County Offices
Newland
Lincoln
LN1 1YL

6 October 2021

LGPS Local Pension Board

A meeting of the LGPS Local Pension Board will be held on **Thursday, 14 October 2021 at 2.00 pm in the Council Chamber, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached agenda.

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

11	**Annual Report and Accounts 2020/21: External Audit Update Report** *(To receive a presentation by Claire Machej (Accounting, Investment and Governance Manager) which provides the Board with an update from Mazars, the Funds External Auditor, on the 2020/21 audit of the financial statements)*	159 - 180
12	**Training Needs** *(To receive a report by Claire Machej (Accounting, Investment and Governance Manager) which 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)*	181 - 188
13	**Work Programme** *(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)*	189 - 194

CONSIDERATION OF EXEMPT INFORMATION

In accordance with Section 100 (A)(4) of the Local Government Act 1972, agenda item 9 has not been circulated to the press and public on the grounds that it is considered to contain exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting of the consideration of this item of business.

14	**Investment Consultant Tender and Appointment Recommendation** *(To receive a report by Jo Ray (Head of Pensions) which summarises the recent Investment Management Consultancy Services tender exercise undertaken and provides a recommendation for the appointment commencing 1st January 2022)*	195 - 202
15	**Internal Audit of Lincolnshire and West Yorkshire Pension Funds** *(To receive a report by Claire Machej (Accounting, Investment and Governance Manager) which updates the Board on the the internal audits that have been undertaken over the past year on the Lincolnshire Pension Fund and on the administration service provided by West Yorkshire Pension Fund)*	203 - 256

Published on Wednesday, 6 October 2021

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing Agenda for LGPS Local Pension Board on Thursday, 14th October, 2021, 2.00 pm (moderngov.co.uk)

Should you have any queries on the arrangements for this meeting, please contact Robert Close via telephone 01522 52113 or alternatively via email at robert.close@lincolnshire.gov.uk

This page is intentionally left blank

LGPS LOCAL PENSION BOARD
15 JULY 2021

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Gerry Tawton

Scheme Member Representatives: Kim Cammack and David Vickers

Officers in attendance:-

Rob Close (Democratic Services) Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Head of Pensions)

The following joined the meeting remotely via Teams:-

Yunus Gajra, WYPF Assistant Director (Finance, Administration and Governance) and Lisa Darvill, WYPF Client Relationship Manager

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor M Whittington

2 DECLARATIONS OF INTEREST

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

Mr Dave Vickers declared that he was a pensioner member of the Pension Fund

3 MINUTES OF THE PREVIOUS MEETING HELD ON 18TH MARCH 2021

RESOLVED

That the minutes of the meeting held on 18 March 2021 be approved as a correct record and signed by the Chairman.

4 BORDER TO COAST PENSIONS PARTNERSHIP

Andrew Stone, Head of Customer Relations – Boarder to Coast, couldn't be at this meeting of the Board and no substitute could be found.

RESOLVED

That this item be deferred until the 14 October meeting of the LGPS Local Pension Board.

5 SCHEME MEMBER AND EMPLOYER REPRESENTATIVE BOARD APPOINTMENTS

Jo Ray, Head of Pensions, explained that following the end of Dave Vickers' and Councillor Mark Whittington's terms, both members were reappointed to the Board for a further four year term following a recruitment process.

RESOLVED

That the report be noted.

6 PENSION FUND UPDATE REPORT

The Head of Pensions updated the Board of the fund matters for the quarter ending 31 March 2021. The report detailed that on the Pension Regulator's Toolkit, Knowledge and Understanding had moved to amber. This resulted from five new members being appointed to the Pensions Committee in May; Members had a six month window to complete any training so this wasn't currently of concern. Late payments of contributions and late payment of AVC cash from Prudential would be addressed in detail later in the agenda.

No new investments were made with Border to Coast in this quarter, however, work continued to develop the sub-funds, with the next new development being the multi asset credit fund which was expected to launch later this year. The Border to Coast Joint Committee was held on 13 July with papers being shared on 5 July. If the Board had any questions about the Joint Committee, the Head of Pensions suggested these were fed back to the Chairman of the Pensions Committee. The AGM for Border to Coast was to be held 20 July, which was to be followed by a Joint Committee Workshop covering Responsible Investment. This will ensure that the Funds' views could feed into the annual review of the Responsible Investment policies at Border to Coast.

The first meeting of the working group to consider the Investment Consultancy Tender had been scheduled for 29 July. Its recommendations would be brought to the 14 October meeting of the LGPS Local Pension Board.

RESOLVED

That the report be noted.

7 RESPONSIBLE INVESTMENT UPDATE

Claire Machej, Accounting, Investments and Governance Manager, gave an update of the Fund's Responsible Investment activity during the fourth quarter of the 2020/21 financial

year. The report detailed the activity undertaken by the Fund and the organisations the Fund was a member of. She outlined the activity of LAPFF (Local Authority Pension Fund Forum), Border to Coast, the Fund's chosen pool, and Robeco, who had been appointed by Border to Coast to provide voting and engagement services.

The Fund holds UK and global equities invested by Border to Coast, and details of voting activity on these were set out within the report.

Border to Coast undertook an RI survey of Pensions Officers, Committee and LGPS Local Pension Board members earlier this year. However, the responses made by the Pensions Committee members were from the previous membership therefore may not reflect the Committee's current position. She explained that Net Zero proposals were the endeavour to achieve an overall balance between greenhouse gas emissions produced and emissions taken out of the atmosphere. Countries, companies and investors were coming under pressure to make a commitment to net zero by 2050. Border to Coast wanted to work with partner funds to explore how this could be done through the pool. She proposed that this was a topic that was picked up at the September 2021 training session.

In advance of the meeting, LGPS Local Pension Board Members requested further detail about Border to Coast's ESG considerations when investing in China. Border to Coast considered investments on a company by company basis rather than at a country or regional level. That method sought to filter out the worst performers. If the Chinese economy was going through a period of growth but the Fund wasn't able to invest, this would be a financial risk to the Fund. In a follow up question, the Board observed that the social aspect within ESG possibly wasn't being given enough consideration, particularly when investments were being made in countries with less transparency.

The Board asked that when voting was undertaken through Border to Coast, did votes against management have an effect. Claire explained that, as a responsible investor, the fund believed in voting at company AGMs to be actively involved in the direction of the company. Working with Border to Coast, LAPFF, and other investors had increased the impact voting has on Company decisions. She felt that, although voting may not have an immediate effect, it enabled shareholders to express their views. Voting was done alongside engagement, to explain why votes were cast against management and to encourage changes in the companies' behaviours.

RESOLVED

That the Responsible Investment activity undertaken during the quarter be noted.

8 PENSIONS ADMINISTRATION REPORT

Yunus Gajra, Head of Governance and Business Development, West Yorkshire Pension Fund, introduced the report and outlined current administration issues. All key performance indictors had either been met or exceeded. Comments from the customer satisfaction surveys conducted in the quarter were generally positive, however, a small number of complaints were received from issues ranging from tax deduction to transfer for pension benefits. All employers training had been moved over to a virtual facility, offering the benefit of higher participation from shared service partner employers. Only two cases of scheme members' disputes were active during the quarter: an appeal against an ill health pension and a complaint because of late payments following issues with Prudential.

Until recently, Prudential had been providing a positive service for AVC holders. However, their administration platform had been changed earlier this year resulting in issues. Members AVC deductions had been taken by employers, but hadn't been allocated to their accounts by Prudential. Therefore, members weren't able to see up-to-date contributions in their AVC accounts. Prudential confirmed that members wouldn’t lose out on any investment income. This also had an impact for retiring members; long delays were taking place when pension values were being sought from Prudential, resulting in a delay in starting to pay monthly pension benefits. Prudential had offered assurances that issues would be resolved by April 2021, which was unfortunately inaccurate. Members' AVC annual statements had also been delayed by at least eight weeks. Lincolnshire and West Yorkshire Pension Funds had reported Prudential to the Pensions Regulator.

Annual benefits statements would be offered digitally this year. Yunus explained the overall WYPF budget for this financial year was £15.43 million and offered a further breakdown of the per member budget. He explained that preparation for the potential impact from McCloud was beginning with engagement with Civica. Templates had been circulated to employers which sought details such as missing hours or breaks in service. Some information had been received back. Staff were being recruited in increase resources in key areas.

In relation to the issues at Prudential, while appreciating the importance of active member contributions being appropriately recorded, the Board were concerned that the retirees weren't being offered priority, particularly because retired members may not be able to access their income. The Head of Governance and Business Development explained that retired members' lump sums had been paid, allowing them some income. Older cases were being prioritised first. In a follow up question, the Board asked if outstanding cases were likely to be progressed to the pension's ombudsman. The Head of Governance and Business Development said this was likely. The Head of Pensions stressed that there were only a very low number of members whom actually had AVCs.

The Board sought clarity if it was expected that Prudential would send out a further update letter. The Head of Governance and Business Development didn't expect anything further until they had a final date for resumption of normal service. The Board suggested contacting the other authorities that used Prudential to increase the pressure on them. The Head of Governance and Business Development stated that this was discussed at pensions officer groups. He added that the FCA were also aware of the issues. The Head of Pensions was contacted on 23 June by Prudential who said that they would come back with an update in the near future. She noted Prudential's excellent record prior to the current problems.

The Board asked how long it would be until the annual pension statements for Lincolnshire County Council members were issued. Lisa Darvill, West Yorkshire Pension Fund, explained that West Yorkshire was waiting for information from LCC's payroll provider on the March data return which would resolve the outstanding issues relating to the introduction of Lincolnshire County Council's new payroll system in 2015. The Head of Governance and Business Development confirmed that if members had received an e-mail, their ABS should be available on the portal. The Head of Governance and Business Development was confident that all ABS's would be issued by the statutory deadline of the end of August.

The Board were surprised how low the access to the portal was, and low in comparison to other funds. The Head of Governance and Business Development explained other funds had been issuing benefit statements electronically through their portal for a few years, and had therefore increased use of the portal over that time. This is the first year West Yorkshire has issued annual benefit statements electronically through a portal.

RESOLVED

That the report be noted.

9 DATA QUALITY REPORT

The Head of Governance and Business Development, West Yorkshire Pension Fund, introduced the report and explained that it represented the latest position for the Pension Regulators data quality scores. The common score for Lincolnshire was 95.86 per cent and the scheme specific score was 84.32 per cent.

West Yorkshire Pension Fund did have a rolling programme to trace lost contact members but acknowledged that some had been lost track of, he hoped however that the use of email addresses would reduce the number of lost contacts. The majority of missing earnings were cases that were awaiting leaver information or pension benefits to be calculated. The data improvement plan identified target dates further into the future as it was recognised that most issues didn't impact members' benefits. He expected that the data quality report would show a bigger improvement when the report is next considered by the Board as work was underway to address some of the bigger outstanding numbers within the plan.

RESOLVED

That the report be noted.

10 EMPLOYER MONTHLY SUBMISSIONS UPDATE

The Accounting, Investment and Governance Manager explained that this was an update on late or incorrect employee submissions for the final quarter of the financial year for 2020/21. Generally, few employers paid their contributions late. Typically, the main area of poor performance was the submission of the data return; however the fourth quarter saw generally good performance. The issue identified earlier in the year with one of the Fund's larger payroll providers had been resolved. No fines were issues in the fourth quarter.

The Head of Pensions explained that a Border to Coast administration group had been set up in recent months. Within the group, a question had been raised asking if there were any common issues among employers. The Funds involved identified a trend with a small number of Admitted Bodies regularly failing to meet their statutory responsibilities. Common actions taken in such cases had included: issuing fines to the employer (however, they are not always paid), passing fines to the seeding employer, and working with employers regarding the contract management of their payroll providers. It was also suggested that a Chairman of a local pensions board could write to the scheme advisory board bringing these issues to their attention.

The Board asked if the regulator could offer any assistance in these issues. The Head of Pensions stated that this was a possibility, however the employers involved were typically smaller, and issues were generally resolved, albeit after a great deal of time and effort.

Noting the issues that the Head of Pensions raised regarding fines, the Board asked if the fund had any unpaid fines from employers. The Head of Pensions explained that two fines were outstanding. These fines were typically low in monetary value and were often written off rather than escalating to be settled in court. The rationale behind the fine is to recover the costs for the additional time taken to administer the submission.

RESOLVED

1. That the report be noted.

2. That the Chairman of the Lincolnshire Pension Board writes to the Scheme Advisory Board, detailing the employer issues faced to pension funds.

11 LINCOLNSHIRE PENSION FUND RISK REGISTER

The Head of Pensions introduced the report, explaining that this was an annual report detailing the fund's appetite for risk, risk management structures and approach to risk management. There hadn't been any changes to the policy since the last review. Risks were split across four areas; Governance, Investment and Funding, Operations and People. The assurance statement across the risks was generally substantial and no red risks were identified. The risk appetite was new to the template and would be populated as the risk appetite was identified by CLT.

The Board asked if they could expect to see the risk appetite once identified. The Head of Pensions explained that it would be brought to the Pensions Committee for ratification and then to the Board for their consideration.

RESOLVED

1. That the risk management policy be approved.

2. That the risk register be approved.

12 PENSION FUND DRAFT ANNUAL REPORT AND ACCOUNTS

The Accounting, Investment and Governance Manager introduced the report and explained that the annual report and accounts had been prepared in accordance with statutory and industry guidance primarily set out in the code of practice for local authority accounting.

The timing issue relating to 31 March valuations for unquoted holdings was brought to the Boards attention. The draft accounts had been published in advance of the fund receiving all 31 March valuation for unquoted holdings. The accounts included all valuations that were received prior to 30 June. As further information was received, this would be reviewed and included as part of the accounts if deemed material. This may mean that the final version of the accounts is different. Any changes made would be detailed to the Board in October. The annual report and accounts were currently with the external auditor and their findings were expected to be reported to the Board in October.

Questions had been submitted prior to this meeting. It was confirmed that further detail would be included regarding the change in actuary and the timing and frequency of internal audits would be reviewed. An additional question related to the presentation of savings information in the annual report achieved through pooling: there was a requirement from MHCLG that the fund capture savings information, however, no guidance had been provided on how to collate and measure this. The calculations at Border to Coast were all done at an individual fund level and had been put together through collaboration with other funds in

Border to Coast. MHCLG stated that regulatory share capital should be captured as a cost. This sat at approximately £1.1 million for Lincolnshire and if Border to Coast were to disband that money would come back to the Fund. Savings had a focus on investment management fees and were a comparison between those seen at Border to Coast and the previous fees paid if there was a like for like comparison. Where a like for like wasn't possible, sector benchmark fees had been used.

The Board asked if the external auditors had completed their audit of the accounts. The Accounting, Investment and Governance Manager explained that their work started mid-June and they had completed the revenue element of their work. No issues had yet been flagged. An additional cost of £6,000 was expected for the extra work they need to do for unquoted holdings.

Referencing some of the administration benchmarking data within the report, the Board felt this was misleading. The Accounting, Investment and Governance Manager explained that the information included within the annual report was guided to by regulations. The number of funds that submitted data to national benchmarking was important to its overall quality.

The Board felt that inclusion of the savings from investment crossing included in the pooling savings was slightly unfair as this might be possible outside of pooling too. The Head of Pensions explained that it would depend on what the fund was going into, and if a manager was able to offer any crossing themselves. As part of the crossing opportunity, the fund was also able to avoid the impact of a dilution levy.

RESOLVED

That the draft Pension Fund Annual Report and Accounts be noted.

13 TRAINING NEEDS

The Accounting, Investment and Governance Manager introduced the report and commented that Board members had submitted their training log for the past 12 months. Within these logs the Board identified that they'd like a greater understanding of funding and investment strategies, an update on the outcomes of Good Governance Project and an update on the combined Pension Regulators Code. The training scheduled for September will consider funding and investment strategies.

Members of the Board noted their attendance at the CIPFA/Barnett Waddingham training, commenting that they found it very informative. In addition, members noted recent training on the Pension Scheme Act 2021 and the regulators new draft combined code. The Head of Pensions noted that work was being undertaken with the LGA Scheme Advisory Board to clarify which parts of the combined code were for the public sector.

RESOLVED

That all training feedback be noted.

14 WORK PROGRAMME

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

RESOLVED

That the report on the work programme be approved.

The meeting closed at 3:55 p.m.

This page is intentionally left blank

Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**14 October 2021**
Subject:	**Border to Coast Pensions Partnership - Governance Presentation and Annual Report and Accounts**

Summary:

This paper introduces a presentation from Border to Coast Pensions Partnership.

Andrew Stone, Head of Customer Relations, from Border to Coast Pensions Partnerhsip will cover current governance and management arrangements for the Board.

The paper also brings to the Board the Border to Coast Annual Report and Accounts for 2020/21.

Recommendation(s):

The Board is asked to note the report, presentation and Annual Report and Accounts.

Background

1.1 Lincolnshire Pension Fund is one of ten partner funds within Border to Coast Pensions Partnership (Border to Coast). The Board has received regular reports and communications on the development of the Company and LGPS pooling requirements over recent years.

1.2 Today Border to Coast will be represented by Andrew Stone (Head of Customer Relations).

1.3 Their presentation will give the Board an update on current governance and management arrangements. It will cover:

- Background and governance arrangements;
- The Team;
- Progress;
- Investments and responsible investment; and
- Pooling savings update.

1.4 A copy of their presentation is included at Appendix A.

1.5 The paper also brings to the Board their Annual Report and Accounts for 2020/21.

Conclusion

2.1 Border to Coast Pensions Partnership is the chosen asset pool for Lincolnshire Pension Fund. Over time, they will become the asset manager for most, if not all, of the Fund's assets.

2.2 Today's presentation aims to provide the Board with an update on governance and management arrangements at Border to Coast and gives the Board the opportunity to review and comment on the Annual Report and Accounts for 2020/21.

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	Border to Coast Pensions Partnership Presentation
Appendix B	Border to Coast Annual Report and Accounts 2020/21

Background Papers

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

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

Border to Coast Pensions Partnership Ltd

Lincolnshire Pension Fund

15th July 2021

Agenda

- **Background and Governance Arrangements**
- **Our Team**
- **Progress**
- **Investments and Responsible Investment at Border to Coast**
- **Pooling Savings Update**

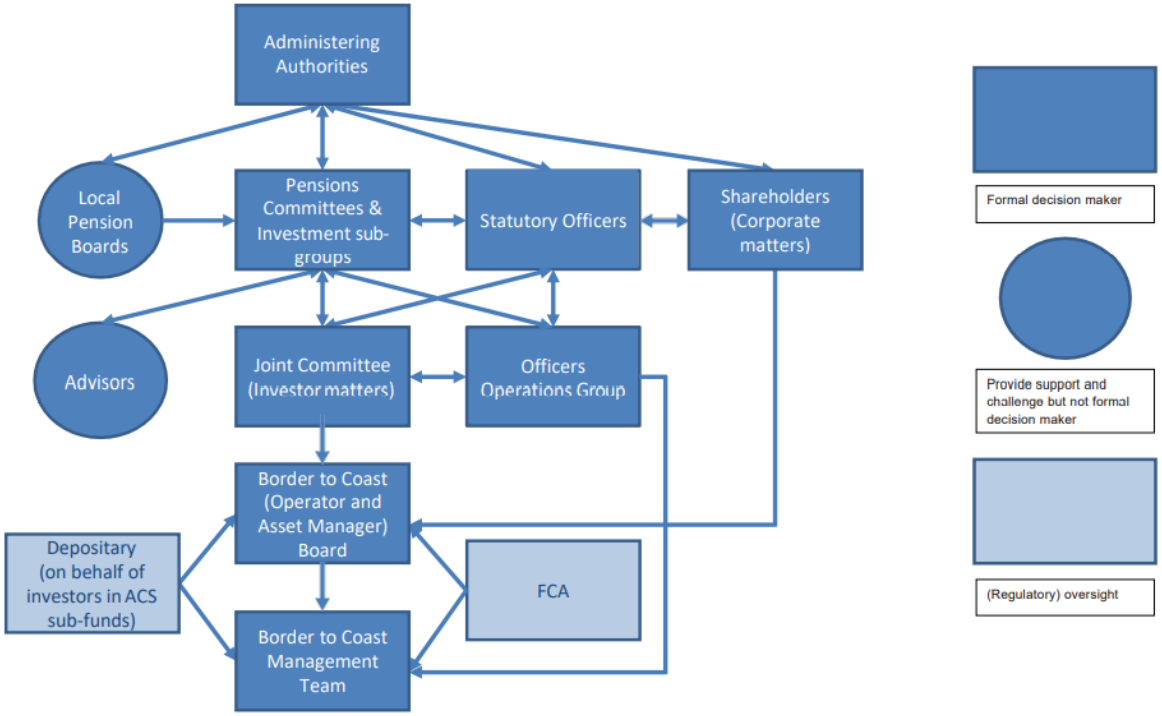
Border to Coast Pensions Partnership Ltd

Border to Coast - Background

Border to Coast Pensions Partnership

- Established in **2018**
  - **11** Local Government Pension Funds with c. **£55bn in assets**
    - **Internal & External** Management of **Listed and Private Market** products

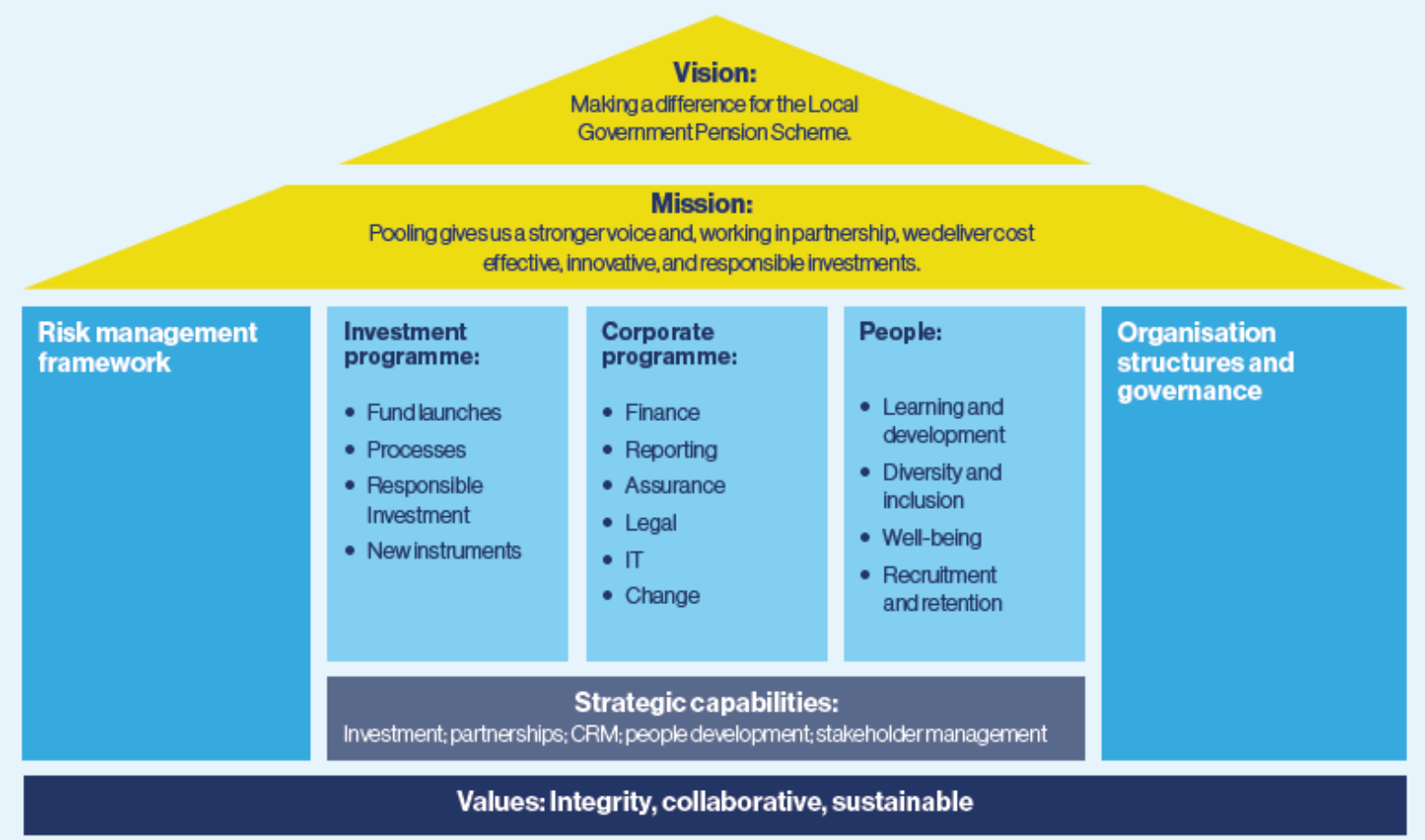
Governance Arrangements and the Seven Guiding Principles



1. Meeting central Government's aims for governance, responsible investing, infrastructure and value for money
2. One fund, one vote
3. Funds retaining governance role and ownership of asset allocation
4. Generating improved net-of-fees risk adjusted performance
5. Border to Coast internal management capability
6. Improved resilience and capacity over existing structures
7. A shared team in one location

Border to Coast – Why Are We Here?

