County Offices
Newland
Lincoln
LN1 1YL

10 March 2021

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

LGPS Local Pension Board

A meeting of the LGPS Local Pension Board will be held on **Thursday, 18 March 2021 at 2.00 pm as a Virtual - Online Meeting via Microsoft Teams** for the transaction of the business set out on the attached Agenda.

Access to the meeting is as follows:

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

Members of the public and the press may access the meeting via the following link: ***https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=552&MId=5739&Ver=4*** where a live feed will be made available on the day of the meeting.

MEMBERS OF THE BOARD

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

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

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

AGENDA

Item	Title	Pages
1	**Apologies for Absence**	
2	**Declarations of Interest**	
3	**Minutes of the previous meeting held on 7 January 2021**	5 - 10
4	**Pension Fund Update Report** *(To receive a report by Jo Ray (Head of Pensions) which updates the Board on Fund matters for the quarter ending 31 December 2020 and any other current issues)*	11 - 90
5	**Pensions Administration Report** *(To receive a report by Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund) which presents the quarterly update by the Fund's pension administrator, West Yorkshire Pension Fund)*	91 - 106
6	**Temporary Bank Accounts** *(To receive a report by Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund) which updates on the number of temporary bank accounts created by West Yorkshire Pension Fund to hold monies due to beneficiaries of the scheme)*	107 - 110
7	**Employer Monthly Submissions Update** *(To receive a report by Claire Machej (Accounting, Investment and Governance Manager) which provides up-to-date information on Employer Monthly Submissions for the third quarter of the financial year 2020/21 (October to December inclusive))*	111 - 118
8	**Lincolnshire Pension Fund Policies Review** *(To receive a report by Jo Ray (Head of Pensions) which presents the main policies of the Pension Fund for review)*	119 - 168
9	**Lincolnshire Pension Fund - Business Plan 2021/22** *(To receive a report by Jo Ray (Head of Pensions) which presents the Lincolnshire Pension Fund Business Plan 2021/22)*	169 - 184
10	**Annual Report and Accounts 2020/21: Review of Accounting Policies** *(To receive a report by Claire Machej (Accounting, Investment and Governance Manager) which summarises changes to the Code of Practice on Local Authority Accounting; the proposed amendments to the Accounts and Audit Regulations 2015; and the review of the Council's Accounting Policies for the Pension Fund Statements)*	185 - 194

11 Lincolnshire Pension Fund - Funding Strategy Statement and Employer Flexibilities Policies 195 - 274

(To receive a report by Jo Ray (Head of Pensions) which invites the Board to consider the updated Funding Strategy Statement, the Deferred Debt and Debt Spreading Policy and the Contribution Review Policy)

12 Pension Board Membership 275 - 278

(To receive a report by Jo Ray (Head of Pensions) which sets out the Pension Board roles that are up for appointment in July and the process to be followed)

13 Training Needs 279 - 280

(To allow the Board to discuss any training attended since the last Board meeting and provide feedback to other Board Members on its content)

14 Work Programme 281 - 286

(To receive a report by Claire Machej (Accounting, Investment and Governance Manager) which invites the Board to consider its work programme for the coming meetings)

CONSIDERATION OF EXEMPT INFORMATION

In accordance with Section 100 (A)(4) of the Local Government Act 1972, agenda item 15 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 Schedule 12A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting for the consideration of this item of business.

15 Pensions Administration Shared Service Extension 287 - 294

(To receive an exempt report by Jo Ray (Head of Pensions) on the Pensions Administration Shared Service Extension)

Published on Wednesday, 10 March 2021

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

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LGPS LOCAL PENSION BOARD
7 JANUARY 2021

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Gerry Tawton

Scheme Member Representatives: David Vickers

Officers in attendance:-

Andrew Crookham (Executive Director Resources), Cheryl Evans (Democratic Services Officer), Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund), Michelle Grady (Assistant Director for Strategic Finance), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Head of Pensions).

29 APOLOGIES FOR ABSENCE

An apology for absence was received from Kim Cammack (Scheme Member Representative).

30 DECLARATIONS OF INTEREST

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

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

31 MINUTES OF THE PREVIOUS MEETING HELD ON 15 OCTOBER 2020

RESOLVED

That the minutes of the meeting held on 15 October 2020 be approved as a correct record and signed by the Chairman.

32 PENSION FUND UPDATE REPORT

A report was submitted to the Board on various Pension Fund matters for the quarter ending 30 September 2020. These matters included Local Authority Pension Fund Forum Membership; the Pensions Regulator checklist dashboard; the breaches register; the risk register; asset pooling; an update on the new legislation on the £95k cap; and the budget and business plan.

Two matters were highlighted to the Board:

- There had been an addition to the risk register, which had been approved by the Pension Committee on 7 January 2021 on *Changes in legislation not implemented correctly.* This risk had been given a risk score of 4, with 2 for likelihood and 2 for impact. It was noted that a key legislative risk was the implementation of the £95k cap, details of which were included in the report and were explained to the Board.
- The Pension Fund budget and business plan had been considered by the Board at its meeting in March 2020. It was highlighted that the costs incurred on management fees, as detailed on page 17 of the report, had reflected the size of the portfolio and investment returns. Exact costs were difficult to predict, particularly when markets were volatile, and therefore it was emphasised that exact costs would not be known until financial year end. Key tasks set out in the Business Plan were detailed in the report, with a narrative explaining whether it was on track or otherwise.

It was queried whether the risk on the *UK leaving the European Union* would now be lowered following the government announcement that a Trade Deal had been agreed between the UK and EU. It was advised that the report had been written prior to the government announcement being made and a review would be undertaken on whether the risk score for this risk should be reduced.

In response to a question on the £95k cap, it was confirmed that statutory and enhanced redundancy payments were taken into consideration within this calculation.

In response to a question on the Pension Fund audit, the Executive Director – Resources advised the Board that the County Council accounts had not been signed off by the deadline of 30 November 2020, which was owing to a valuation issue for the Energy from Waste Plant in North Hykeham, which had been raised by Mazars, the Council's external auditors. Although the delay was relating to the County Council accounts and not the Pension Fund accounts, the way in which the suite of accounts were compiled meant that the Pension Fund accounts had also been delayed. It was confirmed that no issues had been raised by Mazars on the Pension Fund accounts. It was hoped the accounts would be signed off by the end of February 2021.

RESOLVED

That the Pension Fund update report be noted.

33 PENSIONS ADMINISTRATION UPDATE REPORT

The Head of Governance and Business Development from the West Yorkshire Pension Fund reported on the Fund's key performance and benchmarking for the period 1 July to 30 September 2020. The report also included information on the membership of the fund, including 'joiners' during the three month period; customer satisfactions scores; internal dispute resolution procedures; and several other administrative updates.

It was highlighted that over the quarter, 100 Lincolnshire member's sample survey letters had been issued, with sixteen returned. The results of the survey were detailed at Appendix A to the report.

It was noted that owing to the Covid-19 pandemic, no employer training had taken place during the quarter. However, the Head of Governance and Business Development was pleased to report that training and workshops had now recommenced virtually.

It was also highlighted that with regards to the McCloud judgement, it was anticipated that additional resources would be required to implement any changes proposed from the Ministry of Housing, Communities and Local Government consultation, which had been discussed at the last meeting of the Board. This could include a dedicated team to work through the required changes.

In response to a question, it was anticipated that the lower forecast cost per member of £15.09, as detailed on page 34 of the agenda pack, was likely to increase owing to the need for additional resource to respond to any proposals arising from the McCloud judgement.

The Chairman thanked the Head of Governance and Business Development and his Team for achieving the targets for the reported quarter during the challenging Covid-19 pandemic.

RESOLVED

> That the Pension Administration report from the West Yorkshire Pension Fund be noted.

34 DATA QUALITY SCORES

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

It was advised that the Fund continually reviewed the quality of data held throughout the year and strived to keep this as complete, accurate and up-to-date as possible. The Pensions Regulator required Funds to undertake a review of data quality at least annually and the report consolidated the work undertaken in compliance with this requirement. It was advised that whilst the data was considered to be good within the Fund, and had improved since the last report, there were improvements that could be made and as a result a Data Improvement Plan, which was set out at Appendix A to the report, had been developed.

It was queried whether Appendix 2, which included a red, amber and green rating for each category could include an arrow against each category to indicate the direction of travel.

RESOLVED

That the report be noted.

35 EMPLOYER MONTHLY SUBMISSIONS UPDATE

The standard report on employer monthly submissions for the second quarter (July to September) 2020 was submitted to the Board, in which the Board was advised that there had been 13 late payments of contributions and 57 late submission of data. Four fines had been issued. Details of the late returns by employers were set out at Appendix A to the report.

Reference was made to the late payment of contributions by South Holland District Council in July 2020; and the mismatch of payments and data by South Kesteven District Council in September 2020. In each case senior managers at the employer had been advised of the missed deadline. Whilst there was some understanding that an academy changing its payroll provider might lead to late or mismatched data, there would appear to be no excuse for larger employers, such as local authorities.

RESOLVED

That the update report on employer monthly submissions be noted.

36 BORDER TO COAST PENSIONS PARTNERSHIP - DEEP DIVE

The Chairman stated that he had requested the deep dive into the Border to Coast Pensions Partnership, as part of the Board's governance responsibilities. The Chairman explained that Border to Coast was an investment management company, wholly owned by eleven local authority pension funds. The Chairman highlighted the following points:

- the inclusion of two partner fund nominated non-executive directors on the Border to Coast Board;
- the entry and exit arrangements for local authority pension funds;
- the joint committee, comprising the chairs of the eleven pension fund committees, as well as number of other representatives; and
- the cost-benefit reporting on pooling arrangements.

A number of questions were put forward in the report to the Board members, in which the following points were made:

- There was a potential conflict of interest of the Border to Coast Board non-executive directors being appointed by the partner funds. Lincolnshire County Council had not supported this arrangement and had not made any

nominations. These non-executive director roles had been promoted by the Chair of the Board to Coast Board, as an improvement to the governance arrangements.

- In response to a view that LGPS Boards tended to operate in different ways with different levels of information made available to them, it was advised that it was ultimately a matter for each Board to raise through its own operational arrangements, if there were concerns.
- The Ministry of Housing, Communities and Local Government had consulted on new pooling guidance in 2019 and had retained its interest in the management of pension funds, to bring about savings on costs. A further consultation on statutory guidance was expected later in 2021.
- It was expected that the new statutory guidance would include provisions enabling the Secretary of State to make directions and take enforcement action.
- The joint committee had been trialling new investment reporting arrangements, and details of these were shared with the Board. It was suggested members of the Board might attend the public session of the joint committee meetings.
- All of the Board chairmen from Border to Coast Pension Funds met half-yearly and it was agreed that the Chairman would share this deep dive report with them at the next meeting.

The Board concluded that the governance arrangements for Border to Coast (with the exception of the nominated non-executive director) were strong.

RESOLVED

That the Chairman be requested to share the deep dive report with the chairmen of the pension boards from Border to Coast Pension Funds at the next half-yearly meeting.

37 TRAINING NEEDS

The Board considered the standard report on its training needs.

The Accounting, Investment and Governance Manager had agreed at the last meeting to explore whether there were any good practice examples on the way in which training was recorded and a new template was attached at Appendix A to the report. The Board was asked to complete and return this form annually for each financial year, starting with 1 April 2020 to 31 March 2021.

Members of the Board reflected on the virtual training they had attended, which had included the Border to Coast Annual Conference; Professional Pensions and Mercer conference; a session by River and Mercantile; and the Hymans Robertson webinars.

It was highlighted that a joint training session between the Committee and the Board had been arranged for 11 February 2021, which would provide members with an opportunity to meet the Fund's new actuary.

RESOLVED

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

38 WORK PROGRAMME

A report on the Board's work programme was submitted, which presented the items for consideration at future meetings.

The duration of the terms of office for each category of membership was discussed and this would be discussed in further detail at the March meeting of the Board.

It was agreed that future meetings of the Board would continue to be held on the afternoon of the Pension Committee. However, it was suggested that quarterly meetings were held for the Board and the Committee closer to the quarter end and it was agreed that officers would take this forward.

RESOLVED

(1) That the report on the work programme be approved.

(2) That future meetings of the Board continue to be held on the afternoon of the Pension Committee.

(3) That consideration be given to the timing of meetings to enable quarterly reports to be considered by the Board and the Committee closer to the quarter end.

The meeting closed at 4.00 pm.

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Pension Fund Update Report**

Summary:

This report updates the Board on Fund matters for the quarter ending 31 December 2020 and any other current issues.

The report covers:

1. TPR Checklist Dashboard
2. Breaches Register Update
3. Risk Register Update
4. Asset Pooling Update
5. Good Governance Review
6. TPR Public Service Governance and Administration Survey 2020
7. Independent Advisor – Review Against Objectives
8. Investment Consultancy Contract

Recommendation(s):

That the Board consider and note the report.

Background

1. TPR Checklist Dashboard

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

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

1.3 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.

2 Breaches Reporting - update

2.1 The Fund, and those charged with its governance, has a requirement to log and, where necessary, report breaches to the Pensions Regular. The Breaches Register attached at appendix B shows those breaches logged since recording began. Since the last quarter end, one breach has been added, detailed below:

- **Late payment of contributions** – a separate paper is presented to the Committee at paper 7, updating the Board on all monthly employer contribution breaches over quarter.

3 Risk Register Update

3.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the complete register is taken annually to Committee and the Board.

3.2 There has been one amendment to the risk register since the last Board meeting. This is under Investment risk and is the removal of risk I8 – Economic uncertainty due to the UK leaving the EU, following the successful exit agreement between the EU and Great Britain.

3.3 There are currently no red risks.

4 Asset Pooling Update

Sub Funds

4.1 The additional investment of 7.5% (£195.5m) into the Global Equity Alpha sub-fund was made in March 2021, as part of the transition out of the Invesco mandate. This involved an exchange of units with another Border to Coast Partner Fund of who were looking to reduce their Global equity exposure, and a purchase of units with the balance.

4.2 The investment with Border to Coast into the Multi Asset Credit (MAC) Fund is expected to be completed in the second half of 2021. Ahead of this, the Fund invested 3.5% of the Fund with the MAC Fund's core manager, Pimco, in two tranches in July 2020. This will transfer to the Border to Coast Fund once that is launched, with an additional 1.5% of the Fund being invested in the new sub-fund.

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

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

Joint Committee Meetings

4.5 The minutes of the Joint Committee meeting held on 24 November, and the agenda items for the latest meeting of 9 March, were shared with Board members on 1 March. Below are the agenda items for the meeting and the minutes will be circulated with the next JC agenda:

- Schedule of Future Meetings
- Annual Election 2021
- Joint Committee Budget
- Governance Charter Update
- 2020 Partner Fund Satisfaction Survey
- Border to Coast Market Review
- Real Estate Update
- Listed Alternatives Fund – Fund Design and Prospectus Submission
- Performance Report
    - UK Listed Equity

    - Overseas Developed Equity
    - Emerging Markets Equity
    - UK Listed Equity Alpha
    - Global Equity Alpha
- Update on Emerging Matters

4.6 The next JC meeting will be held on 15 June 2021 and papers will be circulated to Board members. Any questions or comments on the papers should be directed to Cllr Strengiel, Chairman of the Pensions Committee, who can raise them at the meeting.

Shareholder Matters

4.7 As the Board are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The 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.

4.8 Ahead of any shareholder approvals, officers, including S151 officers, work closely with Border to Coast to ensure full understanding of the resolution, the impact of it not being approved and discuss this with the JC ahead of any resolution being sent for approval. An informal shareholder meeting is also held on the date of each Joint Committee meeting.

4.9 There has been one shareholder resolution since the last report, to approve the strategic plan for 2021-2024 and the supporting budgets for 2021-2022.

5. Good Governance Review

5.1 As the Board are aware, Hymans Robertson were commissioned by the Scheme Advisory Board (SAB) in 2019 to undertake a governance review of the LGPS, and the second phase report was approved in February 2020 and brought to the Board for information. The third and final phase was unfortunately delayed due to the pandemic, but has now been completed and was approved by SAB in February this year.

5.2 The final phase report (attached at appendix C) looked at more detail on the proposals put forward in the second phase, in order to progress with implementation and focussed on the proposals which needed further analysis or consideration ahead of implementation.

5.3 The key areas that have had further clarity added are:

- The LGPS senior officer – core requirements, principles and characteristics, personal competencies and organisational structure.

- Conflicts of interest – setting expectations on the areas covered.

- Representation – how engagement is done with wider employers and scheme membership.

- Skills and training – requirements for Pension Committees and S151 officers.

- Service delivery – how administering authorities can be empowered to penalise inefficient employers in a more effective way, minimum standards of performance and administration strategy statements.

5.4 SAB have written to MHCLG with the proposals and setting out an action plan (attached at appendix D), which consists of formal requests from SAB to MHCLG and other bodies to implement the recommendations from the project together with actions for the SAB which are either dependant on or regardless of the outcome of those requests.

5.5 At this time there is no timescale known for MHCLG to respond to SAB, however there will be a consultation on any statutory guidance before it is introduced. Further information will be brought to the Board once it is available.

6 TPR Annual Public Service Governance and Administration Survey 2020

6.1 The Pensions Regulator (TPR) compiles an annual survey for all public sector schemes to understand the levels of governance and administration across the sector. In 2019 98% of all public service pension schemes completed the survey, and this helped TPR build a comprehensive picture of governance and administration standards.

6.2 This year's survey was designed to determine how schemes are progressing on meeting the expected standards so TPR can focus on areas where they may need more support. Several changes have been made to the survey to help identify these areas. There are also important new questions to understand how the COVID-19 pandemic has affected the operation of public service pension schemes.

6.3 The response (attached at appendix E) for the Lincolnshire Fund was completed by the Pension Board Chairman, with additional information from the Head of Pensions and from the administrators, WYPF, where required.

6.4 The conclusions and outcomes from the survey will be shared with the Pension Board when they are published, later in the year.

7 Independent Advisor – review against objectives

7.1 In 2019, the Competition and Markets Authority (CMA) issued an order requiring Pension Fund to set objectives for their investment consultants. The Fund agreed a set of objectives with both its Investment Consultant and Independent Investment Advisor ahead of the deadline in December 2019. Under the Order, and also under the new Stewardship Code 2020, the consultant (and advisor) should be reviewed against these objectives at regular intervals.

7.2 The objectives and role agreed for the Investment Advisor are attached at appendix F. The Investment Advisor was asked to complete a self-assessment of his performance against the objectives, and his comments are shown below:

- provide a quarterly report and briefing covering current and future economic and market conditions to the Committee;

  Comment: These reports have always been submitted on time and have covered economic and market conditions relating to both equities and bonds as I have seen them. The Chairman has invited me to supplement my report by a verbal update and amplification at the quarterly committee meetings. I believe that my reports have generally (but not always) identified such trends correctly.

- challenge the views of the Committee, the officers and the professional Investment Consultant (currently Hymans Robertson) to bring a different perspective to investment discussions;

  Comment: Since the change in the Hymans Advisor from Paul Potter to David Morton in mid-2020, I have not found the need to give an alternative view - being in general agreement, so far. This is in marked contrast to my experience as Independent Advisor at another County Council scheme – where I recently had a major disagreement with Hyman's investment advice to sell equities and buy bonds. Some years ago, I had a major disagreement with Hymans over the conservative assumptions in their actuarial valuation basis for the Lincolnshire Fund, which led to a modest relaxation in them.

- assist the Committee to challenge and question the Fund's investment managers on their performance and strategy;

  Comment: This was a key role for me in the years before pooling of investments and since Border to Coast became the dominant fund manager. The opportunity to comment on alternative investments (e.g. property, private equity) is somewhat limited.

- assist the Committee in understanding the appropriateness of the investment strategy / strategic asset allocation to meet the Fund's liabilities;

Comment: Investment strategy is principally the preserve of Hymans Robertson as they produce the asset liability modelling strategy after each three yearly actuarial valuation. This is a subject that I have always regarded as one of my principal strengths. If I had a different view, I would have certainly put it forward. I continue to believe that the heavy weighting of the strategy towards equities and alternatives is the right one for a long term fund such as the Lincolnshire Scheme. Hymans, in my view, have a tendency to "over diversify" the fund's investment classes i.e. resulting in it having too many small holdings which are unable to make a material impact on its overall total return or risk profile.

- offer opinion and challenge to other ad-hoc investment related matters:

  Comment: I do so when required. The most recent example was in participating in the working party to review the scheme's actuarial advisory firm. This led to the appointment of Barnett Waddingham, late last year.

7.3 The Board are asked to consider the responses from the Investment Advisor.

8 Investment Consultancy Services Tender

8.1 At the July 2020 meeting of the Pensions Committee, it was agreed that the Investment Consultancy Services contract could have a twelve month extension to 31 December 2021, to allow for a full governance review of the Lincolnshire Fund against the new Good Governance requirements to be undertaken ahead of appointing a consultant.

8.2 Unfortunately, as a result of the pandemic, the progress of the Good Governance project stalled, and statutory guidance from MHCLG has not been produced. However, the final Good Governance report from Hymans Robertson was presented to the Scheme Advisory Board at its February 2021 meeting. This has meant though that the governance review that the Fund had planned has not been undertaken, although it is hoped that this can happen in the 20/21 financial year.

8.3 Given that there has already been a twelve month extension to the Investment Consultancy contract, it has been recommended that the contract is retendered ahead of the end of the extension date. It is a statutory requirement for the Fund to take professional investment advice, therefore an investment consultant will always be required.

8.4 The intention is to use the National Frameworks Investment Consultancy Services framework agreement to call off from.

8.5 To enable a robust call-off process within the timeframe available, officers have requested that a working group is created from officers and volunteers from the Pensions 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 the Pensions Committee

8.6 It is expected that this work would begin in July 2021.

8.7 Following the May elections and County Council AGM, Officers will request volunteers from the Pensions Committee to participate in the group.

Conclusion

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

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	TPR Checklist Dashboard
Appendix B	Breaches Register
Appendix C	TPR Annual Survey on Public Service Governance and Administration
Appendix D	Good Governance Review – Final Report
Appendix E	Good Governance – SAB Action Plan
Appendix F	Investment Advisor Objectives

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 .

The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

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

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

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

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

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

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Lincolnshire Pension Board Record of Breaches

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

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

		sent to WYPF by LCC	liabilities	to Board to discuss in March			
March 18	Contributions - updated	Late payments December to February	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Issue to be raised at March employers meeting
April 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC self-reported to TPR	Reported	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
March 20	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers

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

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Public Service Governance and Administration Survey 2020

The Pensions Regulator

Introduction

Thank you for taking the time to complete this survey.

Please answer the questions in relation to the following scheme:

LGPS - LINCOLNSHIRE

Within the survey all references to 'the scheme' refer to the above. Where the scheme is locally administered, we mean the sub-scheme or fund administered by the local scheme manager.

Your responses will be kept anonymous unless you consent otherwise at the end of the survey. Linking your scheme name to your answers will help inform The Pensions Regulator's (TPR's) engagement with you in the future.

If you would like to print out a hard copy of this questionnaire to help you when collecting information from colleagues, please click here*. Please note, however, that we need you to complete the questionnaire through this online survey and not by filling in a hard copy.

This survey should be completed by the scheme manager or by another party on behalf of the scheme manager. They should work with the pension board chair to complete it, and other parties (e.g. the administrator) where appropriate.

There is a space at the end of the survey to add comments about your answeres where you feel this would be useful. There is also an option to print/save your responses before submitting them.

** In some internet browsers you may need to right click on the link and select 'open in new tab/window' to download the file*

Please click the arrow below to continue to the questionnaire.

Section A - Governance

The first set of questions is about how your pension board works in practice.

A1 Focusing on the scheme's pension board meetings in the last 12 months, please tell us the following:

Please include any board meetings that were held remotely (e.g. via teleconference or online meeting software)

Please write in the number for each of a-c in the boxes below

a) Number of board meetings that were scheduled to take place (in the last 12 months)

4

b) Number of board meetings that actually took place (in the last 12 months)

3

c) Number of board meetings that were attended by the scheme manager or their representative (in the last 12 months)

3

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

A2 Thinking about the 3 pension board meetings that took place, was this more, the same or less than in the previous 12 month period?

- ○ More
- ○ Same
- ◉ Less
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

A3 Do the scheme manager and pension board have sufficient time and resources to run the scheme properly?

- ◉ Yes
- ○ No
- ○ Don't know

A4 Do the scheme manager and pension board have access to all the knowledge, understanding and skills necessary to properly run the scheme?

- ◉ Yes
- ○ No
- ○ Don't know

A5 How often does the scheme manager or pension board carry out an evaluation of the knowledge, understanding and skills of the board as a whole in relation to running the scheme?

- ○ At least monthly
- ○ At least quarterly
- ○ At least every six months
- ◉ At least annually
- ○ Less frequently
- ○ Never
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

A6 On average, how many hours of training per year does each pension board member have in relation to their role on the pension board?

Please write in the number in the box below

30 hours per year

A7 Does the pension board believe that in the last 12 months it has had access to all the information about the operation of the scheme it has needed to fulfil its functions?

- ◉ Yes
- ○ No
- ○ Don't know

A8 Is the pension board able to obtain sufficient specialist advice on cyber security when it needs to?

- ◉ Yes
- ○ No
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

A9 Focusing on the composition of your pension board, please tell us the following:

Please write in the number for each of a-d in the boxes below

a) Number of current board members

5

b) Number of vacant positions on the board

0

c) Number of members that have left the board in the last 12 months

0

d) Number of members that have been appointed to the board in the last 12 months

0

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

A10 Does the scheme have a succession plan in place for the members of the pension board?

- (●) Yes
- ( ) No
- ( ) Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section B - Managing Risks

The next set of questions is about managing risks.

B1 **Does your scheme have any of the following?**

Please select one answer per row

	Yes	No	Don't know
a) Its own documented procedures for assessing and managing risk *(please select 'No' if your scheme relies on your local authority's documented procedures for assessing and managing risk)*	◉	○	○
b) A documented policy to manage the pension board members' conflicts of interest	◉	○	○
c) Processes to monitor records for all membership types on an ongoing basis to ensure they are accurate and complete	◉	○	○
d) A process for monitoring the payment of contributions	◉	○	○
e) A process for resolving contribution payment issues	◉	○	○
f) Procedures to identify breaches of the law	◉	○	○
g) Procedures to assess breaches of the law and report these to TPR if required	◉	○	○

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

B2 When were these last reviewed by the scheme manager or pension board?

Please select one answer per row

	In the last 12 months	More than 12 months ago but less than 3 years ago	More than 3 years ago	Never been reviewed	Don't know
a) The scheme's own documented procedures for assessing and managing risk	◉	○	○	○	○
b) The documented policy to manage the pension board members' conflicts of interest	◉	○	○	○	○
c) The processes to monitor records for all membership types on an ongoing basis to ensure they are accurate and complete	◉	○	○	○	○
d) The process for monitoring the payment of contributions	◉	○	○	○	○
e) The process for resolving contribution payment issues	◉	○	○	○	○
f) The procedures to identify breaches of the law	◉	○	○	○	○
g) The procedures to assess breaches of the law and report these to TPR if required	◉	○	○	○	○

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

B3 Does your scheme have its own risk register?

Please select 'No' if your scheme relies on your local authority's risk register.

◉ Yes
○ No
○ Don't know

B4 In the last 12 months, how many of the 3 pension board meetings reviewed the scheme's exposure to new and existing risks?

Please write in the number in the box below

3

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

B5 To what do the top three governance and administration risks on your risk register relate?

Please select up to three options below

- ☐ Funding or investment
- ☐ Record keeping (i.e. the receipt and management of correct data)
- ☐ Guaranteed Minimum Pension (GMP) reconciliation
- ☐ Securing compliance with changes in scheme regulations
- ☐ Production of annual benefit statements
- ☐ Receiving contributions from the employer(s)
- ☐ Lack of resources/time
- ☐ Recruitment and retention of staff or knowledge
- ☐ Lack of knowledge, effectiveness or leadership among key personnel
- ☐ Poor communications between key personnel (board, scheme manager, administrator, etc.)
- ☐ Failure of internal controls
- ☐ Systems failures (IT, payroll, administration systems, etc.)
- ☑ Cyber risk (i.e. the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its IT systems and processes)
- ☐ Administrator issues (expense, performance, etc.)
- ☑ Remediation (i.e. the actions required to remedy the age discrimination in the 2015 schemes; also referred to as 'McCloud' or 'Sergeant')
- ☑ Other (please specify)
- ○ Don't know

Please write in your 'Other' response in the box below

UK leaving the EU

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

B6 Which, if any, of the following actions have you taken in relation to the remediation proposals?

By 'remediation' we mean the actions required to remedy the age discrimination in the 2015 schemes. This is also often referred to as either 'McCloud' or 'Sergeant'.

Please select all that apply

- ☑ Assessed the possible administration impacts
- ☑ Assessed the data requirements
- ☐ Commenced a specific data cleansing or data gathering exercise
- ☑ Assessed any additional resources likely to be required
- ☑ Discussed system requirements with IT suppliers
- ☐ Provided specific information to members
- ☐ Taken other actions (please specify)
- ○ None of these
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section C - Administration and Record-Keeping Processes

The next set of questions is about administration and record-keeping.

