primary Academy	18.9%	0.0%	£3														
		- The Priory Pembroke	20.1%	0.0%	£15														
		- Redwood Primary School	20.5%	0.0%	£4														
Pool		Horncastle Education Trust	see below			20.2%		£66		£68		£70	20.2%	plus	£66	20.2%	plus	£68	20.2% plus £70
		- Hornastle Queen Elizabeth Grammar School	18.9%	0.0%	£23														
		- Hornastle Bannovallum	18.4%	0.0%	£38														
		- Frithville Primary School	19.1%	0.0%	£2														
		- New York Primary School	18.5%	0.0%	£1														
Pool		David Ross	see below			20.4%		£112		£115		£118	20.4%	plus	£112	20.4%	plus	£115	20.4% plus £118
		- Spilsby Eresby School	18.0%	0.0%	£152														
		- Grantham Charles Read Academy																	
		- Tattershall Barnes Wallis Academy																	
		- Hogsthorpe Community Primary Academy																	
		- Spilsby King Edward IV Academy																	
		- Skegness Grammar Academy																	
		- Ingoldsby Academy																	
		- Thomas Middlecott Academy																	
Pool		Tall Oaks	18.5%	0.0%	£9	20.3%		£11		£11		£11	20.3%	plus	£11	20.3%	plus	£11	20.3% plus £11
		- Mercer's Wood Academy																	
		- Whites Wood Academy																	
		- Castle Wood Academy (Gainsborough)																	
Pool		Tollbar MAT (Louth Academy)	see below			20.5%		£43		£44		£45	20.5%	plus	£43	20.5%	plus	£44	20.5% plus £45
		- Louth Cordeaux Academy	18.4%	0.0%	£26														
		- Louth Academy	19.4%	0.0%	£46														
Pool		BWAF	see below			19.4%		£28		£29		£29	19.4%	plus	£28	19.4%	plus	£29	19.4% plus £29
		- Phoenix Family of Schools	18.2%	0.0%	£0														
		- Boston Witham Academies Federation	17.7%	0.5%	£57														
Pool		Wellspring Academy Trust	see below			19.4%		£37		£38		£39	19.4%	plus	£37	19.4%	plus	£38	19.4% plus £39
		- Springwell Lincoln City Academy	18.5%	0.0%	£10														
		- Lacey Gardens Junior School (Academy)	18.5%	0.0%	£11														
		- Eastfield Infant and Nursery School (Academy)	19.5%	0.0%	£12														

Employer / Pool code	Agcesso code	Employer/Pool name	Contributions in payment (2019/2020)				Primary rate % 1 April 2020 2023	Secondary Rate						Total Contribution Rate						
			Primary		Secondary rate			2020/2021		2021/2022		2022/2023		2020/2021		2021/2022		2022/2023		
			%	(%)	(£000)	Secondary rate		(%)	(£000)	(%)	(£000)	(%)	(£000)	% of pay	(£000)	% of pay	(£000)	% of pay	(£000)	
<b>Resolution Bodies</b>																				
523	P30077	BG Lincoln Ltd	20.7%	0.0%	£2	22.8%			£1			£1	22.8%	plus £1	22.8%	plus £1	22.8%	plus £1	22.8%	plus £1
861	P30072	Public Sector Partnership Services Ltd.	21.8%	0.0%	£0	19.9%			£91			£93	19.9%	plus £91	19.9%	plus £93	19.9%	plus £96		
Pool	<b>Small Scheduled Bodies Pool</b>		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Billinghay Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Bourne Town Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Bracebridge Heath Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Cherry Willingham Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Crowland Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Deeping St James Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Gainsborough Town Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Gedney Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Greestwell Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Horncastle Town Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Ingoldmells Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Louth Town Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Mablethorpe & Sutton Town Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Market Deeping Town Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Nettleham Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	North Hykeham Town Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Pinchbeck Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Skegness Town Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Skellingthorpe Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Sleaford Town Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Stamford Town Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Sudbrooke Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Sutton Bridge Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Washingborough Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Welton-By-Lincoln Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
	Woodhall Spa Parish Council		19.3%	2.3%	£0	21.1%	1.4%		1.4%		1.4%	1.4%	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0	22.5%	plus £0
<b>Transferee Admission Bodies</b>																				
547	P20028	Magna Vitae Leisure Trust	14.9%	0.0%	£0	21.1%	-4.6%	£0	-4.6%	£0	-4.6%	£0	16.5%	plus £0	16.5%	plus £0	16.5%	plus £0	16.5%	plus £0
826	P20019	Active Nation	26.9%	0.0%	£6	33.1%	0.0%	£0	0.0%	£0	0.0%	£0	33.1%	plus £0	33.1%	plus £0	33.1%	plus £0	33.1%	plus £0
889	P20023	Edwards and Blake Ltd	25.9%	0.0%	£5	32.7%	0.0%	£5	0.0%	£5	0.0%	£5	32.7%	plus £5	32.7%	plus £5	32.7%	plus £5	32.7%	plus £5
2027	P20027	Making Space	22.0%	0.0%	£0	30.4%	0.0%	£0	0.0%	£0	0.0%	£0	30.4%	plus £0	30.4%	plus £0	30.4%	plus £0	30.4%	plus £0
2030	P20030	Vinci Construction UK Limited	28.8%	0.0%	£0	35.2%	-35.2%	£0	0.0%	£0	0.0%	£0	0.0%	plus £0	35.2%	plus £0	35.2%	plus £0	35.2%	plus £0
2036	P20036	Compass Contract Services(UK) Ltd	30.2%	0.0%	£0	31.8%	-31.8%	£0	0.0%	£0	0.0%	£0	0.0%	plus £0	31.8%	plus £0	31.8%	plus £0	31.8%	plus £0
2037	P20037	Future Cleaning Services	29.1%	0.0%	£0	32.8%	-2.5%	£0	0.0%	£0	0.0%	£0	30.3%	plus £0	32.8%	plus £0	32.8%	plus £0	32.8%	plus £0
2038	P20038	Taylor Shaw (Branton Academy)	31.3%	0.0%	£0	33.9%	-2.2%	£0	0.0%	£0	0.0%	£0	31.7%	plus £0	33.9%	plus £0	33.9%	plus £0	33.9%	plus £0
2043	P20043	Easy Clean Contractors (Linchfield)	30.4%	0.0%	£0	31.7%	-31.7%	£0	0.0%	£0	0.0%	£0	0.0%	plus £0	31.7%	plus £0	31.7%	plus £0	31.7%	plus £0
2044	P20044	Cater Link (West Grantham Academy)	32.2%	0.0%	£0	32.1%	-32.1%	£0	0.0%	£0	0.0%	£0	0.0%	plus £0	32.1%	plus £0	32.1%	plus £0	32.1%	plus £0
2045	P20045	Outspoken Training	31.5%	0.0%	£0	35.5%	-15.6%	£0	0.0%	£0	0.0%	£0	19.9%	plus £0	35.5%	plus £0	35.5%	plus £0	35.5%	plus £0
2049	P20049	Easy Clean (Baston Primary)	37.3%	0.0%	£0	33.7%	0.0%	£2	0.0%	£2	0.0%	£2	33.7%	plus £2	33.7%	plus £2	33.7%	plus £2	33.7%	plus £2
2050	P20050	Nightingale Cleaning Limited	30.4%	0.0%	£0	32.3%	0.0%	£0	0.0%	£0	0.0%	£0	32.3%	plus £0	32.3%	plus £0	32.3%	plus £0	32.3%	plus £0
2055	P20055	Mellors Catering	29.2%	0.0%	£0	25.7%	0.0%	£1	0.0%	£1	0.0%	£1	25.7%	plus £1	25.7%	plus £1	25.7%	plus £1	25.7%	plus £1

### Further comments

- Contributions expressed as a percentage of payroll should be paid into Lincolnshire Pension Fund ("the Fund") at a frequency in accordance with the requirements of the Regulations;
- Further sums should be paid to the Fund to meet the costs of any early retirements and/or augmentations using methods and factors issued by us from time to time or as otherwise agreed.
- Payments may be required to be made to the Fund by employers to meet the capital costs of any ill-health retirements that exceed those allowed for within our assumptions. If an employer has ill health liability insurance in place with a suitable insurer and provides satisfactory evidence to the Administering Authority, then their certified contribution rate may be reduced by the value of their insurance premium, for the period the insurance is in place.
- The certified contribution rates represent the **minimum** level of contributions to be paid. Employing authorities may pay further amounts at any time and future periodic contributions may be adjusted on a basis approved by the Fund Actuary.

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Signature: [SIGNATURE]

[SIGNATURE]

Name: Peter Summers

Anne Cranston

Qualification: Fellow of the Institute and Faculty of Actuaries

Associate of the Institute and Faculty of Actuaries

Firm: Hymans Robertson LLP  
20 Waterloo Street  
Glasgow  
G2 6DB

Date: 4 March 2020

## Appendix 4 – Section 13 dashboard

TBC

DRAFT

DRAFT

# Agenda Item 11



## Regulatory and Other Committee

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

Report to:	<b>Pensions Committee</b>
Date:	<b>19 March 2020</b>
Subject:	<b>Lincolnshire Pension Fund Policies Review</b>

#### **Summary:**

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

#### **Recommendation(s):**

That the Committee note the report and approve:

- 1) the Fund's Investment Strategy Statement (ISS);
- 2) the Fund's Communications Policy;
- 3) the Fund's Governance Compliance Statement;
- 4) the Fund's Breaches Reporting Policy; and
- 5) the Fund's Code of Conduct and Conflicts of Interest.