We were established by our Partner Funds to facilitate the pooling of their investments - to improve value for money through scale, increased access to investment opportunities, and strengthened governance



Value Add - Focus

Operational efficiency – how have costs evolved through pooling?

- Opportunities for operational efficiency identified and implemented
- Consistency of comparisons is important – and this is driven by Partner Funds
- Joint working party taking this forwards

Investment process

- Increased risk management and research capabilities
- Responsible investment embedded into process

Investment team

- Succession planning - team broader and more robust, including graduate programme

Collective voice

- Policy influence
- Responsible investment

Border to Coast Pensions Partnership Ltd

Border to Coast - Our Team

Border to Coast Team

CEO: Rachel Elwell				
CIO: Daniel Booth	COO: Fiona Miller		CRO (Interim): Steve Walton	CEO Team
Investment Team 44 people	Operations Team 10 people	Corporate Functions 28 people	Risk Team (2nd Line) 5 people	CRM, HR, Policy/Comms 9 people

- Team of 100 in total (as at 31 March 2021)

Investment Team – Key People

- **Daniel Booth - Chief Investment Officer -** has over 20 years' investment experience including extensive breadth and depth across alternative asset investments. Daniel joined Border to Coast in September 2018 following 8 years at Saudi Aramco where he was Head of Portfolio Management.

- **Mark Lyon CFA - Head of Internal Investment -** joined Border to Coast in 2018 from his position as Head of Investments for East Riding Pension Fund, having previously worked for Derbyshire, bringing over 16 years of experience with him. In 2016 he was awarded Institutional Investors UK Public Pension Manager of the Year.

- **Graham Long - Head of External Management -** brings a wealth of experience from his senior roles at Abbey National and Aviva UK, where he operated as CIO, managing relationships with group and external managers covering total assets in the billions.

- **Tim Sankey – Head of Real Estate -** joined Border to Coast in November 2020 bringing nearly 20 years of experience with him from his role at Aberdeen Standard Investments where he was Fund Manager for their UK Property Fund.

- **Sarah-Jane Burns – Head of Research -** joined in September 2018. SJ started her career at Gartmore Asset Management and subsequently worked as an equity analyst for Henderson, before joining Findlay Park Partners LLP in 2008 as a fund manager. She made Partner at the firm in 2010.

Border to Coast Pensions Partnership Ltd

Border to Coast - Progress

Border to Coast
- Investment Programme

	Progress to date	2021	2022	2023 and beyond
Equities	UK Listed Equity (£4.6bn) O/seas Developed Equity (£4.2bn) Emerging Markets Equity (£0.8bn) UK Listed Equity Alpha (£1.4bn) Global Equity Alpha (£6.1bn) **Total AUM: £17.2bn[1]**	Emerging Market Hybrid UK & O/seas Developed Equity (review) UK Equity Alpha (review)	Regional Alpha Emerging Markets Alpha	Passive/ Factor / ESG
Alternatives	Private Equity – Series 1 (£1.7bn) Infrastructure – Series 1 (£2.5bn) Private Credit – Series 1 (£1.5bn) **Total Committed: £5.7bn[1,2]**	Listed Alternatives First co-investment made (green energy) Cashflow management	Legacy Diversified Alternatives Asset Allocation Series 2	Impact (local) Investing
Bonds	Sterling Index Linked Bond (£1.4bn) UK Investment Grade Credit (£3.1bn) **Total AUM: £4.5bn[1]**	Multi-Asset Credit		
Real Estate			Global Real Estate	UK Real Estate
Other	1st trade *crossed* between PFs, saving £3.5m costs			Hedging (FX & Equity)
Responsible Investing	ESG & carbon screens for all Equity and FI Funds External manager monitoring framework Voted at 902 meetings 12,011 resolutions Common policy for all Border to Coast holdings TCFD, Annual RI & Stewardship reports published Joined multiple RI collaborations	Standalone Climate Change Policy RI support for Real Estate Alternatives monitoring framework Publish PRI Transparency Report Net-zero carbon commitment Developing communications strategy		

2020 LAPF AWARDS

- **Won 'Pool of the Year' for the second year**
- **Won the 'Collaboration' award**

[1] AUM as at 31/03/2021
[2] Alternatives values shown based on Partner Fund commitments

Border to Coast
- Wider Corporate Development Programme

	Progress to date	2021	2022	2023 and beyond
Office	Central Leeds location established – meeting our principle of having a shared team in one location	Second floor secured in our building - larger team and need for more meeting rooms with videoconferencing capabilities		
People	100 employees, 28 joined during lockdown Well set-up for working remotely during lockdown Graduate scheme in place: 2020 recruitment delayed	Employee Value Proposition, colleague engagement, learning & development, succession planning, well-being, diversity, culture		
Corporate Function	Embedded operating models, outsourcing where appropriate. Established risk & control frameworks	Assessment of operating model – efficiencies, risk appetite, opportunities to move in-house. Review working practices. Maturing risk & control frameworks, etc		
Customer Relationships	Team established, processes documented, Customer Strategy developed	Ensuring info meets requirements, increasing capacity, evaluating CRM software, training materials, promoting Customer voice		
Data Room	Established as secure source of fund launch due diligence and subsequently expanded to include Customer Reporting, materials from meetings, etc,	Re-launched following feedback – easier to navigate, improved look & feel		
Annual Conference	Annual Conference established (run online in 2020)	Will incorporate new Member training sessions (following election turnover)		
Reporting & Assurance	Statutory accounts approved Account for GPs/LPs and ACS structures Transition from Type 1 to Type 2 AAF report in 2020 ISO27001 Certification			
Comms Strategy	Formalised strategy in 2020, establishing current channels & future plans	Launched *Investment Insight* articles & videos		
Collective Voice	Responsible Investment, Asset Management Industry, LGPS	Policy change (leveraging strategic partnerships)		
Regulatory	Aligned with SMCR Brexit-related changes			

Border to Coast Pensions Partnership Ltd

Border to Coast

Investment Funds & Responsible Investment

Lincolnshire – Current Investments with Border to Coast

Listed Investments	Lincolnshire Value (as at 31/03/2021)	Total Fund Value (as at 31/03/2021)
	£	£
UK Listed Equity Fund	442.9m	4.6bn
Global Equity Alpha Fund	711.5m	6.1bn
Sterling Investment Grade Credit Fund	195.9m	3.1bn

Source: Border to Coast. Past performance is not a reliable indicator of future performance and is not guaranteed.

Lincolnshire – Potential Future Investments

- **Multi-Asset Credit:**
  - Fund designed to give access to a wide range of credit assets to diversify risk & return sources
  - Best of both worlds approach – returns from both asset allocation and sector specialists
  - Expected to launch later in 2021

- **Alternative Investments:**
  - Border to Coast has launched stand-alone Alternatives offerings in the form of Private Equity, Infrastructure and Private Credit
  - Lincolnshire are expecting to invest in the next series of Alternatives offerings in April 2022
  - Subsequently, Border to Coast will develop a solution for Lincolnshire in which it takes responsibility for the likes of discretionary asset allocation

- **UK & Global Real Estate:**
  - Developing Global Real Estate capability for 2022 launch and UK capability for 2023.

Responsible Investment (RI) at Border to Coast

Responsible Investment

Active Ownership

- Collective RI and Voting Policies to leverage scale
- Voting internally and externally managed assets
- Collaborative engagement

ESG Integration

- Integration of Environmental, Social & Governance risks and opportunities into processes
- Carbon footprinting of portfolios

External Managers

- Manager expectations made clear
- RI included in selection and appointment process
- Annual RI review meeting

Reporting

- RI activities published on our website
- Quarterly reporting – stewardship and voting
- Annual RI & Stewardship Report

Supporting Partner Funds

Border to Coast Pensions Partnership Ltd

Pooling Savings Update

Pooling Savings Update

Pooling Savings Project

- Project undertaken to state individual Partner Fund and total savings across our pool
- Working in collaboration – Border to Coast and the Partner Funds
- Border to Coast Annual Report & Accounts does not include Partner Fund specific savings, just the consolidated position
- As Officers are aware, we have not yet included future launches in these figures (aside from our soon-to-be-launched MAC Fund)
- The level of savings will grow as we develop and incorporate other funds, such as Real Estate and Listed Alternatives

Ongoing Work:

- We have issued each Partner Fund with savings numbers for their Annual Reports, including supporting commentary
- To provide for greater consistency across the LGPS pools, Border to Coast has led a project to standardise the 2021 pooling savings report
    - Draft response has been issued to Partner Funds for review
    - Final response will be submitted to MHCLG on 24/09/21

Disclaimer

The material in this presentation has been prepared by Border to Coast Pensions Partnership Limited ("Border to Coast") and is current as at the date of this presentation. This information is given in summary form and does not purport to be complete. Information in this presentation, including any forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. All securities and financial product or instrument transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments and, in international transactions, currency risk. This presentation may contain forward looking statements including statements regarding our intent, belief or current expectations with respect to Border to Coast's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements. Border to Coast does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. While due care has been used in the preparation of any forecast information, actual results may vary in a materially positive or negative manner. Forecasts and hypothetical examples are subject to uncertainty and contingencies outside Border to Coast's control. Past performance is not a reliable indication of future performance. The information in this presentation is provided "as is" and "as available" and is used at the recipient's own risk. To the fullest extent available by law, Border to Coast accepts no liability (including tort, strict liability or otherwise) for any loss or damage arising from any use of, or reliance on, any information provided in this presentation howsoever caused.

This presentation is for the recipient only and may not be distributed to any other person without express consent from Border to Coast Pensions Partnership Ltd. Authorised and Regulated by Financial Conduct Authority (FRN 800511).

Investments which are held within an unregulated collective investment scheme are not authorised or regulated by the Financial Conduct Authority.

BORDER TO COAST
ANNUAL REPORT & ACCOUNTS 2020/21

BORDER TO COAST
PENSIONS PARTNERSHIP

Our purpose

MAKING A DIFFERENCE

We were established by our Partner Funds to facilitate the pooling of their investments with the objective to improve value for money through scale, increased access to investment opportunities, and strengthened governance.

As a customer-owned, customer-focused organisation, our vision is to make a difference for the Local Government Pension Scheme.

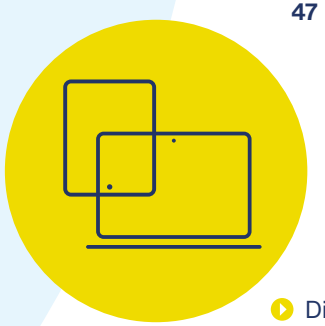
Pooling gives us a stronger voice and, working in partnership with our Partner Funds and across the asset owner and asset management industry, we aim to deliver cost-effective, innovative and responsible investment, thereby enabling sustainable, risk-adjusted, performance over the long term.

Our values underpin everything we do:
Our values represent our culture, guiding our judgements, building trust and helping us to deliver for our Partner Funds:

Collaborative
- We depend on each other.
- We build open and effective partnerships internally and externally.

Sustainable
- We make decisions for the long term.
- We invest in our people to deliver success for our Partner Funds.

Integrity
- We do the right things for the right reasons.
- We're transparent and foster trust, respect and confidence.



Our Annual Report has images from the areas represented by our Partner Funds.

Front cover:
Bedfordshire Pension Fund (left) and Tyne and Wear (right) Pension Fund

Discover more at **bordertocoast.org.uk**

Strategic report

Governance

Financial statements

At a glance

MAKING GOOD PROGRESS IN CHALLENGING TIMES

10
collective investments

28
colleagues recruited while working remotely

119
meetings with Partner Funds

100
colleagues

7
graduate trainees

£3bn
of Private Market commitments

902
meetings with companies we're invested in

£21.7bn
assets under management

12,011
shareholder resolutions voted

As of 31 March 2021.


Lincolnshire Pension Fund

Chair's statement

DELIVERING FOR OUR PARTNER FUNDS

LAPF Pool of the Year

for the second year

Chris Hitchen
Chair

Over the past year, local authorities have worked through a pandemic to deliver essential services such as public health, social care, education and environmental protection. Without their hard work and commitment, less visible perhaps than NHS workers but still vital, things would have been much worse for many people. At Border to Coast, we thank and applaud these individuals, and are glad that we can support them by investing responsibly for their retirement in a cost-effective and, we believe, value-enhancing way.

Working together, apart

COVID-19 has meant that Border to Coast has predominantly worked remotely over the past year. Some have enjoyed the release from a long commute, but many have found it harder. As an organisation we have found ourselves working in kitchens and bedrooms, on dining tables and sofas. Still growing, a quarter of our workforce joined whilst remote working, a unique induction challenge.

It is therefore pleasing that when we asked colleagues their views in a culture audit and engagement survey in mid-2020 our cultural alignment was found to be strong, and the sense of engagement even stronger, in comparison with other UK companies. These are key differentiators in a competitive employment market. It will be interesting to see whether the lockdown leads to lasting changes in the way which other investment companies engage with their staff, with consequences for our own ability to attract and retain great people. We have been blessed so far, but the Board is very alive to this risk to the long-term delivery for our Partner Funds.

Delivering for our Partner Funds

Despite all, good progress has continued to be made. Most visibly, we are responsible for investing £24.7bn of the £55.5bn assets of our Partner Funds – driven in part by the launch of a new Fixed Income fund and the expansion of our Private Markets programme. Markets, often ahead of reality, recovered their poise over the year and our own portfolios also ended the year well, although acknowledging that this is still early days for Border to Coast.

The increasing scale of our operations delivers clear cost benefits. For example, one Partner Fund saved more than £700,000 a year by moving to one of our investment funds. Equally, by working together we can also avoid significant costs and we were able to avoid a total of £3.5m for two Partner Funds in a single transaction. These savings could not have been achieved without pooling.

With our collective size, we are beginning to open up investment opportunities which some of our Partner Funds were unable to access on an individual basis. Indeed, this year we participated in our first co-investment opportunity in green energy. Historically only within reach for some, such co-investments are now available to all our Partner Funds and help reduce the cost of investing in Private Markets.

COVID-19

As we are a new organisation, COVID-19 presented a variety of challenges to the Board. The Board held informal meetings weekly, and then fortnightly, with the Executive to discuss how we were responding to the challenges the pandemic was creating. Issues covered included:

- how we were supporting our people through the crisis;
- the impact of COVID-19 on the markets – and the strategies in place to manage our investments;
- enhanced oversight and management of our material outsourcers; and
- the impact of COVID-19 and working remotely on our ability to deliver our agreed purpose.

Chair's statement continued

Delivering for our Partner Funds continued

We were also established to give our Partner Funds a stronger voice as asset owners. Collective voting and engagement, in collaboration with other LGPS funds and like-minded investors where appropriate, is now well established, whilst we facilitate Partner Funds' right to direct their own votes when required. 2020/21 is the year when climate change has really broken through as the pre-eminent engagement issue for institutional investors in general, having long been top of mind for some of our Partner Funds. As the UK prepares to host COP 26, we look forward to working with our Partner Funds to address emerging long-term risks to both portfolios and to the world in which they – and all of us – are invested.

Effective leadership and governance

In a difficult operating environment, I have been delighted by the leadership and dedication shown by our CEO, Rachel Elwell, and her Executive team, both internally and amongst their peers. In such a situation, the Board must strike an appropriate balance between support and empowerment on the one hand, whilst maintaining oversight and constructive challenge on the other. I believe we have successfully achieved this and was pleased that this view was endorsed by our first external Board effectiveness review, which was conducted in late 2020 by Muse Advisory. Ultimately, though, we are only as effective as the service we provide to our Partner Funds and the stewardship we deliver on behalf of our shareholders – that's the real test. So far so good, but not something we take for granted.

Our Board remains a judicious balance of Executive, independent Non-Executive and Partner Fund Non-Executive Directors ('NEDs'). Our Partner Fund NEDs are a valuable link with our Partner Funds who are both our customers and shareholders, and a different and important voice in the boardroom. During 2020 we said goodbye, with our thanks, to Councillor Jeffrey Watson of Northumberland at the end of his term and welcomed in his place Councillor Anne Walsh from Tyne and Wear. Coincidentally, the year also saw the merger of Northumberland's and Tyne and Wear's Pension Funds, a further efficiency gain for their sponsoring authorities, with knock-on changes to Border to Coast's shareholder arithmetic. The number of scheme members covered by our investments is unchanged, however, as is the need for us to deliver strong long-term returns for all our stakeholders.

In the autumn, Enid Rowlands, one of our first independent Non-Executive Directors ('iNEDs') and Chair of the Remuneration and Nominations Committee, also stepped down from the Board and I would like to thank her for her huge contribution and support over her three-year tenure. In her place we have appointed Kate Guthrie, a highly experienced HR Director with strong financial services experience. With such a wide range of skills and experience, and diversity of thought, our Board is well equipped for the undoubted challenges to come.

Continuing our progress in partnership

With more fund launches in 2021/22 and beyond, Border to Coast remains as a trusted investment partner for our Partner Funds. While the events of the last year have demonstrated how uncertain life can be, it has also shown Border to Coast to be a capable and agile organisation, ready and willing to adjust and adapt. I think I speak for many, though, when I say that I am looking forward to seeing people in person once again and to finding a new balance between physical and virtual working. Let's build back better.

We are a customer-owned, customer-focused organisation. We exist only to make a difference for our Partner Funds, working in partnership with them. With shared vision and willingness to collaborate, I believe that the strong foundations we have built over the past three years will help our Partner Funds to invest their assets, and ultimately pay their members' pensions, sustainably.

Chris Hitchen
Chair

119
meetings with Partner Funds

"With our collective size, we are beginning to open up investment opportunities which some of our Partner Funds were unable to access on an individual basis. Indeed, this year we participated in our first co-investment opportunity in green energy. Historically only within reach for some, such co-investments are now available to all our Partner Funds and help reduce the cost of investing in Private Markets."

Chief Executive Officer's statement

DELIVERING THROUGH PARTNERSHIP

Apr

Partner Funds commit £1.6bn to Series 1B of our Private Markets programme

Jul

Receive A and A+ ratings for all modules in our first assessment under the Principles for Responsible Investment

Rachel Elwell
Chief Executive Officer

The last year has been challenging for society, for our Partner Funds, and for our colleagues and their families. When I reflect on how we have risen to the various demands thrown at us – individually and collectively – I have never been prouder to lead the team and work with our Partner Funds here at Border to Coast. The care, commitment and passion shown by everyone has been inspiring. Indeed, it demonstrates the extent to which we depend on each other and the importance of effective partnership. I therefore wanted to start my report by thanking colleagues, partners, suppliers and our Partner Funds for their support, flexibility and patience as we have navigated our way through the COVID-19 pandemic.

Established in July 2018, it is perhaps sobering to reflect that Border to Coast has been working remotely for over one-third of its life. In a time of crisis – and working remotely – it would have been easy for each of us to turn inward and focus solely on the issues at hand. However, in reality we have experienced encouragement, engagement and insight from our Partner Funds, our strategic partners, other pools and the wider investment community. Despite the circumstances, we have continued to make good progress in delivering for our Partner Funds – and I believe we emerge from this period collectively stronger than when we entered it.

Delivering investment opportunities

While we have maintained our focus on a multi-year investment horizon rather than each quarter's developments, it is impossible to ignore the volatility in the markets in 2020/21. At the start of the pandemic there was initial underperformance in value stocks which in turn impacted our externally managed equity funds. It is important to not get caught up in short-term performance; however, it was pleasing to see our externally managed equity funds return to positive territory since inception as markets recovered in the last quarter. Having experienced such challenging markets together over this period, I believe we have established with our Partner Funds some good practice on reporting and oversight that will stand us in good stead for the future.

10
collective investment vehicles

28
colleagues recruited while working remotely

We have continued to develop and deliver for, and on behalf of, our Partner Funds by:

- launching a new Fixed Income fund (the £1.5bn Sterling Index-Linked Bond Fund);
- making significant progress in the build of our new Multi-Asset Credit Fund, gaining FCA approval and appointing four specialist managers – with expected launch during 2021;
- recognising the growing importance of the Chinese market, reshaping our Emerging Markets Equity Fund and appointing two specialist China managers. The ability to adapt our propositions to reflect structural change and Partner Fund needs is fundamental to our success in the longer term;
- additional commitments from our Partner Funds of £2.7bn in the coming period are expected to take us to £5.7bn of committed capital by March 2022;
- completing our first Private Markets co-investment deal, demonstrating the expertise and capabilities of our internal investment team;
- appointing a new Head of Real Estate, Tim Sankey, to develop our Real Estate funds;
- completing our first "crossing deal", which led to a saving of £3.5m for the Partner Funds involved. We have since completed five other crossing deals; and
- continuing to grow our responsible investment capabilities, including publishing our first Task Force on Climate-related Financial Disclosures Report, gaining a strong assessment from the PRI in our first year as a signatory, and receiving recognition from the FRC on our Stewardship Code reporting.

Chief Executive Officer's statement continued

Sep
Appoint UBS and FountainCap to manage the China mandates in the Emerging Markets Equity Fund

Oct
Launch our internally managed UK Sterling Index-Linked Bond Fund

Nov
Our first co-investment in our Infrastructure Fund, with the £40m investment in Sleaford Renewable Energy Plant

Dec
Win two LAPF Investment Awards – for the second time, "Pool of the Year", and the "Collaboration Award"

Jan
Gain FCA regulatory approval for our Multi-Asset Credit Fund

Developing Border to Coast

This is the third year of our original five-year strategy to develop the investment propositions to enable Partner Funds to pool their assets and to create a sustainable organisation built on solid foundations of clear cultural values and strong risk and governance frameworks.

We are a customer-owned, customer-focused business. Accordingly, over the last year we have reviewed how we work together to develop and agree clear and mutual expectations, improve our responsiveness to Partner Fund needs and identify opportunities to maintain our close relationship.

Remote working has highlighted the importance of our Senior Leaders and our People Managers, who have played a huge part in helping us successfully navigate the last year. As outlined on pages 25 and 26, we have continued to invest in the skills and capabilities of our people. As an organisation we have continued to grow, welcoming 28 new colleagues to Border to Coast during the lockdown period, requiring an innovative approach to recruitment and induction.

As we grow, we recognise the importance and benefits that come from maintaining a diverse workforce. Diversity is recognised as a strength for us both by the Investment Association and internally by colleagues. We are one of six firms working with the Investment Association, Cambridge University, and Invesco on a study to provide insights on developing an integrated and holistic approach to managing diversity.

We have continued to further develop our organisational infrastructure, including stronger operational resilience and improved processes and reporting systems for management oversight – as demonstrated by our external control assurance maturity, moving to an Audit and Assurance Faculty ('AAF') type II controls assurance report this year.