C1 Does the scheme have an administration strategy?

- (●) Yes
- ( ) No
- ( ) Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C2 Thinking about the scheme's objectives in terms of administration, how important are the following?

Please select one answer per row

	Not at all important	Not particularly important	Neither important nor unimportant	Fairly important	Very important	Don't know
a) Addressing issues which impair your ability to run your scheme effectively	○	○	○	○	●	○
b) Implementing legislative change	○	○	○	○	●	○
c) Meeting TPR's expectations	○	○	○	○	●	○
d) Improving members' experience (e.g. by providing online access)	○	○	○	○	●	○
e) Increasing automation or administrator efficiency	○	○	○	○	●	○
f) Moving to a new administration system or a new administrator	○	●	○	○	○	○
g) Reducing costs	○	○	●	○	○	○

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C3 Which of the following best describes the scheme's administration services?

- ( ) Delivered in house
- (●) Undertaken by another public body (e.g. a county council) under a shared service agreement or outsource contract
- ( ) Outsourced to a commercial third party
- ( ) Other
- ( ) Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C5 In the last 12 months, how many of the 3 pension board meetings had administration as a dedicated item on the agenda?

Please write in the number in the box below

3

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C6 Is your scheme single employer or multi-employer?

- ○ Single employer scheme (i.e. used by just one employer)
- ◉ Multi-employer scheme (i.e. used by several different employers)

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C9 In the last 12 months, what proportion of your scheme's employers have...

Please write in the percentage (from 0% to 100%) in each box. If you don't know exactly, please give approximate percentages

a) Always provided you with accurate and complete data?

98 %

○ Don't know

b) Always submitted the data required each month to you on time?

97 %

○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

C10 And in the last 12 months, what proportion of your scheme's employers have...

Please write in the percentage (from 0% to 100%) in each box. If you don't know exactly, please give approximate percentages. The percentages in the boxes should sum to 100%.

a) Submitted all data to you electronically?

98 %

b) Submitted some but not all data to you electronically?

2 %

c) Not submitted any data to you electronically?

%

○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section D - Cyber Security

The next set of questions is about your scheme's cyber security.

D1 **Which, if any, of the following controls does your scheme have in place to protect your data and assets from 'cyber risk'?**

By 'cyber risk' we mean the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes.

Please select all that apply

- [x] Roles and responsibilities in respect of cyber resilience are clearly defined and documented
- [x] Cyber risk is on the risk register and regularly reviewed
- [x] Assessment of the vulnerability to a cyber incident of the key functions, systems, assets and parties involved in the running of the scheme
- [x] Assessment of the likelihood of different types of breaches occurring in the scheme
- [x] Access to specialist skills and expertise to understand and manage the risk
- [x] System controls (e.g. firewalls, anti-virus and anti-malware products and regular updates of software)
- [x] Controls restricting access to systems and data
- [x] Critical systems and data are regularly backed up
- [x] Policies on the acceptable use of devices, passwords and other authentication, and on home and mobile working
- [x] Policies on data access, protection, use and transmission which are in line with data protection legislation and guidance
- [x] An incident response plan to deal with any incidents which occur
- [x] The scheme manager has assured themselves of third party providers' controls (including administrators)
- [x] The scheme manager receives regular updates on cyber risks, incidents and controls
- [x] The pension board receives regular updates on cyber risks, incidents and controls
- ○ None of these
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

D2 Have any of the following happened to your scheme, including at your administration provider, in the last 12 months?

Please select all that apply

- ☐ Computers becoming infected with ransomware
- ☐ Computers becoming infected with other viruses, spyware or malware
- ☐ Attacks that try to take down your website or online services
- ☐ Hacking or attempted hacking of online bank accounts
- ☐ People impersonating your scheme in emails or online
- ☐ Staff receiving fraudulent emails or being directed to fraudulent websites
- ☐ Unauthorised use of computers, networks or servers by staff, even if accidental
- ☐ Unauthorised use or hacking of computers, networks or servers by people outside your scheme
- ☐ Any other types of cyber security breaches or attacks
- ◉ None of these
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section E - Annual Benefit Statements

The next set of questions is about members' annual benefit statements.

E1A In 2020, in which of the following ways were your active members sent their annual benefit statements?

Please select all that apply

- ☐ Via a digital online portal, with notification by email
- ☐ Via a digital online portal, with notification by letter
- ☐ Via a digital online portal, with no notification
- ☑ By post
- ☐ Other way(s) (please specify)
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

E2 In 2020, what proportion of active members received their annual benefit statements by the statutory deadline?

Please write in the percentage in the box below. If you don't know exactly, please give an approximate percentage.

99.3 %

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

E3 Was the missed deadline for issuing active member statements reported to TPR?

- ○ Yes - and Breach of Law report made
- ○ Yes - but decided not to make a Breach of Law report
- ◉ No - not reported
- ○ Don't know

E4 What was the main reason for not reporting the breach?

- ◉ Not material - few statements affected
- ○ Not material - very short delay
- ○ Other reason (please specify)
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

E5 What proportion of all the annual benefit statements the scheme sent out in 2020 contained all the data required by regulations?

Please write in the percentage in the box below. If you don't know exactly, please give an approximate percentage.

100 %

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section F - Resolving Issues

The next set of questions is about resolving issues or complaints the scheme has received.

F1 Does the scheme have a working definition of what constitutes a complaint?

- ◉ Yes
- ○ No
- ○ Don't know

F2 Focusing on the complaints you have received from members or beneficiaries in relation to their benefits and/or the running of the scheme, please tell us the following information.

a) Total number of complaints received in the last 12 months

20

b) Number of complaints that have entered the Internal Dispute Resolution (IDR) process in the last 12 months

4

c) Number of complaints that were upheld by the IDR process in the last 12 months

0

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

F3 In the last 12 months, to what did the top three types of complaints entering the IDR process relate?

Please select up to three options below

- [x] Slow or ineffective communication
- [ ] Inaccuracies or disputes around pension value or definitions
- [ ] Delays to benefit payments
- [x] Disputes or queries about the amount of benefit paid
- [ ] Delay or refusal of pension transfer
- [ ] Inaccurate data held and/or statement issued
- [ ] Pension overpayment and recovery
- [ ] Eligibility for ill health benefit
- [x] Other (please specify)
- ○ Don't know

Please write in your 'Other' response in the box below

rule of 85 treatment

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section G - Reporting Breaches

The next set of questions is about the scheme's approach to dealing with any breaches of the law.

G1 Do you maintain documented records of any breaches of the law identified?

- (●) Yes
- ○ No
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

G2 Do these records include the decision taken on whether or not to report the breach of the law to TPR?

- (●) Yes
- ○ No
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

G3 Does the pension board receive reports on any breaches of the law identified?

- (●) Always
- ( ) Sometimes
- ( ) Never
- ( ) Don't know

G4 In the last 12 months, have you identified any breaches of the law that were not related to annual benefit statements?

- ( ) Yes
- (●) No
- ( ) Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section H - Governance and Administration

The next set of questions is about your progress in addressing governance and administration issues.

H1 What do you believe are the top three factors behind any improvements made to the scheme's governance and administration in the last 12 months?

Please select up to three options below

Improved understanding of underlying legislation and standards expected by TPR	☑
Improved engagement by TPR	☐
Improved understanding of the risks facing the scheme	☑
Resources increased or redeployed to address risks	☐
Administrator action (please specify)	Data Improvement
Scheme manager action (please specify)	
Pension board action (please specify)	
Other (please specify)	
No improvements made to governance/administration in the last 12 months	☐
Don't know	☐

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

H2 What are the main three barriers to improving the governance and administration of your scheme over the next 12 months?

Please select up to three options below

- ☐ Lack of resources or time
- ☐ Complexity of the scheme
- ☑ The volume of changes that are required to comply with legislation
- ☐ Recruitment, training and retention of staff and knowledge
- ☐ Lack of knowledge, effectiveness or leadership among key personnel
- ☐ Poor communications between key personnel (board, scheme manager, administrator, etc.)
- ☑ Employer compliance
- ☐ Issues with systems (IT, payroll, administration systems, etc.)
- ☑ The remediation process (also referred to as 'McCloud' or 'Sergeant')
- ☐ Other (please specify)
- ○ There are no barriers
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section I - COVID-19 Pandemic

The next set of questions is about the COVID-19 pandemic.

I1 Since the COVID-19 lockdown started in March 2020, how would you rate the following?

Please select one answer per row

	Not at all effective	Not very effective	Neither effective nor ineffective	Fairly effective	Very effective	Don't know
a) Communication between the scheme manager and the administrator	○	○	○	○	◉	○
b) Performance of the administrator	○	○	○	○	◉	○
c) Relationship between the scheme manager and the pension board	○	○	○	○	◉	○

I2 Prior to the COVID-19 lockdown did your scheme have a business continuity plan (BCP) in place?

- ◉ Yes – its own BCP
- ○ Yes – the local authority's BCP
- ○ No
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

I3 How would you rate the effectiveness of the BCP in helping your scheme respond to the COVID-19 pandemic?

- (●) Very effective
- ( ) Fairly effective
- ( ) Neither effective nor ineffective
- ( ) Not very effective
- ( ) Not at all effective
- ( ) Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

I4 What barriers, if any, did you face in implementing the BCP?

Please select a maximum of three

- [ ] Key person risks
- [ ] Staff shortages
- [ ] Issues with administration processes
- [ ] Issues with employer(s)
- [ ] Suitability of IT infrastructure
- [ ] Suitability of IT hardware (i.e. equipment)
- [ ] Suitability of IT software
- [ ] Ability of staff to work from home
- [ ] Lack of leadership
- [ ] Other (please specify)
- (●) There were no barriers
- ( ) Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section J - Pensions Dashboards

The government has made a commitment to facilitate the pensions industry in the creation of a digital interface that will present all of a person's pensions together in one place. It is most often referred to in the industry as the 'pensions dashboards' project.

J1 Before this survey, had you heard about pensions dashboards?

- (●) Yes
- ( ) No
- ( ) Don't know

J2 The Pension Schemes Bill currently going through Parliament contains provisions to require trustees and scheme managers to provide data to savers through pensions dashboards. Before today, were you aware of this proposed change to pensions law?

- (●) Yes
- ( ) No
- ( ) Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

J3 To what extent do you agree or disagree with the following statements?

Please select one answer per row

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Don't know
a) The introduction of pensions dashboards is, in principle, a good idea for savers	○	○	○	◉	○	○
b) The scheme will be able to deal with any administrative demands involved in delivering the pensions dashboards	○	◉	○	○	○	○
c) It will be easy for the scheme to implement	◉	○	○	○	○	○
d) The scheme will leave it as late as possible before preparing for the pensions dashboards	○	○	○	◉	○	○

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

J4 What, if any, challenges is the scheme likely to face in terms of preparing for the pensions dashboards?

Please select a maximum of three

- ☐ Knowing what is required
- ☐ Availability of data
- ☐ Accuracy of data
- ☐ Participating employer reticence
- ☑ Cost
- ☑ Software compatibility
- ☑ Capacity constraints
- ☐ Other (please specify)
- ○ None – do not expect to face challenges
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

J5 From where do you expect to learn about the requirements for the pensions dashboards?

Please select all that apply

- ☐ The Pensions Dashboards Programme (PDP) (led by the Money and Pensions Service)
- ☑ TPR
- ☐ The Financial Conduct Authority (FCA)
- ☐ The Department for Work and Pensions (DWP)
- ☑ Your scheme advisory board
- ☐ Industry bodies e.g. PASA, PLSA
- ☐ Somewhere else (please specify)
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section K - Climate Change

The next set of questions is about climate change.

K1 Firstly, has your scheme allocated time or resources to assessing any financial risks and opportunities associated with climate change?

- ◉ Yes
- ○ No
- ○ Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

K2 **Has your scheme done any of the following...?**

Please answer yes if these have been done by advisers acting on your behalf.

Please select one answer per row

	Yes	No	Don't know
a) Assessed the risks and opportunities for your scheme from particular climate-related scenarios	◉	○	○
b) Assessed your scheme portfolio's potential contribution to global warming (this is also referred to as the 'implied temperature rise' of the portfolio)	○	◉	○
c) Tracked the carbon intensity of your scheme's portfolio	○	◉	○

K3 **Which of the following processes do you use to manage climate-related risks and opportunities?**

Please select one answer per row

	Yes	No	Don't know
a) Include climate-related issues as a regular agenda item at pension board meetings	○	◉	○
b) Assign responsibility for climate-related issues to a specified individual or sub-committee	○	◉	○
c) Include, monitor and review targets in the scheme's climate policy	○	◉	○
d) Add climate-related risks to your risk register	◉	○	○

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

K4 **Thinking about your scheme's investment and funding strategy, to what extent do you consider the following?**

Please answer on a scale of 1 to 5, where 1 means 'you do not consider this at all' and 5 means 'it is a very significant consideration for your scheme'.

Please select one answer per row

	1 - Do not consider this at all	2	3	4	5 - Very significant consideration	Don't know
a) Physical risks such as weather events, sea level exposure, heat wave exposure and drought risk	○	○	◉	○	○	○
b) Transition risks such as increased pricing of greenhouse gas emissions and moves towards low-carbon policies and technologies	○	○	◉	○	○	○
c) Climate-related opportunities such as improved creditworthiness of the low-carbon sector or investments in new technologies	○	○	◉	○	○	○
d) The participating employers' exposure to climate-related factors	○	○	◉	○	○	○

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

K5 **Have you taken any of the following actions on stewardship in order to help with your management of climate risks?**

By stewardship we mean the responsible allocation, management and oversight of capital to create long-term value for pension scheme members.

Please select one answer per row

	Yes	No	Don't know
a) Talked to advisers and asset managers about how climate-related risks and opportunities are built into their engagement and voting policies	◉	○	○
b) When appointing new asset managers, asked the prospective manager how they include climate factors in engagement and voting behaviour	◉	○	○
c) When outsourcing activities, set out in legal documents your expectations on climate stewardship and approaches (e.g. in the Investment Management Agreement or in side letters to pooled fund documentation)	◉	○	○
d) Joined collaborative engagement efforts on climate change	◉	○	○
e) Signed the UK Stewardship Code	◉	○	○

K6 Are you aware of the work of the Taskforce on Climate-related Financial Disclosures (TCFD)?

The Taskforce has made recommendations that help investors to understand financial exposure to climate risk and disclose this information in a clear and consistent way.

- (●) Yes
- ( ) No
- ( ) Don't know

K7 Does your scheme make disclosures as recommended by the TCFD?

- ( ) Yes
- (●) No
- ( ) Don't know

Section L - Perceptions of TPR

The final set of questions is about your views of TPR.

L1 Thinking about your overall perception of TPR, to what extent do you agree or disagree with the following words as ways to describe TPR?

Please select one answer per row

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Don't know
a) Tough	( )	( )	( )	(●)	( )	( )
b) Efficient	( )	( )	(●)	( )	( )	( )
c) Visible	( )	( )	( )	(●)	( )	( )
d) Fair	( )	( )	(●)	( )	( )	( )
e) Respected	( )	( )	(●)	( )	( )	( )
f) Evidence-based	( )	( )	( )	(●)	( )	( )
g) Decisive	( )	( )	(●)	( )	( )	( )
h) Clear	( )	( )	(●)	( )	( )	( )
i) Approachable	( )	( )	( )	(●)	( )	( )

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

L2 Thinking now about how TPR operates, how effective do you think it is at improving standards in scheme governance and administration in public service pension schemes?

- ( ) Very effective
- (●) Fairly effective
- ( ) Neither effective nor ineffective
- ( ) Not very effective
- ( ) Not at all effective
- ( ) Don't know

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

L3 And to what extent do you agree or disagree with the following statements?

Please select one answer per row

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Don't know
a) TPR is effective at bringing about the right changes in behaviour among its regulated audiences	○	○	◉	○	○	○
b) TPR is proactive at reducing serious risks to member benefits	○	○	○	◉	○	○
c) TPR clearly explains its expectations in respect of administration	○	○	○	◉	○	○

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

Section M - Attribution

Thank you for completing this survey. Your responses will help TPR understand how schemes are progressing and any issues they may face, which will inform further policy and product developments. Before you submit your answers, there are just a few more questions about your survey responses.

M1 Which of the following best describes your role within the pension scheme?

- ○ Scheme manager*
- ◉ Representative of the scheme manager
- ○ Pension board chair
- ○ Pension board member
- ○ Administrator
- ○ Other (please specify)

** In this survey 'Scheme manager' refers to the definition within the Public Service Pensions Act, e.g. the Local Authority, Fire and Rescue Authority, Police Pensions Authority, Secretary of State/Minister or Ministerial department*

M2 What other parties did you consult with to complete this survey?

Please select all that apply

- ☐ Scheme manager
- ☑ Representative of the scheme manager
- ☑ Pension board chair
- ☐ Pension board member
- ☐ Administrator
- ☐ Other
- ○ Did not consult with any other parties

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

M3 To inform TPR's engagement going forward, they would like to build an individual profile of your scheme by linking your scheme name to your survey answers. This will only be used for internal purposes by TPR and your scheme name would not be revealed in any published report.

Are you happy for your responses to be linked to your scheme name and supplied to TPR for this purpose?

- ○ Yes, I am happy for my responses to be linked to my scheme name and supplied to TPR for this purpose
- ◉ No, I would like my responses to remain anonymous

M4 And would you be happy for the responses you have given to be linked to your scheme name and shared with the relevant scheme advisory board? This is to help inform the advisory boards of areas for improvement and to further their engagement with pension boards.

- ○ Yes, I am happy for my responses to be linked to my scheme name and shared with the relevant advisory board
- ◉ No, I would like my responses to remain anonymous

M5 TPR may conduct some follow up research on this topic to improve their advice and engagement with schemes such as yours. Would you be willing for us to pass on your name, contact details and relevant survey responses to them so that they, or a different research agency on their behalf, could invite you to take part?

You may not be contacted and, if you are, there is no obligation to take part. Your contact details will be stored for a maximum duration of 12 months, before being securely destroyed.

- ○ Yes, I am happy to be contacted for follow-up research
- ◉ No, I would prefer not to be contacted for follow-up research

Please complete all questions on this page before clicking the right hand arrow below to continue to the next question.

M6 Please record your name below. This is just for quality control purposes and will not be passed on to TPR (unless you have agreed that they can contact you for follow-up research).

Jo Ray

M7 Finally, please use the box below if you have any other comments or would like to clarify/explain any of the answers you have given.

If you would like to print and/or save a copy of your responses then please click the 'print' button below. This will open a new browser window (you may need to allow pop-ups from this site for it to open). You can then print this or choose to save it as a pdf document. Please do this before clicking the submit button.

IMPORTANT: Please click the 'tick' button below to submit your survey.

Once you have submitted your survey you will not be able to go back and change any of your answers or print/save a copy of your responses.

Good Governance: Phase 3 Report to SAB

February 2021

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Introduction

The Scheme Advisory Board accepted the proposals in the Good Governance report Phase 2 on 3 February 2020 and requested that the project team and working groups provide further detail on the implementation of these proposals. The project has suffered delays as a result of COVID and the requirement for key stakeholders in their main roles to focus on and prioritise the response to the pandemic. However, some meetings were held early in 2020 and working papers and notes have been circulated over the last months to collate feedback and reflect the wide range of views from the group.

We considered that some proposals from Phase 2 didn't need further detail in order to progress with implementation and focussed on the proposals which needed further analysis or consideration ahead of implementation. We have provided additional details on these proposals for the consideration of the SAB. This paper should be read in conjunction with the paper from Phase 2.

For reference, all the proposals from Phase 2 are listed below and we have indicated with a * the proposals addressed further in this report.

Area	Proposal
A. General	***A.1** MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance").
	***A.2** Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer").
	A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be co-signed by the LGPS senior officer and S151.
B. Conflicts of interest	***B.1** Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.
	B.2** The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB – **now updated
C. Representation	***C.1** Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.
D. Knowledge and understanding	***D.1** Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
	***D.2** Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.
	***D.3** Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.
	***D.4** CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.
E. Service Delivery for the LGPS Function	**E.1** Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The matrix should reflect the host authority's scheme of

	delegation and constitution and be consistent with role descriptions and business processes.
	***E.2** Each administering authority must publish an administration strategy.
	***E.3** Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.
	***E.4** Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.
F. Compliance and improvement	***F.1** Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.
	F.2 LGA to consider establishing a peer review process for LGPS Funds.

Atypical administering authorities

This report has been drafted largely using terminology relevant to the majority of administering authorities who are local authorities. However, it is recognised that there are some administering authorities which do not fit this model. In taking forward any of the proposals outlined in this report it will be necessary to ensure that principles can be applied universally to LGPS funds and that any guidance recognises the unique position of some funds.

Use of terms

Throughout this document the following terms have a specific meaning unless the context makes clear that another meaning is intended;

Administering authority refers to a body listed in part 1 of Schedule 3 to the LGPS Regulations 2013 that is required to maintain an LGPS pension fund. In particular the term is used here when such a body is carrying out LGPS specific functions.

For example "Each administering authority must publish an annual report".

Committee a committee formed under s101 of the Local Government Act 1972 to which the administering authority delegates LGPS responsibilities and decision making powers. Alternatively, can refer to an advisory committee or panel which makes recommendations on LGPS matters to an individual to whom the administering authority has delegated LGPS decision making responsibility.

For example "The pensions committee should have a role in developing the business plan".

Host authority refers to a council or other body that is also an administering authority but is used to refer to that body when it is carrying out wider non-LGPS specific functions.

For example "Delivery of the LGPS function must be consistent with and comply with the constitution of the host authority"

The fund carries a more general meaning and is used to refer to the various activities and functions that are necessary in order to administer the LGPS.

For example "Taking this course of action will improve the fund's administration".

Alternatively, the term is used in the context of the scheme members and employers who contribute to the LGPS arrangements of a specific administering authority.

For example “The number of fund employers has increased in recent years”.

Further Discussion on Recommendations

A General

A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. ("the Guidance").

The intention throughout this review has been that any SAB recommendations should be enacted via the introduction of new statutory governance guidance which will supersede current guidance[1]. It was felt that this approach would be quicker and more responsive than relying on changes to secondary legislation. The LGPS regulations contain a provision[2] that allows the secretary of state to issue guidance on the administration and management of the scheme.

We have noted that he outcome of The Supreme Court's judgment on LGPS boycotts (The Palestinian Case)[3] may impact the extent to which future changes are enacted through guidance rather than changes to legislation.

A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund. ("the LGPS senior officer").

This is one of the core recommendations in Phase 2 report and we have provided further detail on the proposal below, including details on the core requirements of the role, organisational guidelines and personal competencies for individuals.

Core Requirements

The role of the LGPS senior officer is to lead and take responsibility for the delivery of the LGPS function. The core requirements include but are not limited to:

- Following appropriate advice, developing the fund's strategic approach to funding, investment, administration, governance and communication;
- Ensuring that there is a robust LGPS specific risk management framework in place which embeds risk management into the culture of the fund and identifies, assesses and mitigates the risks facing the fund;
- Ensuring the pension fund is organised and structured in such a way as to deliver its statutory responsibilities and compliance with The Pensions Regulator's codes of practice;
- Managing delivery of the LGPS function to meet service level agreements;
- Providing advice to members of committees that have a delegated decision-making responsibility in respect of LGPS matters;
- Providing advice and information to members of local pensions board to assist them in carrying out their responsibilities;
- Ensuring that the role of the pension fund and LGPS matters are understood and represented at the local authority's senior leadership level;

[1] **LOCAL GOVERNMENT PENSION SCHEME GOVERNANCE COMPLIANCE STATEMENTS STATUTORY GUIDANCE – NOVEMBER 200**

[2] **See Regulation 2(3A)**

[3] **R (on the application of Palestine Solidarity Campaign Ltd and another) (Appellants) v Secretary of State for Housing, Communities and Local Government (Respondent**

- Working with partner funds and the pool company (if appropriate) to ensure effective governance in respect of investment pooling arrangements;
- Where the LGPS Senior Officer is not themselves the local authority's s151 officer, support the s151 officer to ensure the proper administration of the fund's financial affairs; and
- Acting with the highest integrity in the interests of the fund's members and employers.

Underpinning principles and characteristics

This section considers what needs to be in place for an LGPS senior officer to successfully deliver the role. It is split into the organisation principles that the administering authority should consider when drawing up the role of Senior Officer as well as the personal characteristics and competencies that the individual should exhibit.

Organisational Principles

In appointing a LGPS senior officer, administering authorities should have consideration of the following organisational principles.

Representing the fund at a senior level. The Senior Officer should be of sufficient seniority to ensure that pension issues can be brought the attention of the senior leadership team as necessary. This also ensures that the Senior Officer is close enough to the strategic direction of the host organisation and able to influence decisions where they impact on the management of the fund. It is unlikely that the Senior Officer role could be carried out effectively by an individual lower than third tier in the organisation.

Capacity. The role of Senior Officer is demanding and those undertaking it should be able to give it the necessary attention. While the Senior Officer might have some other responsibilities within the organisation, these should not be of a scale that they impact adversely on the ability to ensure the effective delivery of the LGPS function. When considering capacity, it would be appropriate to consider both the Senior Officer role and the capacity and seniority of their direct reports working in the LGPS.

Reporting Lines. As the individual with responsibility for delivering the LGPS function, it is appropriate that those with key LGPS functions come under a reporting structure which falls under the Senior Officer's supervision.

From time to time the fund will employ resource and expertise from other areas of the authority, for example project management, IT or legal services. It is not the intention that all that all of these functions should fall under the Senior Officer, however the expectation is that key functions such as investment, administration, employer liaison, communications, fund accounting etc do.

Resourcing. The senior officer is responsible for the delivery of the LGPS function and as such must be able to ensure that they run an operation that is sufficiently resourced. The intention is that the Senior Officer is responsible for drawing up the fund's budget and agreeing it with the Pension Committee.

In doing so the Senior Officer needs to be cognisant of the need to maximise the value of any spend from the public purse.

Personal Competencies

The following are the personal and professional attributes that should be embodied by the LGPS Senior Officer.

An ability to build strong relationships and influence. The Senior officer will be expected to influence matters at the highest levels of the organisation. They should be comfortable dealing with elected members and understand the requirements of working in a political environment.

The Senior Officer will need to build and maintain strong relationships with employers within the Fund as well as partners within the investment pool.

The Senior Officer will also need the ability to build strong relationships with professional advisers, including challenging them when appropriate and work to enable the effective operation of the pension board

The Senior Officer will also be expected to represent the fund at a national level.

Strong technical skills. There is no requirement for an LGPS senior officer to have a specific professional qualification, although a relevant qualification (accounting, investment, actuarial, pensions management, legal) may be advantageous. They should have a strong understanding of all aspects of the LGPS. The Senior Officer should have a good grasp of the funding, investment and regulatory matters that impact the fund. They should also be able to explain and simplify difficult concepts to non-technical audiences.

Strategic thinking. It is the role of the Senior Officer to set the strategic direction of the fund. This requires an individual who can synthesise information from a broad range of sources, learn from experiences and bring new ideas to the table. The LGPS senior officer should develop a strong idea of how the delivery of the service will change over time and how the fund can be ready to meet new challenges.

Operational effectiveness. The Senior Officer should be leader with the ability to drive improvement within the organisation and motivate others to buy into their vision. They will need to put plans in place to deliver effective services yet be flexible enough to deal with a volatile pensions landscape.

Strong ethical standards. The LGPS environment can produce the potential for conflicts of interest to arise. The Senior officer should be an individual who embodies the highest ethical standards and acts in the interests of the fund's members and employers. They demonstrate and positively promote the seven principles of public life.

Organisational Structure

Appendix 1 contains examples of how the Senior officer role could be incorporated into various organisational structures.

A.3 Each administering authority must publish an annual governance compliance statement that sets out how they comply with the governance requirements for LGPS funds as set out in the Guidance. This statement must be signed by the LGPS senior officer and, where different, co-signed by the S151 officer.

In order to improve the transparency and auditability of governance arrangements, each fund must produce an enhanced annual governance compliance statement, in accordance with the statutory governance guidance, which sets out details of how each fund has addressed key areas of fund governance. The preparation and sign off of this statement will be the responsibility of the LGPS senior officer and it must be co-signed by the host authority's s151 officer, where that person is not also the LGPS senior officer. The expectation will also be that committees and local pension boards would be appropriately involved in the process.

It should be noted that the current LGPS regulations[4] require that administering authorities publish an annual governance compliance statement concerning matters relating to delegation and representation on pension committees. We recommend that amendments are made such that all requirements are incorporated into a single governance compliance statement.

[4] **See Regulation 55 "Administering Authorities: Governance Compliance Statement"**

B Conflicts of Interest

B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, including reference to key conflicts identified in the Guidance.

One of the key objectives of the Good Governance Review was to consider how potential conflicts of interest manifest themselves within current LGPS set up and to suggest how those potential conflicts can be managed to ensure that they do not become actual conflicts. In doing so, the SAB was of the view that the democratically accountable nature of the LGPS be maintained.

Since almost all LGPS funds are rooted in local authority law and practice, those elected members who serving on pension committees are subject to local authority member codes of conduct[5]. These will require members to register existing conflicts and to recognise when conflicts arise during the course of their duties and how to deal with them. Elected members must also comply with the Seven Principles of Public Life (often referred to as the Nolan Principles). Non-elected members sitting on committees and local pension boards should be subject to the same codes and principles.