#### **Background**

1. Under the various Local Government Pension Scheme Regulations, the Pensions Committee, as the Administering Authority of the Lincolnshire Pension Scheme, is required to produce and maintain a number of key policy documents. Policies are brought to the Committee annually, and the last comprehensive review was March 2019. This report presents the latest version of these policies for them to be formally endorsed by the Committee.

#### **Policies for Approval**

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

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

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

4. Updates are:

- The addition of the Committee's investment beliefs.
- The change to the strategic asset allocation that is being implemented as the Fund transitions to Border to Coast – reducing equity assets and increasing diversifying growth assets.
- The March 2019 valuation assumptions.
- The asset pooling expectations.
- The addition of the Committee's responsible investment beliefs.

### **Appendix B – Communications Policy**

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

6. Updates are:

- Amendments to number of employers and scheme members.

### **Appendix C - Governance Policy and Compliance Statement**

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

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

- Principle A – Structure – (b) – the Committee does not include representatives for pensioner or deferred members.
- Principle B – Representation – (a) - the Committee does not include representatives for pensioner or deferred members.
- Principle E – Training/Facility Time/Expenses – (c) – the Committee has an annual training plan at Committee level, but not for individual members.
- Principle H – Scope – (a) – The Committee does not have an independent observer for administration and governance issues.

9. Updates are:

- The change of titles for officers.

## **Appendix D – Breaches Reporting Procedure**

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

## **Appendix E – Pension Fund Code of Conduct and Conflicts of Interest**

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

## **Funding Strategy Statement**

14. The FSS sets out the Fund's approach to managing its solvency and is generally updated every three years, in line with the Triennial Valuation. It is the framework that guides the Fund Actuary and informs the employers. This has been updated as part of the 2019 Valuation process and is at agenda item 10 of this meeting.

## **Stewardship Code Statement**

15. The Financial Reporting Council (FRC) Stewardship Code has recently undergone a substantial revision to the 2012 Code, which came into effect on 1 January 2020. Organisations wanting to become signatories to the Code will be required to produce an annual Stewardship Report explaining how they have applied the Code in the previous 12 months, aligned to their financial year. The FRC will evaluate Reports against an assessment framework, and those that meet the reporting expectations will be listed as signatories to the Code. Organisations will have 90 days from their year-end to submit their statement for evaluation. Officers will review the new

requirements, and update the current Stewardship Code Statement for the financial year to 31 March 2021, to meet the deadline of June 2021.

## **Conclusion**

16. In accordance with the various Local Government Pension Scheme Regulations, the Fund has prepared a number of key policy documents. The ISS, Communications Policy, Governance Policy and Compliance Statement, Breaches Reporting Procedure and Code of Conduct and Conflict of Interest Policy have been appended to this report for review and approval by the Pensions Committee.

## **Consultation**

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

Yes

### **b) Risks and Impact Analysis**

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

## **Appendices**

These are listed below and attached at the back of the report	
Appendix A	LPF – Investment Strategy Statement
Appendix B	LPF - Communications Policy
Appendix C	LPF – Governance Compliance Statement
Appendix D	LPF – Breaches Reporting Procedure
Appendix E	LPF – Pension Fund Code of Conduct and Conflicts of Interest

## **Background Papers**

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

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

# **Investment Strategy Statement**

March 2020

## INVESTMENT STRATEGY STATEMENT

### INTRODUCTION

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

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

The ISS, which was last approved by the Committee on 21 March 2019, is subject to review on an annual basis and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund’s investment strategy with such persons it considers appropriate.

The Fund is also required to maintain a Funding Strategy Statements (“FSS”) in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended). The FSS, which was last approved by the Pensions Committee on 19 March 2020, complies with these Regulations.

### INVESTMENT STRATEGY

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

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

### Investment Beliefs

These beliefs form the foundation of discussions, and assist decisions, regarding the structure of the Fund and the strategic asset allocation. In addition, they are used to ensure that new members on the Pensions Committee understand previous investment decisions taken.

**Belief 1:**

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

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

**Belief 2:**

**Funding and investment strategy are linked; as the funding position improves, the level of investment risk should be reduced.**

As the Fund moves closer to full funding (i.e. 100% assets to meet liabilities on an appropriately prudent assumption of investment return) then it is expected that the level of risk will be adjusted accordingly.

**Belief 3:**

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

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

**Belief 4:**

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

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



**Belief 5:**

**Environmental, social and governance (ESG) issues are important to the long term success of the Fund.**

The Committee believes that it should act as a responsible owner across all of its investments and that ESG issues and considerations have a financial impact on the long term performance of the Fund. The Fund works with managers and other organisations to understand the potential impact of the risks and opportunities relating to ESG matters.

**Belief 6:**

**Although fees and costs matter, it is the expected return net of all fees and costs that should be the Committee's focus, however transparency and understanding of costs is important.**

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

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

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

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

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



Asset class	Strategic allocation	Range	Maximum
Equity Assets	60%	+/- 6%	66%
UK equities	20%	+/- 2%	22%
Global equities	40%	+/- 5.5%	45.5%
Diversifying Growth Assets	26.5%	+/- 4.5%	31%
Alternatives	15%	+/- 1.5%	16.5%
Property	9%	+/- 1.5%	10.5%
Infrastructure	2.5%	+/- 1.5%	4%
Protection Assets	13.5%	+/- 2%	15.5%
Fixed Income	13.5%	+/- 1.5%	15%
Cash	0%	+/- 0.5%	0.5%

The asset allocation below reflects the changes approved by the Committee however these will be implemented as the Fund transitions its assets to Border to Coast.

Asset class	Strategic allocation	Range	Maximum
Equity Assets	55%*	+/- 7%	62%
UK equities	15%*	+/- 2%	17%
Global equities	40%	+/- 5%	45%
Diversifying Growth Assets	31.5%*	+/- 4.5%	36%
Diversified Alternatives (incl. infrastructure and multi asset credit)	21%*	+/- 3%	24%
Property	10.5%	+/- 1.5%	12%
Protection Assets	13.5%	+/- 2%	15.5%
Fixed Income	12.5%	+/- 1.5%	14%
Cash	1%	+/- 0.5%	1.5%

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

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

The strategic asset allocation includes ranges for each asset class within which the asset allocation can vary. In the event that any asset class range is breached, the

Pensions Committee will be informed and the Fund's officers will endeavour to bring the asset allocation back within the range within an appropriate period of time.

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

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

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

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

### **The suitability of particular investments and types of investments**

The actuarial valuation, at 31 March 2019, was prepared on the basis of an expected investment return of 4% p.a., based on a 71% likelihood of that return being achieved over the next 20 years, and assuming inflation (CPI) to be 2.3%. The Pensions Committee has set the investment objective of producing a long term return of 0.75% p.a. above the strategic benchmark.

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

## The approach to risk

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

The principal risks affecting the Fund are set out below:

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



	and liabilities.	where appropriate.
<b>Foreign exchange</b>	An adverse movement in foreign exchange rates will impact on the value of the Fund's investments.	The Fund regularly monitors its foreign exchange exposure.
<b>Demographic</b>	Changes, such as increased longevity or ill-health retirement, will increase the value of the Fund's liabilities.	Demographic assumptions are conservative, regularly monitored, and reviewed on a triennial basis.
<b>Regulatory</b>	Changes to regulations and guidance may increase the cost of administering the Fund or increase the value of the Fund's liabilities.	The Fund ensures that it is aware of any actual or potential changes to regulations and guidance and will participate in consultations where appropriate.
<b>Governance</b>	The administering authority is unaware of changes to the Fund's membership which increases the value of its liabilities.	The Fund regularly monitors membership information and communicates with employers.

### Approach to pooling investments

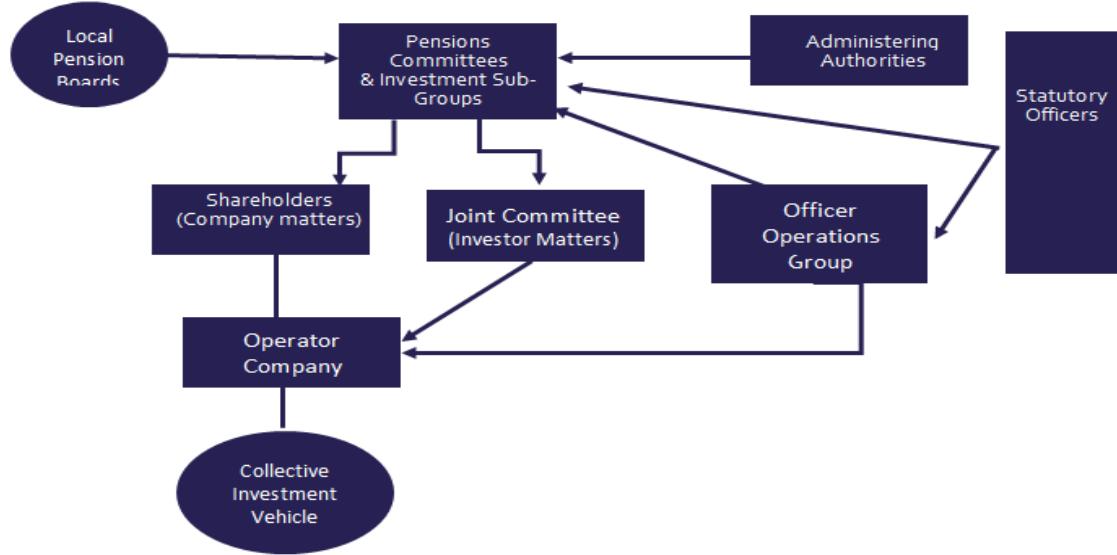
In order to satisfy the requirements of the “Local Government Pension Scheme: Investment Reform and Guidance” issued by the Department for Communities and Local Government (“DCLG”) in November 2015, the Pension Fund has elected to become a shareholder in Border to Coast Pensions Partnership Limited (Border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