Pooling enables our Partner Funds to have a stronger voice – and this means playing a stronger role in the investment management industry to help to redress the balance between asset owners and asset managers. It is for this reason that I accepted a place on the board of the Investment Association, supporting its initiatives on corporate governance, culture, transparency and sustainability.

Our efforts on behalf of our Partner Funds have not gone unrecognised. In our third Partner Fund annual survey, there continued to be a high level of satisfaction with how Border to Coast is developing and with our close and constructive relationship. I am also delighted that, for the second year running, we were named "Pool of the Year" in the LAPF Investment Awards and also received its "Collaboration Award".

Our next steps

While strong progress has been made in the past year, to deliver our purpose we must continue to invest and develop.

As a new, fast-developing organisation, it is critical that we nurture the right culture. Over the past year we have reviewed our values and associated behaviours to ensure they are clearly articulated and remain relevant. We are also evolving our ways of working: we believe in a flexible approach to working, enabling us to deliver for our Partner Funds in a cost-effective and sustainable way whilst also ensuring our colleagues have healthy working lives.

Over the next five years we have a real opportunity to build a mature, long-term, innovative and responsible multi-asset investment business that will enable Partner Funds to fully realise the benefits of pooling.

Our success to date is due in no small part to everyone's ongoing commitment across Border to Coast to ensure that Partner Funds remain central to our thinking and activities. I should like to thank our Partner Fund officers and elected members for their engagement and guidance over the past twelve months, the Border to Coast team for rising to the challenge and finally my fellow Board members for sharing their experience and expertise.

Rachel Elwell
Chief Executive Officer

Crossing deal

In July 2020 we successfully completed our first crossing deal on behalf of two Partner Funds in our UK Listed Equity Fund. As part of strategic asset allocation changes, one Partner Fund was looking to make an investment, while another was looking to redeem from the Fund. Early engagement and a high level of collaboration between Border to Coast, Partner Funds and external parties allowed us to manage their transactions at the same time. This "crossing deal" reduced the cost of cash redemptions and subscriptions for both parties, resulting in £3.5m of cost savings. We have subsequently completed five further crossing deals across multiple Partner Funds.

£3.5m
cost saving in a single transaction

Our response to COVID-19

Managing through the pandemic

COVID-19 is an unprecedented crisis requiring governments and companies to take extraordinary actions to support their people and stakeholders. At Border to Coast we developed a framework to guide our decision making in what was a fast moving and uncertain environment namely: how do we prioritise colleague, Partner Fund and supplier welfare; ensure we maintain continuity of service to our Partner Funds; and continue to act in a socially responsible manner?

Using this framework we made the decision to close the office and move to remote working shortly before the formal UK lockdown announcement was made on 23 March. Given the fluidity of the situation we held daily management meetings to monitor the situation, and the potential impact on colleagues, suppliers and our business, and responded to issues as they arose. We worked with our People Managers to ensure they could support their teams, and our Senior Leaders held team meetings at least twice a week to cascade updates and discuss any issues or concerns colleagues may have had, creating an effective feedback loop to inform decision making. In turn, informal Board meetings were held, initially weekly, to discuss the situation and our evolving response to the crisis.

Throughout this period we have supported colleagues to adapt to remote working with a continued focus on their physical and mental health. This has included adjusting workloads and work patterns to reflect individual circumstances.

We have also maintained a close and detailed dialogue with both our Partner Funds and outsourcing partners. This enabled us to respond or adapt to any issues or challenges that have emerged. Reflecting the increase in market volatility, additional monitoring and enhanced oversight of core outsourced providers were put in place and, due to increased external threats, enhanced cyber and security measures were introduced.

Early into the pandemic we issued a statement regarding our expectations of portfolio companies and continued to engage with the asset management industry regarding the importance of making long-term decisions taking into account all stakeholders.

In many ways the pandemic has made work more challenging. It has slowed down our pace of development, such as the launch of new investment funds. However, with the support of our colleagues, Partner Funds and strategic partners, we have nonetheless made good progress. We have adapted our practices and have developed our ways of working – and we will capture and embed these as we grow and develop as an organisation.

See **page 26**

Responsible investment

As long-term investors, responsible investment is fundamental to our investment process: we, alongside our Partner Funds, believe that well and sustainably run companies deliver better returns over time. And with a lengthened investing horizon, identifying long-term risks becomes even more important.

See **the Responsible Investment and Stewardship Report**

"We have also maintained a close and detailed dialogue with both our Partner Funds and outsourcing partners. This enabled us to respond or adapt to any issues or challenges that have emerged."

A/A+

ratings in our first assessment under the Principles for Responsible Investment

Cumbria County Council

Our Partner Funds

MAKING A DIFFERENCE

Everything we do at Border to Coast comes back to making a difference to the 1 million LGPS members, c.2,600 local employers, and many millions of taxpayers who are associated with our eleven Partner Funds.

North Yorkshire County Council

Bedfordshire Pension Fund

Number of members
72,105
Participating employers
185

Cumbria County Council

Number of members
58,396
Participating employers
126

Durham County Council

Number of members
57,430
Participating employers
115

ERPF East Riding Pension Fund

Number of members
116,422
Participating employers
317

Lincolnshire Pension Fund

Number of members
74,058
Participating employers
278

North Yorkshire County Council

Number of members
98,391
Participating employers
188

South Yorkshire Pensions Authority

Number of members
161,477
Participating employers
526

Surrey Pension Fund

Number of members
111,314
Participating employers
282

teesside pension fund

Number of members
71,577
Participating employers
173

Tyne and Wear Pension Fund Administered by South Tyneside Council

Number of members
139,312
Participating employers
266

Warwickshire pension fund

Number of members
50,031
Participating employers
190

As of audited accounts, 31 March 2020.

Our Funds

DELIVERING INVESTMENTS WITH, AND FOR, OUR PARTNER FUNDS

Border to Coast, working with our Partner Funds, has developed a range of investment options to enable the implementation of each Partner Fund's investment strategy requirements. To date we have launched seven Public Market funds through both internal and external management, as well as three Private Market portfolios.

Responsible for managing
£24.7bn

Equity

Overseas Developed Markets Equity Fund
Launched
July 2018
Assets under management at 31 March 2021
£4.2bn
The Fund invests in listed equities issued by overseas companies in developed countries, and is managed internally.

UK Listed Equity Fund
Launched
July 2018
Assets under management at 31 March 2021
£4.6bn
The Fund invests primarily in listed equities of UK companies, and is managed internally.

Emerging Markets Equity Fund
Launched
October 2018
Assets under management at 31 March 2021
£0.8bn
The Fund invests in listed equities issued by companies operating in emerging market economies, and as at 31 March 2021 was managed 100% internally. Post the year end, two China specialist external mandates were introduced to the Fund.

UK Listed Equity Alpha Fund
Launched
December 2018
Assets under management at 31 March 2021
£1.4bn
The Fund invests in listed equities offered by companies on the UK market, and is managed externally.

Global Equity Alpha Equity Fund
Launched
October 2019
Assets under management at 31 March 2021
£6.1bn
The Fund combines five complementary investment styles to create a broad portfolio of listed equities across the globe, and is managed externally.

Private Markets

Private Equity
Launched
May 2019
Committed at 31 March 2021
£1.0bn
This provides exposure to a global diversified Private Equity portfolio though collective vehicles selected by the internal Alternatives team.

Infrastructure
Launched
July 2019
Committed at 31 March 2021
£1.4bn
This provides exposure to a global diversified Infrastructure portfolio though collective vehicles selected by the internal Alternatives team.

Private Credit
Launched
October 2019
Committed at 31 March 2021
£0.6bn
This provides exposure to a global diversified Private Credit portfolio though collective vehicles selected by the internal Alternatives team.

Fixed Income

Sterling Index-Linked Bond Fund
Launched
March 2020
Assets under management at 31 March 2021
£1.4bn
The Fund invests primarily in the inflation-linked debt of the UK Government, and is managed internally.

UK Sterling Investment Grade Credit Fund
Launched
October 2020
Assets under management at 31 March 2021
£3.1bn
The Fund combines three complementary external managers to form a varied portfolio of high quality corporate or supranational credit holdings, and is managed externally.

Business model

BUILDING A SUSTAINABLE BUSINESS

What we offer

Border to Coast offers our Partner Funds investment opportunities across a range of asset classes. Partner Funds choose the funds which enable the implementation of strategic asset allocation, holding units or Limited Partnership interests in the selected funds. We also provide advisory services to Partner Funds on aspects of their asset allocations.

Investment capability

Working closely with our Partner Funds, Border to Coast designs, develops and delivers a range of investment capabilities. These investment capabilities are kept under review and will change over time taking into account our Partner Funds' evolving asset allocation strategies.

Our services

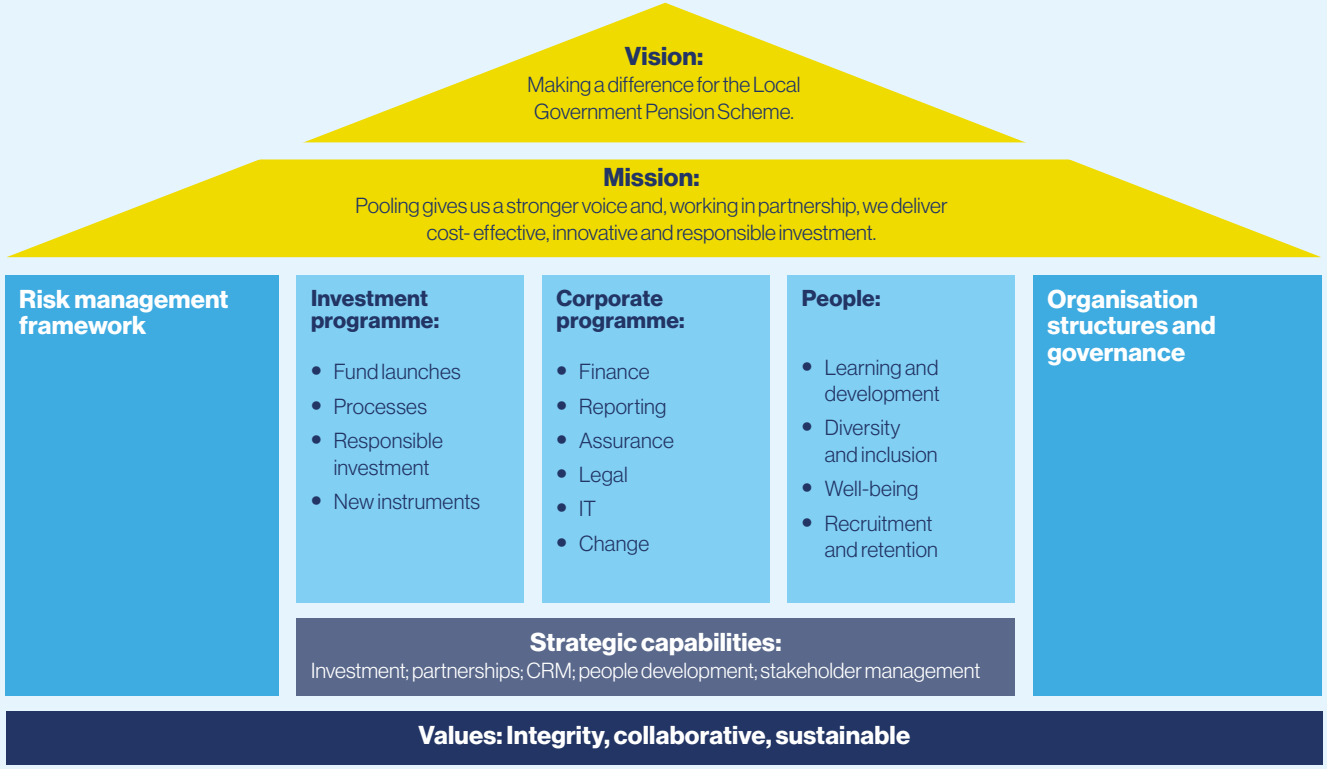
A core set of services supports these investment capabilities including:

- portfolio management: meeting the objectives and risk parameters set out in the funds' prospectuses and associated documentation, and any Partner Fund agreements;
- asset management services, including arranging custody and administration of assets;
- facilitating asset servicing support;
- investment reporting and accounting information;
- supporting Partner Funds on RI and stewardship; and
- investment advisory for those Partner Funds requiring it.

Our operating model

As an FCA regulated asset manager, we manage the assets of our Partner Funds in Public and Private Markets through internal and external management within several investment vehicles, including an Authorised Contractual Scheme. We also provide portfolio and risk management for its investment funds.

This is supported by the appointed third-party administrator, Northern Trust, which provides a range of middle- and back-office activities and fund administration. Border to Coast retains accountability for these functions and has a robust approach to oversight of all third-party providers.



We seek to deliver our vision and mission through our three strategic pillars: Investment programme, Corporate programme, and People. However, these can only be delivered through our identified strategic capabilities and supported by a strong risk and governance framework. All of this is underpinned by our culture and values.

Our strategy

A FOCUSED STRATEGY

As a customer-owned, customer-focused business, we exist to make a difference for our Partner Funds. Our strategy outlines how, working in partnership, we intend to deliver this.

Our strategy	Progress in 2020/21	Future focus
Investment capability We aim to be a strategic partner for our Partner Funds, set up to deliver long-term, risk-adjusted investment performance. We work with Partner Funds to develop the investment capabilities they require including Equities, Private Markets, Fixed Income, Property and more. We believe that strong and sustainable investment performance is delivered through strong portfolio risk, research and Responsible Investment ('RI') capabilities.	• Working closely with our Partner Funds we continued to design and launch new investment capabilities. In the year we launched our Sterling Index- Linked Bond Fund, further developed our Private Markets investment programme, and continued work on the restructure of our Emerging Markets Equity Fund and the development of our Multi-Asset Credit and Listed Alternatives Funds. We continued to develop our fundamental research and risk analysis. We made significant strides in our approach to RI, as outlined on page 15.	• We are developing a range of innovative and cost-effective investment capabilities for, and on behalf of, our Partner Funds. This includes the Multi-Asset Credit Fund, Listed Alternatives, and the launch of our second Private Markets investment programme. Integral to this will be our focus on RI, developing and driving reporting standards. We will work to deliver the benefits that our scale can bring, collaborating with other asset owners and the asset management industry issues on such as transparency in reporting (including in costs) and ensuring value for money in the services we procure and offer to our Partner Funds.
Corporate function We continue to build capabilities to ensure we are an efficient organisation that is sustainable for the long term. Our primary focus is on the needs of our Partner Funds, covering areas that range from reporting and assurance requirements to compliance with evolving regulation around operational resilience and capital adequacy.	• We continue to make good progress in building and strengthening how we work to ensure we remain an effective, efficient and resilient organisation. Achievements from the year include remaining operationally secure and effective throughout the year despite the impact of COVID-19 and remote working; managing the operational, contractual, regulatory and tax requirements following the UK's exit from the EU; and progressing our external control assurance maturity, moving to the AAF type II audit.	• Our priorities include strengthening and embedding the operating base (which includes maturing our risk and controls frameworks, developing our resilience framework, and ensuring our data management is fit for purpose as the business grows); reviewing our operating model (to consider which activities are best managed in house, or outsourced); and reviewing working practices to consider learnings from the remote working enforced by COVID-19.
People strategy Our people enable us to deliver for our Partner Funds. We aim to build a sustainable and diverse workforce capable of making effective decisions by employing high calibre colleagues, with effective retention, development and succession planning combined with cost-effective external recruitment.	• With a quarter of colleagues (28) recruited during lockdown, new strategies have been developed to provide the cultural, risk and regulatory training required to ensure we grow as intended. Reflecting our growth and the FCA's continued focus on the drivers of culture, we conducted a review and refresh of our values and behaviours; introduced new leadership development programmes; and initiated our wellbeing programme. We made good progress in embedding the Senior Managers and Certification Regime – a significant change for the industry.	• We are investing in the development, skills and capabilities of our people, supporting their careers and individual needs, and ensuring we are an employer of choice. Key areas of focus include embedding our values and associated behaviours across our organisation – including recruitment and retention, performance management, and recognition. We are actively working on how our return to the office will support the further development of our culture, and our focus on collaboration and learning, while evolving our new hybrid ways of working. In a highly competitive market for talent we need to continue to develop our people proposition, and be innovative to find solutions for our strategic people risks.

Our strategy continued

HOW WE DELIVER VALUE

Border to Coast benefits

Delivering value

Thanks to our scale we can deliver greater value to, and for, our Partner Funds. This includes increased investment in fundamental research and risk analysis; a broader and more resilient investment team; and delivering cost savings in areas such as aggregate annual management fees, due diligence and oversight. In one "crossing deal" alone, we were able to avoid £3.5m of costs – the benefits of which were captured by the Partner Funds involved.

As an FCA regulated asset manager we have a strong focus on risk management and governance. As a customer-owned business, our propositions and services are based on the needs of our Partner Funds. As part of this, we only seek to cover the costs in the provision of our activities. Our approach is described further in our Governance Charter, which is available on our website.

Due to our scale and in-house expertise we can better support and open investment opportunities for our Partner Funds. Examples include global infrastructure and Private Markets, which smaller investors have previously been unable to access in an effective manner.

Creating investment opportunities

Due to our scale and in-house expertise, we can better support and open investment opportunities for our Partner Funds. This includes the development of opportunities in multi-asset credit and Private Markets, which smaller investors have previously been unable to access in an effective manner.

A stronger voice

We are one of the largest pension pools in the UK. Thanks to the stronger voice that pooling brings, we can have more influence on behalf of our Partner Funds in areas ranging from active stewardship, cost transparency and ESG reporting standards in Private Markets, to responding to policy consultations such as the Government review of the UK funds regime. As a major investor, we are now included in pre-consultation with companies on key issues (e.g. remuneration policies) and on industry initiatives (e.g. managing cyber-security risks).

In-house management

We can drive significant cost savings for our Partner Funds through our in-house expertise. For example on the launch of our Sterling Index- Linked Bond Fund one Partner Fund transferred a £500m investment resulting in a £0.7m annualised cost saving. In addition, when two Partner Funds transferred to our Global Equity Alpha Fund, thanks to our scale we were able to deliver over £0.9m in annual savings for them.

£500m
investment led to a
£0.7m
annualised cost saving

"Due to our scale and in-house expertise we can better support and open investment opportunities for our Partner Funds."

East Riding Pension Fund

Markets

COVID-19 AND MARKET TURMOIL

The year which saw the sharpest fall in global economic activity since the Great Depression also witnessed the fastest rebounds seen in equity markets.

The economic impact of COVID-19

At the peak of the pandemic, lockdown measures had been introduced in countries accounting for 65% of global GDP and we witnessed the sharpest fall in global economic activity since the Great Depression. The economies gradually reopened in midsummer as cases declined but a second wave of infections, featuring more virulent strains, necessitated further lockdowns into the latter part of 2020 and the first half of 2021.

Equity markets fell by over 25% and volatility soared in early 2020 as the pandemic unfolded. However, the liquidity injection through fiscal and monetary stimulus, which was larger, broader and quicker than those during the 2008 global financial crisis, resulted in a V-shaped recovery in capital markets with one of the fastest rebounds seen in equity markets. By the end of the financial year, the majority of equity markets were back above pre-pandemic levels and credit spreads close to pre-pandemic levels.

A series of positive vaccine announcements in late 2020 resulted in a renewed sense of optimism. This prompted a change in market leadership with an ongoing rotation out of highly valued mega-cap quality technology companies and into cheaper and more cyclical value companies that were expected to benefit from economic reopening in 2021. Successful and extensive vaccination programmes continue to be the key to economic recovery and good progress is being made in the developed world. As is often the case, financial markets have anticipated the recovery and valuations have appreciated ahead of strong expected earning growth in 2021.

Although there has been a strong recovery in global economic activity and upward revisions to growth and earnings estimates we remain below pre-pandemic levels of economic activity. The unprecedented levels of fiscal and monetary stimulus which have enabled economies to weather the worst of the disruption have resulted in a significant increase in fiscal deficits, which will need to be addressed at some future point. Whether this is through increased taxation, austerity, higher inflation, or a combination of these remains to be seen. Near term there will be strong growth from fiscal and monetary stimulus combined with excess cash on household and corporate balance sheets but with a negative medium-term impact from addressing fiscal imbalances.

Near-term inflationary measures are elevated due to low year-over-year base effect and near-term supply bottlenecks and there remains a significant risk there has been a change in the inflationary regime. Strong demand due to the above factors, combined with supply side changes (e.g. trade frictions from regionalisation, onshoring corporate supply chains, labour bargaining power), increases the medium-term inflationary risk. It should be noted we have seen surging commodity prices even before economies have fully reopened and large renewable and infrastructure build programmes have started.

"Successful and extensive vaccination programmes continue to be the key to economic recovery and good progress is being made in the developed world."

902
meetings with companies we've invested in

Warwickshire Pension Fund

Markets continued

The economic impact of COVID-19 continued

There appears to be an increased central bank tolerance for higher inflation, especially in the US where they have moved away from a policy of pre-emptive tightening and towards an inflation averaging regime (implying overshoot target after a period of undershooting). Higher inflation helps to reduce debt levels in real terms and central banks may be behind the curve to ensure the recovery is sustainable before withdrawing extraordinary support. Higher near-term inflation and higher inflation risk have started to spook bond investors as prices decline (and yields rise) with higher inflation and and we believe this trend is likely to continue.

There was a sharp increase in unemployment in the early stages of the pandemic, with a lower rise in UK and European countries that had furlough schemes. However, household incomes were broadly maintained as fiscal support offset the loss of income and increased level of precautionary saving is likely to boost near-term levels of activity. Although levels of employment have increased, labour markets may remain under pressure as support schemes are reduced or withdrawn.

In addition to macroeconomic uncertainty, there was also an increase in the level of political uncertainty due to the US Presidential Election. In the end, Biden was elected and the Democrats achieved a clean sweep of the White House, House of Representatives and Senate, albeit with the slimmest of margins in the latter. Biden has introduced another multi-trillion Dollar fiscal stimulus package and is pursuing an ambitious infrastructure programme with a focus on renewables, which will be supportive not just for domestic but also global activity. These programmes will be partly funded by higher debt levels and an increase in corporate tax rates. There has also been an attempt to repair global relations although trade tensions with China remain and strategic competition is likely to persist.

Looking ahead, 2021 is likely to see strong economic activity and earnings growth and investors' attention will now shift to the trajectory of the Fed "transitory" inflation projections in 2022 and what this means for the rate of increases and terminal level of interest rate increases likely to start in 2023 or beyond.


Bedfordshire Pension Fund

"Looking ahead, 2021 is likely to see strong economic activity and earnings growth and investors' attention will now shift to the trajectory of the Fed "transitory" inflation projections in 2022 and what this means for the rate of increases and terminal level of interest rate increases likely to start in 2023 or beyond."

Responsible investment

INVESTING RESPONSIBLY FOR SUSTAINABLE RETURNS

Managing investments on behalf of our Partner Funds, responsible investment ('RI') is fundamental to our approach. We believe that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. As such, we integrate environmental, social and governance ('ESG') factors into our investment analysis across all asset classes. This helps us identify broader risks and opportunities, which leads to better informed investment decisions and improved risk-adjusted returns.

At the core of this approach is our role as stewards of our clients' capital. Holding companies to account is part of the management of the investment risks and opportunities associated with ESG, and other financially material, factors. These factors are increasingly linked to a company's social licence to operate.

As a long-term investor and representative of asset owners, we recognise our responsibilities to:

- promote stewardship across the investment chain;
- hold our external investment managers to account and expect the very highest standards of stewardship from them as our intermediaries;
- exercise our voting rights; and
- engage directly with investee companies, and in collaboration with our stewardship partner, Robeco.

Our approach is set out in our Responsible Investment Policy, and our Corporate Governance and Voting Guidelines, which outline how we practise active ownership. These were developed, and are reviewed annually, with our Partner Funds. Both documents are available on our website.