There are, however, specific conflicts that can arise as a result of managing a pension fund within the local authority environment. The intention of this recommendation is that all administering authorities publish a specific LGPS conflicts of interest policy. This should include information on how it identifies, monitors and manages conflicts, including areas of potential conflict that are specific to the LGPS and will be listed in The Guidance. The expectation is that the areas covered will include:

- Any commercial relationships between the administering authority or host authority and other employers in the fund/or other parties which may impact decisions made in the best interests of the fund. These may include shared service arrangements which impact the fund operations directly but will also include outsourcing relationship and companies related to or wholly owned by the Council, which do not relate to pension fund operations;
- Contribution setting for the administering and other employers;
- Cross charging for services or shared resourcing between the administering authority and the fund and ensuring the service quality is appropriate for the fund;
- Dual role of the administering authority as an owner and client of a pool;
- Investment decisions about local infrastructure; and
- How the pension fund appropriately responds to Council decisions or policies on global issues such as climate change.
- Any other roles within the Council being carried out by committee members or officers which may result in a conflict either in the time available to dedicate to the fund or in decision making or oversight. For example, some roles on other finance committees, audit or health committees or cabinet should be disclosed.

[5] **Similar codes apply for non-local authority administering authorities.**

Each administering authority's policy should address:

- How potential conflicts of interest are identified and managed;
- How officers, employer and scheme member representatives, elected members, members of the local pension board and advisers and contractors understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- Systems, controls and processes, including maintaining records, for managing and mitigating potential conflicts of interest effectively such that they never become actual conflicts;
- How the effectiveness of its conflict of interest policy is reviewed and updated as required;
- How a culture which supports transparency and the management and mitigation of conflicts of interest is embedded; and
- How the specific conflicts that arise from its dual role as both an employer participating in the Fund and the administering authority responsible for delivering the LGPS for that fund are managed.

In putting together such a policy it is recognised that membership of the LGPS is not, in and of itself, a conflict of interest.

The Guidance should require each fund to make public its conflicts of interest policy.

B.2 The Guidance should include reference to the latest available legal opinion on how statutory and fiduciary duties impact on all those involved in the management of the LGPS, and in particular those on decision making committees.

There are no immediate plans for SAB to opine on or publish a statement on fiduciary duty given the conflict between Nigel Giffin's opinion and those of the Supreme Court in the Palestine case. Therefore, this recommendation has been updated.

C Representation

C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to representation and voting rights for each party.

One of the key principles of the Good Governance Review is the recognition that each administering authority knows its own situation best and that The Guidance should avoid being overly prescriptive and limiting. In the matters of delegating responsibilities and appointing members to committees, most administering authorities must comply with the Local Government Act 1972. Nothing within The Guidance can, or should, override or limit the provisions of the 1972 Act. The intention behind this recommendation is simply that administering authorities prepare, maintain and publish their policy on representation and to require that they provide:

- the rationale for their approach to representation for non-administering authority employers and local authority and non-local authority scheme members on any relevant committees; and
- the rationale as to whether those representatives have voting rights or not.

The SAB''s view is that **it would expect** scheme managers to have the involvement employers and member representatives on any relevant committees.

In addition to representation on committees, administering authorities should state other ways in which they engage their wider employer and Scheme membership

The Guidance should also acknowledge the important principle that administering authorities may wish to retain a majority vote on decision making bodies in order to reflect their statutory responsibilities for maintaining the fund.

D Skills and training

D.1 Introduce a requirement in the Guidance for key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

There was widespread agreement throughout the Good Governance Review process that those making decisions about billions of pounds of public money and the pension provision of millions of members should be properly trained to carry out the responsibilities of their role. The level of knowledge and understanding of technical pensions topics will vary according to role.

The Guidance should require the Administering Authority to identify training requirements for key individuals having regard for:

- topics identified in relevant frameworks or in publications by relevant bodies (e.g. CIPFA, TPR etc)
- the workplan of the Administering Authority; and
- current or topical issues.

The Administering Authority should develop a training plan to ensure these training requirements are met and maintain training records of key individuals against the training plan. These records should be published in the Governance Compliance Statement.

Pension Committees

The private sector has seen an increasing move towards the professionalisation of trustees and the introduction in to the LGPS in recent years of TPR, local pension boards and MIFID have made knowledge and skills for committees and boards a greater focus.

The membership of committees typically includes some or all of the following:

- administering authority elected members;
- other local authority elected members;
- other employer representatives; and
- scheme member representatives.

Training requirements for pensions committees apply to all members.

The Guidance should clarify that the expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to pension committees. As a minimum those sitting on pension committees or the equivalent should comply with the requirements of MiFID II opt-up to act as a professional client but the expectation is that a higher level and broader range of knowledge will be required.

At committee, knowledge should be considered at a collective level and it should be recognised that new members will require a grace period over which to attain the requisite knowledge.

A pension committee member is not being asked to be a subject matter expert or act operationally. Instead the role involves receiving, filtering and analysing professional advice in order to make informed decisions.

A pension committee member should put aside political considerations, act in the interest of all employers and members and act within a regulatory framework.

When considering what training is appropriate for committee members, it might help to consider how pension committee operate and what makes an effective committee. To carry out the role effectively a committee member must have the following;

- An ability to focus on the issues that make the most difference and produce the most value and not be distracted by lower order issues;
- Access expert professional advice in the form of external advisers and administering authority officers; and
- An ability to seek reassurance, challenge the information provided and bring their own experiences to bear in decision making.

D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of their CPD requirements to ensure good levels of knowledge and understanding.

Treasury Guidance[6] requires that all government departments should have professional finance directors and that "It is good practice for all other public sector organisations to do the same, and to operate to the same standards".

Professionally qualified in this context refers to both being a qualified member of one of the five bodies comprising the Consultative Committee of Accounting Bodies (CCAB) in the UK and Ireland; and having relevant prior experience of financial management in either the private or the public sector.

The intention behind this recommendation is that an understanding of the LGPS should be a requirement for s151 officers (or those aspiring to the role). During the Good Governance project itself the view was put forward by some the profession that requiring an element of LGPS training could form part of an individual's ongoing continuous professional development requirements. This would have the advantage of ensuring the topics covered remain current and relevant.

The expectation would be that an appropriate level of LGPS knowledge must be attained by S151 officers of an administering authority. A level of LGPS knowledge should also be attained by S151 officers of other public bodies participating in the LGPS in order that they can understand issues relating to the participation of their own organisation, although it is not expected that that they should have the depth and breadth of knowledge required of the S151 officer of an administering authority.

D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.

Many funds already publish training strategies which set out training strategies which establish how members of the Pension Committee, Pension Board and fund officers will attain the knowledge and understanding they need to be effective and to challenge and effectively carry out their decision making responsibilities. The intention is that all LGPS funds should produce a strategy which should set out how those involved with the fund will:

- have their knowledge measured and assessed;
- receive appropriate training to fill any knowledge gaps identified;
- ensure that knowledge is maintained; and
- evidence the training that is taking place

[6] See Managing Public Money (July 2013), Annex 4.1

D.4 CIPFA and other relevant professional bodies should be asked to produce appropriate guidance and training modules for s151 officers and to consider including LGPS training within their training qualification syllabus.

The intention is that SAB engage with the professional accountancy bodies to develop LGPS training modules for accountancy professionals operating within local authorities.

E Service delivery for the LGPS Function

E.2 Each administering authority must publish an administration strategy.

This proposal has been progressed by the Cost Management, Benefit Design and Administration subcommittee to the SAB. When it met on the 6th January 2020 the following proposals were discussed:

- Changing the status of Regulation 59 from discretionary to mandatory and introduce the requirement for Pension Administration Strategy statements to be prepared and maintained in accordance with new statutory guidance
- Reviewing the remainder of Regulations 59 and 70 to identify whether any additional changes should be made;
- Exploring the scope for empowering administering authorities to penalise inefficient scheme employers in a more effective way;
- Recommending that MHCLG publishes new statutory guidance including :-
  - Minimum standards of performance;
  - Assessment of inefficiency costs;
  - Timescales for submitting scheme data
- Extending Regulation 80 to include a duty on all scheme employers to comply with the new Pension Administration Strategy statements.
- Changing the name of the statement to make it clear that it is wholly relevant to scheme employers.

E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service.

The working group considered this and recommend that rather than attempting to define a universal set of standards for administration across the LGPS. the KPIs should focus on ensuring that each fund has defined service standards, and has the governance in place to monitor their service standards and to benchmark those standards against other funds where appropriate.

Governance KPIs

Subject Area	KPI	Notes
Breadth of representation	1. Percentage make-up (employer/member) on committee and board and number of LPB representation	
	2. Average attendance level at meetings (percentage) – split between absence and vacancies	*1. and 2. may be incorporated in the Governance Compliance Statement (GCS) by including a clear statement of committee members and their attendance at meetings*
Training and expertise	3. Hours of relevant training undertaken across panel/board in last year	
	4. Relevant experience across senior management team	A qualitative statement on the LGPS Senior Officer and their direct reports (or other senior pensions staff) to include professional qualifications and financial services/pension/LGPS experience. Also include % time spent on pension fund business by each person
Compliance/ Risk	*5.* Number of times risk register reviewed annually – number of times on agenda at committee/board.	This is not measuring the quality of the register but the expectation that it will be viewed regularly at the committee should also improve quality.
	6. Number of times carried out business continuity testing and/or cyber security penetration testing	*Key focus of TPR*
Appropriate governance time spent on key areas	7. Split of committee/board spent on administration/governance/investment	How should this be measured, is it just by number of items on the agenda keeping in mind it needs to be auditable?

Administration KPIs

		Notes
Data quality	1. Common/conditional data score, in line with TPR expectations	
	2. Annual Benefit Statement percentage as at 31 August	*Include explanation where less than 100%.*
Service standards/SLAs	3. Number and percentage of pension set-ups (new retirements) within disclosure requirement timeframe	
	4. Does the Fund monitor and report its own standards?	*Y/N*
	5. Percentage of calls to customer helpline answered and resolved at first point of contact	
Engagement and communication – capabilities and take-up	6. Specify which online services are available to members/employers	*Measuring services provided by Fund online, perhaps against an agreed standardised list.*
	7. Percentage of members registered for the fund's online services and the percentage that have logged onto the service in the last 12 months split by status	*Measuring take up of services*
	8. Number of employer engagement events and/or briefings held in last 12 month and percentage take-up	*Percentage take-up could be weighted to size of employer.*
Customer satisfaction	9. Percentage of members (or employers if appropriate) satisfied with the service provided by their LGPS fund (this could be obtained via a simple questionnaire of no more than 5 questions).	*Members and employers should be measured separately, and funds should also report the number completing the questionnaire to ensure appropriate coverage. For consistency in comparison we suggest a general question is drafted and Funds told to incorporate into their surveys – e.g. "The service was excellent – Strongly Disagree/ Disagree/Agree/Strongly Agree."*

E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.

Each Administering Authority has a specific legal responsibility to administer the LGPS within their geographical region and to maintain a specific reserve for that purpose. It is important therefore that the fund's budget is set and managed separately from the expenditure of the host authority.

Budgets for pension fund functions should be sufficient to meet all statutory requirements, the expectations of regulatory bodies and provide a good service to Scheme members and employers. The budget setting process should be one initiated and managed by the fund's officers and the pension committee and assisted by the local pension board.

Required expenditure should be based on the fund's business plan and deliverables for the forthcoming year. The practice should not simply be to uprate last year's budget by an inflationary measure or specify an "available" budget and work back to what level of service that budget can deliver.

The body or individual with delegated responsibility for delivering the LGPS service should have a role in setting that budget. Typically, this will involve the pension committee being satisfied that the proposed budget is appropriate to deliver the fund's business plan, but it is recognised that other governance models exist within the LGPS. Whichever approach is used, it should be clearly set out in the roles and responsibilities matrix and be consistent with the host authority's scheme of delegation and constitution.

Where a proposed budget is approved, the senior LGPS officer will confirm in the governance compliance statement that the administering authority has approved the budget required to deliver the pensions function to the required standard.

If the budget is not approved, the senior LGPS officer will declare that in the governance compliance statement, including the impact of that on service delivery as expressed in a reduced business plan.

These statements in the governance compliance statement will be co-signed by the S151 officer where this is not the same person as the senior LGPS officer.

F Compliance and Improvement

F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified.

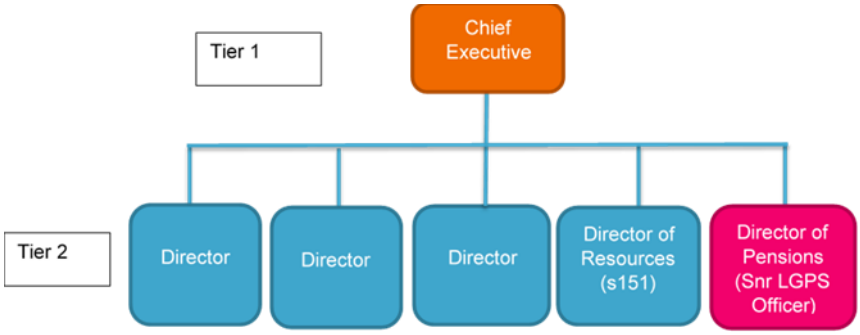
IGR reports to be assessed by a SAB panel of experts.

The Phase 2 report sets out the key features required in the Independent Governance Review. A sample outline for further discussion is included in Appendix 3.

Appendix 1 - Senior officer organisational structures

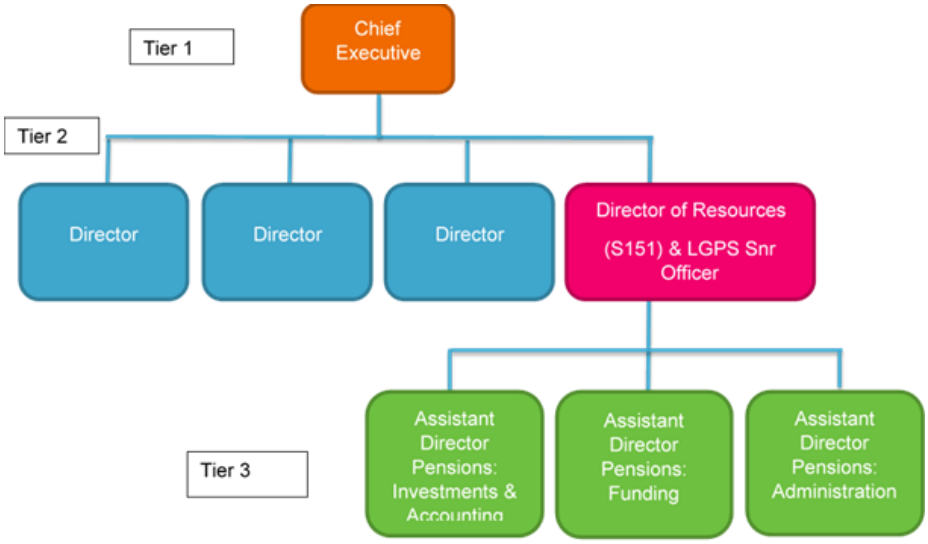
The following organisational structure charts show where the LGPS senior officer role may sit.

Example 1



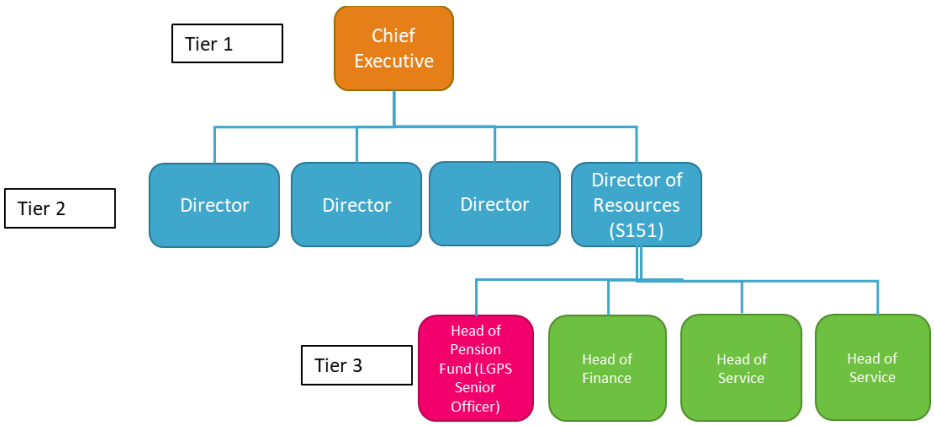
In this structure the LGPS Senior Officer is the Director of Pensions. As a tier 2 officer in the organisation the Director of Pensions will have the appropriate seniority for the role and with only LGPS responsibilities they will have the capacity to focus solely on delivery of the LGPS function.

Example 2



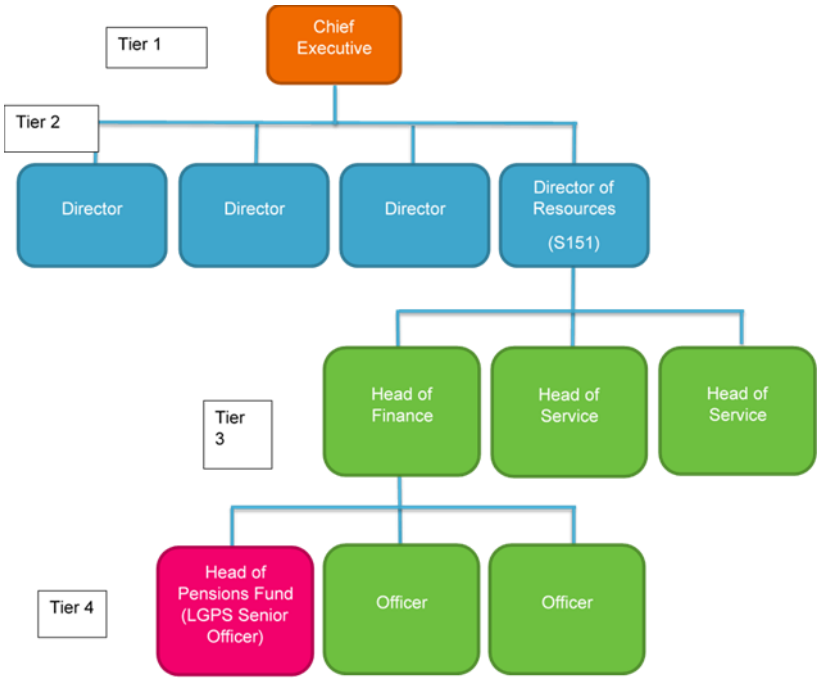
In this model the LGPS Senior Officer is a Tier 2 Director with significant other responsibilities. The diagram shows the LGPS Senior Officer as the Director of Resources and s151 officer, but a similar situation could arise if pension responsibilities lay within another Directorate, for example under a director with responsibility for legal/governance (in which case the LGPS Senior Officer would likely be the monitoring officer as well). Although the Senior officer has other responsibilities in this scenario, they are supported by a senior team of assistant directors, who are themselves tier 3 officers. The strength of the management team in this case is likely to mean that the LGPS Senior Officer has the ability to delegate aspects of LGPS delivery to an appropriately senior team, while retaining the ability to influence the strategic direction of the fund.

Example 3



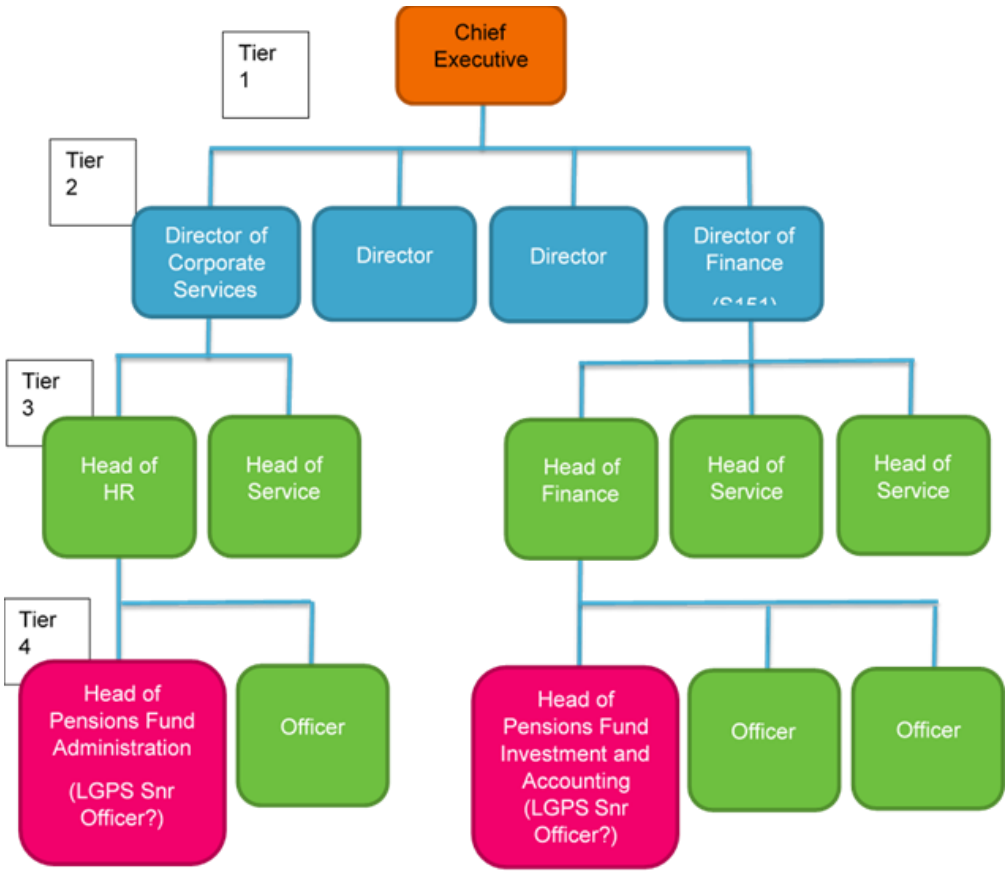
Under this structure the Head of Pensions is a Tier 3 officer reporting to the S151 officer.

Example 4



Under this structure the Head of Pensions sits at tier 4 with a reporting line that runs through the Head of Finance, Director of Resources (s151) and to the Chief Executive. As long as the reporting lines are clear and there is sufficient support for the Head of Pensions from senior officers this structure may provide an appropriate level of seniority and capacity for the Senior officer. However, some members of the working group expressed the view that in order to manage the scope and exert the required influence, the LGPS Senior Officer role should be held by an individual no lower than Tier 3.

Example 5



In this structure it becomes difficult to identify where the LGPS Snr officer should sit. While the investment and accounting functions sit within the function at tier 4, the administration of the fund is delivered by a fourth tier officer in the corporate services directorate who reports to the Head of HR. such an arrangement makes it difficult to for any one person to have full sight of all LGPS functions. Separate reporting lines in this fashion militate against a joined strategy and decision making for the fund.

Appendix 2 - Governance compliance statement

The following is an example of a governance compliance statement. It is recognised that under the current LGPS regulations, administering authorities must prepare, publish and maintain a statement on the following matters;

(a) whether the authority delegates its functions, or part of its functions under the LGPS regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so-

(i) the terms, structure and operational procedures of the delegation,

(ii) the frequency of any committee or sub-committee meetings,

(iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;

(c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and

(d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).

These matters should continue to form part of each administering authority's governance compliance statement.

It is recommended that the new governance compliance statement incorporates the existing requirements alongside the recommendations arising from this review.

A Conflicts of interest

A1. Conflicts of Interest Policy

The Fund has published a conflict of interest policy which sets out:

- How it identifies potential conflicts of interest (including those set out in recommendation B1)
- How it ensures that understand their responsibilities in respect of ensuring that conflicts of interest are properly managed;
- That the policy applies to officers, elected members, members of the local pension board and advisers and contractors;
- Systems, controls and processes for managing and mitigating conflicts of interest effectively;
- How it reviews the effectiveness of its conflict of interest policy and updates it as required;
- How it embeds a culture which supports the management and mitigation of conflicts of interest.

The Governance Compliance Statement includes a link to this policy.

A2. Conflicts of Interest Process

The fund embeds the management of conflicts of interest into its everyday processes. This includes:

- Providing regular training to members of the pension committee, pension board and officers on identifying and managing potential conflicts of interest;
- Ensuring a record is kept of situations where the Conflict of Interest Policy has been applied to mitigate or manage a potential conflict situation;
- Ensuring that a declaration of interests forms part of the agenda for all pension committee and pension board meetings and that an annual declaration of interests is completed;
- Ensuring actual and potential conflicts of interest are considered during procurement processes; and
- Ensuring that conflicts of interest form part of the Fund's suite of policies for example the Funding Strategy Statement and Administration Strategy.

A3. The Council as administering authority and employer

The Council recognises that its dual role as both an employer participating in the Fund and the body legally tasked with its management can produce the potential for conflicts of interest. It is important that these potential conflicts are managed in order to ensure that no actual or perceived conflict of interest arises and that all of the Fund's employers and scheme members are treated fairly and equitably.

The Fund achieves this in the following ways:

- The Funding Strategy Statement sets out the Fund's approach to all funding related matters including the setting of contribution rates. This policy is set with regard to the advice of the Fund actuary and is opened to consultation with all Fund employers before being formally adopted by the Pension Committee. The approach to contribution setting is based on specific employer characteristics such as its time horizon, strength of covenant and risk profile. This approach ensures a consistency across all employers and removes the possibility of any employer receiving more, or less, favourable treatment.
- The Fund also has an admissions policy which details its approach to admitting new employers to the Fund. This includes it approach to the use of guarantors, bonds and the setting of a fixed contribution rate for some employers. This policy, in conjunction with the Funding Strategy Statement, ensures a consistent approach when new employers are admitted in to the Fund.
- The Fund's administration strategy sets out the way in which the Fund works with its employers and the mutual service standards that are expected. The policy details how the Fund will assist employers to ensure that they are best placed to meet their statutory LGPS obligations. On occasions where an employer's failure to comply with required processes and standards has led to the Fund incurring additional cost, the policy also provides for that cost to be recovered from the employer in question. This policy has been opened to consultation with all the Fund's employers and is operated in a consistent fashion across all of the employer base.
- The pension fund is run for the benefit of its members and on behalf of all its employers. It is important therefore that the Fund's budget is set and managed separately from the expenditure of the Council. Decisions regarding pension fund resource are taken to the Pension Committee who then make recommendation to the S151 officer.

B Clarity of Roles and Responsibilities

B.1 Clear decision making

The Council's constitution and scheme of delegation set out the terms of reference for the Pension Committee.

The Pension Board's terms of reference and the membership and terms of reference for any sub-committees are also published.

The scheme of delegation is supported by:

- clearly documented role and responsibilities for the LGPS Senior Officer, S151 and pension fund officers / Head of Pension Fund; and
- a decision matrix which sets out the key decisions that are required to be made in the management of the Fund and the role that the main decision makers have in those decisions. The matrix sets out when an individual or body is responsible for a decision, accountable for a decision or where they must be consulted or informed of a decision.

On a regular basis the Fund's business processes are referenced against the decision matrix, to ensure that they properly reflect the correct responsibility and accountability.

The terms of references for the Committee & Board are publicly available and should be reviewed on a regular basis.

C Sufficiency of resources for service planning and delivery

In order to ensure that the Fund has the appropriate resource to deliver its statutory obligations it has adopted a 3 stage approach.

C.1 Business planning and budget setting

The Fund operates a 3 year business plan which sets out the priorities for the Fund's services. It is comprehensively reviewed, updated and agreed by the Pension Committee before the start of each financial year. If necessary, the plan is reviewed and updated on a more frequent basis. The business plan is publicly available.

The business plan takes into account the risks facing the Fund, performance of the Fund (including backlogs of work) and anticipated regulatory changes.

The business plan also includes the Fund's budget. Resource requirements (including staff recruitment, procurement and other specialist services) are determined by the requirements of the Fund's business plan.

The business plan also sets out the Key Performance Indicators (KPIs) which will be used to monitor progress against the business plan.

Progress against the business plan, including actual spend, is monitored by the Pension Committee on a regular basis and published in the Fund's annual report and accounts.

C.2 Service delivery

The Fund publishes an administration strategy which sets out how it will deliver the administration of the Scheme. The strategy includes:

- details of the structures and processes in place for the delivery of the pension administration function;
- expected levels of performance for the delivery of key Fund and employer functions;
- the Fund's approach to training and development of staff;

- the Fund's approach to the use of technology in pension administration.