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

- Bedfordshire Pension Fund
- Cumbria Pension Fund
- Durham Pension Fund
- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- Northumberland Pension Fund
- South Yorkshire Pension Fund

- Surrey Pension Fund
- Teesside Pension Fund
- Tyne and Wear Pension Fund
- Warwickshire Pension Fund

The governance structure of Border to Coast is as follows:



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

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

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

A significant proportion of the Fund's investments will be made through Border to Coast. Where it is not practical or cost effective for assets to be transferred into the pool, they will continue to be managed at the Fund level. This is expected to predominantly include legacy unquoted investments such as limited partnerships. Whilst these assets may not be transferred, once these investments mature the proceeds will be reinvested into Border to Coast sub-funds. At the current time it is estimated that c. 70% of the Fund's assets will be invested in Border to Coast subject to it having suitable management arrangements in place.

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

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

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

#### **Responsible Investment Beliefs**

These beliefs form the foundation of discussions, and assist decisions, regarding the structure of the Fund and the strategic asset allocation. In addition, they are used to ensure that new members on the Pensions Committee understand previous investment decisions taken.

##### **Belief 1:**

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

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

##### **Belief 2:**

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

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

##### **Belief 3:**

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

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

**Belief 4:**

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

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

**Belief 5:**

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

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

**Belief 6:**

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

The Committee believes that the Fund has a stronger voice when working with others, be it Border to Coast Pensions Partnership, Local Authority Pension Fund Forum (LAPFF) or any other organisations. The Fund will work with them and the investment managers to ensure that it understands the ESG risks and how best to address them.

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

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

The Fund has published its Responsible Investment Policy and Voting Guidelines on the shared website at [www.wypf.org.uk](http://www.wypf.org.uk).

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



As global investors, the Fund expects the principles of good stewardship to apply globally, whilst recognising the need for local market considerations in its application. Reflecting on this the Fund has summarised its compliance with the UK Stewardship code (2012) and principles relating to good stewardship below. The code has been revised with effect from January 2020, and the Fund will report against this in March 2021.

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

The Lincolnshire Pension Fund takes its responsibilities as a shareholder seriously, and has a Responsible Investment Policy that is aligned with our asset pool, Border to Coast. This can be found on the Pension Fund's shared website at [http://www.wypf.org.uk/Member/Publications/PolicyStatements/Lincolnshire/PolicyStatements\\_Lincoln\\_Index.aspx](http://www.wypf.org.uk/Member/Publications/PolicyStatements/Lincolnshire/PolicyStatements_Lincoln_Index.aspx). It seeks to adhere to the Stewardship Code where possible, and expects its appointed asset managers to do so too. Resources do not currently allow for a dedicated role to oversee LPF's RI responsibilities at a Fund level, however the asset pooling arrangements currently being implemented will enable a more active role in the future.

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

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

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

Voting is carried out at by the external fund managers, who are expected to vote in line with best practice. Managers report detail of voting undertaken quarterly to officers, and the Fund reports quarterly to the Pensions Committee in summary on all voting activity undertaken.

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

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

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

### **Principle 3 - Institutional investors should monitor their investee companies.**

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

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

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

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

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



most extreme instances divestment of shares. The outcome of any engagement is reported to the Fund through the normal reporting routine.

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

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

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

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

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund achieves this through membership of the Local Authority Pension Fund Forum, which engages with companies over environmental, social and governance issues on behalf of its members.

The LAPFF agree planned work programmes each year which are discussed and approved at LAPFF meetings. This plan sets out the engagement areas for activity for the coming year. Lincolnshire Pensions Team Accounting, Investment and Governance Manager Claire Machej is the named representative responsible for attending these meetings and actively participates in any discussions and setting of the work programme. She raises any concerns that the Fund may have and feeds back to the Pensions Committee on a quarterly basis.

The asset pooling arrangements with Border to Coast currently being implemented will enable additional collaborative working.

The contact for any potential collective action with the Fund is the Head of Pensions, Jo Ray, at [jo.ray@lincolnshire.gov.uk](mailto:jo.ray@lincolnshire.gov.uk).

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

Responsibility for the exercise of voting rights is delegated to the Fund's appointed



asset managers. The Fund has a Corporate Governance Voting Guidelines and Voting Guidelines policy that can be found on the Pension Fund's shared website at [http://www.wypf.org.uk/Member/Publications/PolicyStatements/Lincolnshire/PolicyStatements\\_Lincoln\\_Index.aspx](http://www.wypf.org.uk/Member/Publications/PolicyStatements/Lincolnshire/PolicyStatements_Lincoln_Index.aspx). This is aligned to the Border to Coast policy.

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

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

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

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

Data to produce these reports is taken from the Fund's external managers, and from reports produced by LAPFF.

### **Compliance and monitoring**

The investment managers are required to adhere to the principles set out in this Investment Strategy Statement and officers ensure, through their regular monitoring, that the investment managers have adhered to the principles set out in this statement.

The Investment Strategy Statement of the Lincolnshire Pension Fund is reviewed by the Pensions Committee annually and more regularly if considered appropriate or amendments are required.

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# **Communication Policy Statement**

## COMMUNICATION POLICY STATEMENT

Lincolnshire County Council, as administering authority for the Local Government Pension Scheme, is required by statute to publish a communications policy statement. The Fund communicates with over 240 employers and over 75,000 scheme members, in addition to a large number of other interested parties.

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

- a) The Fund must now prepare, maintain and publish a written statement setting out its policy concerning communications with
  - members;
  - representatives of members;
  - prospective members; and
  - employing authorities.
- b) In particular, the statement must set out the Fund's policy on
  - i. the provision of information and publicity about the Scheme to members, representatives of members and employing authorities (including non-Scheme Employers);
  - ii. the format, frequency and method of distributing such information or publicity; and
  - iii. the promotion of the Scheme to prospective members and their employing authorities.

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

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

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

WYPF provide a dedicated enquiry phone numbers and emails for both scheme members and employers for pension related enquiries. For scheme members it is 01274 434999 and [pensions@wypf.org.uk](mailto:pensions@wypf.org.uk), and for employers it is 01274 434900 and [wypf.pfr@wypf.org.uk](mailto:wypf.pfr@wypf.org.uk).

The appropriately qualified staff from the County Council, WYPF or external advisers will deliver presentations to groups of stakeholders and conduct individual meetings.

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

### **Communications events - Scheme Members**

<b>Communication</b>	<b>Format</b>	<b>Frequency</b>	<b>Method of Distribution</b>
LGPS active members (including representatives of retired members)	Newsletter	2 per year	Mail
	www.wypf.org.uk	Constant	Web
	Contact centre - Bradford	8.45 to 4.30 Monday to Friday	Telephone E-mail Face to face
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face
	Social media	Constant	Web
	Annual benefit statement	1 per year	Mail
	Roadshows	Quarterly	Face to face
	Mid-Life course	Currently on trial	Face to face
LGPS deferred members (including representatives of deferred members)	Pre-retirement course	Monthly	Face to face
	www.wypf.org.uk	Constant	Web
	Contact Centre - Bradford	8.45 to 4.30 Monday to Friday	Telephone E-mail Face to face
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face
	Social media	Constant	Web
LGPS pensioner members (including representatives of retired members)	Newsletter	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Contact centre - Bradford	8.45 to 4.30 Monday to Friday	Face to face Telephone E-mail
	County Offices, Lincoln	8.00 to 5.00 Monday to Friday	Face to face

	Pension advice slips	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail
	Social media	Constant	Web
	Newsletter	1 per year	Mail

### Communications events - Employers

Communication	Format	Frequency	Method of Distribution
Employers	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	As and when required	Face to face
	Update sessions	2 per year	Meeting
	Annual meeting	1 per year	Meeting
	Manuals/toolkits	Constant	Web/electronic document
	Social media	Constant	Web
	Workshops	5 per year	Face to face
	Introduction to Pensions	Bi-monthly	Face to face
	Training webinars	Constant	Web
	Online training video	Constant	Web

# **Governance Policy and Compliance Statement**

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

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

## **GOVERNANCE POLICY STATEMENT**

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

### **Pensions Committee**

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

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

The 3 co-opted members comprise:

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

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

- Drawing upon appropriate professional advice, to set investment policies for the Fund, including the establishment and maintenance of a strategic benchmark for asset allocation, and approval of the Investment Strategy Statement.
- To review the performance of Border to Coast Pensions Partnership Limited and its sub-funds, legacy fund managers and associated professional service providers.