RI issues and activity are discussed and monitored at weekly Investment Strategy Committee meetings, with regular reports on RI presented to the Investment Committee. The Chief Investment Officer is ultimately accountable for the implementation of the policy. Regular reports on RI are also presented to the Board, our Partner Funds and via our website.

Active stewardship includes engaging with our investee companies and we believe this is the best way to influence companies. To maximise our effectiveness, we made the decision to focus on three broad RI engagement themes:

- governance – well-governed companies tend to be good at managing environmental and social factors;
- transparency and disclosure – it is crucial that investors understand the underlying risks affecting portfolios and investee companies, including those concerning finance, climate, workforce and other stakeholders; and
- diversity – diversity on boards and at Executive Committee level is the antidote to "groupthink", positioning companies for better decision making, better corporate performance and investment returns.

Collaboration is key to increasing our influence and we work with a range of like-minded institutional investors and initiatives which reflect our RI themes, such as Climate Action 100+, the Workforce Disclosure Initiative, and the 30% Club. We are also members of the Local Authority Pension Fund Forum, as are all our Partner Funds.

As an active owner, our voting rights are a key asset. We vote in accordance with our principles to promote and support good corporate governance and sustainability. We appointed Robeco as our voting and engagement provider to engage on our behalf and implement our Voting Guidelines.

More specifically on climate change, we are supporters of the Task Force on Climate-related Financial Disclosures ('TCFD') and of the Transition Pathway Initiative, and are members of the Institutional Investor Group on Climate Change. This enables us to collaborate when engaging with policymakers, regulators and companies, working to address the long-term risks and opportunities associated with climate change.

In 2019 we became a signatory to the United Nations-supported Principles for Responsible Investment ('PRI'). Although it is voluntary to report in a signatory's first year, we reported against four modules: strategy and governance; listed equity; listed equity – incorporation; and listed equity – active ownership. We were delighted to receive A and A+ for these modules, which is a real achievement considering we had only been operational for just over two years.

To ensure transparency of our stewardship activities, we publish quarterly Border to Coast stewardship reports alongside the voting and active ownership reports prepared for us by Robeco. Annually we publish our Responsible Investment and Stewardship Report and our TCFD Report. We also continue to support and work with our Partner Funds on a full range of RI issues.

More detail on our RI strategy and activities can be found on our website.

www.bordertocoast.org.uk

Durham County Council

Financial review

DELIVERING FOR OUR PARTNER FUNDS

Fiona Miller
Chief Operating Officer

In our third year, our results show that the planning and time taken with our Partner Funds to ensure our initial build was effective has enabled us to remain both flexible and resilient to the challenges the year has brought.

Our operating model has been held up by industry leaders as market best practice – with the pandemic seeing many firms moving towards a similar approach to our own information, communication and technology ('ICT') and outsourcing model to remain operationally resilient and efficient. Despite the challenges brought by COVID-19, we continued to enhance our operating model and have made steady progress on our objectives by delivering sustainable solutions and operating frameworks that meet our Partner Funds' longer-term needs – and have done so under budget.

Summary

- Smoothly transitioned to secure and effective remote working following the closure of our office due to COVID-19. As an organisation with an emphasis on learning we have used the last year to adapt and update our planed enhancements of our ICT infrastructure in 2021.
- Revised the fit-out of our newly acquired office space, enabling us to have the right office space and facilities to maximise the benefits of a hybrid way of working.
- Evolved our recruitment and training procedures to efficiently recruit and induct new colleagues remotely.
- Moved to the online provision of training to continue our focus on colleague learning and development.
- Managed the operational, contractual, regulatory and tax requirements resulting in the UK's exit from the EU.
- Progressed in our external control assurance maturity, moving to the AAF type II controls assurance report.
- Worked with our tax specialists and and HM Treasury to ensure our corporate structure and tax policy remain appropriate to meet our maturing organisational and investment offering.
- Continued to develop our operational resilience through reviewing our cyber-security and outsourced oversight.

Border to Coast's Group financial statements for the financial year ending 31 March 2021 are included from page 41 onwards. We include a brief overview of the results covering business achievements, expenditure, people, capital, liquidity, tax and the financial outlook for the year ending 31 March 2021.

Business achievements for 2020/21

Against the backdrop of the challenges of the pandemic, we continued to deliver the Strategic Plan agreed with our Partner Funds.

South Yorkshire Pensions Authority

Financial review continued

Investment

We grew and strengthened the investment team, which included the addition of operational due diligence experience. This has enabled us to add greater value – such as our first co-investment deal.

Reflecting both the importance of the asset class and our increasing capabilities, at the beginning of the year Partner Funds committed £1.2bn to our Private Market offerings, covering Private Equity, Private Credit and Infrastructure. By 31 March 2021 the team had deployed £3bn.

Our Fixed Income offering was expanded with the launch of the £1.5bn Sterling Index-Linked Bond Fund in October 2020.

We have restructured our Emerging Markets Equity Fund. This aligns us more closely to the industry benchmark while we now use specialist external managers familiar with the large and complex Chinese market.

We continue to develop investment propositions, obtaining FCA approval for our Multi-Asset Credit Fund, due to launch later in 2021, and to develop the business case and operating model for our Real Estate funds.

In the year we have supported our Partner Funds to restructure their allocations across our existing product range, managing our first "crossing deal" for two of our Partner Funds with savings of c.£3.5m.

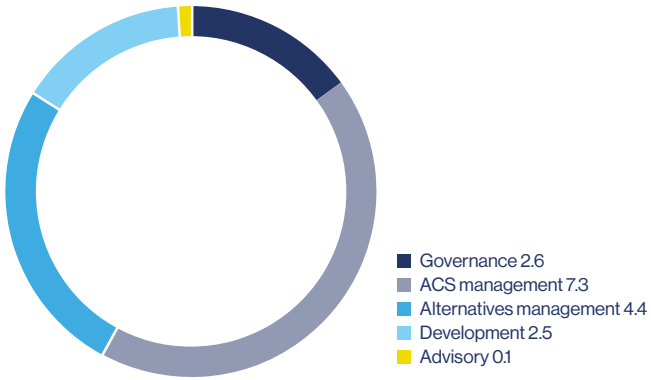
Operational resilience

The last year has highlighted the importance of operational resilience and the frameworks in place to ensure continuity of service, regardless of the challenges. However, the tangible aspects of outsource management (e.g. ICT infrastructure and cyber-security) can only work effectively when non-tangible elements of culture, purpose, risk management, colleague engagement and strategic partnerships work effectively alongside them. We are pleased that when tested, our operational resilience remained robust.

To remain effective against a world of ever increasing and more sophisticated threats, we remain vigilant and will maintain the evolution of our operating model and supporting infrastructure. The regulatory focus has shifted, with the assumption now being that all firms will be breached at some point, and the requirement being to demonstrate how the organisation would protect customers and re-establish operations. As such this will be a key focus going forward.

To monitor our continued progress on this important deliverable I am pleased to report that achievements in our controls framework include the retention of ISO 27001 certification, unqualified audit opinions for all the underlying alternative structures (20 sets of accounts) and in our first year of AAF II achieving a time bound qualified opinion for the 31 December 2020 AAF 1/06 type II controls assurance report, with all matters being successfully remediated prior to the close and further testing providing assurance that no actual breaches to systems occurred.

Expenses by category £m



"To remain effective against a world of ever increasing and more sophisticated threats, we remain vigilant and will maintain the evolution of our operating model and supporting infrastructure."

East Riding Pension Fund

Financial review continued

Expenditure

Border to Coast aims to operate on a "not-for-profit" basis by recharging all costs (including corporation tax) to the Partner Funds. We are reporting a £6k profit after tax (£1k profit) for the financial year.

Total expenses of £16.9m (£12.6m) were incurred in the year and recharged back to the Partner Funds. Whilst we now have £21.7bn of funds under management, as at the year end, with an additional £3bn of Private Market commitments, we are still very much in our growth phase. As such our costs are split into the following categories: ongoing costs, which include running a regulated company ('governance'); managing assets ('ACS management' and 'Alternatives management'); developing and launching new funds ('development'); and investment advisory services ('advisory'). During the year substantial work has been undertaken to develop detailed financial models that will enable us to benchmark our total cost of manufacture against our industry peers as our cost base stabilises.

Key performance indicators

Shown below are the key performance indicators for 2020/21 (with 2019/20 comparators shown in brackets).

Investment capability development

Aim – to be a strategic partner for our Partner Funds, set up to deliver a long-term, risk-adjusted investment performance.

Number of propositions launched since inception	
ACS	7 (6)
Alternatives	3 (3)
Assets under management at 31 March 2021	
ACS	£21.72bn (£14.16bn)
Alternatives commitment	£3.00bn (£1.76bn)
Number of Partner Funds invested	11 (11)

People development

Aim – to build a sustainable and diverse workforce capable of making effective decisions by employing high calibre colleagues, with effective retention, development and succession planning combined with cost-effective external recruitment.

Employee numbers at 31 March 2021	100 (77)
Graduate trainees at 31 March 2021	7 (7)

Operating model efficiency

Aim – to deliver effective and efficient services to our Partner Funds by operating within budget based on a cost recovery model.

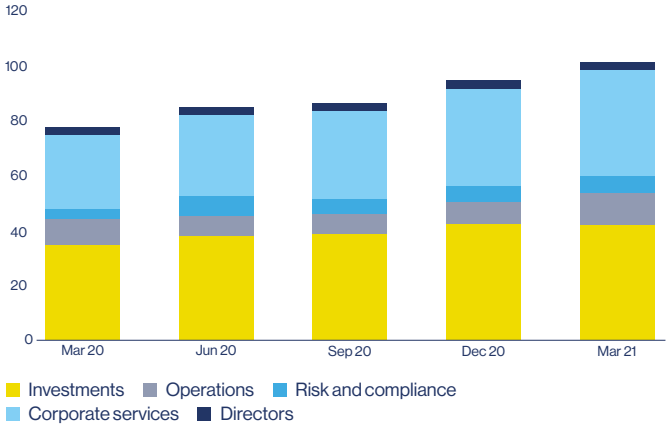
Delivery to operating budget	£0.30m/2% underspend (£1.39m/11% underspend)
Profit/(loss) after tax	£6k profit (£1k profit)
Expenses	£16.89m (£12.67m)

People

Our people and culture are essential to our ability to deliver on our promise of providing multi-asset services to our Partner Funds in line with our growth and development plans. The flexibility, collaboration and resilience of our people have been key to meeting the challenges of this year.

To support our development as an organisation, recruitment remains a key priority. We have developed new processes to recruit a high calibre of colleagues from across a breadth of disciplines and sectors, enabling us to build our workforce and maintain a positive colleague experience. Colleague numbers have grown from 77 to 100, with this expected to remain broadly stable by the end of 2022.

Colleague number by function



Financial review continued

Capital

We are authorised by the Financial Conduct Authority ('FCA') as a Collective Portfolio Management Investment Firm and are therefore subject to the requirements of the General Prudential Sourcebook, the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') and the Interim Prudential Sourcebook for Investment Businesses (Chapter 11) for capital requirement purposes.

As a corporate entity regulated by the FCA, we have an obligation to ensure there are adequate measures in place to monitor current – and plan for future – financial resilience. We drew down the additional approved capital in the year to increase our holding to £13m of share capital to meet both our current and expected regulatory capital requirements. This is kept under review and, as each new product is launched, its impact on capital adequacy is assessed.

Each year we undertake a formal process to determine the level of capital necessary to support the risks relevant to our business which is approved by the Board. We also assess the impact on capital adequacy prior to the launch of each new proposition or other significant change to the business. In addition to this, the Board sets an additional capital buffer level to ensure that we remain above the level required by the FCA.

Liquidity

As well as it being good business practice, the FCA requires us to ensure the Company has sufficient liquidity to meet our financial obligations as they fall due. Our Partner Funds have agreed to pay the annual operating charge in advance to ensure the Company can at all times remain cash flow solvent.

Surplus liquidity is invested in AAA-rated money market funds (as at 31 March 2021: £12.4m (£8.6m)) with our short-term working capital held in a current account (as at 31 March 2021: £2.1m (£2.5m)). In light of COVID-19 and market liquidity risks our treasury limits were reviewed and temporarily increased to support us through this period; as the position stabilised they then returned to their original levels in December 2020.

Tax

We comply with tax law and practice in all territories in which we operate, including the UK, which is our main place of business. Compliance means paying the right amount of tax, in the right place, at the right time, and involves disclosing all relevant facts and circumstances to the tax authorities. It is our intention to act in accordance with not just the letter of the law, but the spirit of the law. As such, this means not aggressively pursuing tax loopholes or adopting unreasonable tax filing positions.

Equally, one of the objectives of pooling (as set by the UK Government) was to deliver cost savings for our Partner Funds. While our Partner Funds are tax exempt, as a corporate entity, we are not. To deliver on the objective set by the UK Government, any taxes should therefore be minimised.

To balance these two issues, we do not seek to implement convoluted or aggressive tax planning strategies. We proactively engage with HMRC, in collaboration with other pools that are of a similar structure, on issues such as VAT, corporation tax, transfer pricing and global investment taxes. We seek to ensure that the investments we make on behalf of our Partner Funds are based wherever possible on their tax exempt status.

With the support of our tax consultants, substantial work has been undertaken throughout the year to ensure our current and future financial procedures and organisational structure remain regulatory compliant and tax efficient.

This has supported our first corporation tax assessment and discussions with HM Treasury to review our VAT methodology for the future.

Business outlook for 2021/22

The shareholders have unanimously approved the budgeted expenditure for the next financial year at £16.4m (£14.3m). The increase reflects the additional capabilities that our Partner Funds will be able to take advantage of in 2021/22, including supporting our Partner Funds' growing RI needs and the additional regulatory requirements. The primary cost driver, headcount (which drives salaries and associated costs), is expected to rise to 103 by the end of the year, representing an increase in average colleague numbers from 90 to 101.

Going concern

Following a robust assessment of the Group's financial and liquidity forecasts, cash position, regulatory capital position, principal risks and other relevant matters, the Directors are satisfied that the financial statements of the Group can be prepared on a going concern basis as they do not intend to liquidate the Group or Company or to cease its operations.

The COVID-19 outbreak caused a significant deterioration in economic conditions for some companies and increased economic uncertainty. The Directors have therefore made more detailed assessments to determine whether these events or conditions cast significant doubt on the Group and Company's ability to continue as a going concern, and whether the going concern assumption is still appropriate as a basis for the preparation of the financial statements. The Directors have concluded that the Group's financial position means that this is realistic. Taking this, and the Group's and key outsource partners' operational resilience, into account, there are no material uncertainties that could cast significant doubt over the Group and Company's ability to continue as a going concern for at least a year from the date of approval of the financial statements.

Fiona Miller
Chief Operating Officer

Risk management

MANAGING RISKS

"Governance and the risk culture are fundamental elements of the framework and management has striven to build a culture that is open and learning when it comes to identifying and managing risk."

Tanya Castell, MBE
Board Risk Committee Chair

Risk management framework

Border to Coast's risk management framework forms an integral part of our Executive and Board processes and decision making. It enables us to identify and manage risks in relation to our risk appetite and to mitigate those that could result in significant financial loss or reputational damage. We believe a strong risk framework is fundamental for a regulated asset manager responsible for many billions of pounds of pension scheme assets.

Governance and the risk culture are fundamental elements of the framework and management has striven to build a culture that is open and learning when it comes to identifying and managing risk.

The role of the Board

The Board's primary risk management roles are to:

- instil an appropriate risk culture, balancing risk with strong performance whilst overseeing the Executive's compliance with regulatory requirements and internal policies;
- agree strategy, objectives and overall direction, and oversee and monitor Executive decision making in relation to risk;
- set Border to Coast's risk appetite;
- oversee the Executive's implementation of an effective risk management framework to support the delivery of the business strategy and manage our risk profile within risk appetite; and
- oversee whether the risk management and associated internal control systems are functioning effectively and risk mitigation is being taken promptly where necessary.

Teesside Pension Fund

PRINCIPAL RISKS

Risk management governance structure

Border to Coast's risk management governance is based on the financial industry standard "three lines of defence" model. This structure gives the Board assurance that risks are being appropriately identified and managed in relation to risk appetite, and that those with the potential for significant financial loss or reputational damage are being effectively mitigated:

- The first line of defence is the business and its support functions. Function Heads are responsible for identifying and managing risks in their area and this includes implementing and maintaining effective controls.
- Our Risk and Compliance function constitutes the second line of defence, and is responsible for independently assessing the risks associated with the Company's business activities and for the effective challenge and oversight of these risks.
- The third line of defence is provided by Internal Audit, which reports to the Board Audit Committee and provides risk-based assurance over the Company's governance, risk and control framework.

The Board has ultimate responsibility for ensuring the adequacy and effectiveness of risk management, and the Board Audit Committee and Board Risk Committee provide regular oversight.

In addition to assurance provided from internal functions, external providers may also provide assurance services, for example our external auditor, KPMG.

Key developments

During the year, with the Board's support, we appointed an interim Chief Risk Officer ('CRO'). The experience of the interim CRO has helped Border to Coast to continue to deliver on its risk management development priorities and evolve the risk oversight while the search for a new CRO was undertaken. Our new CRO, Richard Charlton, joined us in May 2021.

The development priorities in 2020/21 have seen the strengthening of the Board and Executive reporting of the Company's risk profile, including conduct risk, the implementation of a new Policy Governance Framework setting revised documentation standards and reinforcing the policy links to the risk management framework and the further development of the operational risk management processes supporting the Company's identification, assessment and management of risk.

Principal risks

We have identified eleven principal risks which can be split into four categories.

Strategic risk:
- the risk that we are unable to meet our strategic objectives and development plan.

Investment risk:
- the risk that the propositions we manage fail to deliver Partner Funds' expected outcomes or breach the risk tolerances as set out in the governing documentation for those propositions.

Financial risk:
- the risk of an adverse impact on the Company due to market fluctuations and counterparty failure or having insufficient resources to meet financial obligations as they fall due.

Operational risk:
- the risk of loss or missed opportunity resulting from inadequate or failed internal processes, people or systems or from external operational events.

A description our principal risks, how we mitigate them, and any key changes during the year are shown on pages 20 to 24.

"The Board has ultimate responsibility for ensuring the adequacy and effectiveness of risk management, and the Board Audit Committee and Board Risk Committee provide regular oversight."

Risk management continued

Risk	Description	How we mitigate the risk	Changes during 2020/21
Strategic risk	**1. Strategic plans** Risk that the strategy is flawed, or we are unable to execute the strategy and fail to deliver our strategic objectives.	Our plan is developed in collaboration with our Partner Funds. The plan is monitored by the CEO and COO, with periodic reporting made to the Board through our Balanced Scorecard. Our propositions are extensively tested prior to launch and reviewed annually to assess their continued appropriateness for Partner Fund requirements.	Border to Coast extended its proposition offering through the launch of Sterling Index-Linked Gilts. In addition, we made our first co-investment in infrastructure as part of a strategy to access Private Market opportunities. We continue to respond to Partner Fund needs by increasing our Alternatives fund options, restructuring our Emerging Markets Equity Fund, and developing a Multi-Asset Credit Fund for implementation in 2021.
	2. Change management implementation and oversight Our significant development programme leads to the material failure of our strategy to deliver the benefits of pooling.	We have a robust change methodology in place, supported where relevant by qualified transition managers and advisors, to enable the business to oversee programme delivery and to manage the associated risks including Executive-level sponsorship.	2020/21 saw the delivery of a significant change programme. During the year we reviewed our approach to managing change, enhancing our processes and developing further change governance as the level of change grows in magnitude and complexity.
	3. External political environment Our Partner Funds operate in a political landscape which is shifting. This includes proposed changes to their valuation cycles, benefits and governance structures, as well as forces external to LGPS. This could change Partner Fund investment needs and/or lead to a divergence in Partner Fund requirements, reducing pooling opportunities. The current political landscape could also affect the prioritisation of the pooling agenda within Central Government.	We work closely with our Partner Funds to understand the implications of the changing external environment on their strategic objectives and how this might change the investment capabilities needed from us. We are also involved with policymakers via the Investment Association, the Local Authority Pensions Fund Forum, the Local Government Association and other collaborations with like-minded asset owners and managers.	Due to the pandemic the scale and pace of change within the political environment has softened in the short to medium term. However, this brings other challenges as policymakers seek to manage the consequences of COVID-19. Due to the pandemic, the 2020 Local Government elections for 2020 were rescheduled for May 2021; this "double" election has resulted in a larger change than normal among elected councillors for some of our Partner Funds.
	4. Climate change The risk that our approach to climate change is inappropriate or inadequate and becomes detrimental to achieving our strategic objectives, particularly given the increased focus and attention on this area.	Border to Coast has a well-developed RI policy which includes the management of climate change risk. This covers the embedding of risk analysis within our investment process (for both internally and externally managed mandates); and engagement with portfolio companies directly, through our partnership with Robeco, and via a number of collaborations with other asset owners and engaging with policy makers through our membership of the Institutional Investor Group on Climate Change ('IIGCC'). This policy has been approved by our Partner Funds.	We are working closely with our Partner Funds to promote a joined-up approach between strategy and implementation. This includes revised Voting Guidelines published on our website in January 2021 (with more focus on climate change) and developing a standalone Climate Change Policy, including our approach to net zero, which we expect to publish in the second half of 2021. We have enhanced our quarterly ESG reporting to include portfolio carbon benchmarking, identifying and mapping against Transition Pathway Initiative ('TPI') ratings the top carbon emitters which Portfolio Managers are required to support with a detailed investment rationale.

Risk management continued

Risk	Description	How we mitigate	Changes during 2020/21
Investment risk	**5. Customer outcomes** The risk that Border to Coast propositions do not meet customers' desired outcomes.	Our propositions are extensively tested prior to launch and reviewed annually to assess their continued appropriateness for Partner Fund requirements. Rigorous and regular Executive oversight performed, with comprehensive performance reporting and quarterly review meetings with customers. Benchmarks are set to measure and report proposition performance against.	During the period quarterly review meetings with our clients and their advisors have been introduced. Our Emerging Markets Equity Fund underwent a product design and benchmark change that was implemented in April 2021, to leverage specialist external managers familiar with the large and complex Chinese market.
	6. Liquidity The risk that Border to Coast's collective investment vehicles do not hold sufficient liquidity to meet Partner Funds' redemption requests within their required timeframes.	The ACS Prospectus, the Liquidity Policy and the liquidity monitoring framework detail the liquidity management and oversight arrangements across the portfolios. The proposition design process incorporates an assessment of both the investment capacity and the redemption liquidity risk profile for each fund.	We have further enhanced our liquidity monitoring arrangements as the breadth of our investment capabilities has grown through the year. The range of liquidity metrics has been expanded to enhance the understanding of the redemption liquidity profile of our funds.
Financial risk	**7. Credit and liquidity** The risk of an adverse impact on the Company due to market fluctuations and counterparty failure or having insufficient resources to meet financial obligations as they fall due.	Border to Coast sets a prudent level of capital including a buffer over our current minimum regulatory requirements as assessed using our Internal Capital Adequacy Assessment Process ('ICAAP'). We set specific limits on financial risks, which are monitored and reported via the Executive Committee to the Board Risk Committee.	We continue to develop our ICAAP, enhancing our wind-down planning and developing further the operational risk scenarios as the breadth and complexity of our investment capabilities continue to grow. We are further enhancing our wind-down plan for inclusion in our 2021 ICAAP and planning for the impact of the new UK Investment Firm Prudential Regime ('IFPR').