C.3 Monitoring delivery and Control environment

The Fund recognises the importance of monitoring and reporting how it delivers progress against the business plan. This is done on the following ways:

- Performance against KPIs is reported to the Pension Committee and Pension Board on a regular and agreed basis. KPI performance is reported in the Fund's annual report. Plans to address any backlogs added to business planning process above.
- Every year the Fund's internal auditors carry out reviews to provide assurance that the Fund's processes and systems are appropriate for managing risks. The areas for review are agreed in advance with the Pension Committee and findings are reported to them.
- This year the internal audit also included an assessment of the Fund's performance against the requirements of The Pension Regulator's Code of Practice 14. The assessment recognised that the Fund is fully compliant in most areas but did make a number of suggestions about how the Fund could improve its internal controls for managing data. These suggestions have been adopted into the Fund's data improvement plan.
- Last year the Pension Board assisted the committee by undertaking an independent review of the sufficiency and appropriateness of the Fund's governance and operational resources. The review found that the Fund was for the most part properly resourced although the use of regular staff to tackle a backlog of aggregation cases was causing the backlog project to fall behind and having an adverse impact on business as usual. The review suggested procuring additional temporary resource in order to address the backlog issue.
- The Fund also participates in national benchmarking exercises which provides information on how costs, resource levels and quality of service compare with other LGPS funds and private sector schemes. The benchmarking did not identify any significant areas of concern.

D. Representation and engagement

The Fund has published a Policy on representation and engagement.

D.1 Representation on the main decision making body

The policy recognises all scheme members and employers should be appropriately represented in the running in the Fund while at the same time ensuring that the Council, as the body with ultimate responsibility for running the Fund, maintains a majority position on the key governance bodies. To this end the Fund's representation policy and the Council's constitution specify that the Council shall maintain a majority of voting members on the Pension Committee. The present Pension Committee is constituted as follows;

Pensions Committee – Membership and Meeting Attendance (Governance KPIs 1 and 2)

	Administering Authority / Employer / Member representative / Other	*Meeting Date*				Attendance (%)
		MM/YY	*MM/YY*	*MM/YY*	*MM/YY*	
Voting Members						
Cllr A (chair)	**Administering Authority**	**Y**	**N**	**Y**	**Y**	**75%**
Cllr B (vice-chair)	**Administering Authority**	**Y**	**Y**	**Y**	**Y**	**100%**
Cllr C	**Administering Authority**	**Y**	**N**	**Y**	**Y**	**75%**
Cllr D	**Administering Authority**	**N**	**Y**	**Y**	**N**	**50%**
Cllr E	**Administering Authority**	**Y**	**Y**	**Y**	**Y**	**100%**
F	**Employer representative**	**Y**	**Y**	**N**	**Y**	**75%**
G	**Member representative**	**N**	**Y**	**Y**	**Y**	**75%**
Vacancy		**N**	**N**	**N**	**N**	**0%**
Average attendance (including vacancies) %						**78%**
Average attendance (excluding vacancies) %						**69%**
Proportion of voting members not from the Administering Authority						**2 out of 7 (28%)**
Non-Voting Members						
H	**Member representative**	**Y**	**Y**	**Y**	**N**	**75%**
I	**Member representative**	**Y**	**Y**	**Y**	**Y**	**100%**

D.2 Membership of the Local Pension Board

The Local Pension Board is constituted as follows;

- 4 employer representatives comprising;
  - 2 elected members of the Council
  - 1 elected member of the District Council
  - 1 member representing all other employers
- 4 scheme member representatives comprising;
  - 1 member appointed by trade unions
  - 3 members representing active, deferred and pensioner Scheme members (to be appointed by an open election process)
- 1 independent chair

With the exception of the Chair, all members are full voting members.

The Pension Board has an independent adviser.

D.3 Engagement with employers

The Fund carries out a range of activities that are designed to engage employers. These are set out within the Fund's Communication strategy and include:

- An Annual Employer Forum which provides an opportunity for employers to receive an update on the performance of the Fund, provide feedback on the service and receive updates on the LGPS and related issues;

- The Fund engages and consults with employers during the actuarial valuation and specifically on key strategies such as the Funding Strategy Statement;
- A quarterly employer newsletter provides update on technical changes, process reminders and a calendar of key upcoming dates;
- Training sessions which can be provided on request covering the main areas of employer responsibility, for example year end returns, processing ill health cases and internal dispute resolution procedures; and
- The Fund is available to provide support on issues such as outsourcing services or workforce restructuring.

D.4 Engagement with members

The Fund's Communication Strategy sets out how it engages with active, deferred and pensioner scheme members including:

- The Fund maintains a website which provides general advice, information and updates including copies of all current policies.
- Members have secure online access to their own pension records in order to run retirement estimates.
- Member's annual benefit statements are available online or in writing (including large text) on request.
- Scheme members are able to arrange one to one appointments, by phone or at our offices, with members of the pension team to discuss specific matters.

E. Training

E.1 Training Strategy

The Fund has adopted a training strategy which establishes how members of the Pension Committee, Pension Board and Fund officers will attain the knowledge and understanding they need to be effective and to challenge and act effectively within the decision making responsibility placed upon them. The training strategy sets out how those involved with the Fund will:

- Have their knowledge assessed; and
- Receive appropriate training to fill any knowledge gaps identified.

The Fund will measure and report on progress against the training plans.

E.2 Evidencing standards of training

Details of the training undertaken by members of the Pension Committee and Pension Board are reported in the Fund's annual report and in this statement.

Committee and Board members' subject knowledge is assessed on an annual basis. The results are analysed and any gaps identified are addressed as part of the ongoing training plans.

Targeted training will also be provided that is timely and directly relevant to the Pension Committee and Board's activities as set out in the business plan.

Officers involved in the management and administration of the Fund are set annual objectives which will include an element of personal development. These objectives are monitored as part of each individual's annual appraisal.

The CIPFA requirement for continuous professional development for s151 officers now includes a regular LGPS element. This requirement applies to the s151 officer for the Council as well as the district and borough councils within the Fund. The fund has complied fully with this requirement.

Pensions Committee – Training for Financial Year YYYY/YY

Training Completed (hours)		***Subject***				**Total (hours)**
		Governance	***Investment***	***Pensions Administrati***	***Other (specify)***	
Pensions Committee						
Cllr A (chair)		**2**	**5**	**1**	**1**	**9**
Cllr B (vice-chair)		**2**	**4**	**1**	**1**	**8**
Cllr C		**4**	**5**	**2**	**2**	**13**
Cllr D						
Cllr E						
F						
G						
Vacancy						
					Sub-Total	**130**
Pensions Board						
R (chair)		**2**	**5**	**1**	**1**	**9**
S (vice-chair)		**2**	**4**	**1**	**1**	**8**
T		**4**	**5**	**2**	**2**	**13**
U						
V						
W						
X						
					Sub-Total	**100**
Officers						
LGPS Senior Officer		**6**	**8**	**3**	**4**	**9**
X						
Y						
Z						

Appendix 3 - KPI Reporting

This appendix includes example tables for reporting committee structure and training KPIs.

Pensions Committee – Membership and Meeting Attendance (Governance KPIs 1 and 2)

	Administering Authority / Employer / Member representative / Other	*Meeting Date*				Attendance (%)
		MM/YY	*MM/YY*	*MM/YY*	*MM/YY*	
Voting Members						
Cllr A (chair)	**Administering Authority**	**Y**	**N**	**Y**	**Y**	**75%**
Cllr B (vice-chair)	**Administering Authority**	**Y**	**Y**	**Y**	**Y**	**100%**
Cllr C	**Administering Authority**	**Y**	**N**	**Y**	**Y**	**75%**
Cllr D	**Administering Authority**	**N**	**Y**	**Y**	**N**	**50%**
Cllr E	**Administering Authority**	**Y**	**Y**	**Y**	**Y**	**100%**
F	**Employer representative**	**Y**	**Y**	**N**	**Y**	**75%**
G	**Member representative**	**N**	**Y**	**Y**	**Y**	**75%**
Vacancy		**N**	**N**	**N**	**N**	**0%**
Average attendance (including vacancies) %						**78%**
Average attendance (excluding vacancies) %						**69%**
Proportion of voting members not from the Administering Authority						**2 out of 7 (28%)**
Non-Voting Members						
H	**Member representative**	**Y**	**Y**	**Y**	**N**	**75%**
I	**Member representative**	**Y**	**Y**	**Y**	**Y**	**100%**

Pensions Committee – Meeting Content (Governance KPI 7)

			Meeting Date				Number of times item considered
			MM/YY	*MM/YY*	*MM/YY*	*MM/YY*	
		Meeting duration (hours)	3.0	2.5	4.0	2.5	
Governance							
	Declaration of Conflicts of Interest		X	X	X	X	4
	Policies/Strategies			X	X		2
	Business Planning					X	1
	Budget setting					X	1
	Annual report and accounts			X			1
	Governance Compliance Statement			X			1
	Audit matters (internal/external)		X	X	X		3
	Risk Register		X	X	X	X	4
	Business Continuity			X			1
	Data Security				X		1
	Breaches		X	X	X	X	4
	Regulatory Update			X		X	2
	Update from Pension Board		X				1
	Pool Governance issues			X		X	2
	Review of Effectiveness		X				1
	Training		X		X		2
	Other [to be specified]						
Funding							
	Actuarial Valuations		X	X			2
	Funding Strategy Statement		X	X			2
	Interim Funding Update				X	X	2
	Other [to be specified]						
Investment							
	Strategy review				X		
	Policies/Strategy (Investment Strategy Statement, Responsible Investment)				X	X	
	Strategy implementation - Asset Pooling - Investment manager appointments		X		X	X	3
	Monitoring of investments - Market update - Investment managers - Performance		X	X	X	X	4
	Other [to be specified]						
Pensions Administration							
	Administration Strategy					X	1
	Communications Strategy						0
	Performance Indicators		X	X	X	X	4
	Updates on Projects			X		X	2
	Other [to be specified]						

Appendix 4 - Summary of the Independent Governance Review

Annually, each administering authority to produce a governance compliance statement signed by the senior LGPS officer and S151 which demonstrates compliance with LGPS

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Biennially, each administering authority to commission an Independent Governance Review (IGR).

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IGR reports to senior LGPS officer, pensions committee and pensions board.

↓

IGR report goes to a SAB panel of experts for assessment. Panel could request further details of improvement plans, make recommendations or report to TPR & MHCLG

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Scheme Advisory Board

ANNEX to letter from SAB Chair to Luke Hall MP 11.2.2021

Action Plan (extract from Board report of 8 February 2021)

The action plan consists of formal requests from the SAB to MHCLG and other bodies to implement the recommendations from the project together with actions for the SAB which are either dependant on or regardless of the outcome of those requests.

- Column 1 of the grid below sets out the recommendations listed in the final report from Hymans Robertson.
- **Column 2 shows the actions proposed for MHCLG either by way of regulation or statutory guidance**.
- Column 3 shows any associated work that would need to be undertaken by bodies other than MHCLG or SAB
- Column 4 shows work that would need to be undertaken by SAB dependant on MHCLG guidance/work by other bodies being completed and;
- Column 5 shows actions that SAB can undertake to further improve scheme governance and administration immediately, regardless of the actions of MHCLG and other bodies.

Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
A.1 MHCLG will produce statutory guidance to establish new governance requirements for funds to effectively implement the proposals below. (“the Guidance”).	Publish statutory guidance (SG) to include requirements set out below using either reg 2(3A) powers or a new regulation in section 3			

Scheme Advisory Board Secretariat

18 Smith Square, London SW1P 3HZ

The Board secretariat is provided by the Local Government Association

Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
A.2 Each administering authority must have a single named officer who is responsible for the delivery of all LGPS related activity for that fund ("the LGPS senior officer").	Set requirement in scheme regulations	CIPFA to refer to the role in their guides	Publish a guide to the named officer role	Letter to CIPFA confirming SAB's recommendation to Minister
A.3 Each administering authority must publish an annual governance compliance statement (GCS) that sets out how they comply with the governance requirements for LGPS funds, as per statutory Guidance. This statement must be co-signed by the LGPS senior officer and S151.	Set requirement in scheme regulations and publish high level statutory guidance		Publish a guide to GCS, including best practice examples	
B.1 Each fund must produce and publish a conflicts of interest policy which includes details of how actual, potential and perceived conflicts are addressed within the governance of the fund, with specific reference to key conflicts identified in the Guidance.	Set requirement in statutory guidance at **A.1**		Publish a guide to CoI policies, including best practice examples	Survey AAs to identify extent of conflict of interest policies already in existence

Scheme Advisory Board Secretariat
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Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
B.2 The Guidance should refer all those involved in the management of the LGPS, and in particular those on decision making committees, to the guide on statutory and fiduciary duty which will be produced by the SAB	Request that MHCLG clarify Fiduciary Duty in statutory guidance at **A.1**	CIPFA to make reference in their Knowledge and Understanding framework	Publish guide on statutory and fiduciary duty based on A1 guidance and further legal advice	Seek further legal advice in co-ordination with Administering Authorities and recommend any further action in this area
C.1 Each fund must produce and publish a policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.	Set requirement in statutory guidance at **A.1**		Publish a guide to representation based on requirements of SG	Survey AA's for analysis of current representation
D.1 Introduce a requirement via the Guidance for key individuals within the LGPS, including LGPS officers and pensions committees, to have the appropriate level of knowledge and understanding to carry out their duties effectively.	Set requirement in statutory guidance at **A.1**	CIPFA to make reference in their Knowledge and Understanding framework	Publish a guide to relevant training including suppliers	Investigate existing training in this area and publish results

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Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
D.2 Introduce a requirement for s151 officers to carry out LGPS relevant training as part of CPD requirements to ensure good levels of knowledge and understanding.	Set requirement in statutory guidance at **A.1**	CIPFA to make reference in their Knowledge and Understanding framework	Publish a guide to relevant training including suppliers	
D.3 Administering authorities must publish a policy setting out their approach to the delivery, assessment and recording of training plans to meet these requirements.	Set requirement in statutory guidance at **A.1**		Publish a guide to training plans	Survey AA's for existing training plans and publish for best practice
D.4 CIPFA should be asked to produce appropriate guidance and training modules for s151 officers.		CIPFA to produce appropriate guidance and training		Letter to CIPFA setting out request
E.1 Each administering authority must document key roles and responsibilities relating to the LGPS and publish a roles and responsibilities matrix setting out how key decisions are reached. The	Set requirement in statutory guidance at **A.1**		Publish a Guide to Roles and Responsibilities Matrix	Survey and publish existing delegation arrangements in AA's

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Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
matrix should reflect the host authority's scheme of delegation and constitution, and be consistent with role descriptions and business processes.				
E.2 Each administering authority must publish an administration strategy.	Set requirement in scheme regulations		Publish a guide to administration Strategy	Obtain and publish examples of existing PSAs
E.3 Each administering authority must report the fund's performance against an agreed set of indicators designed to measure standards of service	Set requirement in scheme regulations or SG	CIPFA to include in AR&A guidance		
E.4 Each administering authority must ensure their committee is included in the business planning process. Both the committee and LGPS senior officer must be satisfied with the resource and budget allocated to deliver the LGPS service over the next financial year.	Set requirement in statutory guidance at **A.1**	CIPFA to publish appropriate guidance		Investigate and publish current arrangements for agreeing pensions budget

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Recommendation	MHCLG	Other bodies	SAB Dependant Actions	SAB Immediate Actions
F.1 Each administering authority must undergo a biennial Independent Governance Review and, if applicable, produce the required improvement plan to address any issues identified. IGR reports to be assessed by a SAB panel of experts.	Set requirement in scheme regulations, and include in high level statutory guidance		Establish panel of experts to review biennial governance reviews	Investigate the work of any similar bodies and consider potential structure and membership
F.2 LGA to consider establishing a peer review process for LGPS Funds.		LGA to consider proposal		Letter to LGA setting out request

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Independent Investment Advisor Objective and Role

Overall Fund Objective

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.

To enable this objective to be met, the assets of the Fund are invested 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 Pensions Committee has appointed an independent investment advisor whose key objective is to provide the Committee with assistance on investment matters, in addition to that provided by officers and the Investment Consultant.

This Independent Investment Advisor will:

- provide a quarterly report and briefing covering current and future economic and market conditions to the Committee;
- challenge the views of the Committee, the officers and the professional Investment Consultant (currently Hymans Robertson) to bring a different perspective to investment discussions;
- assist the Committee to challenge and question the Fund's investment managers on their performance and strategy;
- assist then Committee in understanding the appropriateness of the investment strategy / strategic asset allocation to meet the Fund’s liabilities; and
- offer opinion and challenge to other ad-hoc investment related matters.

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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Pensions Administration Report**

Summary:

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

Yunus Gajra, the Head of Governance and Business Development from WYPF, will update the Board on current administration issues.

Recommendation(s):

That the Board note the report.

Background

1.0 Performance and Benchmarking

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

1.2 The table below shows the performance against key areas of work for the period 1 October 2020 to 31 December 2020.

KPI's for the period 1.10.20 to 31.12.20						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
AVC In-house (General)	45	10	45	85	100	1
Change of Address	277	5	261	85	94.22	2.46
Change of Bank	73	Next	73	85	100	2.99

Details		payroll				
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
Death Grant Nomination Form Received	582	20	582	85	100	5.52
Death Grant to Set Up	25	5	24	85	96	1.36
Death In Retirement	108	5	104	85	96.3	1.3
Death In Service	2	5	2	85	100	1
Death on Deferred	1	5	1	85	100	1
Deferred Benefits Into Payment Actual	294	5	280	90	95.24	3.05
Deferred Benefits Into Payment Quote	288	35	278	85	96.53	6.49
Deferred Benefits Set Up on Leaving	631	10	603	85	95.56	7.74
Divorce Quote	47	20	43	85	91.49	9.15
Divorce Settlement Pension Sharing order Implemented	1	80	1	100	100	4
Enquiry	6	5	5	85	83.33	1.67
Estimates for Deferred Benefits into Payment	2	10	2	90	100	2
General Payroll Changes	38	Next payroll	38	85	100	1
Initial Letter Death in Service	2	5	2	85	100	1
Initial letter Death in Retirement	108	5	107	85	99.07	1
Initial letter Death on Deferred	1	5	1	85	100	1
Monthly Posting	791	10	772	95	97.6	1.08
NI adjustment to Pension at State Pension Age	5	20	5	85	100	15
Payment of Spouses _Child Benefits	43	10	41	90	95.35	5.3
Pension Estimate	112	10	102	75	91.07	4.35
Pension Saving Statement	1	20	1	100	100	1
Refund Actual	143	10	143	95	100	1
Refund Quote	213	35	213	85	100	1
Retirement Actual	164	3	156	90	95.12	1.09
Set Up New Spouse Pension	43	5	37	85	86.05	9.6
Spouse Potential	8	20	7	85	87.5	6.38
Transfer In Actual	30	35	29	85	96.67	4.87

Transfer In Quote	31	35	31	85	100	3.13
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
Transfer Out Payment	7	35	7	85	100	5.43
Transfer Out Quote*	77	20	62	85	80.52	15.7
Update Member Details	581	20	577	100	99.31	1

*Transfer Out Quote – additional requirements from TPR to protect against pension scams. Process is being reviewed and will be updated.

2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	22,857	26,263	540	24,482	2,523
Percentage of Membership	29.81	34.26	0.70	31.93	3.30
Change from Last Quarter	+216	-1,440	-288	+1,370	-139

2.2 Age Profile of the Scheme

	Age Groups												
Status	U20	20-25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66-70	70 +	TOTAL
Active	294	1536	1522	1994	2491	2726	3533	3766	3000	1645	271	79	22857

2.3 Employer Activity - During October 20 to December 20

New Academies and Education Trusts	0
New Town and Parish Council	0
New Admission Bodies	2
Total of New Employer	**2**
Employers Exited	2
Total Numbers of employers	**270**

3.0 Member and Employer Contact

3.1 Over the quarter October to December we received 0 online customer responses.

3.2 Over the quarter October to December 163 Lincolnshire member's sample survey letters were sent out and 29 (17.8%) returned:

3.3 Overall Customer Satisfaction Score:

October to December 2019	January to March 2020	April to June 2020	July to September 2020	October to December 2020
84.5%	78.7%	92.7%	94.9%	82.1%

3.4 **Appendix A** – Customer survey results.

3.2 Employer Training. Over the quarter October to December we held sixteen Employer webcasts which were attended by Employers across all four Funds that WYPF administer.

4.0 Internal Disputes Resolution Procedures

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

4.2 Stage 1 appeals against the fund

No appeals currently outstanding.

4.3 Stage 1 appeals against scheme employers

One appeal decision in this period. One appeal currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
8/9/2020	Against 'Rule of 85' protection not applying.	The appeal was turned down as the decision to apply a reduction to benefits at age 60 was correct. But WYPF had not provided a complete explanation of the actions taken with the initial incorrect recording of 'qualify service' by the previous scheme administrator and it's subsequent removal and was therefore required to provide further clarification to the member.	8/10/2020
2/12/2020	Appeal against being refused an ill health pension.	Referred to Serco as the scheme employer.	

4.4 Stage 2 appeals

No appeals in this period.

4.5 Ombudsman

No cases in this period.

5.0 Administration Update

5.1 CEM Benchmarking

WYPF took part in a Pension Administration Benchmarking Analysis together with a number of other Funds, both public and private. CEM not only measure our cost per member but also the quality of service. Results were recently received which show that:

(i) Our pension administration costs of £15.28 per member were £10.84 below the adjusted peer average of £26.12.

(ii) Our Business-As-Usual (BAU) costs of £15.28 per member were £7.24 below the adjusted peer average of £22.52.

(iii) Our total administration cost per member fell by -3.8% in the last year.

(iv) Our total member service score was 64 out of 100. This was above the peer median of 63.

(v) Our governance costs of £1.29 per member were £5.92 below the per member average of £7.22.

Summary:

Pension Administration Costs

- Our total costs were £10.84 per member below the peer average.
- Our Business as Usual (BAU) costs were £7.24 per member below the peer average.
- Our cost per member fell by -3.8% (CPI 1.3%) in the year.

Member Service

- Our total service score was above the peer median.
- We scored well for service in these areas:
  - Service over the telephone
  - Service Level Agreement
  - Benefit Statements
  - Feedback

- We scored below your peers in these areas:
  - Secure member website
  - Meeting members individually
  - Tracing members
  - Estimates

Cost effectiveness

- We were positioned as high member service, low cost on the CEM administration cost effectiveness graph.

Employer Service

- We scored well for meeting with and reporting to employers, and training employer staff.

NB. Please note that the results are in draft and may change subject to clarification on a couple of issues.

5.2 Internal Audit Report – Accuracy of Contributions Recorded on Member Records

The Board asked for an update on the recommendations made by Internal Audit on the audit they carried out on Accuracy of Contributions.

We have been delayed in implementing all the planned improvements due to a number of work change processes and reduced face to face working in the office. However, we have introduced a number of new controls that addresses all recommendations, with the exception of one recommendation – that is to review automatic benefit recalculation processes, that pick up changes to pensioner or deferred members' records.

NEW MANUAL PROCESSES INTRODUCED (PENDING NEW SYSTEM PROCESSES)

1. New reports have been created to carry out additional review of all postings for member on UPM and check summary postings on UPM to spreadsheet submitted by employer (RELEVANT TO ALL CLIENTS).

2. Contribution liability created in UPM by posting contribution in UPM, is transferred to SAP by journaling Sum posted in UPM to employer codes in SAP for all employers (ONLY RELEVANT TO WYPF).

3. Monthly cash collected are balanced to 2 above, and creates a cash statement for employers (ONLY RELEVANT TO WYPF).

4. All postings to member records in UPM are reviewed to identify exceptions – postings to pensioner, flexible retirements, deferred members etc. These are further reviewed to ensure correct posting and valid instruction from employers (RELEVANT TO ALL CLIENTS).

5. Review of all officers posting in each month to ensure authorisation and manage segregation of duty. Only finance officers are authorised to action originating transactions, whilst service officers are authorised to move contribution from an incorrect folder to another folder – Debit on folder and Credit another, therefore such transaction must balance to zero employer (RELEVANT TO ALL CLIENTS).

Our aim is to restart "Phase 3 of Monthly Posting" as soon as possible and add in all the additional controls developed so far, using automated system processes.

6.0 Current Technical Issues

6.1 See **Appendix B**.

7.0 Shared service Budget

7.1 Latest projected spend for 2020/21 is £12.76m, against a budget of £14.85m, underspend of £2.09m. Impact of Covid-19 continues and so does pressure on services, face to face activities are still suspended, therefore we will continue to increase our investment in digital services and communication. Pleased to report that we are delivering a good level of service in terms of quality, volume and price.

7.2 For 2021/22 a budget of £15.43m was approved for all WYPF operational activities including shared services.

WYPF ALL SERVICES	2019/20 OUTTURN £000	2020/21 BUDGET £000	2020/21 FORECAST PD10 £000	2020/21 VAR BGT - PD10 FAV (ADV) £000	2021/22 BUDGET £000
Accommodation	422	369	305	64	290
Actuary	533	300	300	0	300
Computer	991	803	1,135	-332	900
Contingency	0	0	50	-50	110
Employees	7,711	8,167	6,779	1,388	9,229
Internal Recharge	454	454	454	0	454
Other Running Costs	1,174	1,370	1,285	85	870
Transaction Costs	2,770	2,725	1,900	825	2,725
Printing & Stationery	518	662	552	110	500
Strategy	0	0	0	0	50
TOTAL EXPENDITURE	14,573	14,850	12,760	2,090	15,428
Charge to WYPF Account	-12,306	-12,364	-10,580	-1,784	-12,695
Other Income	-309	-186	-233	47	-233
Shared Service Income	-1,958	-2,300	-1,947	-353	-2,500
TOTAL INCOME	-14,573	-14,850	-12,760	-2,090	-15,428

7.3 With increasing shared service partners and reduced cost of operation our cost per member for pension administration is £13.22 for 2020/21 and original budget for 2021/22 is £15.08. We will be funding the following cost pressures from the 2021/22 £15.43m budget:

a. Increase investment in digital services for members and employers.
b. Improve remote + mobile access for staff to IT systems.
c. Supply of fit for purpose IT equipment and services
d. Cost of implementing McCloud and Goodwin remedies
e. Improve back office – HR and client support for shared service

7.4 The latest projection of £13.22 per member, means all partners will receive over £3 per member refund / reduction for 2020/21 financial year. This will be processed in May 2021 when we raise invoices for 2021/22, we have made provisions for this in the income for 2020/21.

7.5 Lincolnshire projected shared service charges

Lincolnshire LGPS	MEMBER No	NUMBER OF MONTHS	FACTORED MEMBER No	BUDGET PER MEMBER	2020/21 BUDGET	FORECAST COST PER MEMBER	2020/21 FORECAST PD10
Lincolnshire LGPS	76,646	12	76,646	£14.42	£1,104,864	£13.22	£1,013,603

8.0 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.

9.0 Appendices

These are listed below and attached at the back of the report	
Appendix A	Customer survey results
Appendix B	Current Issues

10.0 Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

11.0 Background Papers

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

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

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APPENDIX A

Customer Survey Results - Lincolnshire Members (1st October to 31st December 2020)

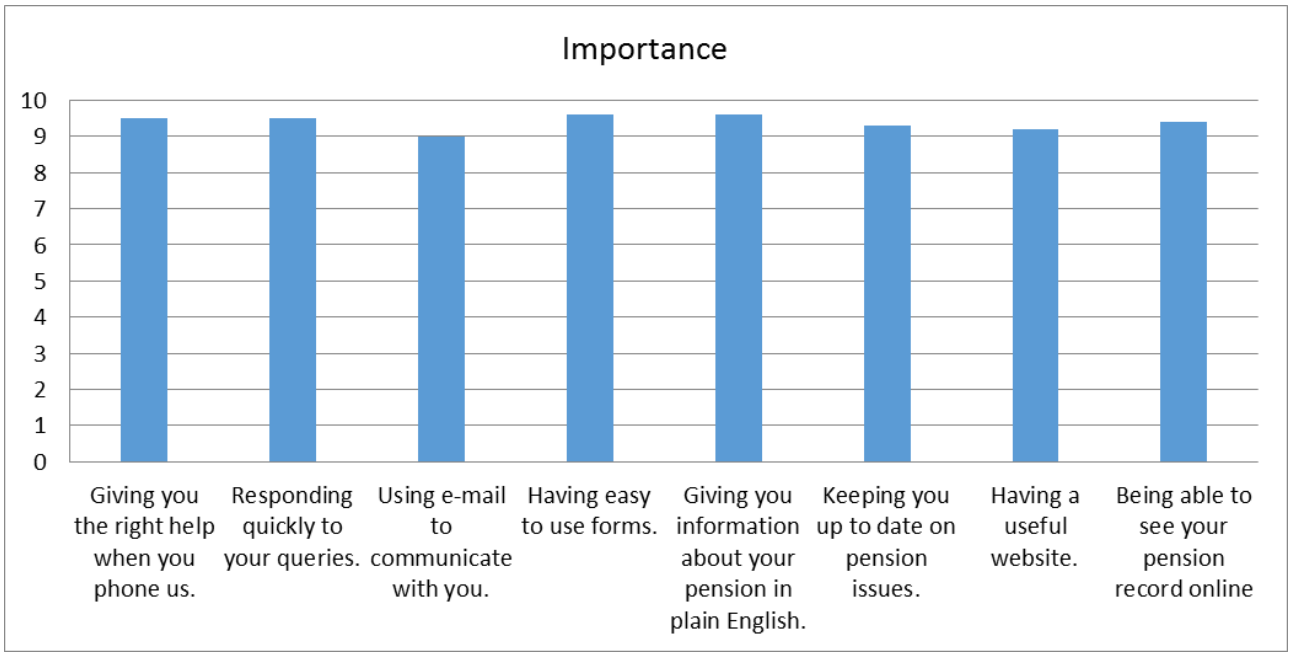
Over the quarter October to December we received **0** online customer responses.