- To approve the annual Report and Statement of accounts of the fund.
- To consider any other matters relevant to the operation and management of the fund.
- As necessary and appropriate issue instructions to the Council's representative as shareholder of Border to Coast Pensions Partnership Limited on matters affecting the exercise of the Council's rights as shareholder in the company.
- To respond to any relevant consultations impacting upon the benefit provisions of the Local Government Pension Scheme.

In fulfilling its functions the Committee shall have regard to the advice of the Lincolnshire Local Pension Board established in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 and shall receive and consider recommendations from the Border to Coast Pensions Partnership Joint Committee.

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

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

## **Executive Director – Resources**

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

- authorise payment of statutory pensions and allowances,
- undertake or arrange for all necessary transactions associated with the management of the assets of the Pension Fund, and
- agree appropriate means of securing external representation on the Pensions Committee, in consultation with relevant external bodies.

## **Lincolnshire Pension Board**

The Lincolnshire Pension Board will ensure the Scheme Manager effectively and efficiently complies with the Code of Practice on the governance and administration

of public service pension schemes issued by the Pensions Regulator. The Board will also ensure that it complies with the knowledge and understanding requirements in the Pensions Regulator's Code of Practice.

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

The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti-fraud and corruption policy operated by the administering authority, which operate to include all of the functions of the Council and its advisers).

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

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

The terms of reference for the Board are available on the Funds shared website with WYPF at [www.wypf.org.uk](http://www.wypf.org.uk).

The Lincolnshire Pension Board consists of five members:

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

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

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

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

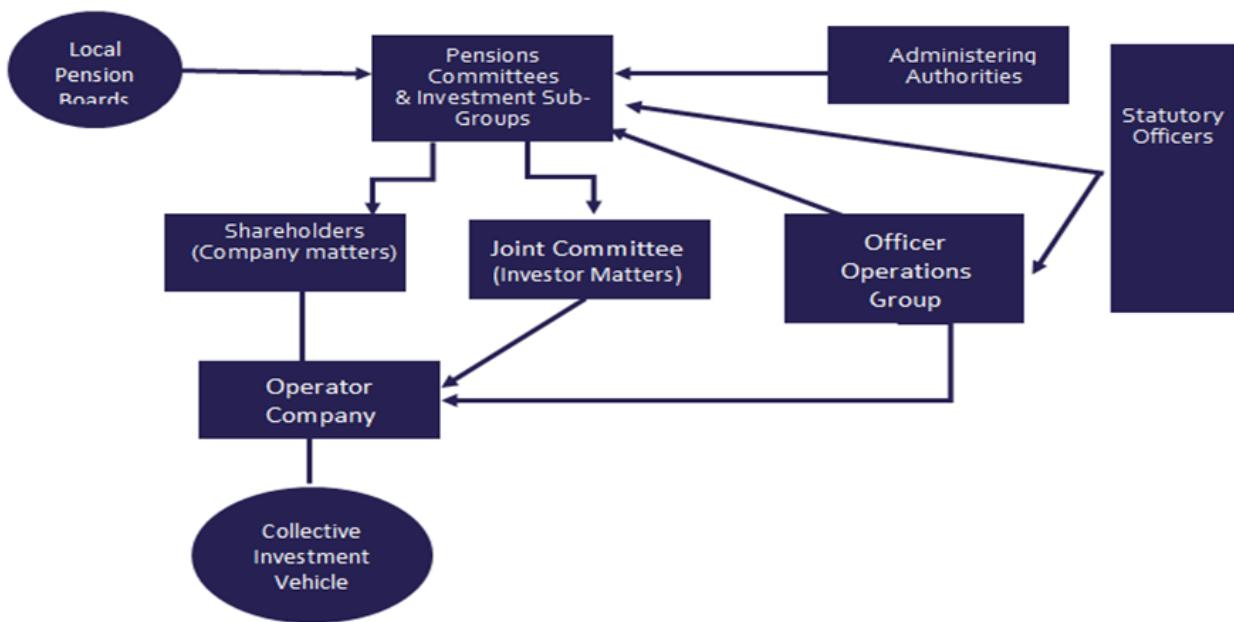
Any complaint or allegation of breach of due process brought to the attention of the Lincolnshire Pension Board shall be dealt with in accordance with the Code of Practice as published by the Pensions Regulator.

Any questions about the governance of the Lincolnshire Local Government Pension Fund should be addressed to Jo Ray, Head of Pensions (email: [jo.ray@lincolnshire.gov.uk](mailto:jo.ray@lincolnshire.gov.uk) or telephone 01522 553656).

### **Asset Pooling Governance**

In response to the change in regulations, LGPS Funds have to pool the investment of their assets. Lincolnshire Pension Fund is a Partner Fund in the Border to Coast Pensions Partnership Limited (Border to Coast), one of the eight asset pools created.

The diagram below shows the governance structure for Border to Coast.



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

- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of Border to Coast (LCC S151 Officer).
- A representative on the Joint Committee who will monitor and oversee the investment operations of Border to Coast (Pensions Committee Chairman).
- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group (Head of Pensions).

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

## GOVERNANCE COMPLIANCE STATEMENT

Principle	Full Compliance	Comments
<b>A - Structure</b>	<p><b>a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.</b></p>	Yes  See terms of reference for the Pensions Committee in the Policy Statement above.
	<p><b>b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.</b></p>	Partial  The Council has not, to date, seen the need to establish a secondary committee/panel. It will, however, keep this aspect under review and does establish working groups from the Committee to deal with specific issues. Pensioner and deferred beneficiaries are not presently represented directly on the Committee – see B a. below.
	<p><b>c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</b></p>	Not Relevant  As discussed above, no such forum has been established as yet.
	<p><b>d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.</b></p>	Not Relevant  As discussed above, no such forum has been established as yet.
<b>B - Representation</b>	<p><b>a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee</b></p>	Partial  The Committee has 11 members, all with voting rights, of which 8 are County Council Councillors. Other members include one

	<p><b>structure. These include :-</b></p> <ul style="list-style-type: none"> <li>• <b>Employing authorities (including non-scheme employers, e.g. admitted bodies);</b></li> <li>• <b>Scheme members (including deferred and pensioner scheme members),</b></li> <li>• <b>Where appropriate, Independent professional observers, and</b></li> <li>• <b>Expert advisors (on an ad hoc basis)</b></li> </ul>		<p>representing other local authorities (district councils) and one representing small scheduled bodies, currently from an Internal Drainage Board. Member related issues are dealt with by having a trade union representative on the Committee. Given the statutory guarantee that exists in respect of member benefits, this is felt to be sufficient representation. The Council will review this aspect periodically. The Committee have appointed an independent investment advisor who attends all Committees.</p>
	<p><b>b. That where lay members sit on the main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.</b></p>	Yes	<p>All members of the Committee have full voting rights and equal access to information, training, etc.</p>
<b>C – Selection and Role of Lay Members</b>	<p><b>a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</b></p>	Yes	<p>Nationally customised training is available to all members and this is supplemented by locally provided induction sessions for new members of the Committee. In addition, the Committee agrees an annual training plan with specific topics covered on set dates.</p>
	<p><b>b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</b></p>	Yes	<p>The declaration of member's interests is a standard item on the agenda of the Pensions Committee.</p>

D - Voting	<b>a. That the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</b>	Yes	Full voting rights are given to all members of the Committee.
E – Training/Facility Time/Expenses	<b>a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</b>	Yes	See C a. above. All expenses incurred by members of the Pensions Committee are either met by the body they represent or directly by the Fund itself.
	<b>b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.</b>	Yes	All members are treated equally in every respect.
	<b>c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.</b>	Yes	The Committee agrees an annual training plan with specific topics covered on set dates. All training undertaken by members of the Pensions Committee is recorded and additional training opportunities are regularly brought to the attention of the Committee, either in monthly update letters or in reports taken to Committee.
F – Meetings - Frequency	<b>a. That an administering authority's main committee meet at least quarterly.</b>	Yes	See Compliance Policy Statement above.

	<b>b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</b>	Not Relevant	As discussed above, no such forum has been established as yet.
	<b>c. That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</b>	Not Relevant	Three added members exist and have equal rights with all mainstream members in all respects.
<b>G – Access</b>	<b>a. That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</b>	Yes	All members are treated equally in every respect.
<b>H – Scope</b>	<b>a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.</b>	Partial	The terms of reference of the Pensions Committee were changed a number of years ago to include benefit related matters which up until that time had been dealt with elsewhere within the governance arrangements of the Council. A report on the administration of the scheme is taken to each quarterly committee meeting.  At present the Council does not believe there is a strong argument in favour of appointing an independent professional observer on administration/governance issues in addition to the independent advisor already in place

			in respect of investment matters.
I - Publicity	<p><b>a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.</b></p>	Yes	The County Council publishes the many governance documents and communicates regularly with employers and scheme members.

# **Reporting Breaches Procedure**

## **1. Introduction**

- 1.1 This document sets out the procedures to be followed by certain persons involved with the Lincolnshire Pension Fund, the Local Government Pension Scheme managed and administered by Lincolnshire County Council, in relation to reporting breaches of the law to the Pensions Regulator.
- 1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This Procedure document applies, in the main, to:
  - all members of the Lincolnshire Pension Board and Pensions Committee;
  - all officers involved in the management of the Pension Fund ;
  - personnel of the shared service pensions administrator providing day to day administration services to the Fund, and any professional advisers including auditors, actuaries, legal advisers and fund managers; and
  - officers of employers participating in the Lincolnshire Pension Fund who are responsible for pension matters.