Risk management continued

Risk	Description	How we mitigate	Changes during 2020/21
Operational risk	**8. IT systems availability and performance** Border to Coast's operating model is dependent on access to its IT systems in order to manage and oversee the investments made on behalf of Partner Funds. Ever increasing volumes of data must be managed securely and reliably. Operational resilience including cyber-security is an important focus of the FCA.	We undertake an annual review of our business continuity and disaster recovery plans. We have robust processes in place that comply with the ISO 27001 accreditation under the information security standard and require all material outsource providers have this, or an equivalent, accreditation. We operate a cloud-based strategic approach to our technical infrastructure ensuring robust data resilience through third parties.	During the year we maintained our ISO 27001 accreditation. Business continuity plans were utilised successfully through the COVID-19 pandemic with all colleagues able to work remotely with very little technical disruption.
	9. People: key person availability and dependency As a new organisation outside the traditional asset management hubs of London and Edinburgh, it is important for us to recognise and manage the risk of recruiting and retaining the right calibre of people. Increasing demand for certain skill sets has caused some challenges; it is important that these are effectively addressed. Our significant development and change agenda can place a burden on key employees.	We work with our recruitment partners to identify cost-effective approaches to attracting great candidates. Leeds has a healthy financial and professional services industry and is an attractive place to work and live. We have an embedded succession planning, performance review and personal development process. We undertake capacity and resource planning across the organisation and seek to supplement our operating model with additional temporary employees or external support where appropriate. Colleagues' wellbeing is central to our long-term cultural build.	During the year, we have built additional resources, employing more than 28 colleagues while working remotely. While turnover has been low in a suppressed market, there is a risk that we see that increase when lockdown eases. A more active resource planning approach has helped actively risk prioritise our change projects and identify any resource stretch. During the pandemic we have supplemented our permanent headcount with temporary resources to help manage the resource stretch and minimise mental fatigue. We have reviewed and refreshed our Company values and behaviours, ensuring we maintain and support the right culture. We successfully managed the transition of key roles through skilled interim resources.
	10. Outsourcing We have a high reliance on third parties as we have outsourced several of our critical and important operational functions. This was as a result of a robust assessment on the most appropriate operating model. Our key risk in this area is that these third parties fail to deliver the agreed services, leading to material operational disruption, a failure to deliver our business objectives and severe reputational damage. This reliance on third parties also leads to counterparty risk.	Our outsourcing framework includes the requirement for Board approval prior to commencing material outsourcing arrangements. It is an important acceptance criterion that our Partner Funds do not face an increased level of risk due to outsourcing. We hold a register of our outsourced arrangements; all have bespoke contracts and Service Level Agreements. Third parties are held to account in regular management and service meetings where service performance is reviewed. We also monitor their financial strength as part of our ongoing oversight process. The Board Risk Committee oversees the annual review of material and high risk service providers.	We have increased the oversight of our outsource partners and continue to work closely and supportively with them during the COVID-19 pandemic. We have updated our Outsourcing policy, strengthening the exit planning requirements and associated procedures. Exit plans are currently being developed for all our Material Outsourcers and Key Service Providers, ahead of our annual Outsourcing attestation process.

External environment

As a regulated financial services company, we have many requirements that we are subject to and horizon scanning has identified regulatory developments (Investment Firm Prudential Regime, climate change, etc.) that may impact Partner Fund requirements and our business strategy. As a result, we continue to work closely with our Partner Funds to identify the potential implications and proactively plan for the implementation of these new requirements through our development programmes.

In addition, as the impact of Brexit takes effect we may see a divergence in the UK's approach to financial services regulation from the European Union which may lead to further change.

People and culture

INVESTING IN OUR PEOPLE

Despite the challenges of the past twelve months, COVID-19 has underscored how important our colleagues are to our business, to each other, and in how we make a difference to our Partner Funds.

COVID-19

The pandemic has been challenging. However, it has also highlighted the resilience and commitment of our people, and the strength of our culture. In the year we have continued to build on our strengths and to develop a sustainable organisation, with a focus on learning, collaboration and innovation.

The year has accelerated changes to certain elements of how we work. However, a key concern is how lockdown has impacted our more junior team members and graduates who have not had access to an office environment to learn alongside their colleagues, mentors and other senior team members. As a result, we took the decision to postpone the next cohort of graduate recruits from 2020 into 2021.

Another consequence of the pandemic is that we have been unable to run volunteering days that had been newly launched in the first quarter of 2020. This scheme will be relaunched once it is safe and appropriate to do so. Nevertheless, many colleagues continued to volunteer in charity projects within their local communities providing food and emergency supplies, getting involved in vaccination trials, helping vulnerable and elderly neighbours and as trustees. Our flexible working practices enable colleagues to support their communities.

Wellbeing

Taking care of our colleagues' wellbeing is essential. Our planned partnership with Vitality was launched in April 2020 which, throughout the pandemic, has proved invaluable to many colleagues, giving them access to medical, occupational, fitness and mental health support. The incentives for physical activity that Vitality provides have been embraced by many colleagues. Vitality also hosted several webinars offering classes on health, food, fitness and mindfulness, all of which were well received by colleagues.

The Community Working Group has continued its fundraising efforts through online solutions. Along with the Social Group it has delivered a range of social activities including regular quizzes and competitions – including an autumn photography and creative Christmas quiz – to raise more than £1,000 for our chosen charity, St George's Crypt, which supports homeless people in Leeds.

Social activities have been supplemented with small gifts being sent to colleagues for significant events such as Christmas and Easter to encourage a team spirit as people worked remotely.

"The pandemic highlighted the resilience and commitment of our people, and the strength of our culture. In the year we have continued to build on our strengths and to develop a sustainable organisation, with a focus on learning, collaboration and innovation."

People and culture continued

Culture

Having the right culture is fundamental to Border to Coast. It enables our growth, the development of our people and our relationship with our Partner Funds. We know we need to actively manage our culture, particularly while working remotely, and in 2020 we conducted a culture audit and engagement survey to identify our strengths and areas in which need further development.

The survey showed that while colleagues embrace our strong purpose they couldn't consistently articulate our values and behaviours. There is a strong sense of teamship, a focus on personal development and appreciation of visible leadership. We have worked with colleagues to make our purpose, values and behaviours easier to articulate, repeat and use in our daily activities. Further work will be undertaken to embed our values and behaviours into our recruitment, onboarding performance management and recognition programmes.

Recruitment

In the last year we have recruited around a quarter of our workforce during the pandemic. This is a great achievement and a counterpoint to much of the prevailing economic winds which has enabled our growth.

Due to the impact on productivity from working from home, some activities became more complex and lengthier. With the additional pressures of home schooling and other caring responsibilities, we created additional temporary resource for some of our teams.

One change which might well be adopted after the pandemic is the use of video calls in the first stage of the interview process where there is significant travel or to provide more flexibility for candidates around their current roles.

Learning and development

During COVID-19 the resilience of our people was quickly identified as an important area to protect, and increased leadership and people management training was provided at the start of the lockdown to help managers support their people though the change curve, the volatile markets and economy, and the personal challenges of the new working regime.

New leadership development programmes were postponed from the original spring 2020 date but commenced again in the second half of 2020 for our People Leaders and Future Leaders. We continue to promote learning opportunities and make personal development a priority for colleagues.

Equality, diversity and inclusion

Diversity is as important as ever and events during 2020, alongside the pandemic, have brought this into sharper focus.

Without the opportunity to recruit graduate trainees in 2020, Border to Coast agreed during the year to support two female interns over the summer of 2021 and a Kickstarter placement under the Investment Association umbrella scheme. We are also one of the six firms working with the Investment Association, Cambridge University and Invesco study on "Developing a Holistic Understanding of Inclusion" which aims to provide crucial practical insights to investment management organisations on developing an integrated and holistic approach to managing diversity. We are keen to play our part in developing this, learn lessons and make improvements in our inclusive approach.

Diversity is an area which is recognised as a strength for us by the Investment Association and internally by colleagues. Social cohesion, feeling included and work-life balance, especially for people with caring responsibilities, have all been areas that have been tested through the pandemic. It also highlighted additional challenges for people without the space for quiet work or study at home.

Despite the challenges of the past twelve months, COVID-19 has underscored how important our colleagues are to the business, to each other, and in how we make a difference to our Partner Funds today, and in the long term.

Approved by the Board of Directors and signed on behalf of the Board:

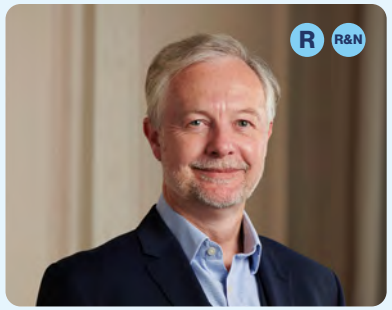
Fiona Miller
Chief Operating Officer
Border to Coast
30 June 2021

"Diversity is an area which is recognised as a strength for us by the Investment Association and internally by colleagues."

7
graduate trainees

Board of Directors and Company Secretary

A Board Audit Committee
R Board Risk Committee
R&N Remuneration and Nominations Committee
Chair



Chris Hitchen
Chair

Appointment date 23 January 2018

Chris has more than 30 years' experience as an actuary, Chief Investment Officer and Chief Executive Officer ('CEO'). He has also been a board member for several Pension Funds, companies and non-profit entities. As CEO, Chris transformed RPMI Railpen – the Railways Pension Scheme's asset manager – into an outcome-focused, cost-aware and internationally recognised investor. As well as chairing Border to Coast, Chris is a trustee and investment committee chair for NEST, the eight-million-member pension scheme, and is the chair of the Pension Superfund. He is also a director of two further organisations: the Investment Forum, which engages with UK companies to encourage good governance and long-term strategy; and the Toronto-based International Centre for Pensions Management, which researches and shares best practice among asset owners. Chris is a former chair of the Pensions and Lifetime Savings Association.

Rachel Elwell
Chief Executive Officer

Appointment date 23 January 2018

Rachel joined Border to Coast as CEO in November 2017 with over 20 years' experience of working in pensions and institutional investment, both as a consultant with PricewaterhouseCoopers and, latterly, as investment office director for The Royal London Mutual Insurance Society Limited, where she was responsible for the assets on the insurer's balance sheet including investment strategy and oversight of asset managers. In October 2020 Rachel joined the board of the Investment Association, the UK asset management industry's trade body. Rachel is a Cambridge maths graduate, qualified actuary and member of the Institute of Directors.

Fiona Miller
Chief Operating Officer

Appointment date 23 January 2018

After being the driving force behind Border to Coast's initial conception and response to the Government's pooling agenda, Fiona joined Border to Coast from one of our Partner Funds, Cumbria County Council, where she managed the Local Government Pension Scheme, as well as the treasury, accounting and insurance functions.

Fiona has more than 25 years' experience in finance, ICT and operational restructuring across both the public and private sectors. Fiona continues to support the development of pooling in the UK by being appointed to represent the LGPS pooling companies on the LGPS Scheme Advisory Board ('SAB') Investment Committee and the CIPFA Pensions Panel.

Tanya Castell, MBE
Independent Non-Executive Director

Appointment date 23 January 2018

Tanya is a former senior global banking executive with expertise in corporate governance, risk management and regulation, having spent most of her career with JP Morgan and UBS. Tanya sits on the board of Handelsbanken plc. She has also served on a range of boards including Faster Payments Scheme, Scottish Canals, Multrees Investor Services Scheme and the platform businesses Standard Life Savings and Elevate Portfolio Services. She has chaired the Quality Assurance Scheme for the Institute of Faculty of Actuaries and has been a pension trustee for both the defined contribution scheme of HBOS and the defined benefit scheme at UBS. She is a trustee at Changing the Chemistry, a charity she founded to promote diversity of thought in the boardroom, for which she received an MBE. She also sits on the FCA's regulatory decisions committee.

Norah Burns
Company Secretary and Head of Legal

Appointment date 29 May 2018

Norah has practised as a solicitor for more than 20 years and has held several in-house legal and company secretarial roles in financial services and other regulated industries. Having started her career as a banking lawyer with Clifford Chance LLP in London, she has worked with Fortis Bank, BNP Paribas, BAE Systems and, most recently, Brown Shipley.

Board of Directors and Company Secretary continued

A Board Audit Committee
R Board Risk Committee
R&N Remuneration and Nominations Committee
Chair

Andrew November
Independent Non-Executive Director

Appointment date 5 February 2020

Andrew has spent more than 25 years in asset management, currently as the head of the investment office at Scottish Widows. Prior to this he was the global chief operating officer, distribution, at Aberdeen Standard Investments, and as the chief investment officer for Scottish Widows Investment Partnership. He holds an MSc in applied economics from the University of California at Santa Cruz, USA, and a BA in Chinese and economics from the University of Leeds.

John Holtby
Partner Fund nominated Non-Executive Director

Appointment date 5 February 2020

John is a councillor in the East Riding of Yorkshire Council where he is the deputy leader, with a portfolio for corporate affairs including pensions. He is also the vice-chair of the East Riding Pension Fund. He is an arable and livestock farmer on the land his family has farmed since 1890. He has an MA (Hons) in land economy from Magdalene College, Cambridge.

Kate Guthrie
Independent Non-Executive Director

Appointment date 2 October 2020

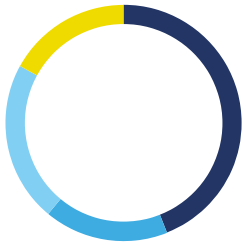
Kate has many years' experience as a human resources professional and is currently group human resources director for Virgin Money UK PLC. Her background has been in managing mergers and acquisitions, culture change, talent and development, employee relations and performance management. She has extensive experience of remuneration in financial services and is experienced in working in highly regulated environments. In the past she has worked for a number of organisations including Novartis, Diageo, Lloyds Banking Group and Marks and Spencer. Kate has recently stepped down from the board of Action for Children having joined in 2014. She also sits on the board of the Virgin Money Foundation.

Anne Walsh
Partner Fund nominated Non-Executive Director

Appointment date 6 October 2020

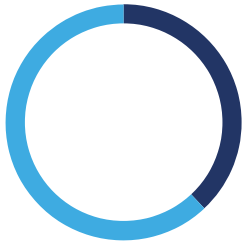
Anne is a councillor on South Tyneside Council, having first been elected in 2008. She is the chair of the Tyne and Wear Pension Committee and sits on the Human Resources Committee and Contracts Performance Panel. Anne is a lay member of the Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust where she chairs hearings for patients who are on a Section 3 of the Mental Health Act and Community Treatment Orders. She is also a governor on two school governing bodies in South Shields.

Sector experience



Finance and investment	8
Legal	3
Governance	4
Public sector	3

Board diversity



Male	38%
Female	62%

Corporate governance report

COMMITTED TO BUILDING TRUST AND CONFIDENCE

"We are a customer-owned, customer-focused organisation. Working in partnership, we exist to make a difference for our Partner Funds. And this is something we are delivering on."

Chris Hitchen
Chair

It is my pleasure to present the Corporate governance report for the 2020/21 financial year. Border to Coast is a wholly owned private limited company registered in England and Wales with eleven shareholders (the administering Authorities of our founding Local Government Pension Funds, which we call our Partner Funds). These shareholders have equal voting rights in the Company.

We operate investment funds for our Partner Funds to invest in, based on their strategic asset allocations. The assets under management across our Partner Funds total £21.7bn, with an additional £3bn of Private Market commitments (as of 31 March 2021). To enable us to succeed for our Partner Funds it is important we continue to develop our corporate capabilities and invest in our people as well as developing the pipeline for new propositions in future years.

One key change to occur in the period was the merger of two Administrating Authorities of our Partner Funds, Northumberland and Tyne and Wear, with effect from 1 April 2020. The Local Government Pension Scheme assets held by Northumberland County Council were transferred to Tyne and Wear's Administrating authority, South Tyneside Borough Council.

Our governance

As Chair, it is my role to lead the Board, ensuring that it operates effectively, within a strong and sound governance framework. The effectiveness of the Board is important, not only in ensuring the stability of the Group but also in ensuring we regularly and effectively challenge the Executive.

We have adopted relevant parts of the UK Corporate Governance Code, reflecting our size and the nature of our business. Although the Code's standards are intended for publicly listed companies, we feel it is right to comply with its spirit and, where appropriate, its principles and provisions. Doing so aligns us with good practice – in short, doing the right thing because it is the right thing to do, and is consistent with our approach as an investor, and holding the companies in which we invest to the same high standards.

The Board is unitary in nature. Besides the Chair, it consists of two Executive Directors, three independent Non-Executive Directors and two Non-Executive Directors nominated by our Partner Funds.

Since last year, the Board has benefited from recruiting an independent Non-Executive Director with specific financial sector people leadership experience as the previous Chair of the Remuneration and Nominations Committee retired. Councillor Jeff Watson was replaced on the Board and Board Audit Committee by Councillor Anne Walsh, following a Partner Fund nomination process. I believe these changes continue to give us an appropriate balance, enabling us to hear and understand the voice of our Partner Funds. As Border to Coast is wholly owned by our Local Government partners, it is important to us that we operate independently from, but in harmony with, our Partner Funds.

We also work to ensure that the Board is diverse, reflecting our workforce and our Partner Funds. The age distribution of our current Board members is as follows:

	2021	2020
Age 40–49	**1**	1
Age 50–59	**5**	4
Age 60–69	**2**	2
Age 70–79	**—**	1

We significantly exceed the gender diversity requirement of the Hampton-Alexander Review, which applies to FTSE companies, to have at least 33% women on company boards. This is a contributing factor in constructive and inclusive challenge around the boardroom table.

Key governance changes

The Board has continued in its responsibility for overseeing the running of the business and holding the Executive to account for promoting an open and inclusive culture and establishing the values required to maintain a successful business. The Board mirrors these values, and all Directors are encouraged to participate in open and effective debate and to contribute to building the business.

Corporate governance report continued

Key governance changes continued

Governance developments during the year have included:

- a change in one of our Partner Fund nominated Non-Executive Directors;
- the appointment of a new independent Non-Executive Director with specific HR experience following the retirement of the previous Remuneration and Nominations Committee Chair;
- conducting an external review of the effectiveness of the Board and its Committees; and
- reviewing the culture of the organisation and how this flows from our values.

Particularly important to the Board is the Whistleblowing Policy, which underwent its last review by the Board Risk Committee at its meeting on 8 September 2020. The same meeting of the Board Risk Committee considered a review of whistleblowing over the preceding twelve months, which reported no incidents. It also agreed that our Whistleblowing Champion should be changed to Andrew November as Chair of the Board Audit Committee, making him responsible for ensuring that appropriate procedures are in place to allow employees to speak up without fear or favour.

How the Board works

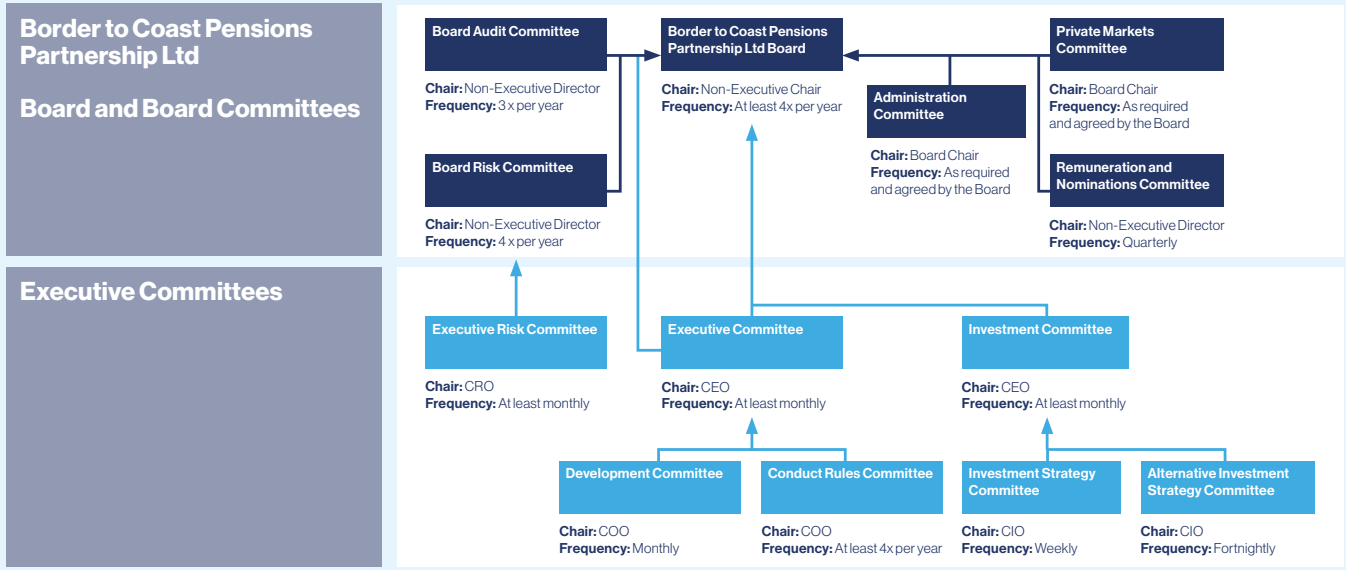
The Board is collectively responsible for promoting the success of Border to Coast by directing and supervising its affairs, with due regard for the interests of its shareholders, customers, employees and other stakeholders.

The Board's role is to provide entrepreneurial leadership within a framework of prudent and effective controls which enable the Company to assess and manage risk. It sets Border to Coast's strategic aims, ensures the necessary financial resources and people are in place for us to meet our objectives, sets values and standards and reviews management performance. It also ensures that we understand and meet obligations to shareholders, customers and other stakeholders.

In carrying out these responsibilities, the Board must recognise:

- what is appropriate for Border to Coast's business and reputation;
- the significance of the financial and other risks inherent in the business; and
- the costs and benefits of implementing specific controls.

The Board is made up of suitably skilled and experienced individuals with the collective knowledge and understanding of the Company's markets, customers and propositions to enable them to carry out all their responsibilities effectively, efficiently and compliantly.



The Board Audit, Board Risk, and Board Remuneration & Nominations Committees have independent NED Chairs

Within the Board, the roles of Chair and CEO are distinct but complementary in accordance with the Corporate Governance Code which states that the Chair is responsible for Board leadership and ensuring its effectiveness in all aspects of its role. The CEO's role is to ensure appropriate day-to-day management of the Company in line with the Board's strategy.

In addition to the general requirements for all Directors, the Non-Executive Directors:

- constructively challenge and contribute to strategy development;
- scrutinise the performance of management in meeting agreed goals and objectives;
- offer specialist advice; and
- draw on wider experience to provide the Board and the Executive team with a breadth of understanding and insight.

They are also responsible (through the Remuneration and Nominations Committee) for recommending, for shareholder approval, appropriate levels of remuneration of Executive Directors. In addition, they have a primary role in succession planning – appointing and where necessary removing senior management.

Border to Coast has sought to include Board representation from its shareholders, the Partner Funds. The Partner Funds have nominated two appropriate individuals as Non-Executive Directors. They are obliged to conduct themselves in the same way as all other members of the Board, as outlined above and in accordance with the requirements for directors set out by the Companies Act and Financial Conduct Authority.

To support its effective operation, the Board has established five Board Committees: the Board Audit Committee, the Board Risk Committee, the Remuneration and Nominations Committee, the Private Markets Committee and the Administration Committee.

Corporate governance report continued

How the Board works continued

	Board (6)	Board Audit Committee (5)	Board Risk Committee (6)	Remuneration and Nominations Committee (4)	Private Markets Committee (2)	Administration Committee (0)
Chris Hitchen (Chair)	6 (6)	1+	6 (6)	4 (4)	2 (2)	—
Tanya Castell (iNED)	6 (6)	5 (5)	6 (6)	3 (3)	2 (2)	—
Rachel Elwell (CEO)	6 (6)	5+	6+	4+	2 (2)	—
Kate Guthrie (iNED)**	3 (3)	—	—	2 (2)	— (1)	—
John Holtby (PF-NED)	6 (6)	—	6+	4 (4)	2 (2)	—
Fiona Miller (COO)	6 (6)	5+	6+	—	1 (2)	—
Enid Rowlands (iNED)*	3 (3)	—	—	2 (2)	— (1)	—
Andrew November (iNED)	6 (6)	5 (5)	6 (6)	—	2 (2)	—
Anne Walsh (PF-NED)***	3 (3)	3++ (2)	1+	—	— (1)	—
Jeff Watson (PF-NED)*	2 (3)	3 (3)	—	—	1 (1)	—

* Resigned with effect from 30 September.
** Appointed on 2 October.
*** Appointed on 6 October.
+ Attended by invitation and was not present for private business.
++ Attended one meeting prior to being appointed to the Board.