Over the quarter October to December **163** Lincolnshire member's sample survey letters were sent out and **29 (17.8%)** returned:

Overall Customer Satisfaction Score:

October to December 2019	January to March 2020	April to June 2020	July to September 2020	October to December 2020
84.5%	78.7%	92.7%	94.9%	82.1%

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



Sample of positive comments:

Member Number	Comments
8092288	Generally speaking, I have found the service received helpful and informative. Most recent telephone contact to obtain information needed quickly about life time allowance was dealt very efficiently and quickly at first point of contact.
8133916	So far your service has been quick and professional with a personal touch and friendly.
8087399	During the Covid 19 it was managed in a positive manner. Good services provided.
8055567	Helpful, fast and efficient service.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
8135083	Difficult and confusing. I am still waiting for paperwork which was requested multiple times during last couple of months.	Rang member about her customer survey form. I apologised for the confusion and said I had a couple of questions. In her last phone call she mentioned linking 8124216 to 8135083 but 8124216 still appears to be an active record. She confirmed it is and she wants to link 8130003 to 8135083. I said I will create a linking quote and mark is as urgent and will get it sent out ASAP. She requested, please can we email her it securely through Galxkey and also post the quote too. .I agreed we would do that for her.

APPENDIX B

Current Issues

Exit cap disapplied

On 12 February 2021, HM Treasury published the Exit Payment Cap Directions 2021. The Directions disapply regulations 3, 9 and 12 of the Restriction of Public Sector Exit Payment Regulations with immediate effect. This means the exit cap does not apply to exits that take place in England on or after 12 February 2021. HMT has provided further information in the Restriction of Public Sector Exit Payments: Guidance on the 2020 Regulations. HMT confirms in the Guidance that:

"the Government has concluded that the Cap may have had unintended consequences and the Regulations should be revoked. HMT Directions have been published that disapply the Cap until the Regulations have been revoked."

The Guidance is not clear on whether the 2020 Regulations will be revoked retrospectively.

Exits between 4 November 2020 and 11 February 2021

You will need to review any redundancy and business efficiency exits that occurred between 4 November 2020 and 11 February 2021 where you were not able to meet the full strain cost because of the exit cap.

Whilst the Guidance does not address pensions directly, the Government has confirmed it expects employers to pay the additional sums that would have been due, had the cap not applied. This is set out in section 3 of the Guidance. Had the cap not applied, the employer would have paid the full strain cost requested by the LGPS administering authority in these cases. The action you now need to take depends on whether you made a cash alternative payment.

Background to the cash alternative payment.

We previously advised you of the conflict between the 2020 Regulations and the LGPS regulations. The LGPS regulations require that an employee age 55 or over, who is made redundant or leaves due to business efficiency, must take payment of an unreduced pension. Before they were disapplied, the 2020 Regulations prevented the employer from paying the full strain cost where the total exit payment was over £95,000.

In a letter from MHCLG to councils and LGPS administering authorities dated 28 October 2020, MHCLG recommended that LGPS administering authorities should not pay unreduced benefits and that employers should pay the cash alternative to the member in accordance with regulation 8 of the 2020 Regulations. The cash alternative was equal to the amount of capped strain cost the employer could pay.

The Scheme Advisory Board (SAB) sought legal advice on the conflict between the 2020 Regulations and the LGPS Regulations. The SAB recommended that administering authorities offer a deferred or fully reduced pension and that employers delay paying a cash alternative payment until the legal uncertainty was resolved.

The exit cap does not apply to exits that take place on or after 12 February 2021; however, the government has confirmed it remains committed to the policy and will introduce legislation to tackle unjustified exit payments.

In addition, we understand that MHCLG plans to introduce further changes to exit payments, following the recent MHCLG consultation on reforming local government exit pay, at the same time as the exit cap is re-introduced. MHCLG has confirmed that they will consult again on further reforms to exit payments before any changes are made.

The Government has not confirmed when the exit cap or further reforms will be introduced, although we think it is unlikely to happen in the next few months due to the changes necessary to legislation. You will need to consider both when undertaking future workforce reforms. We advise that you include appropriate warnings when providing employees with information on their potential exit packages.

However, for the time being if an LGPS member exits due to redundancy or business efficiency at age 55 or over on or after 12 February 2021:

- the member is entitled to and must take an unreduced pension under regulation 30(7) of the LGPS Regulations 2013
- you must pay the strain cost associated with the early payment of that pension to the administering authority
- you must not make a cash alternative payment to the member nor to the administering authority on behalf of the member.
- You must not make a cash alternative payment in respect of any redundancy or business efficiency exits that take place on or after 12 February 2021.

2021/22 employee contribution bands

Below are the employee contribution bands, which will be effective from 1 April 2021. They are calculated by increasing the 2020/21 employee contribution bands by the September 2020 CPI figure of 0.5 per cent and then rounding down the result to the nearest £100.

Table 1: Contribution table England and Wales 2021/22

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1	Up to £14,600	5.50%	2.75%
2	£14,601 to £22,900	5.80%	2.90%
3	£22,901 to £37,200	6.50%	3.25%
4	£37,201 to £47,100	6.80%	3.40%
5	£47,101 to £65,900	8.50%	4.25%
6	£65,901 to £93,400	9.90%	4.95%
7	£93,401 to £110,000	10.50%	5.25%
8	£110,001 to £165,000	11.40%	5.70%
9	£165,001 or more	12.50%	6.25%

Government confirms 2021 revaluation and releases PI multiplier tables

On 12 January 2021, the Government made a written statement on indexation and revaluation in public service pension schemes and published the 2021 pensions increase multiplier tables.

The statement confirms that public service pensions will increase on 12 April 2021 by 0.5 per cent, except for pensions that have been in payment for less than a year, which will receive a pro-rata increase. The statement also confirms that active LGPS CARE accounts will increase on 1 April 2021 by 0.5 per cent. Active CARE accounts in the other public service schemes will increase as follows:

- Police Pension Scheme: 1.75 per cent
- Firefighters' Pension Scheme: 2.4 per cent
- Civil Service Pension Scheme: 0.5 per cent
- NHS Pension Scheme: 2 per cent
- Teachers' Pension Scheme: 2.1 per cent
- Armed Forces Pension Scheme: 2.4 per cent
- Judicial Pension Scheme: 0.5 per cent.

The Government expects to make the relevant annual revaluation orders in March 2021.

The PDP publishes dashboard data standards

On 15 December 2020, the Pensions Dashboard Programme (PDP) published the key data standards which will underpin pensions dashboards.

Data standards provide a common language to describe the pensions information that will be found and displayed on the dashboards. Pension schemes will need to make sure that their data is consistent with the standards, so that members can access this through the dashboards. With on-boarding to dashboards expected from 2023, the PDP urges all schemes to start preparing their data now.

Coronavirus Job Retention Scheme extended

On 17 December 2020, the Government announced an extension to the Coronavirus Job Retention Scheme (CJRS). Commonly known as 'furlough', the CJRS will now run until the end of April 2021. Furloughed employees will receive 80 per cent of their current salary for hours not worked, up to a maximum of £2,500 per month. Employers will be asked to cover National Insurance and employer pension contributions for hours not worked.

McCloud Update

MHCLG has shared the feedback on its consultation on the proposed changes to the statutory underpin which closed on 8 October. The main themes from the consultation are:

- Implementation will be a highly significant project for administrators and employers, and obtaining data and finding resources are of real concern
- There is a strong desire for national guidance and communications
- There is general support for the two-stage underpin proposal, with some concerns raised regarding scope and including underpin estimates in the ABS

In addition, the LGA has recently reiterated its encouragement for funds to make a start on gathering McCloud data, identifying gaps in hours and service break data, issuing data templates to employers and consulting with software providers with regard to loading the data onto their administration system to allow the proposed new underpin to be calculated for active members and leavers. WYPF's McCloud project team will be issuing the data template to Employers shortly.

Clearly it would be preferable for the LGPS regulations to be finalised as early as possible to enable software providers and WYPF sufficient time to prepare for implementation. In the meantime, there is plenty to do to prepare and we have started work to identify how many members we may have in scope, formally set up their project, consider our resource.

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Temporary Bank Accounts**

Summary:

This report updates the Board on the number of temporary bank accounts created by WYPF to hold monies due to beneficiaries of the scheme.

Yunus Gajra, the Head of Governance and Business Development from WYPF, will update the Board.

Recommendation(s):

That the Board note the report.

1.0 Background

1.1 For a number of years, WYPF have set up a number of temporary bank accounts with HSBC for deferred or pensioner beneficiaries who appear to be entitled to a pension scheme benefit but for whom we have lost contact with.

1.2 Under the current scheme rules members who are entitled to a refund are required to claim the refund within 5 years of leaving. WYPF has a number of members who have not claimed the refund within the 5 year period. As a result temporary deposit accounts have been set up for these members. Late claims will then be released from the account and paid to the claimant.

1.3 The payment into a temporary bank account means that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.

1.4 The Pension Board have asked for information on the number of temporary accounts held and the amount of money held in these accounts.

STG1 - Pensioner/Beneficiary	
Currently Opened	
No. of Deposit with Credit Balances	**60**
Total Credits	**£47,225.00**

STG2 - Post 14 Refunds	
Currently Opened	
No. of Deposit with Credit Balances	**201**
Total Credits	**£26,512.88**

Opened Accounts	
2020/21	16
2019/20	27
2018/19	34
2017/18	66
2016/17	11
2015/16	4

Opened Accounts	
2020/21	122
2019/20	130

Closed Accounts	
2020/21	3
2019/20	42
2018/19	22
2017/18	27
2016/17	4
2015/16	0

Closed Accounts	
2020/21	35
2019/20	10

2.0 Lost Contact Pensioners/Deferreds

2.1 The number of temporary deposit accounts held for this category of members is has increased to 60 from 50 which was reported at the last Pension Board.

Total number: 60

Current amount held in accounts: £47,225.00

This is a reduction on the amount previously held of £51,743.84 as some beneficiaries have been traced.

3.0 Post 2014 Preserved Refunds

3.1 The number of temporary deposit accounts held for this category of members has increased to 201 from 87:

Total number: 201

Current amount held in accounts £26, 512.88

This is an increase from the amount previously held of £6,080.08

3.2 This is an increase of 114 reported at the last Pension Board, as expected as more and more members come up to their five year deadline. However, the National Technical Group has contacted the Scheme Advisory Board to request a change in the LGPS Regulations 2013 to remove the requirement for a refund to be paid within five years. A response is still awaited.

4.0 Tracing

4.1 At least on an annual basis WYPF review the bank accounts and carry out further traces to see if the member can be located. This can be through the National Fraud Initiative, using a tracing agency or other means such as death notifications, member contacting us etc.

5.0 Conclusion

5.1 Payments into a temporary bank account are made when all tracing options are exhausted and mean that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.

5.2 The accounts are regularly monitored and closed where members are located or confirmation received that they have died.

6.0 Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

7.0 Background Papers

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

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

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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Employer Monthly Submissions Update**

Summary:

This paper provides the Board with up-to-date information on Employer Monthly Submissions for the third quarter of the financial year 2020/21 (October to December inclusive).

Recommendation(s):

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

Background

1.1 There are approximately 270 employers within the Lincolnshire Pension Fund. All employers have a statutory responsibility, as set out within the Pensions Act 1995, to ensure that they pay over contributions due to the Fund on a timely basis. The date these are due is set out in the Fund's Administration Strategy, which all employers have signed up to, and has been set as the 19th of the month following their payroll. The Fund considers an employer a 'late payer' if either the cash and/or the data is received after this date.

1.2 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).

1.3 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.

1.4 A summary of all late contributions or data submissions since April 2020 is set out in table one below.

Table One: Late contributions and data submissions to December 2020

Month	Payment of Contributions		Submission of Data		Payment of Conts & Submission of Data		Data and Payments do not Match / Incorrect Rate	
April	*3*	*1.1%*	*14*	*5.1%*	*4*	*1.5%*	*2*	*0.7%*
May	*0*	*0.0%*	*2*	*0.7%*	*1*	*0.4%*	*5*	*1.8%*
June	*5*	*1.8%*	*8*	*2.9%*	*3*	*1.1%*	*0*	*0.0%*
July	*3*	*1.1%*	*8*	*3.0%*	*1*	*0.4%*	*0*	*0.0%*
August	*1*	*0.4%*	*14*	*5.2%*	*0*	*0.0%*	*6*	*2.2%*
September	*1*	*0.4%*	*11*	*4.1%*	*1*	*0.4%*	*3*	*1.1%*
October	5	1.9%	18	6.7%	1	0.4%	2	0.7%
November	0	0.0%	22	8.2%	1	0.4%	4	1.5%
December	0	0.0%	8	3.0%	1	0.4%	3	1.1%
Total	**18**		**105**		**13**		**25**	

1.5 The analysis shows the number of employers making a late payment of contributions, missing both payment of contributions and data, or submitting data and payments that did not match, is a relatively small percentage of the overall number of employers. A higher number of employers submitted their data returns late.

1.6 The quarter saw a deterioration in the performance of one of the larger payroll provider in submitting employer data into the portal. In October they accounted for fourteen of the late data submissions and for November it was twenty-one of the twenty-two. To tackle this, the Fund formally contacted all affected employers, reminding them of the statutory requirements and encouraging them to work with the payroll provider to improve compliance. The payroll provider has been actively engaging with the Fund ensure they meet the statutory deadline. In December the number of late submissions had reduced to six and to just one for the January submission. The payroll provider has agreed a revised process with the Fund and it is hoped that their improved performance will continue into quarter four.

1.7 None of the breaches individually have been material and therefore have not been reported to the Pensions Regulator; however, they have been included en masse in the breaches register.

1.8 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 sets out the number of fines issued since April 2020. There have been four fines issued in the quarter October to December 2020.

Table Two: Late contributions fines to December 2020

April	*May*	*June*	*July*	*August*	*September*
0	*0*	*0*	*1*	*2*	*1*
October	November	December			
0	2	2			

Conclusion

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

2.2 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) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Employers late data contributions or data - quarter three 2020/21 (October to December inclusive)

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 .

Late Contributions and Payments October to December 2020

October 2020

Employer	Late Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
BG (LINCOLN) LTD	Yes	20/11/2020					
BISHOP GROSSETESTE COLLEGE	Yes	20/11/2020					
TOWER ROAD ACADEMY BOSTON (Keystone)	Yes	27/11/2020					
DEEPING ST JAMES PC	Yes	01/12/2020					
KEYSTONE ACADEMY TRUST (was Bourne Westfield)	Yes	23/11/2020	Yes	25/11/2020			
ANCASTER COFE PRIMARY			Yes	26/11/2020			Yes
BOURNE ACADEMY (South Lincolnshire Academy)			Yes	07/12/2020			
GILES ACADEMY OLD LEAKE (South Lincs Academy Trust?)			Yes	27/11/2020			
KIRKBY LA THORPE C of E PRIMARY ACADEMY			Yes	26/11/2020			
LONG SUTTON PRIMARY ACADEMY (Keystone)			Yes	26/11/2020			
NE LINDSEY INTERNAL DRAINAGE BOARD			Yes	24/11/2020			
PINCHBECK EAST PRIMARY SCHOOL			Yes	27/11/2020			
SIR FRANCIS HILL PRIMARY SCHOOL LINCOLN			Yes	15/12/2020			
SKELLINGTHORPE ST LAWRENCE PRIMARY			Yes	30/11/2020			
SPALDING ACADEMY (South Lincolnshire Academy)			Yes	07/12/2020			
ST MARY'S CATHOLIC PRIMARY SCHOOL, GRANTHAM			Yes	10/12/2020			
ST PETER & ST PAUL CATHOLIC ACADEMY, LINCOLN (St. Therese of Lisieux)			Yes	01/11/2020			
SURFLEET PRIMARY			Yes	26/11/2020			
CASTLE WOOD ACADEMY, GAINSBOROUGH (Tall Oaks)			Yes	27/11/2020			
MERCER'S WOOD ACADEMY, GAINSBOROUGH (Tall Oaks)			Yes	27/11/2020			
WHITE'S WOOD ACADEMY, GAINSBOROUGH (Tall Oaks)			Yes	27/11/2020			
THURLBY COMMUNITY PRIMARY SCHOOL (Keystone)			Yes	26/11/2020			
MELLORS CATERING SERVICES					Yes	Data 23/11 & Cash 22/12	
BWAF							Yes
	Total = 5		Total = 18		Total = 1		Total = 2

Appendix A

November 2020

Employer	Late Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
ANCASTER COFE PRIMARY			Yes	06/01/2021			
BOSTON WEST ACADEMY			Yes	23/12/2020			
BOURNE ACADEMY (South Lincolnshire Academy)			Yes	23/12/2020			
KEYSTONE ACADEMY TRUST (WAS BOURNE WESTFIELD)			Yes	23/12/2020			
GAINSBOROUGH QUEEN ELIZABETH HIGH SCHOOL			Yes	23/12/2020			
GILES ACADEMY OLD LEAKE (South Lincs Academy Trust?)			Yes	23/12/2020			
HOLBEACH WILLIAM STUKELEY			Yes	23/12/2020			
LONG SUTTON PRIMARY ACADEMY (Keystone)			Yes	23/12/2020			
MONKS ABBEY PRIMARY SCHOOL LINCOLN			Yes	22/12/2020			
OUR LADY OF LINCOLN CATHOLIC PRIMARY ACADEMY, LINCOLN (St. Therese of Lisieux)			Yes	21/12/2020			
SIR FRANCIS HILL PRIMARY SCHOOL LINCOLN			Yes	23/12/2020			
SOUTH WITHAM COMMUNITY PRIMARY SCHOOL			Yes	05/01/2021			
SPALDING ACADEMY (South Lincolnshire Academy)			Yes	23/12/2020			
SPALDING ST JOHN THE BAPTIST PRIMARY			Yes	23/12/2020			
ST MARY'S CATHOLIC PRIMARY SCHOOL, GRANTHAM			Yes	23/12/2020			
THURLBY COMMUNITY PRIMARY SCHOOL (Keystone)			Yes	23/12/2020			
ST PETER & ST PAUL CATHOLIC ACADEMY, LINCOLN (St. Therese of Lisieux)			Yes	21/12/2020			Yes
BOURNE TOWN COUNCIL			Yes	23/12/2020			
CROWLAND SOUTH VIEW PRIMARY SCHOOL			Yes	23/12/2020			
KIRKBY LA THORPE C of E PRIMARY ACADEMY			Yes	23/12/2020			
WESTGATE ACADEMY, LINCOLN			Yes	22/12/2020			
WILLIAM ALVEY SCHOOL, SLEAFORD			Yes	15/01/2021			
CROWLAND PARISH COUNCIL					Yes	Data 22/12/20. Cash 12/01/21.	
MAGNA VITAE							Yes
TAYLOR SHAW (BRANSTON)							Yes
CIT SCHOOLS							Yes
	Total = 0		Total = 22		Total = 1		Total = 4

December2020

Employer	Late Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match / Incorrect rate
SPALDING ACADEMY			Yes	27/01/2021			
HOLBEACH BANK PRIMARY ACADEMY (HBA)			Yes	21/01/2021			
KEYSTONE ACADEMY TRUST (WAS BOURNE WESTFIELD)			Yes	27/01/2021			
MELLORS CATERING SERVICES			Yes	22/01/2021			
PINCHBECK EAST PRIMARY SCHOOL			Yes	26/01/2021			
SOUTH KESTEVEN DISTRICT COUNCIL			Yes	22/01/2021			
SPALDING COUNTY PRIMARY			Yes	28/01/2021			
WILLIAM ALVEY SCHOOL, SLEAFORD			Yes	28/01/2021			
GRANTHAM COLLEGE					Yes	22/01/21 (cash & 21/01/2021 data)	
BOURNE ACADEMY							Yes
TAYLOR SHAW (BRANSTON)							Yes
WITHAM 3RD DRAINAGE BOARD							Yes
	Total = 0		Total = 8		Total = 1		Total = 3

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Lincolnshire COUNTY COUNCIL
Working for a better future

Open Report on behalf of Andrew Crookham, Executive Director - Resources	
Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Lincolnshire Pension Fund Policies Review**

Summary:

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

Recommendation(s):

That the Board note the report and consider:
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 and Board annually, and the last comprehensive review was March 2020. This report presents the latest version of these policies for the Board's consideration.

Policies for Approval

2. The key policies to be reviewed and approved are set out as Annexes to this report. There have been limited changes to the policies, but any significant changes will be brought to the Board'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 updated strategic asset allocation that is being implemented as the Fund transitions to Border to Coast; and
- The removal of the Stewardship Code Statement, whilst it is being refreshed to meet the requirements of the 2020 Stewardship Code.

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; and
- Amendments to include the option of virtual meetings where previously they were only face-to-face.

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 to which 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:

- Addition of quarterly reporting from the Pension Board Chairman to the Pensions Committee.

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. No updates required.

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:

- Amendments to separate out where requirements differ for the Board and Committee; and
- Addition of consideration of stewardship responsibilities.

14. Appendix E includes the main body of the Policy but excludes the appendices, as these have not been amended.

Funding Strategy Statement

15. 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 following the change from Hymans Robertson to Barnett Waddingham and is at agenda item 11 of this meeting.

Stewardship Code Statement

16. As reported last year, 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 are 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.

17. Officers are currently working with Border to Coast and the Partner Funds to review the 2020 requirements, and will submit a new Stewardship Code Statement for the financial year to 31 March 2021. Once completed it will be brought to the Committee for approval and to the Board for consideration.

Conclusion

18. 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 consideration by the Pension Board.

Consultation

a) 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 .

Lincolnshire Pension Fund

Investment Strategy Statement

March 2021

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 periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Fund is also required to maintain a Funding Strategy Statements ("FSS") in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended). The FSS, 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 approved 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. The current allocation may differ in the interim as assets are transferred to the sub funds within 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 regularly reviews the suitability of the asset allocation, following advice from the officers, investment consultant and independent advisor.

It is intended that the Fund's investment strategy will be reviewed at least every three years, following the latest actuarial valuation of the Fund. The investment strategy takes due account of the maturity profile of the Fund and the current funding position.

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

Asset class	Benchmark
Equity Assets	
UK Equities	FTSE All Share
Global Equities	MSCI All Countries World Index
Diversifying Growth Assets	
Alternatives	LIBOR 3 Months + 4%
Property	
Property Venture	7% Per Annum
Property Unit Trusts	UK IPD Monthly Index
Infrastructure	6% Per Annum
Multi Asset Credit	LIBOR +4%
Protection Assets	
UK Gilts	FTSE UK Gilts All Stocks Index
Corporate Bonds	iBoxx £ Non-Gilts Index
UK Index Linked	FTSE UK Gilts Index-Linked Over 5 Years Index
Cash	LIBOR 3 Months

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

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

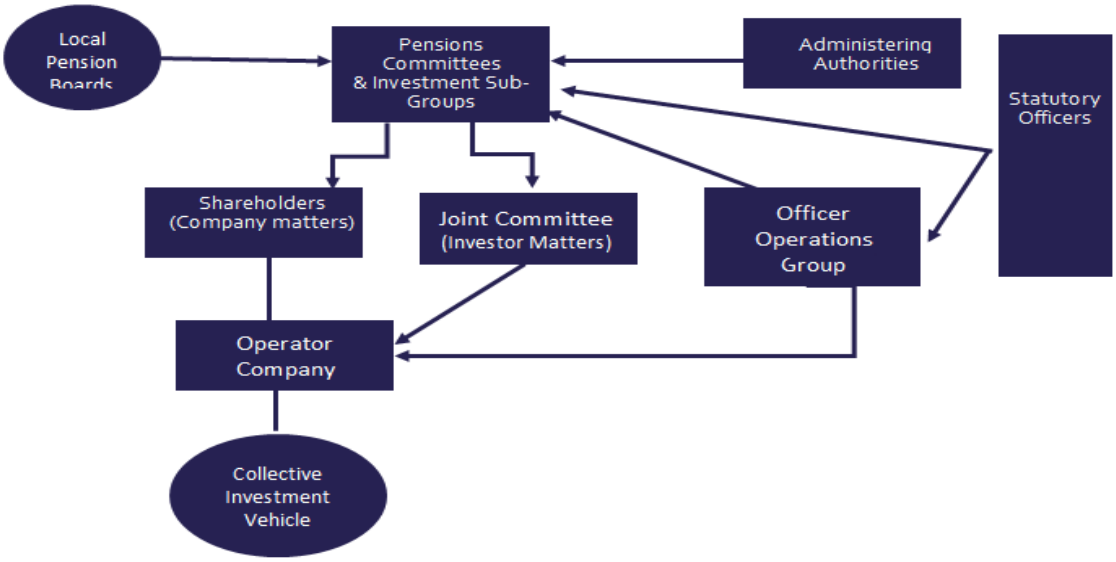
Investment Pooling

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 elected to become a shareholder in Border to Coast Pensions Partnership Limited (Border to Coast). Border to Coast is an FCA-regulated Operator and Alternative Investment Fund Manager ("AIFM").

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

- Bedfordshire Pension Fund
- Cumbria Pension Fund
- Durham Pension Fund
- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- 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 set out in the diagram below:



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.
- 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 retains the decision making powers regarding asset allocation and delegates the investment management function to Border to Coast.

A significant proportion of the Fund's investments are already made through Border to Coast, however 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 to 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 held outside of the pool, to ensure that it continues to demonstrate value for money. As required, the Fund will submit reports 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, taking ESG matters very seriously and monitoring the 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.

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 believes that asset owners, either directly (where resources allow) or through their external managers and membership of collaborative shareholder engagement groups (such as LAPFF), should 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. The Fund is in the process of preparing its statement for the 2020 UK Stewardship code. This will be included within the ISS once it has been completed and approved by the Committee and the Financial Reporting Council.

Compliance and monitoring

The investment managers are required to adhere to the principles set out in this Investment Strategy Statement, and Officers report to the Pensions Committee where any investment managers do not comply.

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

Lincolnshire Pension Fund

Communication Policy Statement

March 2021

Lincolnshire Pension Fund

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 270 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).

WYPF provide a dedicated enquiry phone numbers and emails for both scheme members and employers for pension related enquiries. For scheme members it is 01274 434999 and pensions@wypf.org.uk, and for employers it is 01274 434900 and wypf.pfr@wypf.org.uk.

March 2021

The appropriately qualified staff from the County Council, WYPF or external advisers will deliver presentations to groups of stakeholders and conduct individual meetings.

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

Communications events - Scheme Members

Communication	Format	Frequency	Method of Distribution
LGPS active members (including representatives of retired members)	Newsletter	2 per year	Mail
	www.wypf.org.uk	Constant	Web
	Contact centre - 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/electronic
	Roadshows	Quarterly	Face to face/virtual
	Mid-Life course Pre-retirement course	Currently on trial Monthly	Face to face/virtual Face to face/virtual
LGPS deferred members (including representatives of deferred members)	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
	Newsletter	1 per year	Mail
LGPS pensioner members (including representatives of retired members)	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/virtual
	Update sessions	2 per year	Meeting/virtual
	Annual meeting	1 per year	Meeting/virtual
	Manuals/toolkits	Constant	Web/electronic document
	Social media	Constant	Web
	Workshops	5 per year	Face to face/virtual
	Introduction to Pensions	Bi-monthly	Face to face/virtual
	Training webinars	Constant	Web
	Online training video	Constant	Web

Lincolnshire Pension Fund

Governance Policy and Compliance Statement

March 2021

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 quarterly meetings, two manager monitoring meetings and two training meetings each year. In addition, one or more special meetings may be held as required.

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.

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)); and
- 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. The Independent Chairman of the Board reports to the quarterly Pensions Committee to provide an update on the Board's work and any assurance given. 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.

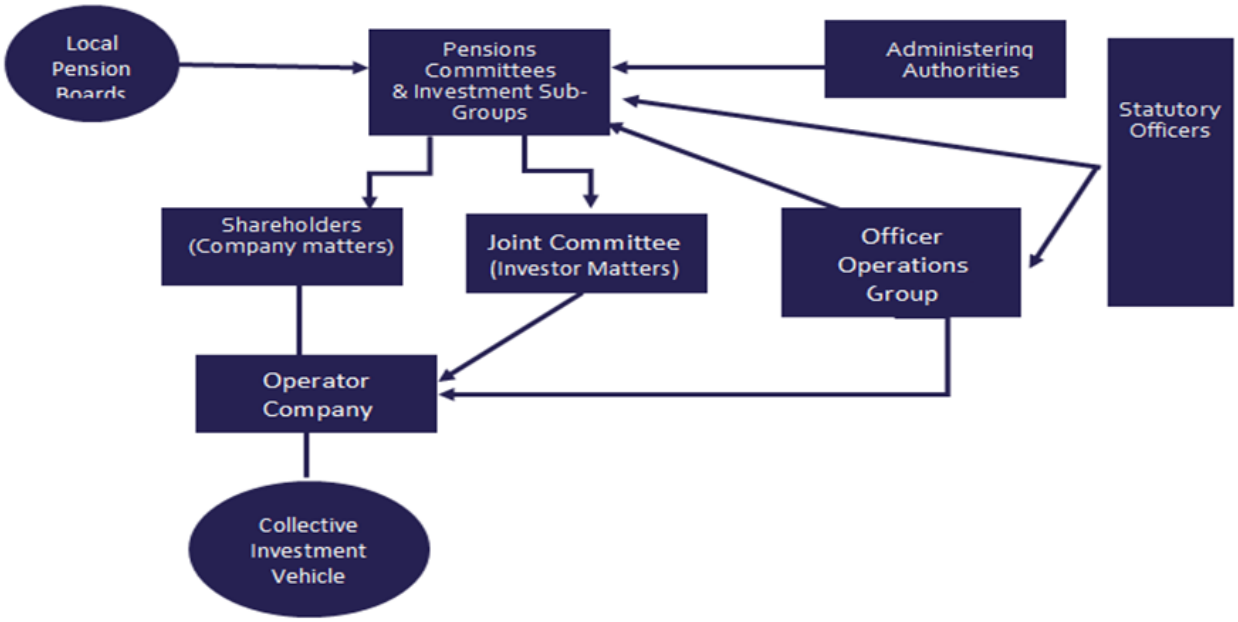
Any complaint or allegation of breach of due process brought to the attention of the Lincolnshire Pension Board shall be dealt with in accordance with the Fund's Breaches Reporting procedure and the Code of Practice as published by the Pensions Regulator.