## **2. Requirements**

- 2.1 This section clarifies the full extent of the legal requirements and to whom they apply.
- 2.2 **Pensions Act 2004**  
Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:
  - a trustee or manager of an occupational or personal pension scheme;
  - a member of the pension board of a public service pension scheme;
  - a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
  - the employer in relation to an occupational pension scheme;
  - a professional adviser in relation to such a scheme; and
  - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:
    - (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
    - (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

### 2.3 **The Pension Regulator's Code of Practice**

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

### 2.4 **Application to the Lincolnshire Pension Fund**

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Lincolnshire Pension Fund and this document sets out how the Board and Committee will strive to achieve best practice through use of a formal reporting breaches procedure.

## **3 The Lincolnshire Pension Fund Reporting Breaches Procedure**

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

### 3.1 **Clarification of the law**

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:  
[www.legislation.gov.uk/ukpga/2004/35/contents](http://www.legislation.gov.uk/ukpga/2004/35/contents)
- Employment Rights Act 1996:  
[www.legislation.gov.uk/ukpga/1996/18/contents](http://www.legislation.gov.uk/ukpga/1996/18/contents)
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):  
[www.legislation.gov.uk/uksi/2013/2734/contents/made](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)
- Public Service Pension Schemes Act 2013:  
[www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)
- Local Government Pension Scheme Regulations (various):  
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)  
<http://www.lgpsregs.org/index.php/reg-legislation> (2014 scheme)

- The Pensions Regulator's Code of Practice:  
<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx>

In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Executive Director – Resources and the Head of Pensions, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

### 3.2 Clarification when a breach is suspected

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Executive Director – Resources, the Head of Pensions, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

### 3.3 Determining whether the breach is likely to be of material significance

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

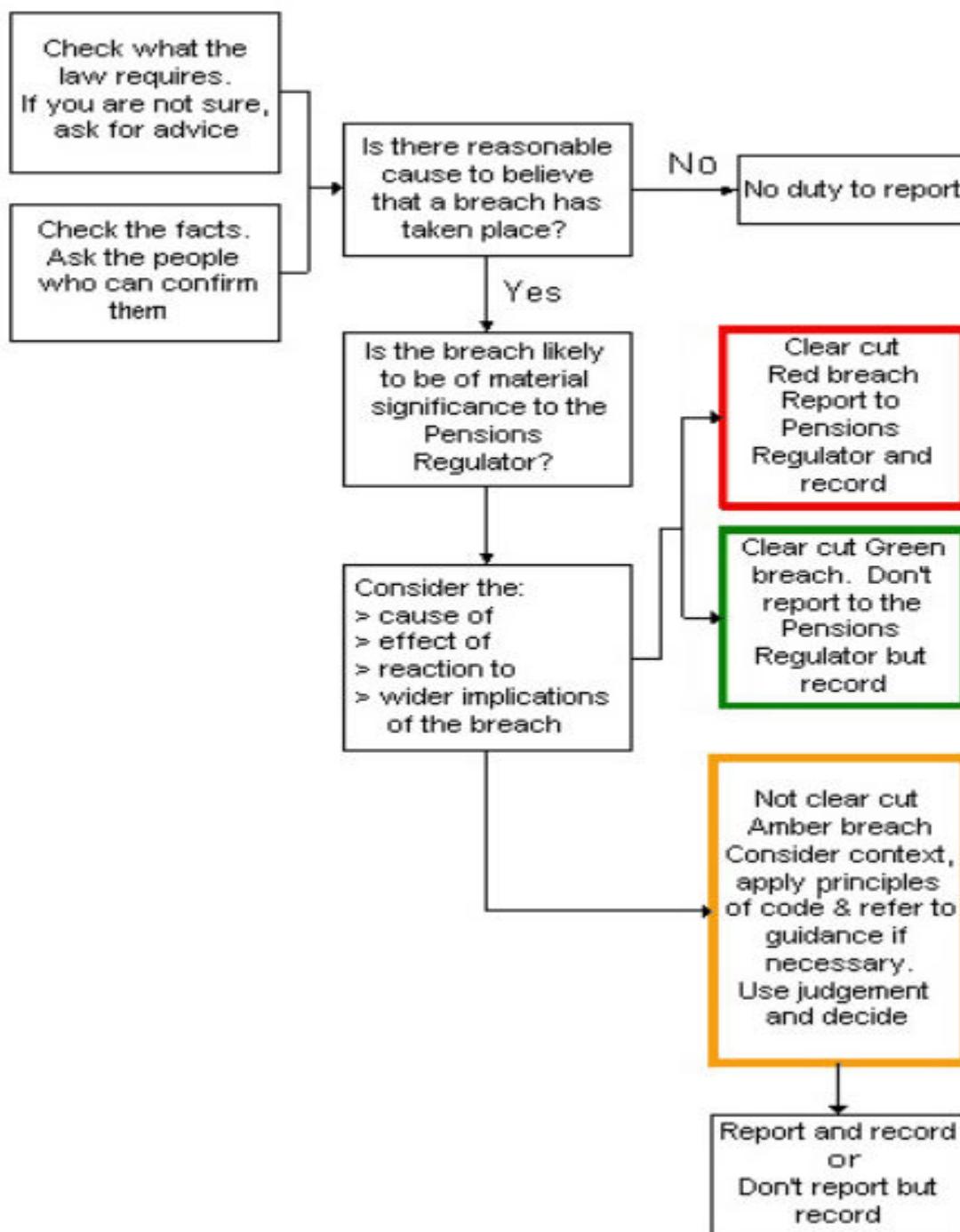
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

### 3.4 A decision tree is provided below to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

## Decision-tree: deciding whether to report



### 3.5 Referral to a level of seniority for a decision to be made on whether to report

Lincolnshire County Council has a designated Monitoring Officer to ensure the County Council acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect



payment of contributions or pension benefits, the matter should be highlighted to the Executive Director – Resources or the Head of Pensions at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

### **3.6 Dealing with complex cases**

The Executive Director – Resources or the Head of Pensions may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

### **3.7 Timescales for reporting**

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

### **3.8 Early identification of very serious breaches**

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

### **3.9 Recording all breaches even if they are not reported**

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Lincolnshire County

Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Executive Director – Resources or the Head of Pensions. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

### 3.10 **Reporting a breach**

Reports must be submitted in writing via The Pensions Regulator's online system at [www.tpr.gov.uk/exchange](http://www.tpr.gov.uk/exchange), or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Lincolnshire Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Lincolnshire County Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (PSR – 10051252); and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

### 3.11 **Confidentiality**

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual

employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

### 3.12 Reporting to Pensions Committee and Pension Board

Where any breaches have been reported, a report will be presented to the Pensions Committee and the Pension Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

### 3.13 Review

This Reporting Breaches Procedure was originally developed in June 2015. It will be kept under review and updated as considered appropriate by the Executive Director – Resources or the Head of Pensions. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

## Further Information

If you require further information about reporting breaches or this procedure, please contact the designated officer contacts detailed below:

Jo Ray – Head of Pensions

Email: [jo.ray@lincolnshire.gov.uk](mailto:jo.ray@lincolnshire.gov.uk)

Telephone: 01522 553656

Lincolnshire Pension Fund, Lincolnshire County Council, Newland, Lincoln,  
LN1 1YL

Executive Director – Resources – Andrew Crookham

Email: [andrew.crookham@lincolnshire.gov.uk](mailto:andrew.crookham@lincolnshire.gov.uk)

Telephone: 01522 553602

Monitoring Officer – David Coleman

Email: [david.coleman@lincolnshire.gov.uk](mailto:david.coleman@lincolnshire.gov.uk)

Telephone: 01522 552134

## Appendix A

### Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

#### The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

#### The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being

properly identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

### **The reaction to the breach**

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

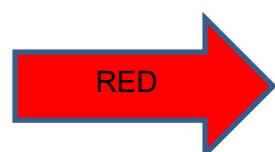
### **The wider implications of the breach**

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

## Appendix B

### Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this framework is provided by The Pensions Regulator at the following link:

<http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx>

## **Appendix C**

## Example Record of Breaches

\*New breaches since the previous meeting should be highlighted

# **Code of Conduct and Conflict of Interest Policy**

## **1. Code of conduct**

- 1.1 As members of a publicly funded body with a responsibility to discharge public business, members the Lincolnshire Pension Board and Pensions Committee should have the highest standards of conduct.
- 1.2 Members should have regard to the Seven Principles of Public life:
  - Selflessness
  - Integrity
  - Objectivity
  - Accountability
  - Openness
  - Honesty
  - Leadership
- 1.3 All Lincolnshire Pension Board and Pensions Committee members must undertake to act in accordance with the following:
  - You must act solely in the public interest and should never improperly confer an advantage or disadvantage on any person or act to gain financial or other material benefits for yourself, your family, a friend or close associate.
  - You must not place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.
  - You must make all choices on merit and must be impartial and seen to be impartial, when carrying out your public duties.
  - You must co-operate fully with whatever scrutiny is appropriate to your role.
  - You will on occasions be privy to confidential and sensitive information, such as personal information about someone, or commercially sensitive information which, if disclosed, might harm the commercial interests of the Council or another person or organisation. This information must not be revealed without proper authority.
  - You must, when using or authorising the use by others of the resources of your authority, ensure that such resources are not used improperly for political purposes (including party political purposes) and you must have regard to any applicable Local Authority Code of Publicity made under the Local Government Act 1986.