Information regarding the Board Risk Committee, the Board Audit Committee and the Remuneration and Nominations Committee can be found on pages 27 to 38.

The Board has delegated the day-to-day management of the Company to the CEO, subject always to those matters reserved for decision by the Board or its Committees. The CEO has in turn delegated some of her responsibilities to her direct reports. Several Executive Committees have been created to assist her in her decision making or to monitor activities. These, together with the Board-level Committees, are shown in the governance diagram on page 30.

The Board met eight times (six Board meetings and two strategy days) during the year, when it considered a range of items relating to the Company, its business and performance. Due to the COVID-19 pandemic these meetings have been held virtually. The Chair has established regular private meetings of the Non-Executive Directors without the presence of the Executive prior to the ordinary quarterly meetings. Attendance at meetings is shown above for the Board and its Committees. The number in brackets shows the number of meetings each Director was eligible to attend.

The Administration Committee

The Administration Committee can be called by the Board at short notice to make emergency decisions on matters reserved for the Board which may arise between Board meetings where there is insufficient time or quorum to convene a full Board meeting. The Chair and quorum for each Administration Committee shall be decided by the Board on a case-by-case basis but the quorum must be a minimum of two, of whom one shall be an independent Non-Executive Director ('iNED'). Although all Directors are invited to these meetings there is no expectation that they must all attend other than if they have been included in the agreed quorum.

The Private Markets Committee

The Private Markets Committee can be called upon to consider recommendations from the Executive on risks that are outside its delegated authority. All members of the Board are members of the Committee and the Board Chair is the Committee Chair. To enable business to be conducted, the quorum of the Committee is decided on a case-by-case basis. It must, however, include at least two Non-Executive Directors of whom one should be the Chair or the Chair of the Board Risk Committee. If the matter relates to financial crime, the MLRO or CRO must attend to advise. Although all Directors are invited to these meetings there is no expectation that they must all attend other than if they have been included in the agreed quorum.

When they were appointed, John Holtby, Anne Walsh and Jeff Watson were assessed as being not independent as they had been put forward by our Partner Fund shareholders. All other Non-Executive Directors were assessed as being independent upon appointment, including our Chair, Chris Hitchen.

Board composition

Given the shareholders' ability to remove and appoint Directors, Border to Coast's Non-Executive Directors are not subject to annual re-election at the Annual General Meeting ('AGM'). Rather, they enter into an agreement to serve a term of office approved by the shareholders, which can be extended at the agreement of the shareholders, the Company and the individual Director. The dates of expiry for Directors' terms are shown below:

John Holtby	30 September 2021
Andrew November	30 September 2022
Anne Walsh	30 September 2022
Kate Guthrie	30 September 2023
Tanya Castell	30 September 2024
Chris Hitchen	30 September 2025

The extension of terms for Chris Hitchen and Tanya Castell was approved by the shareholders at the 2020 AGM, by five and four years respectively. These terms were agreed to mitigate the risks associated with the previous coterminous terms of office.

The engagement of our people at Border to Coast in the values and strategy is important to the Board and the shareholders. The Board has, however, made the decision that it will not appoint a director from the workforce or require a specific designated Board director. This is because we are a small organisation, so it is possible to cascade information to and from colleagues using other methods. The Board also believes that there is no requirement for a workforce advisory panel as there are other methods of communication with colleagues. These methods include regular town halls, newsletters, board debriefs and focus groups. The Board keeps under review ways in which it can engage with our people and enable them to have a voice.

Corporate governance report continued

Conflicts of interest

Directors have a statutory duty to declare any interests, covering (but not limited to) external directorships. The Company and the Board have assessed all external directorships of serving Directors to identify those which may give rise to conflicts, authorising those they recognise as appropriate with reference to the shareholders for approval where required.

Board effectiveness and skills

At its meeting on 16 September 2020 the Board approved the process for the appointment of an external provider to conduct an independent review of the effectiveness of the Board and its Committees. Subsequent to a procurement process Muse Advisory was appointed. The review, which was commissioned by the Board and conducted independently in line with good practice, was undertaken in late 2020. Muse's findings were discussed with the Board at its February 2021 meeting, with a summary of the findings subsequently shared with the Partner Funds.

The review included a questionnaire, meeting observations, interviews with each Director and others including Partner Fund representatives. Feedback was provided directly to the Board and Remuneration and Nominations Committee Chairs. The review found a strong, positive culture delivering asset management on behalf of and for the Partner Funds. The Board and the Committees were assessed to be doing a good job thus far in leading the Company, with respect for regulatory needs and attention to risks to the strategy. The next stage of Board development will build on this to further embed good practice in a proportionate manner as the organisation grows.

Induction and development

The Chair, assisted by the Company Secretary, is responsible for ensuring that a full and tailored induction is provided to all new Directors. The induction is designed to enhance their knowledge and understanding of Border to Coast and its stakeholders. The Chair also has responsibility to agree with Directors their development needs and the Company Secretary ensures that ongoing training is provided for Directors to refresh their skills and knowledge. During the year the Directors received regular briefings to develop their knowledge and understanding of key business issues. The main topics were:

- new investment propositions which included multi-asset credit, real estate and emerging markets;
- the Senior Managers and Certification Regime; and
- FCA expectations of boards.

Border to Coast Pensions Partnership Ltd
Board and Board Committees

Board Audit Committee
Chair: Independent Non-Executive Director

Frequency: 5x per year

Board Risk Committee
Chair: Independent Non-Executive Director

Frequency: 6x per year

Border to Coast Pensions Partnership Ltd Board
Chair: Non-Executive Chair

Frequency: 6x per year

Administration Committee
Chair: Board Chair

Frequency: As required and agreed by the Board

Private Markets Committee
Chair: Board Chair

Frequency: As required and agreed by the Board

Remuneration and Nominations Committee
Chair: Independent Non-Executive Director

Frequency: 4x per year

Bedfordshire Pension Fund

Remuneration and Nominations Committee report

CONTINUING TO BUILD AND SUSTAIN THE ORGANISATION

Embedding our purpose and culture whilst supporting our colleagues through the pandemic.

"I joined the Board in September 2020 during what has been an exceptional time. The Committee's focus has been providing support and challenge to the Executive team and to colleagues as we continue to build the organisation. We have paid close attention to ensuring the alignment between our culture, our governance and our people in delivering our purpose of supporting Partner Funds and delivering strong performance. We have hired and inducted 28 colleagues whilst working remotely whilst and pivoting quickly to deliver ongoing development for our colleagues."

Kate Guthrie
Independent Non-Executive Director

Committee members

Members of the Committee are appointed by the Board on the recommendation of the Remuneration and Nominations Committee, in consultation with the Chair of the Board.

- Enid Rowlands (Chair) (until 30 September 2020)
- Kate Guthrie (Chair) (with effect from 2 October 2020)
- Tanya Castell (until 31 January 2021)
- Chris Hitchen
- John Holtby

Following her resignation on 30 September 2020, Enid Rowlands continued to advise the Committee on a consultancy basis until 31 December 2020. For this service she received remuneration of £8,000.

Attendance at the meetings of the Committee during 2020/21 is outlined in the Corporate governance statement on page 31. The Chair of the Committee attends the AGM, where shareholders are able to ask questions regarding all aspects of the Committee's role and its work.

The Chief Executive and the Head of HR attend all meetings but leave them when discussing matters relating to themselves. The Committee holds private sessions with the CEO and Head of HR separately throughout the year.

The role of the Committee

Under the Shareholder Agreement, remuneration of all Directors, including Executive Directors, is a matter reserved to the shareholders. The Committee makes recommendations to the shareholders for approval.

Purpose

The role of the Committee is, subject to the agreement of the shareholders as relevant, to advise the Board on matters relating to the effective management of our people, and oversee processes related to Board appointments and the review of Non-Executive Director performance.

Roles and responsibilities

The Committee considered the following areas as detailed in its Terms of Reference, during the year.

Remuneration	• Determine, and recommend to shareholders where relevant, the overall reward framework for the senior Executive and management team. • People strategy and policies. • Provide assurance to the Board regarding the strategic approach to equality, diversity and inclusion. • Reviewing pay information from a range of sectors to advise on remuneration policies. • Oversee changes to the employee benefit structure.
Nominations	• Talent management and succession planning for the senior Executive and management team. • Board succession planning, including the appointment of one Partner Fund Non-Executive Director and the identification and appointment of a new independent Non-Executive Director. • The Chair of the Remuneration and Nominations Committee conducts the appraisal of the Board Chair.
Corporate ethos	• Consideration of people risk. • Establishing and review of the outputs of the culture audit and engagement survey to develop our culture. • Regular review of all aspects of people strategy and the operational/people risk management during the pandemic.

Remuneration and Nominations Committee report continued

Report from the Remuneration and Nominations Committee Chair

During the year the Committee scheduled, and held, four meetings and a remuneration workshop.

Focus for the year

The areas on which the Committee has focused during the year are:

- the identification and oversight of the Executive's management of people risk, especially during the pandemic;
- the further development of the reward strategy assisted by the services of an external remuneration consultant, PwC LLP;
- succession planning, including the appointment of a new independent Non-Executive Director (for which we used the services of an external search consultancy, Saxton Bampfylde) and one Partner Fund nominated Non-Executive Director; and
- the implementation of a culture audit and engagement survey for colleagues, consideration of the results and the action plan.

Our approach to remuneration, inclusion and diversity

Our approach to reward is to view pay and benefits within the broader context of the overall people experience and our employee value proposition. Our remuneration is designed to support our business strategy, objectives and values, our risk appetite and risk management approach, and our customers' long-term interests.

We are committed to being a learning organisation with investment above industry average levels in development for colleagues and strong support for professional qualifications. We have invested in a leadership development programme which combines (virtual) classroom teaching, practical peer group learning and coaching. Our Future Leaders development programme launched in September 2020 to support internal progression, further develop our learning culture, and inspire leadership at all levels.

Following discussion with our Community Working Group, two days' paid volunteering was introduced for colleagues. They have, however, been unable to avail themselves of opportunities to use this to greatest effect during lockdown. Border to Coast also supports volunteering through flexible working, which has continued during lockdown. We welcome people from all backgrounds based on their talent and capabilities and their commitment to our purpose and cultural values.

Given our relatively small team – well below the 250 minimum for formal reporting on the gender pay gap – small changes can have a big impact on reported figures. We try to be sensitive in our reporting and avoid disclosing individual salaries where we regard it as inappropriate. As reported to the Remuneration and Nominations Committee in February 2021, our mean gender pay gap on 1 April 2020 was +0.3% (a change of 18pts compared to last year and achieving parity on this measure), and our median gender pay gap was +37.9% (an increase of 9pts since last year).

A higher number of women in the most senior roles and most junior roles results in the mean gender pay gap being negligible. There are, however, proportionally more men than women, both in the organisation and in mid-senior professional roles, which affects the median gap. We are seeking to address this gap in the longer term through diversity in the recruitment of interns, in graduate roles and at more junior levels as well as, in the shorter term, using search techniques alongside our recruitment and attraction strategies to identify suitable women for the typically male-dominated investment professional roles. Our culture is inclusive and has strength from gender balance at senior level, and flexible working across all roles and levels, resulting in more men than women working part time.

Equal pay is reviewed in detail as part of overall pay reviews and our ongoing reward activity. As explained, gender differentials reflect the balance of men and women in certain functions and at specific levels, rather than a difference in pay for people in the same roles. We do have equal pay for equal work. We also demonstrate inclusion more widely in our recruitment, development and management practices, and regularly receive positive feedback from colleagues about our open, diverse teams and culture.

We have an ethnic and racial diversity within Border to Coast that reflects the Yorkshire region's average.

Looking forward to the coming year and as we hopefully transition to a less restricted world, the Committee will be developing the future reward strategy to recognise the strategic achievement to date and to address the risks of retention. Plans will be brought forward for discussion with our shareholders later in the year.

The Committee would like to recognise the efforts of the Executive team and all of our colleagues in continuing to deliver for our shareholders and Partner Funds in a truly exceptional year which has required huge levels of resilience and determination.

Board Audit Committee report

ROBUST AND EFFECTIVE OVERSIGHT IN CHALLENGING TIMES

"In a year of uncertainty, robust reporting and controls have enabled Border to Coast to successfully continue its journey – safe and in good health."

Andrew November
Independent Non-Executive Director

Committee members

The Board appointed the following members to the Committee on the recommendation of the Remuneration and Nominations Committee in consultation with the Chair of the Committee:

- Andrew November (Chair)
- Tanya Castell
- Anne Walsh (with effect from 6 October 2020)
- Jeff Watson (resigned from the Board on 30 September 2020)

The Board considers that Andrew November and Tanya Castell have the recent and relevant financial experience that the Committee Terms of Reference and the UK Corporate Governance Code require.

Attendance at the meetings of the Committee during 2020/21 is outlined in the Corporate governance statement on page 31. The Chair of the Committee attends the AGM, where shareholders can ask questions regarding all aspects of the Committee's role and its work.

The Chief Executive Officer and the Chief Operating Officer attend all meetings, as do the Chief Risk Officer and the Head of Finance. The Internal Audit Partner and External Audit Partner also attend meetings of the Committee.

Purpose

The Committee helps the Board meet its responsibilities for monitoring the integrity of the Group's financial statements and the performance and objectivity of its external and internal auditors. It also oversees the effectiveness of the Group's financial controls. The Committee holds private sessions with Internal Audit and External Audit throughout the year.

Roles and responsibilities

During the year, the Committee considered the following areas that are covered by its Terms of Reference:

Financial reporting	• Oversee the integrity of the financial statements, in accordance with relevant policies. Review and challenge where necessary to enable recommendation for Board approval. • Report to the Board on significant financial reporting issues and judgements. • Review other statements that require Board approval and contain financial information. • Review the effectiveness of financial controls and financial reporting. • Approve the Transfer Pricing Policy. • Review the VAT Partial Exemption Special Methodology to be proposed to HMRC.
Internal audit	• Approve the internal audit charter and plan. • Consider reports produced by Internal Audit and the actions arising from them. • Ensure that Internal Audit has the necessary resources and access to information it needs to fulfil its mandate. • Receive feedback from the internal auditor without the presence of the Executive.
External audit	• Make recommendations to the Board and shareholders regarding the external auditor's re-appointment. • Oversee the relationship with the external auditor and approve the fees. • Monitor the external auditor's process for maintaining its independence and compliance with relevant law, regulation and professional standards. • Receive feedback from the external auditor without the presence of the Executive.

Board Audit Committee report continued

Report from the Board Audit Committee Chair

During the year, the Committee held five meetings: four quarterly meetings and one scheduled specifically to consider the Annual Report and Accounts. At each meeting the members of the Committee met with Internal Audit and External Audit without the presence of the Executive.

Internal audit

Deloitte LLP was appointed as internal auditor from September 2018 for an initial period of three years, with the option to extend for a further two years. The option to extend is being exercised. The Committee is satisfied that Internal Audit is independent from the business, having a dual reporting line to both the Chair of the Committee and the Chief Executive Officer.

External audit

KPMG LLP was appointed as external auditor in January 2018 for a period of three years with an option to extend for a year. Our shareholders re-appointed the firm at the AGM held on 15 July 2020. The option to extend is being exercised and it will be proposed for re-appointment at the 2021 AGM.

Overseeing our audit process is Audit Partner Tom Tyler. The Committee considers Tom Tyler and KPMG to be independent within the meaning of regulatory and professional requirements. It also considers the objectivity of Tom Tyler and the audit staff not to be impaired.

At its meeting in February 2021, the Committee reviewed the policy for the provision of non-audit services by the external auditor, which was subsequently approved on 24 March 2021. The policy states that any fees paid to the external auditor for work outside the scope of audit services should not exceed 50% of the total fees in any financial reporting period. Audit services cover the audit of the Group's financial statements, the audit of the Authorised Contractual Scheme and the audit of the ten Scottish Limited Partnerships established to support the alternative investments.

The Company is to pay KPMG a fee of £90,000 for the audit of our 2020/21 consolidated and subsidiaries' financial statements and £269,900 for the audit of the Authorised Contractual Scheme and Scottish Limited Partnerships financial statements. In addition to these audit fees, we also paid KPMG a further £107,172 for the Audit and Assurance Faculty ('AAF') work and the Client Assets Sourcebook ('CASS') review, both of which are assurance related. As the non-audit fees were less than 50% of the total fees paid, the Committee considered that KPMG's independence was not compromised.

"The Committee helps the Board meet its responsibilities for monitoring the integrity of the Group's financial statements and the performance and objectivity of its external and internal auditors."

Board Risk Committee report

EFFECTIVELY MANAGING RISKS IN AN UNCERTAIN TIME

"The pandemic has certainly made it a challenging year for everyone and, whilst there have been some resourcing challenges, Border to Coast has made good progress in evolving its risk management framework to support its activities effectively."

Tanya Castell
Independent Non-Executive Director

Committee members

The Board appointed the following members of the Committee on the recommendation of the Remuneration and Nominations Committee in consultation with the Chair of the Committee:

- Tanya Castell (Chair)
- Chris Hitchen
- Andrew November

Attendance at the meetings of the Committee during 2020/21 is outlined in the Corporate governance statement on page 29. The Chair of the Committee attends the AGM, where shareholders can ask questions regarding all aspects of the Committee's role and its work.

The Chief Risk Officer attends all meetings as do the Chief Executive Officer, the Chief Operating Officer and the Head of Compliance. Internal Audit and External Audit also attend meetings of the Committee.

Purpose

The Committee helps the Board ensure that the interests of the shareholders, and the LGPS Pension Funds that they administer, are properly protected through the application of effective risk and capital management frameworks.

Roles and responsibilities

During the year, the Committee considered the following areas that are covered by its Terms of Reference:

Risk	• Make recommendations for the Board's approval on the Company's risk appetite. • Review the risk management framework and oversee its implementation. • Review overarching policies and the creation of new risk policies. • Review the risk profile, material risk events and any potential breaches of risk appetite.
Compliance and financial crime	• Review of the annual market abuse report. • Review of the annual Money Laundering Risk Officer's report. • Approve and review progress of the compliance monitoring plan and review material regulatory breaches. • Review of conduct risk and introduction of a conduct risk dashboard.
Capital	• Oversee the Internal Capital Adequacy Assessment Process ('ICAAP') and recommend to the Board for approval. • Challenge the design and execution of stress and scenario tests.
Policies	• Consider and, if thought fit, approve those policies delegated to it by the Board. • Consider and, if thought fit, recommend to the Board for approval those policies the Board has reserved to itself.
Chief Risk Officer	• Ratify, following the delegation of the matter by the Board to the CEO (in consultation with the Committee Chair), the appointment of the interim CRO and the subsequent appointment of a permanent CRO.

Board Risk Committee report continued

Report from the Board Risk Committee Chair

The Committee met nine times during the year: seven meetings and two ICAAP workshops. The major risks discussed are set out in further detail in the Risk management report on pages 20 to 24. The areas of focus of the Committee over the year, in addition to discussing the risk profile, were:

- Risk management framework: the Committee recommended the annual review of the risk management framework policy to the Board.
- Risk appetite framework and risk taxonomy: the Committee reviewed the revised risk taxonomy and risk appetite statements and recommended their approval to the Board.
- Whistleblowing: reviewed the procedures for handling allegations from whistleblowers and the arrangements for employees to raise concerns about improprieties. The role of Whistleblowing Champion was transferred from the Chair of the Board Risk Committee to the Chair of the Board Audit Committee in September.
- Stress testing: the Committee considered options of reverse stress testing and recommended to the Board that two or three scenarios leading to investment risk being transferred onto the balance sheet be analysed. The Committee also reviewed the liquidity stress test output and related actions and the wind-down plan.
- ICAAP: following review, throughout the year, of the various components, the Committee recommended to the Board the approval of the ICAAP.
- Conduct risk: the Committee reviewed the developments to oversee conduct risk including enhancements to the management of conflicts and revisions to the conflict register.
- Compliance monitoring plan: having approved the plan, the Committee monitored progress and ratified several changes throughout the year arising as a result of resourcing challenges.
- Resourcing: the Committee was briefed on challenges in resourcing for the Risk and Compliance team, the impacts identified and how these were being addressed.

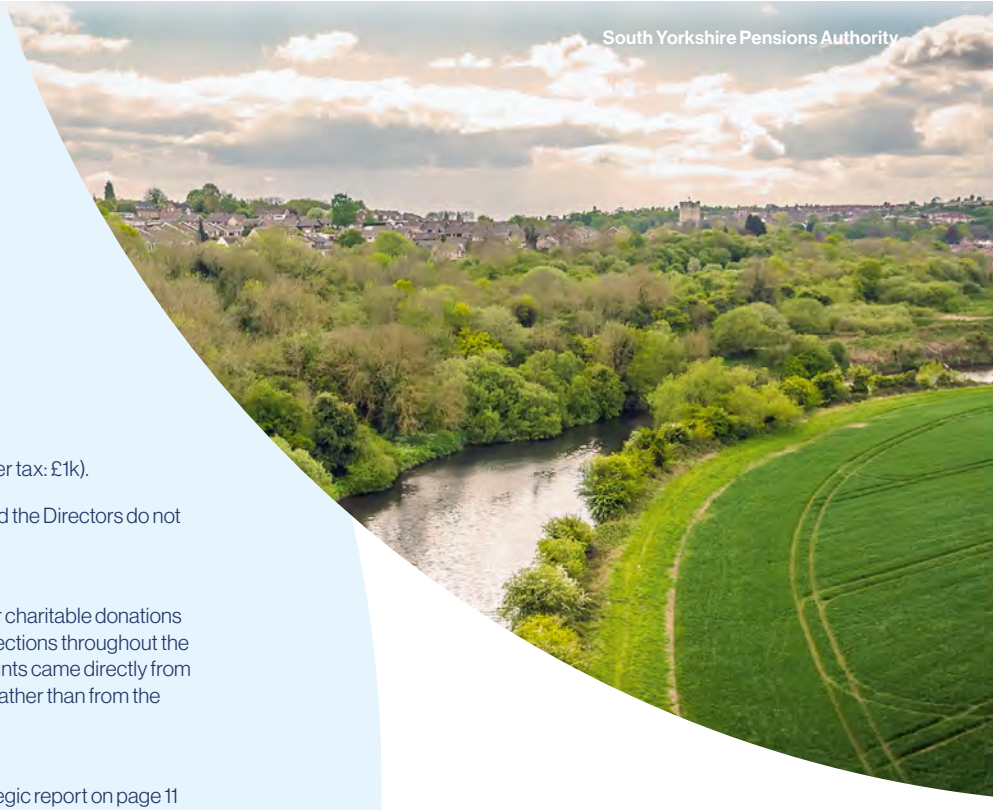
"The Committee helps the Board ensure that the interests of the shareholders, and the LGPS Pension Funds that they administer, are properly protected through the application of effective risk and capital management frameworks."

North Yorkshire County Council

Directors' report

PRINCIPAL ACTIVITIES

The Directors present their report and the audited financial statements of the Group and Company for the year ended 31 March 2021.



Incorporation

Border to Coast Pensions Partnership Limited ('the Company') is incorporated in the United Kingdom and registered in England and Wales, registration number 10795539.

Principal activities

The principal activities of the Group and Company are that of investment management and, from 3 April 2019, acting as General Partner to a number of Limited Partnerships to facilitate the efficient deployment of the Limited Partner's capital into private equity, infrastructure and private credit investments.