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 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 and S151 Officer).

The Pension Fund retains the decision making powers regarding asset allocation and delegates the investment management function to Border to Coast, where asset have been transitioned.

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
A - Structure	**a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.**	Yes	See terms of reference for the Pensions Committee in the Policy Statement above.
	b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Partial	The Council has not, to date, seen the need to establish a secondary committee/panel. It will, however, keep this aspect under review and does establish working groups from the Committee to deal with specific issues. Pensioner and deferred beneficiaries are not presently represented directly on the Committee – see B a. below.
	c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Relevant	As discussed above, no such forum has been established as yet.
	d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Relevant	As discussed above, no such forum has been established as yet.
B - Representation	**a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee**	Partial	The Committee has 11 members, all with voting rights, of which 8 are County Council Councillors. Other members include one

	structure. These include :- • **Employing authorities (including non-scheme employers, e.g. admitted bodies);** • **Scheme members (including deferred and pensioner scheme members),** • **Where appropriate, Independent professional observers, and** • **Expert advisors (on an ad hoc basis)**		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.
	b. That where lay members sit on the main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	All members of the Committee have full voting rights and equal access to information, training, etc.
C – Selection and Role of Lay Members	**a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.**	Yes	Nationally customised training is available to all members and this is supplemented by locally provided induction sessions for new members of the Committee. In addition, the Committee agrees an annual training plan with specific topics covered on set dates.
	b. That at the start of any meeting, committee members are invites to declare any financial or pecuniary interest related to specific matters on the agenda.	Yes	The declaration of member's interests is a standard item on the agenda of the Pensions Committee.

D - Voting	**a. That the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.**	Yes	Full voting rights are given to all members of the Committee.
E – Training/Facility Time/Expenses	**a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.**	Yes	See C a. above. All expenses incurred by members of the Pensions Committee are either met by the body they represent or directly by the Fund itself.
	b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	All members are treated equally in every respect.
	c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The Committee agrees an annual training plan with specific topics covered on set dates. All training undertaken by members of the Pensions Committee is recorded and additional training opportunities are regularly brought to the attention of the Committee, either in monthly update letters or in reports taken to Committee.
F – Meetings - Frequency	**a. That an administering authority's main committee meet at least quarterly.**	Yes	See Compliance Policy Statement above.

	b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Relevant	As discussed above, no such forum has been established as yet.
	c. That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Relevant	Three added members exist and have equal rights with all mainstream members in all respects.
G – Access	**a. That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.**	Yes	All members are treated equally in every respect.
H – Scope	**a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.**	Partial	The terms of reference of the Pensions Committee were changed a 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	**a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.**	Yes	The County Council publishes the many governance documents and communicates regularly with employers and scheme members.

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Lincolnshire Pension Fund

Reporting Breaches Procedure

March 2021

1. Introduction

1.1 This document sets out the procedures to be followed by 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;
- any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Lincolnshire Pension Fund who are responsible for pension matters.

2. Requirements

2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 **Pensions Act 2004**
Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:
  (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
  (b) the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 **The Pension Regulator's Code of Practice**

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

2.4 **Application to the Lincolnshire Pension Fund**

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Lincolnshire Pension Fund and this document sets out how the Board and Committee will strive to achieve best practice through use of a formal reporting breaches procedure.

3 The Lincolnshire Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 **Clarification of the law**

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
  www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
  www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
  www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
  www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
  http://www.lgpsregs.org/timelineregs/Default.html (pre 2014 schemes)
  http://www.lgpsregs.org/index.php/regs-legislation (2014 scheme)

- The Pensions Regulator's Code of Practice: http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx

In particular, individuals should refer to the section in the Regulator's Code of Practice 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**

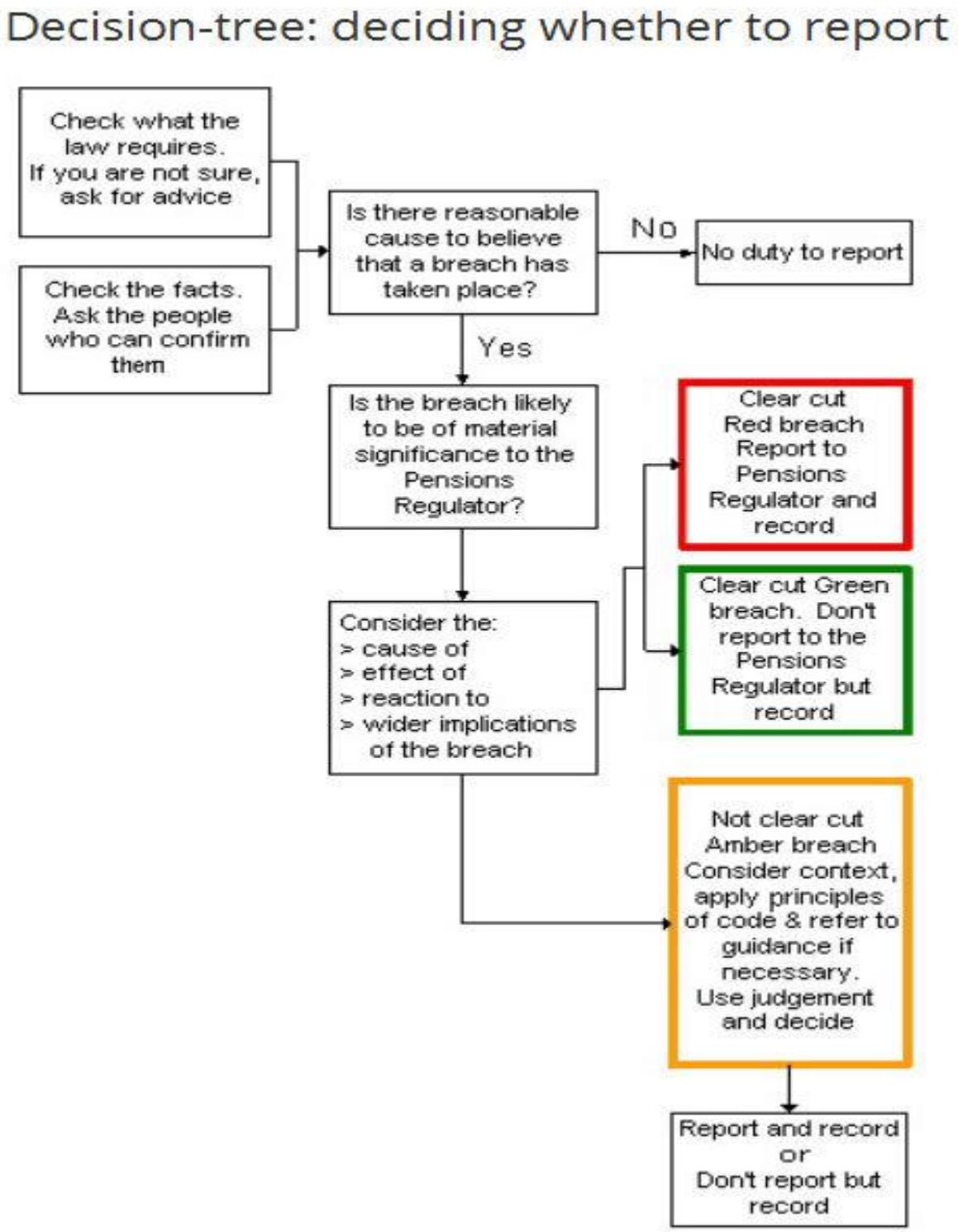
To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

- 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.



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 Committee and Board meetings.

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, 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
Telephone: 01522 553656
Lincolnshire Pension Fund, Lincolnshire County Council, Newland, Lincoln, LN1 1YL

Executive Director – Resources – Andrew Crookham
Email: andrew.crookham@lincolnshire.gov.uk
Telephone: 01522 553602

Monitoring Officer – David Coleman
Email: 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.

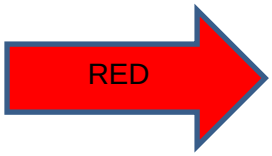
The wider implications of the breach

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

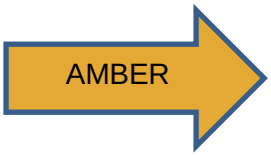
It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

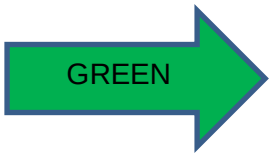
These must be reported to The Pensions Regulator.

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 is framework is provided by The Pensions Regulator at the following link:

http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx

Lincolnshire Pension Fund

Appendix C

Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

*New breaches since the previous meeting should be highlighted

Lincolnshire Pension Fund

Code of Conduct and Conflict of Interest Policy

March 2021

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 Board and 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 have consideration for your stewardship responsibilities in respect of your role in the Lincolnshire Pension Fund.

- 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 of either the Committee or the Board.

- 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 regulations covering conflicts of interest for the Board and the Committee are under two different acts, as set out below:

Pension Board

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."

Pensions Committee

The Localism Act 2011, chapter 7, requires all County Councillor members to complete an annual declaration of pecuniary interests (DPI). Other Committee members are required to declare any conflicts at each meeting. Unlike Board members, Committee members may serve if they do have a conflict of interest, however this must be transparently managed.

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 DPI.

2.5 All appointments to the Pension Board should be kept under review by the Executive Director – Resources.

2.6 It is the duty of any appointed Board or Committee member to declare any potential conflict of interest, as set out below:

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. The Chair and/or Scheme Manager will decide whether this potential conflict of interests forfeits them continuing to sit on the Pension Board.

Pensions Committee

For County Councillor members, this declaration should be made in the normal way, as set down in the Council's own Conflict of Interest Policy. For other Committee members, this should be made to the Chair and/or Scheme Manager, and recorded in the register of interests.

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 at appropriate intervals to the Board, Committee and Scheme Manager for review and can be accessed publically if requested.

2.8 If any member suspects any conflict of interest their concerns should be reported to the Scheme Manager.

2.9 For Committee members, when seeking to prevent a potential conflict of interest becoming detrimental to the conduct and decisions of the 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 is 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 Any alleged breaches will be investigated by the Scheme Manager, or in line with the Council's process for County Councillors, and appropriate sanctions applied. Legal advice will be taken from the Chief Legal Officer if considered necessary. Any such action will be reported to the Board or Committee as required.

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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Lincolnshire Pension Fund - Business Plan 2021/22**

Summary:

This paper brings the Lincolnshire Pension Fund Business Plan 2021/22 to the Board for consideration.

Recommendation(s):

That the Board note the report.

Background

1. This paper brings the Lincolnshire Pension Fund Business Plan covering the financial year 2020/2021 period to the Board for consideration. 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, with a review of the tasks set in the Business Plan last year.

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 Board for consideration.

Consultation

a) 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 2021/22

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 .

Lincolnshire Pension Fund
Business Plan
2021/22

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

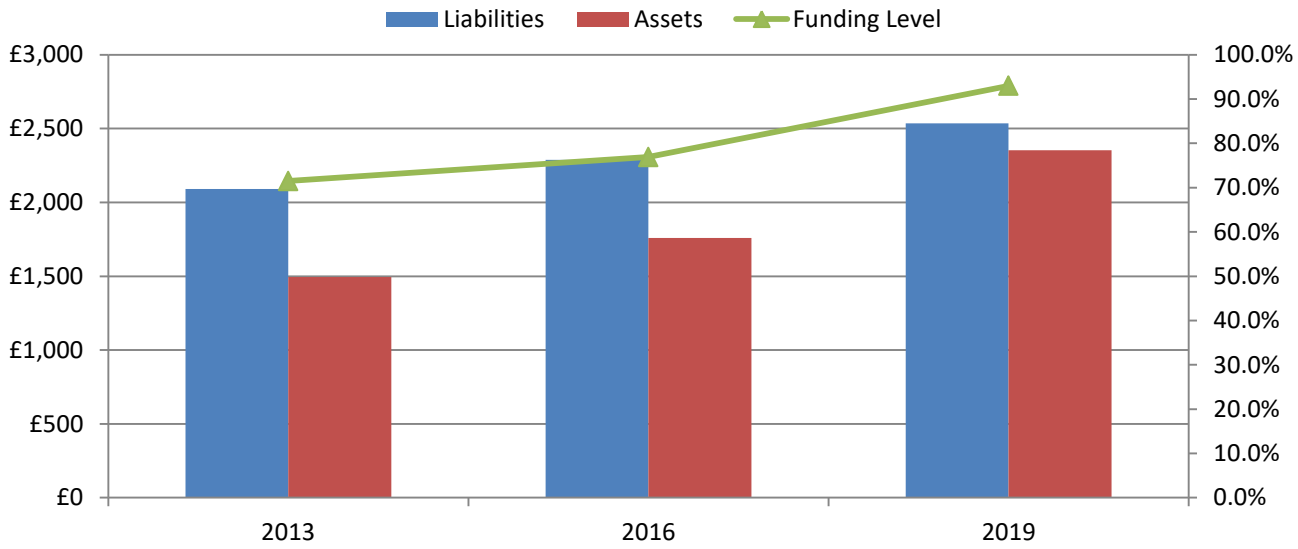
- **Administration and Communications**: In partnership with WYPF, to deliver an effective and efficient Pensions Administration service to all stakeholders, to ensure that the Fund receives all income due and payments are made to the right people at the right time, and to provide clear, appropriate and timely communication and support to all stakeholders;

PENSION FUND STATISTICS

The Lincolnshire Pension Fund was valued at £2,660.2 million as at the 31 December 2020.

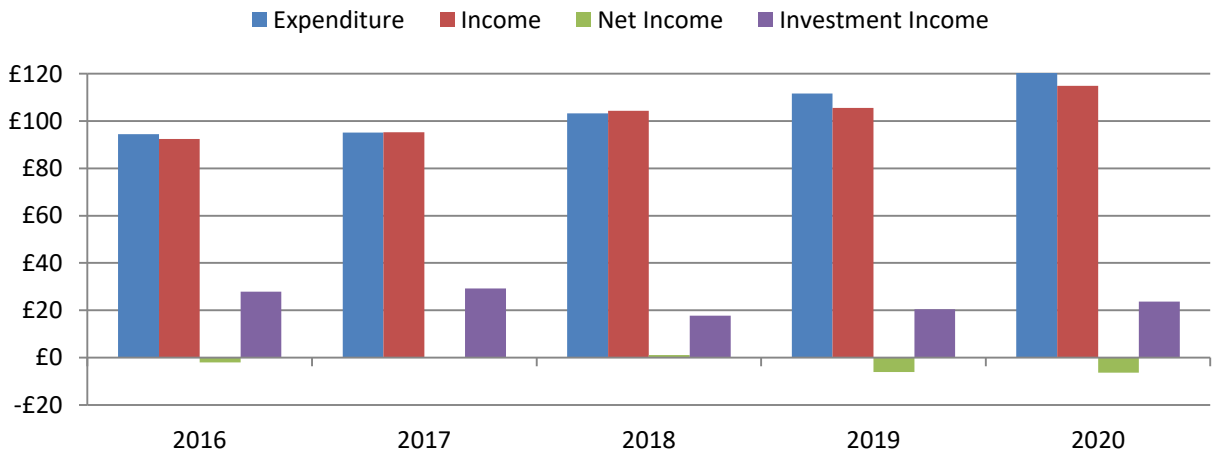
Actuarial valuations are carried out every three years, with the latest being as at 31 March 2019. The valuation provides a value for the liabilities and assets of the Fund and for each employer, to determine the overall funding level and to calculate individual employer contribution rates. The chart below shows the last three valuation cycles.

Progression of funding position:



Axis - Left hand side - £m / Right hand side - Funding Level

Cashflow:

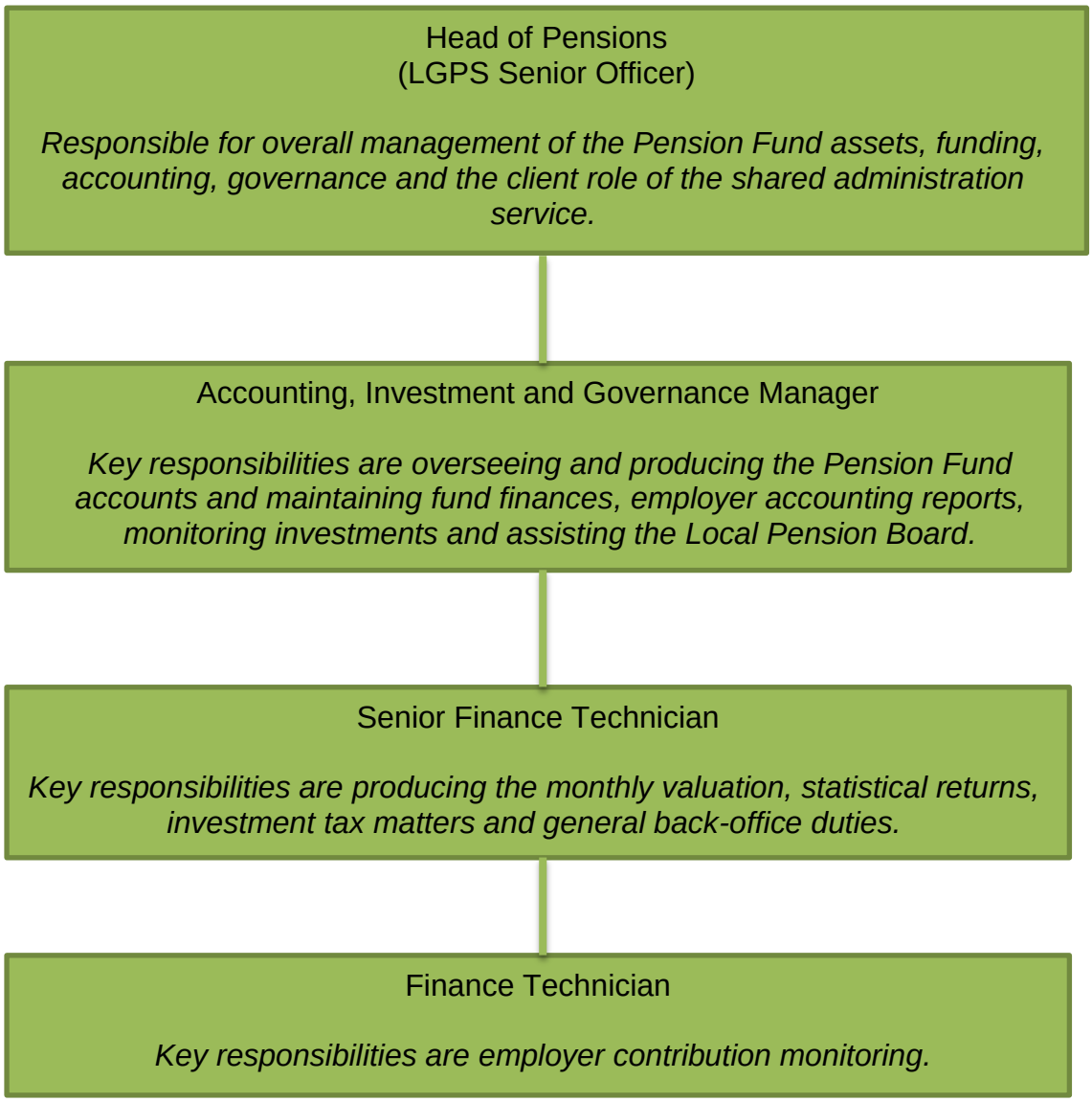


Axis - Left hand side - £m

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 2021/22 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. Actuarial costs incurred by individual employers within the Fund are recharged to that employer. Staffing and accommodation costs associated with running the Fund. Costs associated with Fund governance for the Local Pensions Board and governance costs at Border to Coast Pensions Partnership.

	Budget 2021/22 £'000
Administration Costs	
- Charge from Shared Services Administrator	1,050
- Other	1
Investment Management Expenses	
- Management Fees	7,422
- Performance Related Fees	1,500
- Other Fees *	791
Oversight and Governance Costs	
- Contracted Services	425
- Recharge of Actuarial Services	-174
- Recharge from Administering Authority	249
- Border to Coast Governance Costs	280
- Other Costs	27
	11,571

* Other Fees includes: Custody Fees and Transaction Costs.

It is the intention that a staffing and structure review will be undertaken during the year, which may have budget implications on the recharge from the administering authority. Any proposals would be brought to the Committee for consideration and approval.

The Pension Fund’s Annual Report and Accounts provide more detail on all costs incurred during each year and are reported at the July Pensions Committee meeting.

Lincolnshire Pension Fund

KEY TASKS 2021/22

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 Review	2021/22 Actions	Objective stream
Pensions Committee and Board meetings	The responsibility for the Pension Fund is delegated to the Pensions Committee, with the Pension Board providing an oversight role on the administration and governance of the Fund.	All Pension Committee and Board meetings held as expected (albeit virtually).	Ensure all papers are prepared and presented in a clear and concise manner. Ensure that all relevant matters are reported to the Committee and /or Board. Induction and training for any new Committee members following the election or new Board members following the end of current terms of office.	Governance Investments and Funding Administration and Communications
Asset Pooling with Border to Coast	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.	Initial investment made into the internally managed UK Equity sub-fund, subsequent investment made into the Global Equity Alpha sub-fund. All transitions undertaken successfully. Oversight meetings held at officer, S151 and Joint Committee levels. Continued development on the multi asset credit, property and alternative fund offerings.	Continued partnership with Border to Coast to develop appropriate sub-funds for investment and ensuring appropriate oversight and governance of the company. Expected investment into Multi Asset Credit sub-fund (Q3) and further development of the property and alternative propositions.	Governance Investments and Funding

Administration Service (including employer data quality)	A good performing administration service is key to our stakeholders and for ensuring the quality of information held is appropriate for calculating benefits and liabilities.	Strong KPI figures generally throughout the year and positive customer survey responses, as reported to Committee and Board each quarter.	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
Annual Report and Accounting	The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors.	Delayed receipt of external audit opinion due to an issue with the Council's accounts meant Pension Fund accounts were published by 1 December without the opinion, but with an unqualified opinion was expected.	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 manner.	Governance
Responsible Investment (RI)	There is continued focus on how LGPS Funds can best address and manage RI issues such as environmental, social and governance matter (ESG).	The Committee and Board received additional information and training to understand RI requirements. Investment changes were made to better align the strategy to the Committee's RI beliefs. Work continued with external managers and Border to Coast to ensure that it is embedded across all investment decisions. Worked with partner funds to design a broad template for the Stewardship Code.	Continued information and training for the Committee and Board to understand RI. Working with external managers and Border to Coast to ensure that it is embedded across all investment decisions. Produce the Lincolnshire Pension Fund Stewardship Code Statement to meet the 2020 requirements of the Financial Reporting Council.	Governance Investments and Funding

Actuarial Service Tender	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.	The National Framework was used to call off and appoint a new Actuarial Consultant. The Fund undertook a successful transition from Hymans Robertson to Barnett Waddingham.	n/a	
Investment Consultancy Services Tender	The contract with the Fund's Consultant expires in December 2021. The national framework for investment consultancy services will be used to call off in the summer.	n/a	Call off the national framework to recommend an investment consultancy appointment to the October meeting of the Committee.	Governance Investments and Funding
Work by the Scheme Advisory Board (SAB)	The SAB have a number of projects underway to improve the management /governance of LGPS Funds.	Unfortunately the Good Governance project was delayed as a result of the pandemic. The Fund responded to any requests from SAB throughout the year.	Participate in projects were possible and respond to any actions required – e.g. Good Governance Review, data quality.	Administration and Communications
Employer Accounting	Employers within the Fund require pensions accounting information at various times of the year, for inclusion in their statutory accounts.	All employers received appropriate accounting reports as required.	Work with employers, the Actuary and WYPF to ensure employers understand their choices, accurate and timely data is sent to the Actuary and accounting reports are received and understood by employers.	Investments and Funding Administration and Communications

Staffing and Structure Review	The workloads and requirements of the team have expanded considerably over the last few years, therefore a review of the current staffing and structure is required to ensure it is fit for purpose.	n/a	A full review of workloads across the team will be undertaken to review the staffing levels and structure to ensure it is appropriately resourced to meet current and future requirements.	Governance

KEY RISKS

The table below highlights the key risks that face the Pension Fund, and the mitigating actions being taken to minimise, where possible, those risks. A more detailed risk register is brought to the Committee in full in July.

Risk Theme	Key Action
Governance	
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 pproved. 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.
Investments and Funding	
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.
Administration and Communication	
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.
People	
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 – 2021/2022 COMMITTEE AND BOARD MEETINGS

Below are the planned reports as known at the time of writing – additional reports may be added.

Date	Topics
June 2021 Committee papers	External Manager Presentations Border to Coast Morgan Stanley
Jul 2021 Committee papers	Independent Advisor Market Update Local Board Update Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Annual Property Report Risk Register Annual Review Annual Training Report Annual Report and Accounts Stewardship Code 2020 Report Investment Management Report
Jul 2021 Board papers	Fund Update Stewardship Update Pensions Administration Update TPR Data Scoring Employer Contributions Monitoring Risk Register Annual Review Annual Report and Accounts Training Needs Workplan
Sep 2021 Training	To be agreed
Oct 2021 Committee papers	Independent Advisor Market Update Local Board Update Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Annual Fund Performance Report

	Investment Consultant Appointment Report Audit Governance Report Investment Management Report
Oct 2021 Board papers	Fund Update Stewardship Update Pensions Administration Update Temporary Bank Account Update Employer Contributions Monitoring Investment Consultant Appointment Report Audit Governance Report Meeting of the Border to Coast Pension Board Chairs Training Needs Workplan
Dec 2021 Committee papers	External Manager Presentations Border to Coast LGIM
Jan 2022 Committee papers	Independent Advisor Market Update Local Board Update Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Investment Management Report B2C RI policy and voting guidelines update and LPF alignment
Jan 2022 Board papers	Fund Update Stewardship Update Pensions Administration Update TPR Data Scoring Employer Contributions Monitoring Meeting of the Border to Coast Pension Board Chairs Training Needs Workplan
Feb 2022 Training	To be agreed
Mar 2022 Committee papers	Independent Advisor Market Update Local Board Update

	Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Investment Management Report Annual Policies Review Review and Approval of Accounting Policies Business Plan and Budget Review
Mar 2022 Board papers	Fund Update Stewardship Update Pensions Administration Update Temporary Bank Account Update Employer Contributions Monitoring Annual Policies Review Review of Accounting Policies Business Plan and Budget Review Training Needs Workplan

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Annual Report and Accounts 2020/21: Review of Accounting Policies**

Summary:

This report summarises:

- Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2020/21 Statement of Accounts for Lincolnshire Pension Fund;

- The proposed amendments to the Accounts and Audit Regulations 2015, which are currently out for consultation, and impact this will have on the 2020/21 Statement of Accounts; and

- The review of the Council's Accounting Policies for the Pension Fund Statements.

Recommendation(s):

That the Board:

1. Note the changes required to the Statement of Accounts from the Code of Practice 2020/21;

2. Note the proposed changes to the Accounts and Audit Regulations 2015 which are currently out for consultation; and

3. Note the Statement of Accounting Policies (Appendix A) for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2021.

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 2020/21 (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 the accounts.

Changes to the Code of Practice on Local Authority Accounting for 2020/21

1.2 The Code of Practice for 2020/21 has introduced some revisions and clarifications to the accounting requirements for the 2020/21 Statement of Accounts. The most significant change for the Pension Fund Accounts come from aligning the Code guidance with the reporting requirements set out in the 2018 Pensions SORP (Statement of Recommended Practice). These changes include:

- Removal of the requirement to analyse assets between quoted/unquoted and UK/overseas. Note 12B Analysis of Investment will be removed from the 2020/21 accounts.

- Revised analysis for pooled investment holdings. This will be reflected through Note 12 Investments.

- More detailed disclosure requirements in respect of investment management fees. The fees disclosed in Note 10 Management Expenses, will be analysed by type of investment.