- You must promote and support high standards of conduct when serving in your public post, in particular as characterised by the above requirements, by leadership and example.
- You will sign adherence to the Conflict of Interest Declaration and declare any further potential conflicts of interest that may arise once appointed as a member.
- You should comply with the Lincolnshire Pension Fund Code in addition to existing compliance with the Member or Officer Code of Conduct.

## **2. Conflict of interest**

- 2.1 The Public Service Pensions Act 2013, Section 5(4) requires that any member of a Pension Board must not have a “conflict of interest”, which is defined in Section 5(5) as a “financial or other interest which is likely to prejudice the person’s exercise of functions as a member of the board, but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme.”
- 2.2 A conflict of interest exists where there is a divergence between the individual interests of a person and their responsibility towards the Lincolnshire Pension Fund, such that it might be reasonably questioned whether the actions or decisions of that person are influenced by their own interests. A conflict of interest would prejudice an individual’s ability to perform their duties and responsibilities towards the Pension Fund in an objective way. Examples of potential conflicts of interest for all those involved in managing the Pension Fund are listed at appendix A.
- 2.4 All prospective Pension Board members are required to complete the Lincolnshire Pension Board Conflict of interest declaration before they are appointed to the Pension Board, attached at appendix B. All Pensions Committee members are also required to complete a declaration if they have not completed a Pecuniary Interests Disclosure.
- 2.5 All appointments to the Pension Board should be kept under review by the Executive Director – Resources.
- 2.5 It is the duty of any appointed Pension Board or Pensions Committee member to declare any potential conflict of interest. For the Pension Board, this declaration should be made to the Chair of the Lincolnshire Pension Board in the first instance or to the Scheme Manager, and recorded in a register of interests. For Pensions Committee members, this declaration should be



made in the normal way, as set down in the Council's Conflict of Interest Policy.

- 2.7 Any potential conflict of interests shall be identified and monitored in a register of interests (attached at appendix C). The register of interests should be circulated to the Lincolnshire Pension Board, Pensions Committee and Scheme Manager for review and publication.
- 2.8 If any member suspects any conflict of interest it should report its concerns to the Scheme Manager.
- 2.9 When seeking to prevent a potential conflict of interest becoming detrimental to the conduct and decisions of the Pension Board or Pensions Committee, members or officers of the Pension Fund should consider obtaining legal advice when assessing its course of action and response, and may wish to consult the Chief Legal Officer in the first instance.
- 2.10 Education on identifying and dealing with conflicts of interest will be included as part of the training requirement in the Knowledge and Understanding policy.

### **3. Alleged breaches of the Code of Conduct and conflict of interest policy**

- 3.1 A process for dealing with the consideration of any alleged breaches, to include any sanctions to be applied, will be agreed by the Scheme Manager, the Lincolnshire Pension Board and the Pensions Committee.

# Agenda Item 12



## Regulatory and Other Committee

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

Report to:	<b>Pensions Committee</b>
Date:	<b>19 March 2020</b>
Subject:	<b>Annual Report and Accounts 2019/20: Review of Accounting Policies</b>

#### **Summary:**

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2019/20 Statement of Accounts for Lincolnshire Pension Fund;
- The broad requirements of the Accounts and Audit Regulations 2015, and confirms that there are no changes to these which would impact on the 2019/20 Statement of Accounts; and
- The review of the Council's Accounting Policies for the Pension Fund Statements.

#### **Recommendation(s):**

That the Committee:

1. Note the changes required to the Statement of Accounts from the Code of Practice 2019/20;
2. Note that no amendments to the Accounts and Audit Regulations 2015 have been made this year; and
3. Approve the Statement of Accounting Policies (Appendix B) to use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2020.

## **Background**

1.1 The Pension Fund is required to prepare its Statement of Accounts in accordance with the Code of Practice in Local Authority Accounting in United Kingdom 2019/20 (the Code). This ensures the accounts are prepared using "proper accounting practice". We are also required to comply with the Accounts and Audit Regulations 2015 in preparing, submitting for audit and publishing its accounts.

### **Changes to the Code of Practice on Local Authority Accounting for 2019/20**

1.2 The Code of Practice for 2019/20 has introduced some revisions and clarifications to the accounting requirements for the 2019/20 Statement of Accounts, however, it is not anticipated that these will have an impact on the Pension Fund Accounts. The main changes are:

- Annual Improvements to IFRS Standards 2014–2016 Cycle, this contains minor changes to standards which will not impact on the accounts.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. The amendment to this standard clarifies the date of a foreign currency transaction for the purpose of determining an exchange rate to use when measuring the value of the transaction.
- IFRIC 23 Uncertainty over Income Tax Treatments. The amendments to this standard specify how to reflect the effects of any uncertainties in the treatment of income taxes. As the Pension Fund is not subject to income taxes, the amendments to this standard will not impact on the accounts.
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation will not impact on our accounts as this relates to discounts received on debt rescheduling.

1.3 There will be changes in accounting standards, which may impact on the 2020/21 accounts. The Chartered Institute of Public Finance and Accountancy (CIPFA) is due to publish a bulletin which will interpret any changes in accounting standards for the public sector. Once this is available, impacts will be assessed and will be acknowledged in a disclosure note in the 2019/20 accounts as forthcoming changes to the Code of Practice.

### **Accounts and Audit Regulations 2015**

1.4 The Accounts and Audit Regulations 2015 set out the requirements for local authorities, including Pension Funds, to prepare an annual statement of accounts, to publish such accounts and to have those accounts audited.

The regulations also allow for the statement of accounts to be inspected by members of the public within certain time parameters.

- 1.5 These regulations were previously updated to require accounts to be prepared by the end of May and audited by the end of July.
- 1.6 There are no further amendments to these regulations and therefore no new impacts on the accounts for 2019/20.

### **Statement of Accounting Policies**

- 1.7 An important section of the published Accounts is the statement of accounting policies. This summarises the rules and codes of practice used to prepare the accounts, together with any estimation techniques adopted. The accounting policies for Pension Fund have been reviewed and are attached at **Appendix A** for consideration and approval by this Committee.
- 1.8 There have only been minor amendments to the accounting policies for 2019/20. These have been marked with ***bold italics*** in **Appendix A**. Changes include:
  - Investment Management Expenses – performance related fees, this policy has been updated to remove two managers, Schroders and Columbia Threadneedle. These mandates have transferred into the Border to Coast Global Equity Alpha Sub-fund.
  - Financial Assets – an update of the Border to Coast share-holding valuation to reflect that the company has now been trading for two accounting periods.
  - Financial Assets – clarification on the valuations used within the financial statements for private equity, property venture and infrastructure.

### **Conclusion**

- 2.1 The amended accounting requirements and disclosures as required by the Code of Practice will be incorporated into the Statement of Accounts for 2019/20.
- 2.2 The Statement of Accounts will be prepared using the Accounting Policies approved at this meeting.

## **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	Statement of Accounting Policies for LGPS Pension Fund financial statements 2019/20

## **Background Papers**

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20	Executive Director of Finance and Public Protection

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

### **Lincolnshire Pension Fund Significant Accounting Policies 2019/20**

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

### **Fund account – expense items**

d. Benefits payable

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

e. Taxation

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

f. Management expenses

The 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 pension's 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 FVPL.

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

***Private equity, property and infrastructure valuations are based on valuations provided by managers at the year-end date. 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 FVOCI rather than FVTPL 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 2019 are shown in Pension Fund Note 28.

## 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.

## 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. 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 (see Pension Fund Note 22).

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 asset statement but are disclosed by way of narrative in the notes (see Pension Fund Note 25 and 26).

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# Agenda Item 13



## Regulatory and Other Committee

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

Report to:	<b>Pensions Committee</b>
Date:	<b>19 March 2020</b>
Subject:	<b>Lincolnshire Pension Fund – Business Plan 2020/21</b>

#### **Summary:**

This paper brings the Lincolnshire Pension Fund Business Plan 2020/21 to the Committee for approval.

#### **Recommendation(s):**

That the Committee approve the Lincolnshire Pension Fund Business Plan 2020/21.

#### **Background**

1. This paper brings the Lincolnshire Pension Fund Business Plan covering the financial year 2020/2021 period to the Committee for approval. The Business Plan is attached at Appendix A and the areas it covers are set out below.
  - 1.1 Introduction – A brief background to the Pension Fund and its management.
  - 1.2 Objectives – the overarching objectives of the Fund across the headings of governance, investments and funding and administration and communication.
  - 1.3 Pension Fund Statistics – the funding position and cashflow of the Fund.
  - 1.4 Resources and Budget – the organisational structure of the Pensions team and the budget for managing the Fund, covering administration costs, investment management expenses and oversight and governance costs.
  - 1.5 Key Tasks 2020/21 – the key tasks for the Pensions Team in the coming year, linked to the Fund's objectives.
  - 1.6 Key Risks – the key risks that the Fund recognises across the themes of governance, investments and funding, and administration and communication, with the actions in place to mitigate or reduce the risks.