Directors

The Directors in office during the period and at the date of signing this report were as follows*:

Name	Appointed	Resigned
Chris Hitchen	23 Jan 2018	—
Enid Rowlands	23 Jan 2018	30 Sep 2020
Tanya Castell	23 Jan 2018	—
Rachel Elwell	23 Jan 2018	—
Fiona Miller	23 Jan 2018	—
Andrew November	5 Feb 2020	—
Jeffrey Watson	5 Feb 2020	30 Sep 2020
John Holtby	5 Feb 2020	—
Anne Walsh	6 Oct 2020	—
Kate Guthrie	2 Oct 2020	—

* Shareholders agree the terms of appointment for Non-Executive Directors.

Results and dividends

The Group made a £6k profit after tax (2020: profit after tax: £1k).

No dividends were paid during the year (2020: £nil) and the Directors do not recommend the payment of a final dividend.

Political or charitable donations

During the year, the Group did not make any political or charitable donations (2020: £nil). Our colleagues have chosen to make collections throughout the period, which were donated to local charities. All amounts came directly from people within the Group and any external supporters rather than from the Group itself.

Expected future developments

Expected future developments are set out in the Strategic report on page 11 and include the build of further investment capabilities, including multi-asset credit, listed alternatives, and the launch of our second Private Markets investment programme. These are expected to lead to further increases in the level of assets under management.

Directors' report continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 '*The Financial Reporting Standard applicable in the UK and Republic of Ireland*'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the Group and parent company's profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they intend to liquidate the Group or parent company to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmation

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

Independent auditor

The auditor, KPMG LLP, has indicated its willingness to continue in office and a resolution concerning its re-appointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board:

Fiona Miller
Chief Operating Officer
Border to Coast
30 June 2021

Teesside Pension Fund

Independent auditor's report

to the members of Border to Coast Pensions Partnership Limited

Opinion

We have audited the financial statements of Border to Coast Pensions Partnership Limited ("the company") for the year ended 31 March 2021 which comprise the Consolidated and Company Income Statement and Statement of Comprehensive Income, Consolidated and Company Balance Sheet, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Cash Flow Statement, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's profit and parent company's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, risk committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, Audit committee, Risk committee and Remuneration and Nominations committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there is limited perceived pressure and opportunity from the nature of revenue transactions.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries containing consistent ending numbers and those containing certain journal description words.
- Evaluated the business purpose of one-off transactions, including the purchase, cancellation and transfer of shares in connection with the merger of partner funds.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor's report continued
to the members of Border to Coast Pensions Partnership Limited

Fraud and breaches of laws and regulations – ability to detect continued

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations continued

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, employment law, FCA regulation and certain aspects of company legislation recognising the financial and regulated nature of Border to Coast Pension Partnership Limited's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the Strategic Report, the Directors' Report, and the Governance Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the Strategic report and the Directors' Report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 40, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Thomas Tyler (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
United Kingdom
30 June 2021

Consolidated income statement and statement of comprehensive income
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	3	**17,262**	12,604
Administrative expenses	4	**(16,892)**	(12,672)
Operating profit		**370**	(68)
Other interest receivable and similar income	7	**20**	91
Interest payable and similar expenses	7	**—**	(11)
Profit before taxation		**390**	12
Tax on profit	8	**(384)**	(11)
Profit for the financial year		**6**	1
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**6**	1

The results above all related to continuing operations.

The notes on pages 47 to 54 form an integral part of these financial statements.

Company income statement and statement of comprehensive income
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Turnover	3	**17,252**	12,592
Administrative expenses	4	**(16,892)**	(12,672)
Operating profit		**360**	(80)
Other interest receivable and similar income	7	**20**	91
Interest payable and similar expenses	7	**—**	(11)
Profit before taxation		**380**	—
Tax on profit	8	**(382)**	(9)
Loss for the financial year		**(2)**	(9)
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive loss for the year		**(2)**	(9)

The results above all related to continuing operations.

The notes on pages 47 to 54 form an integral part of these financial statements.

Consolidated balance sheet
at 31 March 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	9	**40**		14	
Tangible fixed assets	10	**198**		240	
			238		254
Current assets					
Debtors:					
– amounts falling due within one year	12	**7,419**		4,788	
– amounts falling due after one year	12	**3,142**		2,419	
Cash at bank and cash equivalents	14	**14,451**		11,099	
			25,012		18,306
Creditors: amounts falling due within one year	15	**(9,190)**		(6,229)	
			(9,190)		(6,229)
Net current assets			**15,822**		12,077
Total assets less current liabilities			**16,060**		12,331
Creditors: amounts falling due after more than one year					
Pensions and similar obligations	16		**(3,142)**		(2,419)
Net assets			**12,918**		9,912
Capital and reserves					
Called up share capital	17		**13,000**		10,000
Profit and loss account			**(82)**		(88)
Shareholders' funds			**12,918**		9,912

These financial statements were approved by the Board of Directors on 30 June 2021 and were signed on its behalf by:

Fiona Miller
Chief Operating Officer
Border to Coast Pensions Partnership Limited
Registered no. 10795539
30 June 2021

The notes on pages 47 to 54 form an integral part of these financial statements.

Company balance sheet
at 31 March 2021

	Note	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Intangible assets	9	**40**		14	
Tangible fixed assets	10	**198**		240	
Investments	11	**—**		—	
			238		254
Current assets					
Debtors:					
– amounts falling due within one year	12	**7,397**		4,775	
– amounts falling due after one year	12	**3,142**		2,419	
Cash at bank and cash equivalents	14	**14,451**		11,099	
			24,990		18,293
Creditors: amounts falling due within one year	15	**(9,186)**		(6,226)	
			(9,186)		(6,226)
Net current assets			**15,804**		12,067
Total assets less current liabilities			**16,042**		12,321
Creditors: amounts falling due after more than one year					
Pensions and similar obligations	16		**(3,142)**		(2,419)
Net assets			**12,900**		9,902
Capital and reserves					
Called up share capital	17		**13,000**		10,000
Profit and loss account			**(100)**		(98)
Shareholders' funds			**12,900**		9,902

These financial statements were approved by the Board of Directors on 30 June 2021 and were signed on its behalf by:

Fiona Miller
Chief Operating Officer
Border to Coast Pensions Partnership Limited
Registered no. 10795539
30 June 2021

The notes on pages 47 to 54 form an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 March 2021

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2019	10,000	(89)	9,911
Total comprehensive income for the period	—	1	1
Issue of share capital	—	—	—
Total contributions by and distributions to owners	—	—	—
Balance at 31 March 2020	10,000	(88)	9,912
Balance at 1 April 2020	**10,000**	**(88)**	**9,912**
Total comprehensive income for the period	**—**	**6**	**6**
Issue of share capital	**3,000**	**—**	**3,000**
Total contributions by and distributions to owners	**—**	**—**	**—**
Balance at 31 March 2021	**13,000**	**(82)**	**12,918**

The notes on pages 47 to 54 form an integral part of these financial statements.

Company statement of changes in equity
for the year ended 31 March 2021

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2019	10,000	(89)	9,911
Total comprehensive loss for the period	—	(9)	(9)
Issue of share capital	—	—	—
Total contributions by and distributions to owners	—	—	—
Balance at 31 March 2020	10,000	(98)	9,902
Balance at 1 April 2020	**10,000**	**(98)**	**9,902**
Total comprehensive loss for the period	**—**	**(2)**	**(2)**
Issue of share capital	**3,000**	**—**	**3,000**
Total contributions by and distributions to owners	**—**	**—**	**—**
Balance at 31 March 2021	**13,000**	**(100)**	**12,900**

The notes on pages 47 to 54 form an integral part of these financial statements.

Consolidated cash flow statement
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit before tax		**390**	12
Adjustments for:			
Depreciation, amortisation and impairment		**111**	93
Loss on disposal of fixed assets		**1**	—
Interest receivable and similar income		**(20)**	(91)
Interest payable and similar expenses		**—**	11
Corporation tax		**(384)**	—
Increase in trade and other debtors		**(2,631)**	(3,259)
Increase in trade and other creditors		**2,961**	503
Net cash from operating activities		**428**	(2,731)
Cash flows from investing activities			
Interest received		**20**	91
Acquisition of tangible fixed assets	10	**(56)**	(69)
Acquisition of other intangible assets	9	**(40)**	—
Net cash from investing activities		**(76)**	22
Cash flows from financing activities			
Proceeds from the issue of share capital	17	**3,000**	—
Interest paid		**—**	(11)
Net cash from financing activities		**3,000**	(11)
Net increase/(decrease) in cash and cash equivalents		**3,352**	(2,720)
Cash and cash equivalents at 1 April	14	**11,099**	13,819
Cash and cash equivalents at 31 March	14	**14,451**	11,099

The notes on pages 47 to 54 form an integral part of these financial statements.

Company cash flow statement
for the year ended 31 March 2021

	Note	2021 £000	2020 £000
Cash flows from operating activities			
Profit before tax		**380**	—
Adjustments for:			
Depreciation, amortisation and impairment		**111**	92
Loss on disposal of fixed assets		**1**	—
Interest receivable and similar income		**(20)**	(91)
Interest payable and similar expenses		**—**	11
Corporation tax		**(382)**	—
Increase in trade and other debtors		**(2,622)**	(3,246)
Increase in trade and other creditors		**2,960**	503
Net cash from operating activities		**428**	(2,731)
Cash flows from investing activities			
Interest received		**20**	91
Investment in subsidiaries		**—**	—
Acquisition of tangible fixed assets	10	**(56)**	(69)
Acquisition of other intangible assets	9	**(40)**	—
Net cash from investing activities		**(76)**	22
Cash flows from financing activities			
Proceeds from the issue of share capital	17	**3,000**	—
Interest paid		**—**	(11)
Net cash from financing activities		**3,000**	(11)
Net increase/(decrease) in cash and cash equivalents		**3,352**	(2,720)
Cash and cash equivalents at 1 April	14	**11,099**	13,819
Cash and cash equivalents at 31 March	14	**14,451**	11,099

The notes on pages 47 to 54 form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 March 2021

1. General information
Border to Coast Pensions Partnership Limited ('the Company') is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales, registration number 10795539. The address of the Company's registered office is 5th Floor, Toronto Square, Toronto Street, Leeds LS1 2HJ.

2. Accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The Group and Company financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the requirements of the Companies Act 2006.

a. Basis of preparation
These financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note r.

b. Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and all its subsidiary undertakings drawn up to 31 March 2021.

A subsidiary is an entity controlled by the parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Subsidiaries are consolidated at the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

The Group financial statements include the results of ten subsidiary companies, each established on 3 April 2019 to act as a General Partner for ten Scottish Limited Partnerships ('SLPs') set up to manage alternative investments.

Border to Coast Pensions Partnership Limited has control over the assets held by the underlying ten SLPs in which the ten subsidiary companies act as the General Partner in its capacity as investment manager. However, since these are held on behalf of investors and Border to Coast Pensions Partnership Limited has no right to the economic benefits arising from these assets, the assets and the investment income and costs associated with the ten SLPs have not been consolidated.

Similarly, in its capacity as investment manager, Border to Coast Pensions Partnership Limited has control over the assets held by the Border to Coast ACS. However, since these are held on behalf of investors, and Border to Coast Pensions Partnership Limited has no right to the economic benefits arising from these assets, the assets and the investment income and costs associated with them have not been consolidated.

c. Functional and presentational currency
The financial statements are presented in Pounds Sterling and rounded to the nearest thousand (£000).

d. Going concern
The financial statements have been prepared using the going concern basis of accounting. The Directors have undertaken an assessment to establish whether the use of the going concern basis is appropriate for the preparation of the financial statements.

The impacts of the COVID-19 outbreak have caused a significant deterioration in economic conditions for some companies and increased economic uncertainty for others. The Directors have therefore made more detailed assessments to determine whether these events or conditions cast significant doubt on the Group and Company's ability to continue as a going concern or, in severe cases, whether the going concern assumption is still appropriate as a basis for the preparation of the financial statements:

- the Group and Company were established to support the pooling of Local Government Pension Schemes. The shareholders and investors are Local Government Pension Schemes and the Directors have no reason to doubt their ongoing support;
- the subsidiary companies will remain appointed as the General Partner and the Company will remain appointed as the Operator to support the pooling of the Limited Partner's alternative investments;
- the nature of the income and expenses and the impact of potential downside scenarios on profitability, liquidity and capital as well as potential management actions;
- the effectiveness of the Group and Company's operational resilience processes including the ability of key outsourcers to continue to provide services; and
- the forecasted future level of investments by the shareholders and investors will continue.

From the above assessment, in conclusion, the Directors are not aware of any material uncertainties that would cast doubt over the Group and Company's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements.

e. Turnover
Turnover comprises fees for the provision of investment management services. Turnover is measured at the fair value of the consideration received or receivable, net of value added taxes. The Company operates on a cost recovery basis and therefore turnover is recognised in line with costs incurred.

f. Interest income
Interest income is accrued on a time basis, by reference to the principal outstanding, and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

g. Foreign currency
Transactions in foreign currencies are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items, which are recognised in other comprehensive income.

h. Intangible assets
Computer software licences and software are capitalised on the basis of the cost incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of up to three years.

i. Tangible fixed assets
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life or minimum lease commitments, as follows:

Fixtures and fittings	10 years
Leasehold	5 years
IT hardware	3 years

Notes to the financial statements continued
for the year ended 31 March 2021

2. Accounting policies continued

j. Impairment of financial assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group and Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

k. Trade and other debtors

Trade and other debtors are recognised initially at transaction price and subsequently less any provision for impairment where such subsequent measurement would result in a difference to the carrying value of the asset.

l. Trade and other creditors

Trade and other creditors are recognised at transaction price.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits with banks and other financial institutions. All cash and cash equivalents held are immediately available for withdrawal.

n. Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group and Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group and Company's taxable profits and their results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. In other cases, the measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group and Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax income or expense is recognised in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax income or expense.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group and Company intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Group and Company have a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

o. Employee benefits

The Company operates a defined benefit pension scheme and a defined contribution pension scheme.

Defined benefit pension scheme – the defined benefit scheme is a Local Government Pension Scheme ('LGPS') administrated by South Yorkshire Pensions Authority and is only open to members from existing LGPSs who have transferred into the Company LGPS or have rights under TUPE. The liabilities of the LGPS Pension Fund attributable to the Company are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions, for example, but not limited to, mortality rates, employee turnover rates and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds. In determining these liabilities, an assumption has been made on the advice of our actuaries that 50% of employees retiring will take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.
- The assets of the South Yorkshire Pension Fund attributable to the Company are included in the balance sheet at their fair value.

In accordance with the Pension Recharge Agreement Deed between the Company and the eleven shareholders of the Company, the deed guarantees reimbursement of any pension liability, additional employer contributions, entry payments or exit payments not covered by the rates pursuant to the regulations in accordance with the Funding Strategy Statement and the Rates and Adjustments Certificate in force. The deed guarantees both current and future deficits. Reimbursement from the shareholders would be through the annual operating charge or a charge to the investment sub-funds or by the provision of a payment notice.

The deed is considered a reimbursement asset and is recognised separately from the defined benefit liability. The net change in fair value of this asset is recognised as part of the cost of the defined benefit plan with the interest element presented in profit or loss and other movements taken to other comprehensive income. As the amount and timing of the reimbursement of the asset match the sum of all benefits payable under the defined benefit pension scheme, the fair value of this asset is deemed to be the present value of the related obligation. Movements arising from the asset are therefore presented net of the defined benefit cost in profit or loss and other comprehensive income respectively, as permitted under FRS 102.

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are included as either accruals or prepayments in the balance sheet.

Notes to the financial statements continued
for the year ended 31 March 2021

2. Accounting policies continued

o. Employee benefits continued

Any movements in the pension liability and the corresponding reimbursement asset which do not have a cash impact are excluded from the statement of cash flows but are disclosed elsewhere in the financial statements.

Defined contribution pension scheme – the defined contribution scheme is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

p. Leases

Leases in which the Group and Company assume substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

q. Contingent liabilities

A contingent liability is disclosed if the Group has a possible future obligation as a result of past events, and either the amount of the expected future outflow of economic resources or the likelihood of payment cannot be reliably estimated.

r. Critical accounting judgements and estimates

In the application of the Group and Company's accounting policies, which are described in note 2, the Directors are required to make judgements and estimates that have a significant impact on the amounts recognised. The following are the critical judgements and estimates that the Directors have made in the process of applying the Group and Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Non-consolidation of Scottish Limited Partnerships – although the Company, in its capacity as investment manager, has control over the assets held by the underlying ten SLPs in which the ten subsidiary companies act as the General Partner, since these are held on behalf of investors and the Company has no right to the economic benefits arising from these assets, the ten SLPs have not been consolidated.

Defined benefit pension scheme – estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A consulting actuary is engaged to provide the Group and Company with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

3. Turnover

	Group 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
Recharge of costs	**17,252**	12,592	**17,252**	12,592
Priority profit share	**10**	12	**—**	—
	17,262	12,604	**17,252**	12,592

4. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £000	2020 £000
Amortisation of intangible fixed assets	**13**	10
Depreciation of tangible fixed assets	**98**	82
Operating leases	**137**	137
Foreign exchange differences	**79**	14

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	**40**	35
Audit of the subsidiaries	**50**	50

Non-audit services:

	2021 £000	2020 £000
Controls assurance	**97**	60
Client assets	**10**	10

5. Staff numbers and costs

The average number of persons employed by the Company (including Directors) during the year was 90 (2020: 69). The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	**6,520**	4,560
Social security costs	**757**	512
Contributions to defined contribution plans	**452**	306
Expenses related to defined benefit plans	**180**	642
	7,909	6,020

Notes to the financial statements continued
for the year ended 31 March 2021

6. Directors' remuneration

	2021 £000	2020 £000
Emoluments	**634**	560
Contributions to defined contribution plans	**31**	21
	665	581

During the year two Directors (2020: two) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid Director as follows:

	2021 £000	2020 £000
Emoluments	**254**	251
Contributions to defined contribution plans	**16**	7
	270	258

7. Finance income and expense

	2021 £000	2020 £000
Interest receivable on bank deposits and cash equivalents	**20**	91
Total interest receivable and similar income	**20**	91
Interest payable on loans	**—**	11
Total other interest payable and similar expenses	**—**	11

8. Taxation

Total tax expense recognised in the profit and loss account and other comprehensive income:

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Current tax on income for the period	**330**	51	**328**	49
Deferred tax (see note 13)	**54**	(40)	**54**	(40)
Total tax	**384**	11	**382**	9

8. Taxation continued

Reconciliation of effective tax rate

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Profit/(loss) excluding taxation	**390**	12	**380**	—
Tax using the UK corporation tax rate of 19% (2020: 19%)	**74**	2	**72**	—
Net effect of other non-taxable/ non-deductible items	**(42)**	59	**(42)**	59
Adjustments to tax charge in respect of prior years	**150**	(10)	**150**	(10)
Deferred tax change	**54**	(40)	**54**	(40)
Transfer pricing adjustment	**148**	—	**148**	—
Total tax expense included in profit or loss	**384**	11	**382**	9

9. Intangible assets (Group and Company)

	Software £000
Cost	
Balance at 1 April 2020	30
Additions	40
Disposals	(5)
Balance at 31 March 2021	**65**
Amortisation and impairment	
Balance at 1 April 2020	16
Amortisation for the year	13
Disposals	(4)
Balance at 31 March 2021	**25**
Net book value	
At 1 April 2020	14
At 31 March 2021	**40**

Notes to the financial statements continued
for the year ended 31 March 2021

10. Tangible fixed assets (Group and Company)

	Leasehold £000	Computer equipment £000	Fixtures and fittings £000	Total £000
Cost				
Balance at 1 April 2020	58	200	123	381
Additions	20	36	—	56
Balance at 31 March 2021	**78**	**236**	**123**	**437**
Depreciation and impairment				
Balance at 1 April 2020	23	96	22	141
Depreciation charge for the year	12	73	13	98
Balance at 31 March 2021	**35**	**169**	**35**	**239**
Net book value				
At 1 April 2020	35	104	101	240
At 31 March 2021	**43**	**67**	**88**	**198**

11. Investments

	2021 £000	2020 £000
Investment in subsidiaries	**—**	—

The Company owns 100% of the equity share capital of the following ten subsidiary companies, each registered in the United Kingdom at 3 Melville Street, Edinburgh EH3 7PE:

Border to Coast Bedfordshire GP Limited
Border to Coast Cumbria GP Limited
Border to Coast Durham GP Limited
Border to Coast East Riding GP Limited
Border to Coast North Yorkshire GP Limited
Border to Coast South Yorkshire GP Limited
Border to Coast Surrey GP Limited
Border to Coast Teesside GP Limited
Border to Coast Tyne & Wear GP Limited
Border to Coast Warwickshire GP Limited

The above companies each act as the General Partner to a number of Limited Partnerships, established in April 2019 to facilitate the efficient deployment of the Limited Partner's capital into private equity investments, infrastructure and private credit investments.

The investments are £1 each representing 100% of the share capital.

12. Debtors

	Group 2021 £000	Group 2020 £000	**Company 2021 £000**	Company 2020 £000
Trade debtors	**5,260**	2,477	**5,260**	2,477
Other debtors	**4**	3	**4**	3
Pension Fund guarantee (see note 16)	**3,142**	2,419	**3,142**	2,419
Deferred tax assets (see note 13)	**3**	57	**3**	57
Prepayments and accrued income	**2,152**	2,251	**2,130**	2,238
	10,561	7,207	**10,539**	7,194
Due within one year	**7,419**	4,788	**7,397**	4,775
Due after more than one year	**3,142**	2,419	**3,142**	2,419
	10,561	7,207	**10,539**	7,194

There was no impairment on trade debtors during the year (2020: £nil).

As detailed within a 'Pension Cost Recharge Agreement', dated 4 February 2019, between the shareholders and the Company, the shareholders have guaranteed that any deficit arising in respect of the Company's participation in the defined benefit pension scheme will be underwritten by the shareholders.

13. Deferred tax assets (Group and Company)

Deferred tax assets provided for at 19% (2020: 19%) in the financial statements are set out below:

	2021 £000	2020 £000
Balance b/f	**57**	17
Deferred tax (charge)/credit in profit and loss account	**(54)**	40
Balance c/f	**3**	57
The closing balance represents:		
Other timing differences	**3**	57

14. Cash and cash equivalents (Group and Company)

	2021 £000	2020 £000
Cash at bank and cash equivalents	**14,451**	11,099

Notes to the financial statements continued
for the year ended 31 March 2021

15. Creditors: amounts falling due within one year

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Trade creditors	**950**	1,036	**950**	1,036
Taxation and social security	**1,001**	355	**1,001**	355
Corporation tax	**380**	51	**376**	49
Other creditors	**626**	470	**626**	469
Accruals and deferred income	**6,233**	4,317	**6,233**	4,317
	9,190	6,229	**9,186**	6,226

16. Employee benefits (Group and Company)

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The total expense relating to this scheme in the current year was £452k (2020: £306k).

Defined benefit pension scheme

The Company operates a Local Government Pension Scheme ('LGPS') administered by South Yorkshire Pension Authority. A Pension Recharge Agreement Deed between the Company and the twelve Local Authority shareholders guarantees the reimbursement of any pension liability.