1.3 There will also be changes in accounting standards, which may impact on the 2021/22 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 disclosure made in the 2020/21 Accounts at Note 2 Accounting standards that have been issued but have not yet been adopted.

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 During 2020 Sir Tony Redmond published a review of the effectiveness of external audit and transparency of financial reporting in local authorities. One of the recommendations from this review was that the deadline for publishing draft and audited local authority accounts should be revised. The proposal is an extension to the current deadlines:

- Draft accounts to be published on, or before 1 August (previously this was 31 May); and

- Audited accounts to be published by 30 September (previously this was 31 July).

1.6 The Ministry of Housing, Communities and Local Government is currently consulting on the proposed date changes above, initially for a two year period (covering the 2020/21 and 2021/22 Accounts). After this the amended deadlines will be reviewed to see whether the extension has improved audit completion rates. This consultation closed on 1 March 2021, outcomes from government are awaited.

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**.

1.8 There have only been minor amendments to the accounting policies for 2020/21. These have been marked with ***bold italics*** in **Appendix A**. Changes include:

- Contribution income – employer deficit payments: clarification of wording linking the timing of payments to the rates and adjustments certificate issued by the Fund actuary to each employer.

- Transfer to and from other schemes: clarification to the wording for individual and bulk transfers and the point at which the transfer will be accounted for.

- Financial Assets: Clarification on the valuations to be used within the financial statements for alternatives, private equity, property venture and infrastructure assets. This policy was revised during the accounts preparation period last year to reflect the extended accounts and audit deadlines, which allowed more up to date information to be considered for inclusion in the financial statements. As the proposed changes to the Accounts and Audit Regulations include extended deadlines, the Fund considers a continuation of this policy to be appropriate.

Conclusion

2.1 The amended accounting requirements, disclosures and timescales, as required by the Code of Practice and the Audit and Accounts Regulations, will be incorporated into the Statement of Accounts for 2020/21.

2.2 The Statement of Accounts will be prepared using the Accounting Policies attached at **Appendix A**.

Consultation

a) 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 2020/21

Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21	Executive Director of Resources

This report was written by Claire Machej, who can be contacted on 01522 553641 or claire.machej@lincolnshire.gov.uk .

APPENDIX A

Lincolnshire Pension Fund Significant Accounting Policies 2020/21

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 basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body.

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:

- ***Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.***

- ***Bulk transfers are accounted for in accordance with the terms of the transfer agreement.***

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) Changes in the net market value of investments
Changes in the net market value of investments are recognised as income/expense and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d. Benefits payable

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

e. Taxation

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

f. Management expenses

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

i) Administrative expenses
All staff costs of the 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 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.

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.

Net assets statement

g. Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and

IFRS13 (see 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).

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

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

h. Foreign currency transactions

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. The exchange rates used at 31 March 2021 are shown in Pension Fund Note 27.

i. Derivatives

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

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

j. Cash and cash equivalents

Cash comprises of cash in hand, deposits and includes amounts held by external managers. All cash balances 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 legally responsible for that liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the Fund account as part of the Change in Value of Investments.

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

l. Actuarial present value of promised retirement benefits

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

m. Additional voluntary contributions

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

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

n. Contingent assets and contingent liabilities

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

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

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Lincolnshire Pension Fund - Funding Strategy Statement and Employer Flexibilities Policies**

Summary:

This report covers updates to the Funding Strategy Statement, following the appointment of Barnett Waddingham, and new employer flexibilities policies in light of the new Regulations that came into force on 23 September 2020. The Regulations require these policies to be referenced in the Funding Strategy Statement.

Recommendation(s):

That the Board consider the updated Funding Strategy Statement, the Deferred Debt and Debt Spreading Policy and the Contribution Review Policy.

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. Following the appointment of the new Fund Actuary, Barnett Waddingham, with effect from 1 January 2021, the FSS has been updated to reflect this.

2. The FSS has not been materially changed at this point, as the existing employers have had their rates set until April 2023 under the previous Actuary's approach. Amendments have been made to reference the change in Actuary. New employers commencing participation in the Fund on or after 1 January 2021 will have a contribution rate calculated based on a single set of financial assumptions, which have been set so as to achieve broad consistency with the previous Fund Actuary's approach. The FSS will be updated fully following the 2022 Triennial Valuation, when the methodology of Barnett Waddingham will be fully utilised.

3. A number of regulatory changes came into force on 23 September 2020 (LGPS (Amendment No.2) Regulations 2020). These allow for more

flexibilities for employers with contributions both on exit from the Fund (via spreading of exit payments and allowing employers to remain in the Fund with no active members) and via interim contribution reviews between actuarial valuations. In line with these Regulations, the Fund is required to include policies within its Funding Strategy Statement (FSS) which set out how the flexibilities will apply in practice to employers. The Fund has therefore drafted policies to incorporate the new Regulations. These policies aim to provide much needed flexibilities to manage employer liabilities.

4. To assist with drafting the policies and applying the Regulations, the Scheme Advisory Board (SAB) has produced a practical guide in draft form for Funds, and MHCLG has issued draft statutory guidance on the amendments to the FSS. A consultation took place on the practical guide from the SAB which ran until 9 January 2021 and the final documents were published on 2 March 2021.

5. Further information on the policies is set out below.

Draft Deferred Debt and Debt Spreading Policy

6. The default position for exit payments is that they are paid in full at the point of exit and this will continue under the new policy. The previous regulations generally required the exit debt to be paid in full on exit. This restricted the ability of employers to leave the Fund in an ordered and affordable manner and put the Fund at higher risk of unrecoverable debts. This is especially the case for those employers in a weak financial situation. As a consequence, employers tended to remain in the Fund building up further, often unaffordable, liabilities. The new Regulations provide greater flexibility to manage this debt in conjunction with the employer and allow the employer to limit the further accrual of liabilities.

7. The new Regulations permit LGPS funds to develop policies that provide alternative options to employers when the last active member leaves the employer (subject to a covenant assessment and consideration of security):

   a) **Deferred Debt Arrangement (DDA)** - The Fund may enter into a DDA with a scheme employer. This allows the employer to defer its obligation to make an exit payment and continue to make ‘deficit’ (secondary rate) contributions to the Fund. Contribution requirements will continue to be reviewed as part of each actuarial valuation under this option, which is essentially an employer continuing on-going participation, but with no contributing members. The Fund or employer can terminate the DDA and settle a revised (potentially more affordable) exit debt; or

   b) **Debt Spreading Arrangement (DSA)** - The Fund and the employer may enter into an agreement which spreads the payment of the final exit debt calculated by the Actuary over an agreed period of time (the amounts and frequency of the payments in the payment plan will be agreed at the outset along with any early payment terms).

8. The Fund can only enter into one of the above arrangements if the FSS includes a policy setting out how the employer will be treated. The Fund is also required to consult with the exiting employer, following advice from the Fund Actuary as well as any other specialists as appropriate as part of the process.

9. Appendix B sets out the draft policies for these flexibilities for the Board to consider. The policies have been designed to strengthen the Fund's ability to manage employer liabilities, ensuring there is no detriment to the solvency of the Fund.

Contribution Review Policy

10. The new Regulations also permit contribution rates to be adjusted between valuations. Currently the contribution rates set out in the valuation report stay in place until the next valuation except in limited circumstances or where an employer exits the Fund. These Regulations allow changes to contributions to be made before the next valuation if an employer circumstances meet the specified criteria.

11. Such a revision to contribution rates is only permitted if the Fund's policy is set out in the FSS and one of the following apply:

    a) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

    b) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer to meet their obligations in the Scheme; or

    c) a Scheme employer requests a review of employer contributions and has undertaken to meet the costs of that review (and point (a) or (b) also applies).

12. Appendix C sets out the draft policy for the Board to consider. The policy ensures that any contribution changes will only be due to significant liability or covenant changes which would create additional risk to the Fund or employer.

13. The FSS and the policies were sent to all employers in the Fund for consultation on 4 March 2021. No feedback from employers on the consultation has been received.

Conclusion

14. The Funding Strategy Statement has been reviewed following the change in Actuary for the Fund and the requirement for policies dealing with employer flexibilities, after new regulations came in.

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 Deferred Debt and Debt Spreading Policy
Appendix C	Draft Contribution Review Policy

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 .

Lincolnshire Pension Fund

Funding Strategy Statement

March 2021

Contents

1 Introduction

1.1 What is this document?

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

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

The FSS is reviewed in detail at least every three years as part of the triennial valuation process. The next full review is due to be completed as part of the valuation process at 31 March 2022. A revised statement will also be issued in the event of significant or material change arising.

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

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.

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.
- The Fund appointed a new fund actuary with effect from 1 January 2021. For employers commencing participation in the Fund on or after 1 January 2021, the calculated contribution rate will be set to meet a funding target over the time horizon as set out in table 3.3. The funding target is set based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach.

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		Designating Bodies	Transferee Admission Bodies*
Sub-type	**Local Authorities, Police and Crime Commissioner**	**Other Scheduled Bodies**	**Colleges**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**Internal Drainage Boards, Parish and Town Councils**	**(all)**
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)				Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Ongoing, assumes long –term Fund participation (see Appendix E)	Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)							
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	15 years	20 years	Outstanding term, subject to a maximum of 15 years	Outstanding term, subject to a maximum of 15 years	20 years	Outstanding contract term, subject to a maximum of 15 years
Secondary rate – Note (d)	Monetary amount (other than maintained schools where % of payroll)	% of payroll	Monetary amount	Monetary amount	Monetary amount	Monetary amount	Monetary amount or % of payroll where pooled	Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority					Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority to reduce the surplus over the remaining contract term
Likelihood of achieving	70%	80%	80%	80%	80%	80%	75%	To be set on an employer by employer basis

Type of employer	Scheduled Bodies				Community Admission Bodies		Designating Bodies	Transferee Admission Bodies*
target – Note (e)								depending upon strength of covenant
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None	None	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations						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
New employer	n/a	n/a	n/a	Note (g)	Note (h)		n/a	Notes (h) & (i)
Cessation of participation : exit debt/credit payable	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 Note (j).				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 Note (j).		Can be ceased subject to passing of resolution. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation - see Note (j) and 3.4 for small scheduled bodies pool.	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. Awarding Authority will be liable for future deficits and contributions arising. See Note (j) for further details.

* Where the Administering Authority recognises a fixed contribution rate agreement between an Awarding 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 Awarding Authority with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

Note (a) (Gilts 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
Stabilisation Mechanism	Fixed % of pay plus increasing monetary amount	Fixed % of pay plus increasing monetary amount
Maximum contribution increase per year	+1% of pay	+1% of pay
Maximum contribution decrease per year	-1% of pay	-1% of pay

The stabilisation criteria and limits will be reviewed at the 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.

Stabilisation rules and eligibility may also be reviewed at any time in the event of changes to scheme benefits. Changes in scheme benefits may arise because of changes in regulations or other events that have a material impact.

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)

In general, 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.

The Fund appointed a new fund actuary with effect from 1 January 2021. The above policies are still effective for new academy conversions. As before, for new academies converting on or after 1 January 2021, the calculated contribution rate will be set to meet a funding target over the time horizon as set out in table 3.3. The funding target is set based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach. Further details will be included in the new academy report provided.

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 Awarding Authority, 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 Awarding Authority, 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 outsourcing of some services from an existing employer ("Awarding Authority", 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 Awarding Authority 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 Awarding Authority 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).

The Fund may consider modifications to this approach on request with the agreement of all parties and having taken appropriate advice.

For staff transfers on or after **1 September 2020**, the Administering Authority requires that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the Awarding Authority. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the Awarding Authority and the contactor. The fixed rate will normally be set equal to the existing total contribution rate in payment (expressed as a percentage of pay p.a.) for the Awarding Authority upon the contract start date, subject to a minimum rate equal to the Awarding Authority’s primary rate when assessed on a likelihood of achieving funding target of 75%. The fixed rate that will be paid is at the discretion of the Awarding Authority and Contractor.

The Fund appointed a new fund actuary with effect from 1 January 2021. The above policy in relation to staff transfers and a fixed rate contribution agreement are still effective. The fixed rate will continue to normally be set equal to the existing total contribution rate in payment (expressed as a percentage of pay p.a.) for the Awarding Authority upon the contract start date, subject to a minimum rate equal to the Awarding Authority's primary rate. The minimum rate will be calculated to meet the funding target based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach. Further details will be included in the employer report provided.

Upon cessation the Contractor's assets and liabilities will transfer back to the Awarding Authority with no crystallisation of any deficit or surplus.

In order to avoid the Administering Authority becoming involved in any disputes relating to risk sharing and to protect the other participating employers, the Fund will not be party to any risk sharing agreement between any Awarding Authority and Contractor. Accordingly, any such arrangements will not be detailed in the admission agreement and the admission body will be required to follow the principles of the agreement as if no such risk sharing was in place and as if they were any other employer within the Lincolnshire Pension Fund.

It is at the sole discretion of the Administering Authority as to whether any risk sharing agreement is recognised in the certified employer contribution rate. If the risk arrangement is not recognised, then it will then be up to the Awarding Authority and the Contractor to put in place separate steps to allow the risk sharing to be implemented (e.g. via the contract payments). Accordingly, the Contractor will be required to pay the certified employer contribution rate to the Fund and any other contributions required e.g. early retirement strain costs, regardless of risk sharing arrangement in place.

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, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising as a result of the Admission Body's employer contributions, any representations (such as risk sharing agreements or guarantees) and any other relevant factors. If a risk-sharing agreement has been put in place 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 add a 1% loading to calculated liabilities for "gilts exit" cessations. On the grounds of consistency, simplicity and pragmatism, there would be no adjustment to a cessation value where the obligations are being passed on elsewhere.

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.

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

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

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

a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified;

b) the proportion of the excess of assets which has arisen because of the value of the employer’s contributions;

c) any representations to the Administering Authority made by the exiting employer, guarantor or Scheme Employer or by someone who owns, funds or controls the exiting employer; or in some cases, the Secretary of State; and

d) any other relevant factors.

Disputes

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

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

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 Awarding Authority, provided all parties (particularly the Awarding Authority) 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 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. An exit credit would not be payable in circumstances where a funding surplus exists (as this has been calculated on the ongoing basis and in respect of the pool which remains an entity within the Fund) and any ceasing employer would still be obligated to pay any unpaid contributions or early retirement strains after the cessation date, where applicable.

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.

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 Employer flexibilities

In light of the Scheme Advisory Board's guide to employer flexibilities, the Fund has set out its policies relating to the following regulations:

- Regulation 64A: Revisions to scheme employer contributions between valuations
- Regulation 64B: Spreading of exit payments
- Regulation 64: Deferred debt arrangements.

These policies can be found on the shared website at www.wypf.org.uk.

3.11 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;

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.

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

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
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.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, monetary amounts to be continued to be paid rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f)

Risk	Summary of Control Mechanisms
	to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

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

C5 Governance risks

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

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

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.

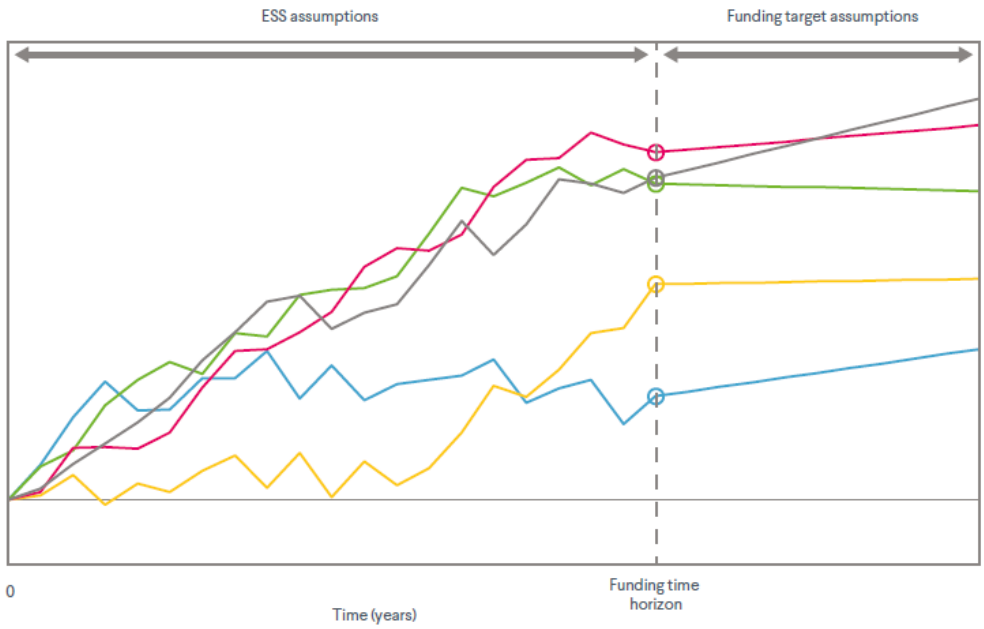
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

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									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	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%		

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
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	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 – Exit Credit Policy

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

Admitted bodies;

a) No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph c) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the Fund, and those admissions who joined the Fund after September 2020 and chose to become admitted through the Funds former standard admission route.

a) No exit credit will be payable to any admission body who participates in the Fund via the default pass through approach (effective from September 2020) as set out in this Funding Strategy Statement. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph c) below.

b) The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the Administering Authority) of the admission body ceasing participation in the Fund.

c) In the absence of this information or if there is any dispute from either party with regards to the interpretation of contractual or risk sharing agreements as outlined in c), the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the Administering Authority.

d) Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

e) If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies), the total assets of the employer and the size of any cessation surplus.

f) If an admitted body leaves on a gilts cessation basis (because no guarantor is in place), then any exit credit will normally be paid to the employer.

g) The decision of the Fund is final in interpreting how any arrangement described under c), e), f) and g) applies to the value of an exit credit payment.

Scheduled bodies and resolution bodies

a) Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

b) Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

c) The decision of the Fund is final in interpreting how any arrangement described under a) and b) applies to the value of an exit credit payment.

d) If a scheduled body or resolution body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

e) If a scheduled body or resolution body leaves on a gilts cessation basis (because no guarantor is in place), then any exit credit will normally be paid to the employer.

General

a) The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

b) Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.

c) The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.

d) The final decision will be made by the Head of Pensions, in conjunction with advice from the Fund's Actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

e) The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

f) Where there is an exit credit payable, the Fund will advise the exiting employer of the amount due to be repaid and seek to make the payment within six months of the exit date or such longer time as the administering authority and the exiting employer may agree. In order to meet the six-month timeframe, the Fund requires prompt notification of an employer's exit and all data and relevant information as requested. The Fund is unable to make any exit credit payment until it has received all data and information requested.

g) The guidelines above at point e) in the ‘Admitted Bodies’ section, and at points a) and b) in the ‘Scheduled bodies and resolution bodies’ section, make reference to the Fund ‘considering the approach to setting contribution rates during the employer’s participation’. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Section 3 of this document. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined in Section 3.3). Equally, a shorter than usual funding time horizon or lower than usual likelihood of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

Appendix G – Deferred Debt and Debt Spreading Policies

Appendix G – Glossary

Funding basis	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.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Awarding Authority	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 Awarding Authority. An Awarding Authority will usually be a local authority, but can sometimes be another type of employer such as an Academy.
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These

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

Lincolnshire Pension Fund

Deferred Debt and Debt Spreading Agreement Policy

March 2021

Contents

Introduction

This document sets out Lincolnshire Pension Fund's policy on deferred debt agreements (DDAs) and debt spreading agreements (DSAs) for exiting employers.

Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

When a Scheme employer becomes an exiting employer under Regulation 64, the Fund Actuary is required to carry out a valuation to determine the exit payment due from the exiting employer to the Fund, or the excess of assets in the Fund relating to that employer. Where an exit payment is due, the expectation is that the employer settles this debt immediately through a single cash payment. However, if the employer provides evidence that this is not possible, there are two alternatives available: Regulation 64(7A) enables the administering authority to enter into a deferred debt agreement with the employer while Regulation 64B enables the administering authority to enter into a debt spreading agreement.

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit. The secondary rate of contributions will be reviewed at each actuarial valuation until the termination of the agreement.

Under a DSA, the cessation debt is crystallised and spread over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary.

Whilst a DSA involves crystallising the cessation debt and the employer's only obligation is to settle this set amount, in a DDA the employer remains in the Fund as a Scheme employer and is exposed to the same risks (unless agreed otherwise with the administering authority) as active employers in the Fund (e.g. investment, interest rate, inflation, longevity and regulatory risks) meaning that the deficit will change over time.

This policy document sets out the administering authority's policy for entering into, monitoring and terminating a DDA or DSA.

These policies have been prepared by the administering authority following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on Preparing and Maintaining Policies on Review of Employer Exit Payments and Deferred Debt Agreements policies which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Approach for exiting employers

In the event that an employer becomes an exiting employer and an exit payment is identified, the Fund should seek to receive a payment from the exiting employer equal to the exit payment in full.

The administering authority makes the exiting employer aware an exit payment is due by providing a revised rates and adjustments certificate in the form of a cessation valuation report produced by the Fund Actuary. Details of the Fund's cessation policy can be found in the Fund's FSS.

The default position is that the employer is required to make an exit payment in full immediately. However, if required, the exiting employer can inform the administering authority, along with evidence, that they are unable to do so and may request to enter either a DDA or DSA. If the administering authority is satisfied with the evidence provided, the DDA or DSA process may proceed.

Requests should be submitted within 10 days of receiving confirmation of the exit payment required, or otherwise the exit payment should be paid to the Fund in full within 28 days.

Where possible, the administering authority encourages employers who are approaching exit and suspect they will have a deficit to engage with the administering authority in advance in order to understand the options available. An indicative cessation report can be produced to form the basis of discussions.

Choosing a DDA or DSA

Consideration needs to be given as to which approach is the most appropriate in each case. A DDA may be appropriate if:

- the employer temporarily has no active members but expects it may return to active employer status in future. However, please note that if the plan is for active members to join within three years then perhaps a suspension notice may be more appropriate;
- the employer wants to minimise costs by potentially benefitting from the upside of the pensions risks it would remain exposed to and therefore does not want to crystallise its debt by becoming an exiting employer. In this case the administering authority may be willing to defer crystallisation of the cessation debt for an appropriate period of time, subject to the strength of the employer's covenant or security provided;
- initial affordability of the full exit payment is low but there is a prospect of increased affordability in the future, or the payment can only be afforded over a long period and therefore a DDA enables the position to be updated over time in light of changing funding positions; and/or
- the employer has a weak covenant but is not faced with imminent insolvency and must rely on future investment returns to fully or partially fund the exit payment. The administering authority may agree that doing so over an appropriate long period is better for the Fund than risking immediate insolvency of the employer.

On the other hand, it may be more appropriate to enter a DSA if:

- the employer does not intend to employ any more active members and therefore is not expected to resume active employer status;
- the employer wishes to crystallise its debt to the Fund and therefore not be subject to any of the pensions risks that could cause the amounts payable to the Fund increasing (or decreasing) in future;
- the employer has ample resources to make the payment within the near future but not immediately; and/or
- the employer is deemed to have a very weak covenant and so the administering authority will want to try to recoup as much of the exit payment as possible before the employer becomes insolvent.

The administering authority has the right to refuse a DSA or DDA request if they believe it is not in the best interests of the Fund or the other participating employers, for example if entering a DSA or DDA increases the risk of a deficit falling to the other employers.

In considering each request for a DDA or DSA arrangement from an exiting employer, the administering authority will take actuarial, covenant, legal and other advice as necessary. Proposed DDAs/DSAs will always be discussed with the employer, whether the arrangement was at the exiting employer's request or not.

Employers who may be party to either a DSA or a DDA are encouraged to discuss any potential impact on their accounting treatment with their auditors.

Managing of costs

On receiving a request, the administering authority will make the employer aware that any costs associated with setting up the DDA or DSA will be the responsibility of the Scheme employer, regardless of whether the administering authority agrees to enter into the agreement or not. This may include the cost of actuarial advice, legal advice, administrative costs and any additional advice required in relation to a covenant assessment or any other specialist adviser costs. If costs deviate from those initially anticipated the administering authority will keep the exiting employer up-to-date with any increases. The administering authority will provide information on how and when payments should be made.

Internal dispute resolutions

Whether a DDA or DSA arrangement is agreed or not is ultimately the decision of the administering authority. In the event of any dispute from the employer, please refer to the Fund's internal dispute resolution procedures document.

Deferred Debt Agreements (DDAs)

Entering into a DDA

Under a DDA, the exiting employer becomes a deferred employer in the Fund (i.e. they remain as a Scheme employer but with no active members) and remains responsible for paying the secondary rate of contributions to fund their deficit.

Information required from the employer

When making a request to enter a DDA, the employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund on a continuing basis. Examples of information the employer may provide as evidence include the exiting employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DDA within 30 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exiting employer's residual liabilities relative to the size of the Fund;
- the size of the exit payment relative to the costs associated with entering into a DDA;
- whether a debt spreading agreement or suspension notice would be more appropriate (see specific circumstances below);
- any information provided by the exiting employer to support their covenant strength, including any information on a guarantor or other form of security that the employer may be able to put forward to support their covenant;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DDA. For example, in the following circumstances the administering authority may consider a DDA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- it is known or likely that another active member will come into employment in the three years following the cessation date (in these cases a suspension notice would be considered more appropriate than a DDA); or
- the administering authority is concerned that where a DDA is entered, that the employer could not afford the impact of any negative experience which would result in an increase in the required secondary rate of contributions and an increase in the employer's overall deficit (in these cases a debt spreading agreement would be considered more appropriate as the payments are fixed throughout the term of the agreement).

Once all information has been considered, the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to enter into a DDA they will explain to the exiting employer their reasoning and any alternatives (e.g. a debt spreading agreement, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DDA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DDA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DDA

Once agreed that a DDA is permitted, the terms of the DDA will be agreed between the administering authority and the exiting employer and will be set out in a formal legal agreement.

The administering authority and the exiting employer (with the assistance of the Fund Actuary) will negotiate an appropriate duration of the agreement which will consider the exiting employer's affordability and anticipated strength of covenant over the agreement period. If the exiting employer has sufficient reserves, the administering authority may require an immediate cash payment so that the DDA can start from an acceptably stronger funding position.

The Fund Actuary will calculate secondary contributions on an appropriate basis as agreed with the administering authority and following consultation with the exiting employer, taking into account any cash payments made in advance. The secondary contributions will be reviewed at each actuarial valuation and certified as part of the Fund's Rates and Adjustments Certificate until the termination of the agreement. Therefore payments throughout the agreement are not known in advance and may increase or decrease at each valuation to reflect changes in the employer's funding position.

The timeline from consultation with the exiting employer to entering into a DDA to the signing of the agreement will vary. Where possible all parties will aim to have the agreement signed within 60 days, although there may be circumstances where timings may vary.

Once finalised, the employer will become a deferred employer in the Fund and will have an obligation to pay their secondary contributions as certified by the Fund Actuary. The responsibilities of the deferred employer will be set out in the legal agreement and these will include the requirements to:

- comply with all the requirements on Scheme employers under the Regulations except the requirement to pay a primary rate of contributions, but including any additional applicable costs, such as strain costs as a result of ill health retirements;
- adopt the relevant practices and procedures relating to the operation of the Scheme and the Fund as set out in any employer's guide produced by the administering authority;
- comply with all applicable requirements of data protection law relating to the Scheme and with the provisions of any data-sharing protocol produced by the administering authority and provided to the deferred employer;
- promptly provide all such information that the administering authority may reasonably request in order to administer and manage the agreement; and
- give notice to the administering authority of any actual or proposed change in its status, including take-over, change of control, reconstruction, amalgamation, insolvency, winding up, liquidation or receivership or a material change to its business or constitution.

The deferred employer should consult with their auditors about any impacts the DDA is expected to have on their accounting requirements.

Monitoring a DDA

A deferred debt agreement is subject to the ongoing approval of the administering authority. The administering authority reserves the right to terminate the agreement should they become concerned about a significant weakening in the deferred employer's covenant or a significant change in funding position. Conversely, if there was an improvement in the employer's circumstance then the administering authority and employer may agree to amend the terms of the agreement.

The administering authority will monitor a DDA in the following ways:

Changing funding position

The administering authority will request regular, and at least annual, updates of the deferred employer's funding position in order to review the progress of the DDA. The costs of the regular reviews will fall to the deferred employer as part of the terms for putting in place a DDA.

If the funding position changes by more than 10% (in absolute terms) from the previous review then the administering authority may engage with the deferred employer to discuss a possible review of the DDA.

Changing employer covenant

The administering authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority commissions an employer risk review

report from the Fund Actuary at each actuarial valuation cycle, which may include obtaining credit ratings from credit rating agencies.

Once an employer enters into a DDA, the administering authority will monitor the employer's covenant on a regular basis. If a deferred employer's covenant deteriorates, the administering authority may issue a notice to review and possibly terminate the agreements.

In addition, if a deferred employer requests an extension to the duration of the DDA the administering authority will consider an updated covenant review amongst other factors.

As a condition of entering into a DDA, the deferred employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The agreement will set out whether payments are made on a monthly or annual basis, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards a notice being issued to the deferred employer to possibly terminate the agreement.