- 1.7 Forward Plan 2020/21- the Committee and Board meetings and expected papers.

### **Conclusion**

2. The Pension Fund's Business Plan for the year 2020/21 has been produced and is presented to the Committee for approval.

### **Consultation**

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

Yes

#### **b) Risks and Impact Analysis**

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

### **Appendices**

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund – Business Plan 2020/21

### **Background Papers**

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

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

# **Lincolnshire Pension Fund Business Plan 2020/21**

## INTRODUCTION

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

Management of the Pension Fund is delegated to the Pensions Committee acting in the role of 'trustees' of the Pension Fund. The day to day running of the Fund has been delegated to the Executive Director of Resources and the Head of Pensions.

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

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

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

## OBJECTIVES

The Fund's overarching objectives are:

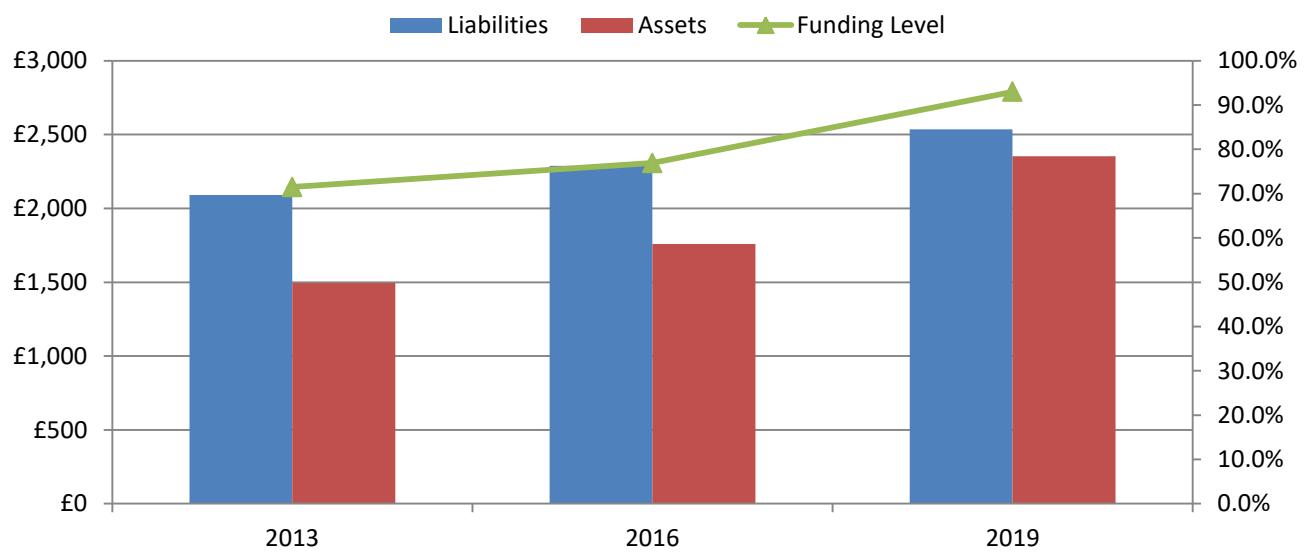
- **Governance:** To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise;
- **Investments and Funding:** To maximise returns from investments within reasonable risk parameters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

## PENSION FUND STATISTICS

The Lincolnshire Pension Fund was valued at £2,542.1 million as at the 31 December 2019.

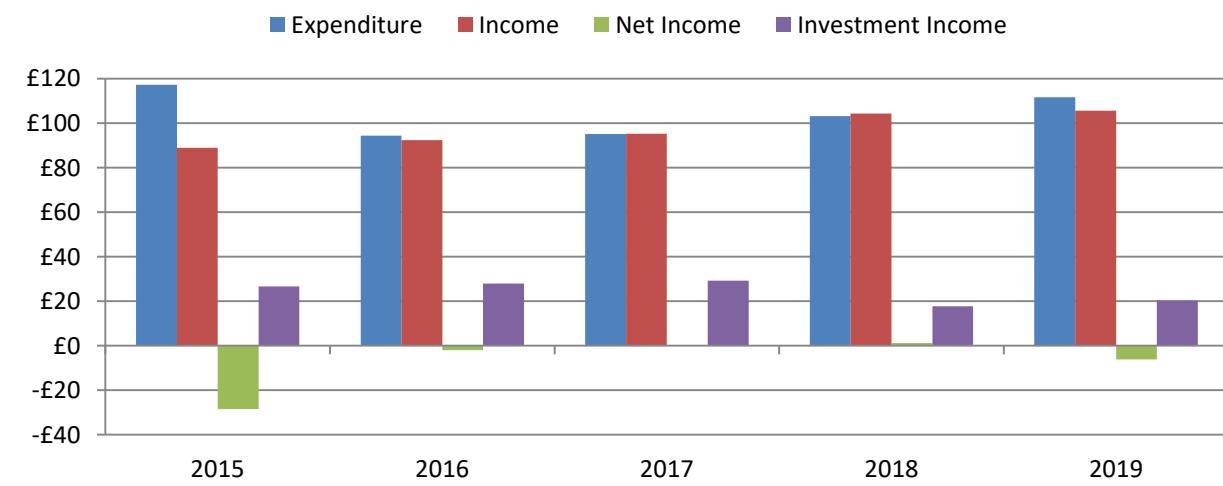
Actuarial valuations are carried out every three years, with the latest being as at 31 March 2019. The valuation provides a value for the liabilities and assets of the Fund and for each employer, to determine the overall funding level and to calculate individual employer contribution rates. The chart below shows the last three valuation cycles.

### Progression of funding position:



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

### Cashflow:



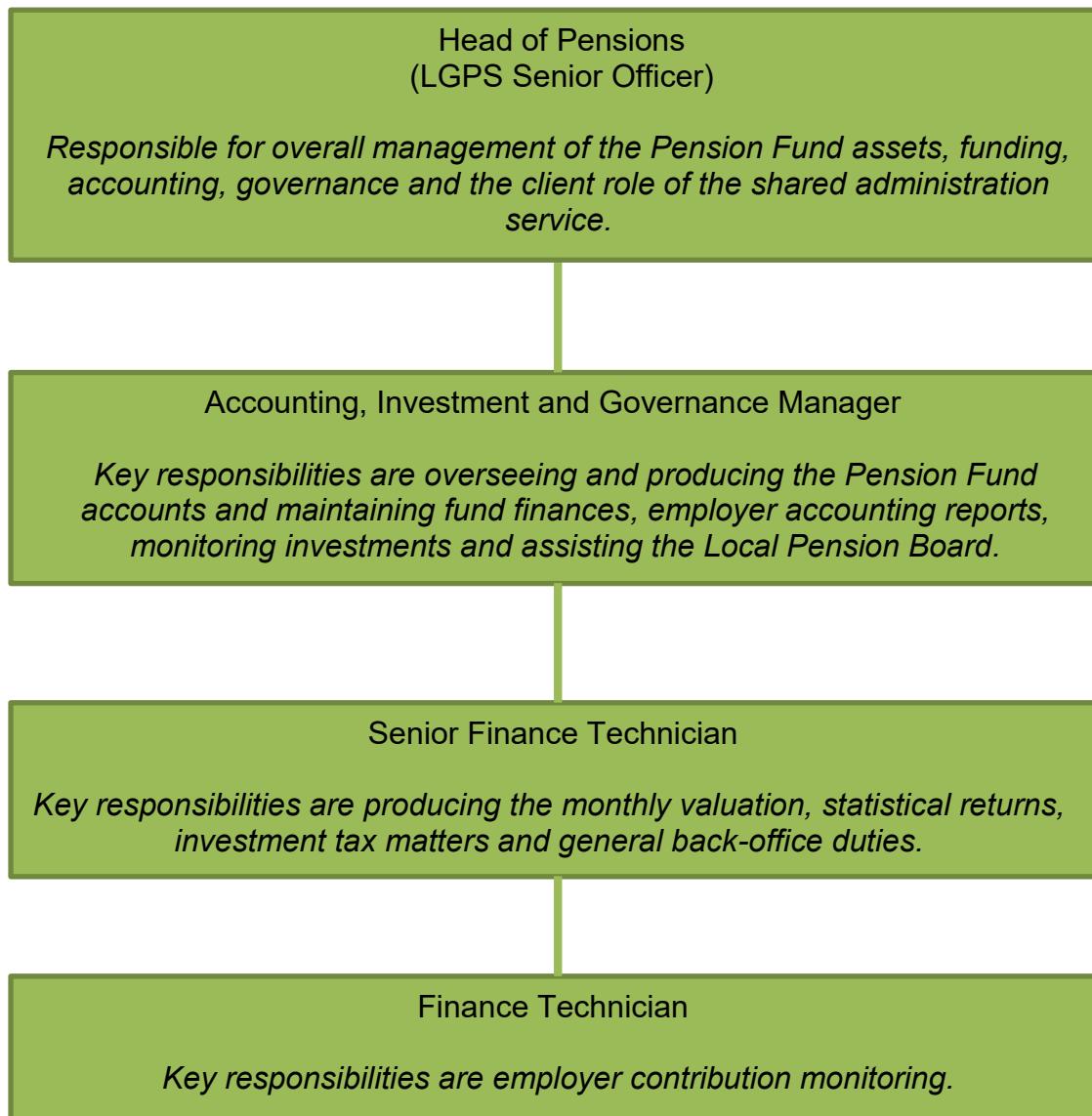
Axis - Left hand side - £m

NB: Expenditure includes all costs of managing the Fund



## RESOURCES AND BUDGET

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



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

As mentioned previously, the administration function is provided by West Yorkshire Pension Fund in a shared service arrangement, with a number of staff co-located with the Pensions Team in Lincoln.

The estimated costs of operating the Lincolnshire Pension Fund for 2020/21 are shown below. They are split between Administration Costs, Investment Management Expenses and Oversight and Governance Costs.

- **Administration Costs** include the costs of dealing with Fund members and employers in relation to current and future benefits. This service is provided to Lincolnshire Pension Fund via a Share Service with West Yorkshire Pension Fund.
- **Investments Management Expenses** include the cost of Fund Managers, Border to Coast Pension Partnership and the Fund's Custodian.
- **Oversight and Governance Costs** include the cost of the Fund's actuary, external auditor and other advisors, staffing costs for the running of the Fund and the cost of the Local Pensions Board. Actuarial costs incurred by individual employers within the Fund are recharged to that employer.

	Budget 2020/21 £'000
<b>Administration Costs</b>	
- Charge from Shared Services Administrator	1,283
- Other	1
<b>Investment Management Expenses</b>	
- Management Fees	9,172
- Performance Related Fees	0
- Other Fees *	942
<b>Oversight and Governance Costs</b>	
- Contracted Services	361
- Recharge of Actuarial Services	<b>-160</b>
- Recharge from Administering Authority	248
- Other Costs	41
	<b>11,888</b>

\* Other Fees includes: Custody Fees and Transaction Costs.

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

## KEY TASKS 2020/21

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

Subject	Context	2020/21 Action	Objective stream
<b>Pensions Committee and Board meetings</b>	The responsibility for the Pension Fund is delegated to the Pensions Committee, with the Pension Board providing an oversight role on the administration and governance of the Fund.	Ensure all papers are prepared and presented in a clear and concise manner. Ensure that all relevant matters are reported to the Committee and /or Board.	Governance Investments and Funding Administration and Communications
<b>Asset Pooling with Border to Coast</b>	Border to Coast Pensions Partnership has been created to meet the Government's investment reform criteria. In accordance with regulations and statutory guidance, assets should transition to the management of Border to Coast as appropriate vehicles become available.	Continued partnership with Border to Coast to develop appropriate sub-funds for investment and ensuring appropriate oversight and governance of the company.	Governance Investments and Funding
<b>Administration Service (including employer data quality)</b>	A good performing administration service is key to our stakeholders and for ensuring the quality of information held is appropriate for calculating benefits and liabilities.	Continued partnership and oversight of West Yorkshire Pension Fund (WYPF) in the delivery of the administration service and to improve the reporting on data quality and management information.	Governance Administration and Communications
<b>Annual Report and Accounting</b>	The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors.	A detailed project plan has been put in place, built on experience from previous years and updated for new requirements. On-going engagement with the external auditors to ensure all requirements can be met in a timely	Governance

		manner.	
<b>Responsible Investment (RI)</b>	There is continued focus on how LGPS Funds can best address and manage RI issues such as environmental, social and governance matter (ESG).	Continued information and training for the Committee and Board to understand RI. Working closely with external managers and Border to Coast to ensure that it is embedded across all investment decisions.	Governance Investments and Funding
<b>Actuarial Services Tender</b>	The contract with the Fund's Actuary expires in October 2020. The national framework for actuarial services is being refreshed and will be available to call off in the summer.	Participate in the national framework refresh and call off the new framework once completed. Recommend an actuarial appointment to the Committee.	Governance Investments and Funding
<b>Work by the Scheme Advisory Board (SAB)</b>	The SAB have a number of projects underway to improve the management /governance of LGPS Funds.	Participate in projects where possible and respond to any actions required – e.g. Good Governance Review, data quality.	Administration and Communications
<b>Employer Accounting</b>	Employers within the Fund require pensions accounting information at various times of the year, for inclusion in their statutory accounts.	Work with employers, the Actuary and WYPF to ensure employers understand their choices, accurate and timely data is sent to the Actuary and accounting reports are received and understood by employers.	Investments and Funding  Administration and Communications

## KEY RISKS

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

Risk Theme	Key Action
<b>Governance</b>	
Statutory governance requirements not met.	Governance and Compliance statement and statutory policies reviewed annually. Monthly reporting to the Committee and Board. On-going training with Committee and Board.
Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.	Annual Training policy and plan approved. Induction and ad-hoc training provided. Semi-annual training for Committee.
The introduction of asset pooling impacts on the Fund's ability to implement its investment strategy successfully or the Administering Authority is considered to not comply with the relevant statutory guidance.	Continued strong involvement in the work of Border to Coast at officer and at Pensions Committee Chairman level.
Failure to ensure that the Pension Board is effective in carrying out its role.	Induction and on-going training and work plan agreed. Semi-annual training for Board members. Regular assessment of Board effectiveness.
<b>Investments and Funding</b>	
Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy	Prudent assumptions adopted by the Fund Actuary. Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Regularly review investment performance and funding levels.
Performance of the Fund's assets and managers not in line with expected returns.	Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Clear Investment Management Agreements in place. Regularly review investment performance and funding levels. Consideration of Environmental, Social and Governance issues on the



	performance of the portfolio.
Transition of assets to Border to Coast into inappropriate vehicles.	Monitor, maintain and review the Investment Strategy Statement. Regular strategy reviews to monitor and review the transition timetable and expectations. Continued close working with Border to Coast to develop investment vehicles.
Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).	Regular discussion and reporting from managers and Border to Coast. Stewardship Code, RI Beliefs and appropriate RI policies in place and approved by Committee. Training and education of RI matters.
Political environment (locally or nationally) impact on investment opportunities, markets and legislative requirements.	Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses. Regular training and communications with the Committee.
<b>Administration and Communication</b>	
Inability to deliver the administration service in accordance with the agreement.	Administration report and performance indicators reported quarterly and presented to Committee. Bi-monthly meetings with WYPF. Regular audits by both LCC and WYPF. Complaint reporting and reviews Customer surveys undertaken.
Poor quality data resulting in error and misstatement.	Develop and implement a Data Improvement Plan. Maintain robust accounting records.
Cyber security breach resulting in personal data being accessed fraudulently.	Strong IT environment for administration system and web-based Portals.
Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations or reducing covenant strength.	Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements. Proactive engagement with employers.
Employer breaches – data, contributions etc.	Administration strategy with Employers. Employer training and assistance offered. Monthly contribution monitoring.
<b>People</b>	
Loss of key staff and loss of knowledge and skills.	Diversified staff / team and succession plans in place. Building on Border to Coast and partner fund relationships.

## FORWARD PLAN – 2020/2021 COMMITTEE AND BOARD MEETINGS

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

Date	Topics
<b>June 2020</b> Committee papers	External Manager Presentations Border to Coast Invesco Asset Management Morgan Stanley Alternatives
<b>Jul 2020</b> Committee papers	Independent Advisor Market Update Local Board Update Fund Update Pensions Administration Update Employer Contributions Monitoring Investment Management Report Annual Property Report Actuarial Methodology and Approaches Risk Register Annual Review Annual Training Report Annual Report and Accounts
<b>Jul 2020</b> Board papers	Fund Update Pensions Administration Update TPR Data Scoring Employer Contributions Monitoring Cyber Security Report Risk Register Annual Review Actuarial Methodology and Approaches Annual Report and Accounts Training Needs Workplan
<b>Sep 2020</b> Training	To be agreed
<b>Oct 2020</b> Committee papers	Independent Advisor Market Update Local Board Update Fund Update Pensions Administration Update Employer Contributions Monitoring Investment Management Report

	Annual Fund Performance Report Actuarial Appointment Report Audit Governance Report
<b>Oct 2020</b> Board papers	Fund Update Pensions Administration Update TPR Data Scoring Employer Contributions Monitoring Actuarial Appointment Report Audit Governance Report Meeting of the Border to Coast Pension Board Chairs Training Needs Workplan
<b>Dec 2020</b> Committee papers	External Manager Presentations Border to Coast
<b>Jan 2021</b> Committee papers	Independent Advisor Market Update Local Board Update Fund Update Pensions Administration Update Employer Contributions Monitoring Investment Management Report B2C RI policy and voting guidelines update and LPF alignment
<b>Jan 2021</b> Board papers	Fund Update Pensions Administration Update TPR Data Scoring Employer Contributions Monitoring Meeting of the Border to Coast Pension Board Chairs Training Needs Workplan
<b>Feb 2021</b> Training	To be agreed
<b>Mar 2021</b> Committee papers	Independent Advisor Market Update Local Board Update Fund Update Pensions Administration Update Employer Contributions Monitoring Investment Management Report

	Annual Policies Review Review and Approval of Accounting Policies Business Plan and Budget Review
<b>Mar 2021</b> Board papers	Fund Update Pensions Administration Update TPR Data Scoring Employer Contributions Monitoring Annual Policies Review Review of Accounting Policies Business Plan and Budget Review Training Needs Workplan

# Agenda Item 15

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

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

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