Strength of guarantee

If a particular funding basis has been used by the Fund Actuary on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to underwrite the residual deferred and pensioner liabilities when the employer formally exits) then the administering authority will check there has been no change to the security at agreed regular intervals and, as a minimum, at each valuation cycle. The Fund Actuary may change the funding basis used to set the deferred employer's contributions depending on the strength of the security in place.

Notifiable events from the deferred employer

The deferred employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance (e.g. a change of the guarantee in place mentioned above). Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DDA

Events that may terminate a DDA

As set out in Regulation 64(7E), the DDA terminates on the first of the following events:

- the deferred employer enrols new active members;
- the duration of the agreement has elapsed;
- the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
- the administering authority serves a notice on the deferred employer that it is reasonably satisfied that the employer's ability to meet the contributions payable under the DDA has weakened materially (or is likely to in the next 12 months); or

- a review of the funding position of the deferred employer is carried out at an updated calculation date and the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover what would be due if the deferred employer terminated at the updated calculation date; in other words the review reveals no deficit remains on the relevant calculation basis.

The deferred employer can also choose to terminate the DDA at any point. Notice should be given to the administering authority at the earliest opportunity.

Termination clauses will be included in the formal DDA legal agreement.

Process of termination

Once a termination of the DDA has been triggered, the deferred employer becomes an exiting employer under Regulation 64(1). The administering authority will obtain an exit valuation from the Fund Actuary calculated at the date the DDA terminates, and a revised rates and adjustments certificate setting out the exit payment due from the exiting employer or the excess of assets in the Fund relating to the exiting employer (which would then be subject to the Fund's exit credit policy).

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

If the termination has been triggered because the deferred employer has enrolled new active members then the deferred employer becomes an active employer in the Fund and an immediate exit payment may not be required; this may instead be incorporated in the revised rates and adjustments certificate that will be provided in respect of the active employer. The employer remains responsible for all previously accrued liabilities and the revised contributions required from the active employer will be calculated in line with the Fund's FSS.

If the termination has been triggered because a review of the funding position of the deferred employer reveals that the secondary contributions paid to date are sufficient to cover what would be due if the deferred employer terminated at the updated calculation date, then no further payments are required and the exiting employer has no further obligation to the Fund. Where there is a surplus, an exit credit may be payable as determined by the administering authority and in line with the Fund's exit credit policy.

Debt Spreading Agreements (DSAs)

Entering a DSA

Under a DSA, the cessation debt is crystallised and spread, with interest, over a period deemed reasonable by the administering authority having regard to the views of the Fund Actuary and following discussion with the exiting employer. The payments are fixed and are not reviewed at each actuarial valuation.

Information required from the employer

When making a request to enter a DSA, the exiting employer should demonstrate that they are unable to settle their exit payment immediately and provide any relevant information to support their request e.g. in relation to their covenant/ability to continue to make payments to the Fund. Examples of information the exiting employer may provide as evidence include the employer's:

- most recent annual report and accounts
- latest management accounts
- financial forecasts
- details of position of other creditors

This is not an exhaustive list and the administering authority may request further evidence. In particular, the administering authority may commission a covenant assessment if insufficient evidence is provided.

Assessing the proposal

The administering authority will make a decision on whether to enter into a DSA within 30 days of receiving a request but this may vary to reflect specific circumstances, for example if the administering authority chooses to request a covenant assessment then the process may take longer.

To reach a decision the administering authority will consider:

- the size of the exit payment relative to the exiting employer's business cashflow;
- the size of the exit payment relative to the costs associated with entering into a DSA;
- whether a deferred debt agreement or suspension notice would be more appropriate;
- any information provided by the employer to support their covenant strength;
- the results of any covenant review carried out by the Fund Actuary or a covenant specialist;
- the merit of any guarantees from another source and whether this is deemed sufficient to cover the outstanding payments should the exiting employer fail;
- the exiting employer's accounts;
- the potential impact on the other employers in the Fund; and
- the opinion of the Fund Actuary.

The administering authority is not obliged to accept an exiting employer's request for a DSA. For example, in the following circumstances the administering authority may consider a DSA not to be appropriate:

- the exiting employer could reasonably be expected to settle their exit payment in a single amount;
- there is doubt that the exiting employer can operate as a going concern during the spreading period; or
- the exiting employer cannot afford the payments over the maximum spreading period or is requesting a spreading period longer than the maximum (see below).

The structure of the DSA is at the discretion of the administering authority having taken advice from the Fund Actuary and consulted with the exiting employer. The structure should protect all other employers in the Fund whilst being achievable for the exiting employer. The structure of the DSA will take into consideration:

- the period that the payments will be spread. This is expected to be no more than 5 years. For longer periods it may be more appropriate to consider a deferred debt agreement but the administering authority reserves the right to set whatever spreading period they deem appropriate provided they are satisfied with the exiting employer's ability to meet the payments over that period. The length of the spreading period will be set as to be as short as possible whilst remaining affordable for the exiting employer;
- the interest rate applicable to the spread of payments. In general, this will be set with reference to the discount rate in the exiting employer's cessation valuation report;
- the regularity of the payments and when they fall due;
- other costs payable; and
- the responsibilities of the exiting employer during the spreading period (for example, to make payments on time and to notify the administering authority of a change in circumstances that could affect their ability to make payments).

Once all information has been considered the administering authority will consult with the exiting employer as required under the Regulations. If the administering authority does not wish to accept the exiting employer's request to enter into a DSA they will explain their reasoning and any alternatives (e.g. a DDA, suspension notice or indeed require the exit payment in full). If the administering authority accepts the request to enter into a DSA, they will notify their legal advisers and Fund Actuary. If the administering authority has concerns about the level of risk arising due to the DSA, the administering authority may only accept the request subject to a one-off cash injection being made by the exiting employer or security being provided as an additional guarantee.

Setting up a DSA

The administering authority and the exiting employer, with the assistance of the Fund Actuary, will then negotiate the structure of the schedule of payments which takes into consideration the exiting employer's affordability and an appropriate period of the spreading.

The schedule of payments will be set out in a revised rates and adjustments certificate prepared by the Fund Actuary. There may be circumstances where timings may vary, however, in general, the certificate will be prepared and provided to the exiting employer within 30 days of agreeing the structure of the schedule of payments with the exiting employer.

Monitoring a DSA

Over the term that the cessation debt payment is spread, the administering authority will monitor the ability and willingness of the exiting employer to pay the schedule of contributions in the revised rates and adjustments certificate. While it is expected the schedule of payments would be fixed for the spreading period, the administering authority may alter the structure of the schedule at any time if there is a change in the exiting employer's circumstances or indeed, if the exiting employer wanted to pay the remaining balance. This will be agreed on a case by case basis and set out in a side agreement as required.

The administering authority will be in regular contact with the exiting employer until their obligations to the Fund are removed when all payments set out in the schedule of payments are made.

Examples of factors which will be monitored are set out below. Should any of these raise any concerns with the administering authority then the DSA may be reviewed and/or terminated.

Changing employer covenant

The administering authority will monitor the ability of the exiting employer to make their set payments by monitoring publicly available information such as credit ratings and/or company accounts as well as keeping in regular contact, at least annually, with the exiting employer to ensure that the payments can be met.

As a condition of entering into a DSA, the exiting employer is required to engage with the administering authority to assist with monitoring the level of covenant, for example by providing information requested by the administering authority in a timely manner.

Timeliness of payments

The DSA will set out whether payments are made on a monthly or annual basis and how long for, and the administering authority will monitor if contributions are paid on time. Successive late or in particular missing payments would contribute towards further interest charges or the spreading agreement being reviewed and/or terminated.

Strength of guarantee or security

If a particular schedule of payments has been agreed between the administering authority and the exiting employer on the understanding that there is a particular security in place (e.g. another employer in the Fund willing to pay the remaining balance or a fixed charge on property that covers the remaining balance) then the administering authority will check there has been no change to the security regularly. The frequency of these reviews may reduce as the level of outstanding debt reduces. The administering authority, with advice from the Fund Actuary, may change the schedule of payments depending on the strength of the security in place. The exiting employer would be consulted prior to any changes.

Notifiable events from the exiting employer

The exiting employer has a responsibility to make the administering authority aware of any changes in their ability to make payments or of a change in circumstance that affects their ability to make payments. Information should be shared with the administering authority at any time throughout the agreement to enable the administering authority to consider whether a review of the agreement should be carried out.

Terminating a DSA

Events that may terminate a DSA

On paying all the payments set out in the revised rates and adjustments certificate the exiting employer will no longer have any obligations to the Fund.

In the event that the administering authority believes that the exiting employer may not be able to make any of their remaining payments, the administering authority reserves the right to review and/or terminate the DSA to ensure it is appropriate for the Fund and does not adversely impact the other participating employers.

The exiting employer may also request to terminate the DSA early, in which case an immediate payment of the outstanding amounts set out in the contribution schedule should be paid.

Process of termination

In the event of a DSA being amended or terminated the administering authority will communicate this to the exiting employer along with reasons for the decision. Before the decision is made the administering authority will consult with the exiting employer about their change in circumstances and also take advice from the Fund Actuary.

If the DSA has to be terminated prematurely the administering authority will seek to obtain from the exiting employer as much of the outstanding exit payments as possible or look at alternative arrangements such as a deferred debt agreement.

Once the exit payment has been made in full, the exiting employer has no further obligation to the Fund.

Contribution Review Policy

March 2021

Contents

Introduction

This document sets out the Lincolnshire Pension Fund's policy on amending the contribution rates payable by an employer (or group of employers) between formal funding valuations.

The Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme (LGPS), a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 (the Regulations) as amended.

Under Regulation 62, Lincolnshire County Council, as the administering authority for the Fund, is required to obtain a formal actuarial valuation of the Fund and a rate and adjustments certificate setting out the contribution rates payable by each Scheme employer for three year period beginning 1 April in year after the valuation date.

It is anticipated for most Scheme employers that the contribution rates certified at the formal actuarial valuation will remain payable for the period of the rates and adjustments certificate. However, there may be circumstances where a review of the contribution rates payable by an employer (or a group of employers) under Regulation 64A is deemed appropriate by the administering authority. This policy document sets out the administering authority's approach to considering the appropriateness of a review and the process in which a review will be conducted.

This policy has been prepared by the administering authority, following advice from the Fund Actuary, and following consultation with the Fund's Scheme employers. In drafting this policy document, the administering authority has taken into consideration the statutory guidance on drafting a contribution review policy which was issued by the Ministry of Housing, Communities and Local Government, and the Scheme Advisory Board's guide to employer flexibilities.

Throughout this document, any reference to the review of a Scheme employer's contribution rates will also mean the single review of the contribution rates for a group of Scheme employers (for example if the employers are pooled for funding purposes).

Note that where a Scheme employer seems likely to exit the Fund before the next actuarial valuation then the administering authority can exercise its powers under Regulation 64(4) to carry out a review of contributions, with a view to providing that assets attributable to the Scheme employer are equivalent to the exit payment that will be due from the Scheme employer. These cases do not fall under this contribution review policy.

The review process

Timeline where initiation is made by the Scheme employer

The events that may trigger a review are set out in the **Error! Not a valid bookmark self-reference.** section. The general process for assessing and conducting a review is set out below.

Step 1

Administering authority notifies Scheme employer of intent to carry out a review.

It is anticipated at this stage that the administering authority will have prepared evidence to provide to the Scheme employer.

Step 2

Administering authority commissions a contribution review from the Fund Actuary

This may be carried out as part of the administering authority's initial analysis in order to assess impact before notifying the Scheme employer. At this stage the review may be indicative and will require updating following engagement with the Scheme employer.

Step 3

Scheme employer responds to administering authority on the proposed review.

The Scheme employer has 28 days from either the date of initial notification of intent or date of receipt of an initial contribution rate review, whichever is later.

Step 4a

Scheme employer agrees the proposal. A revised rates and adjustments certificate takes effect from the review date.

The administering authority may need to commission a formal contribution review if not received already.

OR

Step 4b

Scheme employer rejects the proposal. Further engagement is required.

The administering authority will work with the Scheme employer to seek an agreeable approach. If no agreement reached within 3 months of the initial proposal then the Appeals process may be initiated.

Timescales may vary in practice depending on individual circumstances, but the timeline above provides a rough guide of the administering authority's general expectation.

Although the ultimate decision for review belongs to the administering authority, the administering authority is committed to engaging with any Scheme employer following the initial proposal to ensure that any change is agreeable to all relevant parties.

Following completion of the review process, the administering authority may continue to monitor the Scheme employer's position in order to ensure the revised contribution rate remains appropriate (where a review was completed) or to ensure the Scheme employer's situation does not change such that a review previously deemed not appropriate becomes appropriate. As part of its participation in the Fund, any Scheme employer is expected to support any reasonable information requests made by the administering authority in order to allow effective monitoring.

Timeline where initiation is made by the Scheme employer

Where the review is initiated by the Scheme employer, the process begins once the Scheme employer has provided all the relevant documents required as set out in the **Error! Not a valid bookmark self-reference.** section.

The administering authority will aim to provide a response to the Scheme employer within 28 days from the date of receipt. This will depend on the quality of the documents provided and any need from the administering authority to request further information from the Scheme employer. The administering authority will provide a written response setting out the issues considered in reviewing the request from the Scheme employer, together with the outcome and confirming the next steps in the process.

Responsibility of costs

Where the review of contributions has been initiated by the administering authority, any costs incurred as part of the review in relation to the gathering of evidence to present to the Scheme employer and the actuarial costs to commission the contribution review will be met by the Fund. This is with the exception of any costs incurred as a result of extra information requested by the Scheme employer which is not ordinarily anticipated to be incurred by the administering authority as part of the review. These exception costs would be recharged to the Scheme employer.

Any costs incurred as a result of a review initiated by the Scheme employer will be the responsibility of the Scheme employer, regardless of the outcome of the review proceeding or not. This may include specialist adviser costs involved in assessing whether or not the request for review should be accepted and the costs in relation to carrying out the review.

Triggering a contribution review

As set out in Regulation 64(A)(1)(b), a review of an employer's contribution rate between formal actuarial valuations may only take place if one of the following conditions are met:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Conditions (i) and (ii) are triggered by the administering authority and (iii) by the Scheme employer. The key considerations under each of the conditions are detailed below.

It should be noted that the conditions are as set out in the Regulations therefore do not allow for a review of contributions where the trigger is due to a change in actuarial assumptions or asset values.

(i) change in the amount of the liabilities arising or likely to arise

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Restructuring of a council due to a move to unitary status
- Restructuring of a Multi Academy Trust
- A significant outsourcing or transfer of staff
- Any other restructuring or event which could materially affect the Scheme employer's membership
- Changes to whether a Scheme employer is open or closed to new members, or a decision which will restrict the Scheme employer's active membership in the fund in future
- Significant changes to the membership of an employer, for example due to redundancies, significant salary awards, ill health retirements or a large number of withdrawals
- Establishment of a wholly owned company by a scheduled body which does not participate in the LGPS

As part of its participation in the Fund, Scheme employers are required to inform the administering authority of any notifiable events as set out in the Fund's Pensions Administration Strategy and/or admission agreements. Through this notification process, the administering authority may identify events that merit a review of contributions.

In addition, the administering authority may initiate a review of contributions if they become aware of any events that they deem could potentially change the liabilities of the Scheme

employer. This also applies to any employers for whom a review of contributions has already taken place as a further change in liabilities may merit another review.

(ii) change in the ability of the Scheme employer to meet its obligations

Examples of changes which may trigger a review under this condition include, but are not limited to:

- Change in employer legal status or constitution
- Provision of, or removal of, security, bond, guarantee or some other form of indemnity by a Scheme employer
- A change in a Scheme employer's immediate financial strength
- A change in a Scheme employer's longer-term financial outlook
- Confirmation of wrongful trading
- Conviction of senior personnel
- Decision to cease business
- Breach of banking covenant
- Concerns felt by the administering authority due to behaviour by a Scheme employer, for example, a persistent failure to pay contributions (at all, or on time), or to reasonably engage with the administering authority over a significant period of time.

The administering authority monitors the level of covenant of its Scheme employers on an ongoing basis. In particular, the administering authority will commission an employer risk review report from the Fund Actuary on a regular basis. Through this analysis, the administering authority can identify any Scheme employers that might be considered as high risk and whether any Scheme employers have had a significant change in riskiness. This in turn may affect the administering authority's views on whether the ability of a Scheme employer to meet its obligations to the Fund has changed significantly and therefore whether this change may merit a contribution review. This also applies to any employers for whom a review of contributions has already taken place as a further change in an employer's ability to meet its obligations may merit another review.

(iii) request from the Scheme employer for a contribution review

A request can be made by a Scheme employer for a review of contribution rates outside of the formal actuarial process. This must be triggered by one of the following two conditions:

- There has been a significant change in the liabilities arising or likely to arise; and/or
- There has been a significant change in the ability of the Scheme employer to meet its obligations to the Fund.

Any requests not arising from either of these conditions will not be considered by the administering authority.

Requests by a Scheme employer are limited to one review per calendar year.

With the exception of any cases where the Scheme employer is expected to cease before the next rates and adjustments certificate comes into effect, the administering authority will not accept a request for a review of contributions with an effective date within the 6 months

preceding the next Rates and Adjustments certificate. It is expected in these cases that any requests can be factored in to the formal review and any benefits of carrying out a review just prior to the commencement of a new Rates and Adjustments certificate are outweighed by the costs and resource required. If a request is made with an effective date within the 6 months preceding the next Rates and Adjustments certificate, the administering authority will instead reflect these changes in the actuarial valuation and the rates being certified and taking effect the year following the valuation date.

Information required from the Scheme employer

In order to submit a request for a review of contribution rates outside of the formal actuarial valuation process, a Scheme employer must provide the following to the Fund:

- Where a review is sought due to a potential change in the Scheme employer's liabilities:
  - Membership data or details of membership changes to evidence that the liabilities have materially changed, or are likely to change
- Where a review is sought due to a potential change in the ability of the Scheme employer to meet its obligations:
  - The most recent annual report and accounts for the Scheme employer
  - The most recent management accounts
  - Financial forecasts for a minimum of three years
  - The change in security or guarantee to be provided in respect of the Scheme employer's liabilities

The administering authority may require further evidence to support the request and this will be requested from the Scheme employer on a case by case basis.

Assessing the appropriateness of a review

The following general considerations will be taken into account by the administering authority, regardless of the condition under which a review is requested:

- the expected term for which the Scheme employer will continue to participate in the Fund;
- the time remaining to the next formal funding valuation;
- the cost of the review relative to the anticipated change in contribution rates and the benefit to the Scheme employer, the Fund and/or the other Scheme employers; and
- the anticipated impact on the Fund and the other Fund employers including the relative size of the change in liabilities and contributions and any change in the risk borne by other Fund employers.

Whether any changes require the administering authority to exercise its powers to carry out a contribution review will be assessed on a case by case basis and with advice from the Fund Actuary and may involve other considerations as deemed appropriate for the situation. The final decision of whether a review of contribution rates will be carried out rests with the administering authority after, if necessary, taking advice from the Fund Actuary. Should a

Scheme employer disagree with the administering authority, then details of the Appeals process is set out later in this document.

Appropriateness of a review due to change in liabilities

This will be subject to the following considerations in addition to the general considerations set out above:

- the size of the Scheme employer's liabilities relative to the Fund and the extent to which they have changed;
- the size of the event in terms of membership and liabilities relative to the Scheme employer and/or the Fund; and
- the administering authority's assessment of the ability of the Scheme employer to meet its obligations.

Appropriateness of a review due to change ability to meet its obligations to the Fund

In assessing whether or not an administering authority will exercise its powers to review a Scheme employer's contribution rates under this condition, the administering authority will take into account the general considerations set out earlier in this section and:

- The results of any employer risk analysis provided by the Fund Actuary or a covenant specialist
- The perceived change in the value of the indemnity to the administering authority, relative to the size of the Scheme employer's liabilities

It is acknowledged that each Scheme employer's situation may differ and therefore each decision will be made on a case by case basis. Further considerations to that set out above may be relevant and will be taken into account by the administering authority as required.

Method used for reviewing contribution rates

If a review of contribution rates is agreed, or if an indicative review is required to help inform the review process, the administering authority will take advice from the Fund Actuary on the calculation of the Scheme employer's revised contribution rates. This will take into account the events leading to the anticipated liability change and any impact of the changes in the Scheme employer's ability to meet its obligations to the Fund.

The starting point for reviewing a Scheme employer's contribution rates will in some cases be the most recent actuarial valuation. The table below sets out the general approach that will be used when carrying out this review.

Once a review of contribution rates has been agreed, unless the impact of amending the contribution rates is deemed immaterial by the Fund Actuary, then the results of the review will be applied with effect from the agreed review date.

The Fund Actuary will be consulted throughout the review process and will be responsible for providing a revised rates and adjustments certificate. Any deviations from the general approaches set out below will be agreed by the administering authority and the Fund Actuary.

	General approach
Member data	In some cases, where the review is happening during or shortly after the valuation, the most recent actuarial valuation data will be used as a starting point. In most cases, given the review is due to an anticipated change in membership, the administering authority and Scheme employer should work together to provide updated membership data for use in calculations. There may be instances where updated membership data is not required if it is deemed proportionate to use the most recent actuarial valuation data without adjustment. Where the cause for a review is due to a change in a Scheme employer's ability to meet its obligations to the Fund, updated membership may not need to be used unless any significant membership movements since the previous Fund valuation are known
Approach to setting assumptions	This will be in line with that adopted for the most recent actuarial valuation, and in line with that set out in the Fund's Funding Strategy Statement.
Market conditions underlying financial assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the market conditions will be in line with those at the most recent actuarial valuation.
Conditions underlying demographic assumptions	Unless an update is deemed more appropriate by the Fund Actuary, the conditions will be in line with those at the most recent actuarial valuation.
Funding target	The funding target adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.
Surplus/deficit recovery period	The surplus/deficit recovery period adopted for a Scheme employer will be set in line with the Fund's Funding Strategy Statement, which may be different from the approach adopted at the most recent actuarial valuation due to a change in the Scheme employer's circumstances.

Appeals process

Should a Scheme employer reject any contribution review proposal, they must evidence one of the following:

- A deviation from the published policy or process by the Administering Authority; and/or
- Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the Administering Authority.

The Scheme employer should write to the administering authority within **3 months** of the initial proposal to initiate the appeals process, as set out in the review process at step 4b. This should clearly set out the reasons behind any appeal, with detailed evidence for the administering authority to consider.

The review of the decision will be undertaken by the administering authority independently from those directly involved in the original decision.

Where required, the administering authority may take legal or actuarial advice. Should the appeal not be upheld, the cost of any advice will be the responsibility of the Scheme employer.

The administering authority will respond to the Scheme employer within 2 months of receiving the appeal notice.

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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Pension Board Membership**

Summary:

This report sets out the Pension Board roles that are up for appointment in July and the process to be followed.

Recommendation(s):

That the Board consider and note the report.

Background

1 The Public Service Pensions Act 2013, which created the requirement for a Local Pension Board, stated that the membership of the Pension Board must have an equal number of scheme member representatives and employer representatives. Following consultation in 2015, it was agreed that the Lincolnshire Pension Board would have two of each member.

2 The terms of reference for the Pension Board states that each role would have a term of office of four years, however the initial appointments staggered the terms for one of each representative type, to ensure continuity of knowledge on the Board. There is no limit to the number of terms that a Board member can remain in office.

3 One of each role is up for renewal in July this year, and the paragraphs below set out the appointment process to be followed for each role, and which specific role is up for renewal.

Scheme Member Representatives

4 The terms of reference states that:

Member representatives shall either be scheme members or have capacity to represent scheme members of the Fund.

Member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Substitutes shall not be appointed.

A total of two member representatives shall be appointed, of which:

a. *One member shall be appointed following a transparent recruitment process which should be open to all Fund members and be approved by the Administering Authority; and*

b. *One member will be nominated and appointed by the local trade unions through their own agreed process.*

5 The non-union scheme member representative role now up for renewal is the one recruited through a transparent process open to all Fund members. This is currently undertaken by David Vickers, who has served for two terms of office covering six years, as his initial term was reduced to two years to stagger appointments.

6 To ensure as many scheme members as possible are aware of the opportunity, a number of mediums have been used:

- A notice was placed on the shared website with WYPF under the main news section;
- Information will be provided in the Active Members newsletters that will be sent out in Spring; and
- Information will be sent to all pensioner members in the correspondence they receive each year in April.

7 Any person interested is offered an informal chat with the Head of Pensions, and if they wish to nominate themselves they are required to submit a brief note covering why they are interested, some background information, how they would represent scheme members and detailing any similar or relevant experience they may have had. The closing date for nominations is 31 May 2021.

8 Following that date, the Administering Authority will consider the submissions and appoint the Scheme Member Representative Board member ahead of the 15 July meeting.

Employer Representatives

9 The terms of reference states:

Employer representatives shall be office holders or senior employees of employers in the Fund or have experience of representing scheme employers in a similar capacity. No officer or elected member of the Administering Authority who is responsible for the discharge of any function

of the Administering Authority under the Regulations may serve as a member of the Board.

Employer representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meetings and participate in training as required.

Substitutes shall not be appointed.

A total of two employer representatives shall be appointed to the Board by the Administering Authority.

One place will be taken by Lincolnshire County Council, as the employer with the highest number of active, pensioner and deferred members.

All other employers will have been asked to submit their interest in undertaking the other role of employer representative on the Board.

10 The employer representative role now up for renewal is the one recruited from Lincolnshire County Council. This is currently undertaken by Cllr Mark Whittington, who has served for one term of office covering four years.

11 The Administering Authority will seek representation from the Council following the May Council elections, and appoint the Employer Representative Board member ahead of the 15 July meeting.

Conclusion

12 Two roles of the Pension Board are up for renewal from July 2015, namely the non-union Scheme Member Representative and the Employer Representative from Lincolnshire County Council.

13 Following the recruitment process set out above, the individuals appointed will be welcomed to the 15 July Board meeting.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

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

Background Papers

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

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

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Training Needs**

Summary:

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

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

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

Recommendation(s):

The Board are:

1. requested to share information on relevant events attended since the last Board meeting;

2. note any conference and training feedback from the previous three months; and

3. consider if there is any further training required in future months.

Background

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

2. Therefore the Board are requested to share information on relevant events attended since the last Board meeting.

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

Conclusion

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

Consultation

a) Risks and Impact Analysis

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

Background Papers

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

This report was written by Claire Machej, who can be contacted on 01522 553641 or claire.machej@lincolnshire.gov.uk .

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**18 March 2021**
Subject:	**Work Programme**

Summary:

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

Recommendation(s):

To review the Board's future work programme, highlight any activity for inclusion in the work programme, and specifically consider the inclusion of Responsible Investment information on future meeting agendas.

Background

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

2. From March 2021 the Fund has split Responsible Investment reporting out from the Fund Update Report. This has only been reported to the Committee this quarter; however the Board are asked to consider if they wish to receive future quarterly reports on Responsible Investment activity.

Conclusion

3. Members of the Board are invited to review, consider and comment on the work programme, and specifically consider the inclusion of Responsible Investment information on future meeting agendas.

Consultation

a) Risks and Impact Analysis

The Pension Fund has a Risk Register which can be obtained by contacting the

Head of Pensions.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Work Programme

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 556341 or claire.machej@lincolnshire.gov.uk .

APPENDIX A

LGPS PENSION BOARD – WORK PLAN

18 March 2021 **Meeting to be held virtually and broadcast to the public**	
Item	*Lead Officer*
Pension Fund Update Report *(Report)*	Jo Ray (Head of Pensions)
Pensions Administration Update Report *(Report)*	Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund)
Temporary Bank Accounts *(Report)*	Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund)
Employer Monthly Submissions Update *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Annual Review of Policies *(Report)*	Jo Ray (Head of Pensions)
Business Plan and Budget Setting for the Pension Fund *(Report)*	Jo Ray (Head of Pensions)
Annual Report and Accounts 2020/21 – Review and Approval of Accounting Policies *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Funding Strategy Statement Update *(Report)*	Jo Ray (Head of Pensions)
Reappointment of Board Members *(Report)*	Jo Ray (Head of Pensions)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Administration Service Contract Extension *(Report)*	Jo Ray (Head of Pensions)

15 July 2021 **Meeting Location: TBC**	
Item	*Lead Officer*
Pension Fund Update Report *(Report)*	Jo Ray (Head of Pensions)
Pensions Administration Update Report *(Report)*	Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund)
The Pension Regulator Data Scores *(Report)*	Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund)
Employer Monthly Submissions Update *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Annual Review of Pension Fund Risk Register *(Report)*	Jo Ray (Head of Pensions)
Annual Report and Accounts 2020/21 – Approval of Draft Report and Accounts *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)

14 October 2021 **Meeting Location: TBC**	
Item	*Lead Officer*
Pension Fund Update Report *(Report)*	Jo Ray (Head of Pensions)
Pensions Administration Update Report *(Report)*	Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund)
Temporary Bank Accounts *(Report)*	Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund)
Employer Monthly Submissions Update *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Annual Report and Accounts 2020/21 – External Audit Outcomes *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Meeting of the Border to Coast Pension Board Chairs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Investment Consultant Appointment *(Report)*	Jo Ray (Head of Pensions)
LCC and WY Internal Audit Reviews *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)

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