Net pension liability

	2021 £000	2020 £000
Defined benefit obligation	**(8,284)**	(6,388)
Plan assets	**5,142**	3,969
Net pension liability	**(3,142)**	(2,419)

Movements in present value of defined benefit obligation

	2021 £000	2020 £000
At 1 April	**6,388**	5,410
Current service cost	**344**	309
Interest on pension liabilities	**149**	139
Remeasurements: Experience (gain)/loss	**(66)**	599
Remeasurements: Loss/(gain) on assumptions	**1,273**	(99)
Past service cost	**—**	217
Member contributions	**111**	92
Benefits/transfers paid	**85**	(279)
At 31 March	**8,284**	6,388

16. Employee benefits (Group and Company) continued

Movements in fair value of plan assets

	2021 £000	2020 £000
At 1 April	**3,969**	3,556
Interest on plan assets	**96**	95
Remeasurement (assets)	**707**	(132)
Administrative expenses	**(6)**	(5)
Employer contributions	**180**	642
Member contributions	**111**	92
Benefits/transfers paid	**85**	(279)
At 31 March	**5,142**	3,969

Expense recognised in the profit and loss account

	2021 £000	2020 £000
Current service cost	**344**	309
Net interest cost	**53**	44
Administrative expenses	**6**	5
Past service cost	**—**	217
Total expense recognised in profit or loss	**403**	575

The fair value of the plan assets and the return on those assets were as follows:

	2021 Fair value £000/%	2020 Fair value £000/%
Equities	**2,524/49.1**	2,052/51.7
Government debt	**694/13.5**	536/13.5
Corporate bonds	**422/8.2**	290/7.3
Property	**468/9.1**	357/9.0
Other	**72/1.4**	119/3.0
Cash	**962/18.7**	615/15.51
	5,142/100	3,969/100
Actual return on plan assets	**803/15.6**	(112)/(2.8)

Notes to the financial statements continued
for the year ended 31 March 2021

16. Employee benefits (Group and Company) continued
Expense recognised in the profit and loss account continued
Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2021	2020
Discount rate	**2.20%**	2.30%
Future salary increases	**3.95%**	3.35%
Future pension increases	**2.80%**	2.20%
CPI inflation	**2.70%**	2.10%

The last full actuarial valuation was performed on 31 March 2019.

In valuing the liabilities of the Pension Fund at 31 March 2021, the following mortality assumptions have been made:

Current pensioner aged 65: 22.5 years (male) and 25.3 years (female). Future retiree upon reaching 65: 24.0 years (male) and 27.2 years (female).

Sensitivities
The scheme asset values are sensitive to market conditions. The scheme liabilities are sensitive to actuarial assumptions used to determine the scheme obligations. Changes in these assumptions could have a material impact on the Consolidated statement of financial position. The main assumptions are the discount rate, rate of inflation, salary increase and life expectancy rate. The following table provides an estimate of the potential impact on the pension scheme of changing these assumptions:

	2021 £000	2020 £000
Net pension liability	**3,142**	2,419
+0.1% p.a. discount rate	**2,949**	2,270
+0.1% p.a. inflation	**3,340**	2,572
+0.1% p.a. pay growth	**3,195**	2,462
+1 year life expectancy	**3,373**	2,576
+1% change in 2020/21 (2019/20) investment returns	**3,089**	2,377
-1% change in 2020/21 (2019/20) investment returns	**3,195**	2,461

As detailed within a 'Pension Cost Recharge Agreement', dated 4 February 2019, between the shareholders and the Company, the shareholders have guaranteed that any deficit arising in respect of the Company's participation in the defined benefit pension scheme will be underwritten by the shareholders and therefore any change in the net pension liability will be matched by a corresponding change in the Pension Fund guarantee asset (see note 12) resulting in a net nil balance sheet impact.

17. Capital and reserves
Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
11 ordinary shares of £1 each	**11**	12
12,999,998 non-voting redeemable shares of £1 each	**12,999,998**	9,999,996
	13,000,009	10,000,008

All shares have been issued and fully paid in cash.

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company.

The holders of non-voting redeemable shares are entitled to receive dividends as declared but are not entitled to vote at meetings of the Company.

On 3 June 2020, Statutory Instrument 2020 No. 502 ('SI') came into force having retrospective effect as of 1 April 2020. The effect of the SI was to transfer all assets of the Local Government Pension Scheme held by Northumberland County Council up to that date to South Tyneside Borough Council which became the appropriate administering authority for all members of the Scheme for whom the appropriate administering authority was previously Northumberland County Council. As a result of this, in respect of the shareholding held by Northumberland County Council, the Company purchased and subsequently cancelled one ordinary 'A' share (voting), and purchased and subsequently cancelled six non-voting redeemable 'B' shares, and the remaining Northumberland shares were transferred equally to the remaining eleven shareholders. The Directors have concluded the financial statements do not require any adjustment.

18. Operating leases
Non-cancellable operating lease rentals are payable as follows:

	2021 £000	2020 £000
Less than one year	**57**	137
Between one and five years	**953**	276
More than five years	**—**	—
	1,010	413

Notes to the financial statements continued
for the year ended 31 March 2021

19. Related parties

Group

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 March, are as follows:

	Sales to related party 2021 £000	Sales to related party 2020 £000	**Amounts owed from related party 2021 £000**	Amounts owed from related party 2020 £000
Shareholders of the Company	**12,897**	10,769	**7,373**	4,370
Related parties	**4,365**	1,836	**1,301**	539

Company

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 March, are as follows:

	Sales to related party 2021 £000	Sales to related party 2020 £000	**Amounts owed from related party 2021 £000**	Amounts owed from related party 2020 £000
Shareholders of the Company	**12,897**	10,769	**7,373**	4,370
Related parties	**4,355**	1,823	**1,301**	526

20. Contingent liabilities

The Company has contingent liabilities arising in the ordinary course of business, including losses which might arise from litigation, disputes, regulatory compliance (including data protection) and interpretation of tax law. It is not considered that the ultimate outcome of any contingent liabilities will have a significant adverse impact on the financial condition of the Company.

BORDER TO COAST

PENSIONS PARTNERSHIP

www.bordertocoast.org.uk

Surrey Pension Fund

Warwickshire Pension Fund

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**14 October 2021**
Subject:	**Pension Fund Update Report**

Summary:

This report updates the Board on Fund matters for the quarter ending 30 June 2021 and any other current issues.

The report covers:

1. TPR Checklist Dashboard and Code of Practice
2. Breaches Register Update
3. Risk Register Update
4. Asset Pooling Update

Recommendation(s):

That the Board consider and note the report.

Background

1. TPR Checklist Dashboard and Code of Practice

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 C. 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 There have been no changes since the last quarter's report. The areas that are not fully completed and/or compliant are listed below.

B12 – Knowledge and Understanding - Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?
Amber – It is the intention that all PB and PC members carry this out, and provide copies of the completion certificate to the Pension Fund Manager. However, whilst all Board members have completed this training, due to the change in Pensions Committee membership following the May elections, certificates have not yet been received from the new Committee

members. As set out in the training policy, members do have a six month window to complete this training, which should therefore be completed by November.

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.

1.3 Members will be aware that TPR have been consulting on a new combined Code of Practice. The draft Code combined 10 Codes into one, including encompassing the dedicated public service Code of Practice 14 with those covering private sector schemes.

1.4 TPR received a strong response to the consultation with 103 respondents submitting over 10,000 individual answers. It is therefore taking them time to work through and fully consider the responses in detail. In doing so TPR note that they will be able to further develop their policy positions, as well as potentially incorporating the Pension Schemes Act 2021 into the first issue of the new Code, and, for the public service schemes, clarifying some of the key confusions arising in the draft Code.

1.5 Importantly, the key messages for the public service schemes are that TPR:

- do not now expect to lay the new Code before Parliament before spring 2022, and so it is unlikely to become effective before summer 2022;

- will explore ways to make the audience for each module clearer;

- will examine how to resolve the difficulties of using the term Governing Body for the public service schemes;

1.6 No date has been given for when the full consultation response will be issued addressing these key issues, as well as the many others raised across the consultation responses. TPR's commitment to clarify these key issues of concern raised by the public service sector is much welcomed.

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 D shows those breaches logged over the last twelve months. Since the last quarter end, one breach has been added, detailed below:

- **Late payment of contributions** – a separate paper is presented to the Board at paper 10, updating the Board on all monthly employer contribution breaches over quarter.

2.2 Prudential, the Fund's AVC provider, have been contacted for an update on their situation, which was causing issues with processing contributions and resulted in late provision of AVC cash to retiring members, delaying their final pension calculations and payment. However, at the point of writing this report, no response had been received.

3. Risk Register Update

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

3.2 There have been no amendments to the risk register since the last Board meeting and there are currently no red risks.

4. Asset Pooling Update

Sub Funds

4.1 The investment with Border to Coast into the Multi Asset Credit (MAC) Fund is still 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.

4.2 Since the last Board meeting, Border to Coast has held a number of workshops and meetings with officers and advisors covering property an alternatives fund design, performance, and Responsible Investment.

4.3 In addition, Border to Coast have held two new member virtual training sessions in September. Slides from these sessions and links to the recordings of them were circulated to Board members on 20 September.

Joint Committee Meetings

4.4 The latest Joint Committee meeting was held on the morning of the annual Border to Coast Conference, on 30 September. Minutes of the Joint Committee meeting held on 13 July, and the agenda items for the latest meeting were shared with Committee and Board members. Below are the agenda items for the meeting and the minutes will be circulated with the next JC agenda:

- Covid 19
- Proposed Meeting Dates
- Elections and Nominations 2021
- Joint Committee Budget
- Responsible Investment Update
- Summary of Investment Performance and Market Returns
- CEO Report
- Consideration of Climate Change Transition Benchmarks
- Alternatives – Annual Review
- Performance Reports
    - UK Listed Equity
    - Overseas Developed Equity
    - Emerging Markets Equity
    - UK Listed Equity Alpha
    - Global Equity Alpha
    - Investment Grade Credit
- Update on Emerging Matters

4.5 Any questions or comments on the papers should be directed to Cllr Strengiel, Chairman of the Pensions Committee, who can raise them at the next meeting.

4.6 Border to Coast facilitated a second Joint Committee Responsible Investment Workshop on 7 September, following up on questions raised at the workshop held in July, to ensure that all Partner Funds' views can feed into the annual review of the RI policies of Border to Coast.

Senior Officers Meetings

4.7 As part of the regular communications between Partner Funds and Border to Coast, senior officers (S151's) have bi-monthly calls with Rachel Elwell, CEO of Border to Coast. In addition to this, strategy meetings are held at various times throughout the year, to ensure that all parties are aligned.

4.8 The next strategy meeting of the Senior Officers of the Partner Funds is being held with Border to Coast on 23 November.

Shareholder Matters

4.9 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.

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

4.11 There has been one shareholder resolutions since the last report, which Lincolnshire voted in favour of:

- To approve additional resources for Real Estate.

Conclusion

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

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

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

Appendices

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

Background Papers

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

This page is intentionally left blank

Appendix A

The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

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

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

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

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

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

This page is intentionally left blank

Appendix B

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
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
March 21	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
May 21	Administration - AVC's	Prudential - issues with new IT systems causing late payments of pensions	Retirees are unable to make decisions on their pensions due to late information and transfer of AVC pots from Prudential	Some explanation provided but not regular in updates. Additional resources appointed. Latest information is that it is expected to be BAU by the end	Reported 24/5	TPR noted and require update following end of June	Update breach details following end of June.

Appendix B

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
				of June (initially April).			
June 21	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 21	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

Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**14 October 2021**
Subject:	**Responsible Investment Update**

Summary:

This paper provides the Board with an update on Responsible Investment activity during the first quarter of the financial year 2021/22 (April to June inclusive).

Recommendation(s):

The Board note the report and and discuss the Responsible Investment activity undertaken during the quarter.

Background

1.1 This report provides a summary of various Responsible Investment (RI) activities that have been undertaken on behalf of the Fund during the quarter, and updates the Board on any new initiatives relating to good stewardship. This includes work by Local Authority Pension Fund Forum (LAPFF), Border to Coast Pensions Partnership (BCPP) and Robeco, who are appointed by Border to Coast to provide voting and engagement services.

Local Authority Pension Fund Forum Membership

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

- **Corporate Governance** – to develop and monitor, in consultation with Fund Managers, effective company reporting and engagement on governance issues.

- **Overseas employment standards and workforce management** – to develop an engagement programme in respect of large companies with operations and supply chains in China.

- **Climate Change** – to review the latest developments in Climate Change policy and engage with companies concerning the likely impacts of climate change.

- **Mergers and Acquisitions** – develop guidance on strategic and other issues to be considered by pension fund trustees when assessing M&A situations.

- **Consultations** – to respond to any relevant consultations.

Outcomes Achieved through LAPFF Company Engagement

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

- During this quarter LAPFF undertook engagements with 59 companies, on issues ranging from human rights and employment standards, to climate change reporting and environmental risk, to general governance and board issues. The outcomes of these engagements are shown in the progress report, included in their quarterly engagement report.

- LAPFF Vice-Chair, Cllr Rob Chapman, met with National Grid representatives as part of the Environmental, Social and Governance (ESG) roadshow the company is undertaking prior to the July AGM. The primary objective for LAPFF was to assess company progress against the Climate Action 100+ benchmark in anticipation of questions to put to the chair prior to the 2021 AGM. National Grid has now set a new Scope 3 targets to reduce carbon emissions to 37.5% below the 1990 baseline by 2034. Scope 3 emissions are by far the largest proportion of the company's emissions. A follow up meeting is scheduled with the company's new chair in July prior to the AGM.

- During the quarter, LAPFF worked to raise the profile of the link between human rights and financial performance at mining companies. The impetus for this engagement has come from speaking with mining companies for whom law suits and fines spanning many years persist and grow while human rights issues remain unresolved. Consequently, LAPFF asked a question at the Rio Tinto AGM about whether the company would be willing to quantify the financial cost of its social failures. Noting the complexities in doing so, it would be helpful for investors to understand some of the financial consequences of mining companies' social failings in order to make clear that they are losing money when companies do not respect human rights and broader social issues in their operations. LAPFF has also raised this issue with BHP and Vale in engagement meetings. LAPFF will continue to drive home the link between social and environmental failures by mining companies and poor or reduced long term financial returns for investors.

- Collaborative engagements have progressed with Investors for Opioid and Pharmaceutical Accountability (IOPA). The group has run a number of Vote No campaigns, notably at Cardinal and AmerisourceBergen. The group also wrote to the chairs of compensation committees at eleven companies, scrutinising how executive compensation had been handled in light of charges being brought for opioids settlements. Other collaborations during the quarter have included: on climate initiatives, co-signing letters to the U.S. Securities and Exchange Commission on climate related financial disclosure requirements and an investor call for methane and flaring regulations at a federal level in the U.S.

- The Forum responded to a number of consultations during the quarter, including: the DWP Consultation – 'S' in ESG. Although the consultation did not cover LGPS funds, as pension regulation and legislation for the sector tends to mirror DWP's in the end. LAPFF also submitted a response to HM Treasury's Consultation on Aviation Tax Reform. With aviation expected to grow to be the biggest source of UK emissions by 2050, it is a significant contributor to the material financial risks of climate change with the potential for loss of shareholder value.

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

Border to Coast Pensions Partnership and Robeco

1.5 Border to Coast is the pooling company chosen by Lincolnshire Pension Fund. Border to Coast are a strong advocate of RI and believe that businesses that are governed well and run in a sustainable way are more resilient, able to survive shocks and have the potential to provide better financial returns for investors. As a representative of asset owners, they practice active ownership by holding companies and asset managers to account on Environmental, Social and Governance (ESG) issues that have the potential to impact corporate value. They also use shareholder rights by voting at company meetings, monitoring companies, engagement and litigation.

1.6 Their approach to RI and stewardship is set out in their RI Policy and Corporate Governance and Voting Guidelines. These documents can be viewed on the Border to Coast website (Border to Coast Sustainability). They also publish a quarterly stewardship newsletter detailing the activity they have undertaken during the quarter. A copy of the report for the latest quarter can be found at on their website (Quarterly Stewardship Report Q2 2021). Highlights from their work during the quarter include:

- Border to Coast has published their Responsible Investment (RI) and Stewardship Report, and their Taskforce on Climate related Financial Disclosures (TCFD) Report for 2020/21. The RI report provides a detailed view of Border to Coast's approach to stewardship and the management of the investment risks and opportunities associated with ESG factors and demonstrates their commitment to the UK Stewardship Code. The TCFD Report illustrates their approach to managing climate related risks and opportunities.

- High level information on voting activity for the quarter across all Border to Coast funds.

- Engagement activity, which included 315 engagements carried out by: external managers appointed by Border to Coast; Robeco, as the Pool's engagement and voting manager; internal portfolio managers and by LAPFF.

- Work undertaken through collaborations. Border to Coast has carefully selected the partners to collaborate with. During the quarter activity has included: Workforce Disclosure Initiative have launched a findings report from its 2020 survey on wage levels, staff turnover and workers' rights.

1.7 In addition to the direct RI work undertaken by Border to Coast they have appointed Robeco to provide voting and engagement services. During the quarter Robeco have voted at 551 AGM's, the percentage of meetings where they have at least one vote against management is 74%. During the quarter they have engaged with companies on 78 occasions on topics including: corporate governance, environmental management and human rights. A copy of their quarterly activity report can be found on the Border to Coast website (Robeco Quarterly Engagement Report Q2 2021).

1.8 From this quarter Border to Coast have also published ESG reports for their equity sub-funds. These reports are included in the Investment Management Report at Item 12 on this agenda.

Voting

1.9 To enable the Fund to fulfil its stewardship responsibilities as an active shareholder, the active equity managers are required to report on their voting on a quarterly basis.

1.10 Border to Coast has produced detailed proxy voting reports, which are attached at appendix A (Global Equity Alpha) and B (UK Listed Equities).

1.11 Please contact the author of this report if you wish to see full detail of all votes cast over the quarter.

Financial Reporting Council (FRC) – new Stewardship Code

1.12 The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Code comprises a set of 'apply and explain' Principles for asset managers and asset owners, and a separate set of Principles for service providers. The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy. The Code has 12 principles under the headings:

- Purpose and governance;
- Investment approach;
- Engagement; and
- Exercising rights and responsibilities.

1.13 To become a signatory to the Code, organisations must submit, to the FRC, a Stewardship Report demonstrating how they have applied the Code's Principles in the previous 12 months. The report may cover any 12-month period beginning after 1 January 2020. The FRC will assess the report and if it meets their reporting expectations, the organisation will be listed as a signatory to the Code. Once listed, organisations must annually report to remain signatories.

1.14 During the quarter Border to Coast published their Border to Coast Responsible Investment & Stewardship Report 2020/21. This will be submitted for review by the FRC by the end of October. The Fund is currently working on its report for the financial year 2020/21, a copy of this will be submitted to FRC for their review and brought to the Board later in the year.

Investment and Responsible Investment beliefs

1.15 At the training session held in September the Committee and Board received a presentation from Hymans Robertson on the Fund's Investment Strategy. At this training it was agreed that the Committee would like to review the existing Investment and Responsible Investment beliefs, which have been in place for a number of years, in advance of the review of the Investment Strategy linked to the 2022 Triennial Review. The existing beliefs are published on the Pension Fund website:

- Investment Beliefs
- Responsible Investment Beliefs

1.16 A further training session will be held in February 2022 to review and propose revised beliefs, these will then be formally approved at the Committee meeting in March 2022.

Conclusion

2.1 This report brings to the Board information on the various Responsible Investment (RI) activities that have been undertaken on behalf of the Fund during the quarter.

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	Border to Coast Global Equity Alpha Voting Activity
Appendix B	Border to Coast UK Listed Equity Voting Activity

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.

This page is intentionally left blank

Border to Coast Global Equity Alpha Fund

Proxy Voting Report

Period: April 01, 2021 – June 30, 2021

Votes Cast	**1829**	**Number of Meetings**	**113**

For	1636	With Management	1576
Abstain	11	Against Management	247
Against	177	Other	6
Other	5		
Total	**1829**	**Total**	**1829**

In 75% of meetings we have cast one or more votes against management recommendation.

General Highlight

A new frontier in the fight against climate change

Climate change is now a cornerstone of investor stewardship but addressing this topic through votes at shareholder meetings is relatively novel. However, the 2021 proxy voting season has demonstrated that boards will be held accountable for their climate-related oversight by proxy advisors, activist groups, and institutional investors alike.

Historically, shareholders have addressed their climate change concerns to boards through filing shareholder proposals. In the US for instance, the number of climate-related shareholder proposals filed has steadily risen over the years, from 34 in 2012 to over 140 in 2020. Of the proposals filed, many get withdrawn if the request is adopted by the company, but some proposals are also challenged by companies and omitted from the AGM. Although these challenges are intended for poorly drafted or immaterial proposals, companies lagging in climate action often use this mechanism to skirt the concerns raised by shareholders. In these cases, shareholders may escalate their climate-concerns by voting against the nomination of board directors such as the chairman or members of the audit or sustainability committees.

Holding directors accountable for a company's (inadequate) approach to climate change could become the norm. Just recently, Majority Action – an ESG focused shareholder activist group – published their 'Proxy Voting for a 1.5°C World' campaign, which outlines a list of systemically important companies in the three key industries that have not set emissions targets aligned to limiting warming to 1.5°C. The campaign calls on institutional investors to use their voting rights to vote against company directors that have failed in their oversight responsibilities to address escalating climate change.

One of the challenges in adopting such a voting approach is consistently identifying which companies are not in line with a 1.5°C or Paris-aligned scenario. Companies and international organizations often use different methods to calculate their long-term 2050 climate change scenarios, which is then reflected by the discrepancies in short-term targets. Nonetheless, there are several resources like the Climate Action 100+ Net-Zero Benchmark or the Transition Pathway Initiative (TPI) that investors can use to help track the climate change targets set by companies. The Border to Coast voting guidelines incorporate the toolkit of the TPI to flag companies where a vote against the chairman of the board is warranted due to climate-related concerns. These benchmarks also enable investors to monitor the annual progress made by companies, and to determine whether to escalate their approach to voting and engagement.

These new guidelines for proxy voting underscore that, where companies are failing to develop effective climate transition plans, boards will appropriately be held accountable. While institutional investors' definitions of what is appropriate may vary, the importance and urgency of holding directors accountable are clear.

Market Highlight

Japan – Catching up on Corporate Governance

Japan is historically a laggard when it comes to corporate governance practices compared to other developed market peers. However, it is taking strides to catch up. The Tokyo Stock Exchange (TSE), Japan's major stock exchange, has announced a market restructuring plan to take effect in the spring of 2022. The goal is to make the Japanese market more attractive for international institutional investors. TSE intends to create different market segments where the new Prime Market will consist of only large-cap companies and require higher standards of corporate governance.

To achieve this higher standard of corporate governance, the council of Japan's Corporate Governance Code initiated a revision of the code. The revision focused on several key topics: ensuring board independence, promoting diversity, the inclusion of sustainability and ESG. The council held a public consultation round for institutional investors. Robeco participated in this consultation in April and some of our recommendations were reflected in the final version of the code that was published in June.

The code further incorporates the importance of sustainability, referencing the UN Sustainable Development Goals (SDG) and the Taskforce for Climate-related Financial Disclosures (TCFD). It pushes companies to improve disclosures on specific sustainability issues such as climate, diversity, and risk management. Specifically for the Prime Market, it asks companies to make relevant disclosures available in English and support electronic voting, further aligning with global best practices. Furthermore, the code pushes for an increase in independence both within the board as well as specific committees. Importantly, the code now asks for an even higher level of independence of boards when there is a controlling shareholder, a majority for the Prime Market, and one-third for other markets.

Although many welcome the changes to the corporate governance code, some are skeptical of the circumstances in which the changes were made. Since these changes were instigated by the market restructuring some argue that the changes are too focused on the Prime Market leaving too low a bar for the remaining market segments. Critics argue that because of the simultaneous changes of the market as well as the corporate governance standards, both have been diluted too much to appease the different groups affected. The Prime Market was intended to be an exclusive group of a few hundred of the largest market cap Japanese companies that could compete on the global stage. The most recent outlooks seem to be watered down, with an estimated 1500 companies qualifying for the Prime Market at a market cap threshold of around JPY 10bn instead of the original JPY 100bn. Additionally, the code will remain based on the "comply or explain" rule without legal enforcement.

Since the newest version of the code was published during the 2021 annual shareholder season in Japan, the true implications of the code will not be visible until next year. For now, although the progress might be less extensive than some corporate governance experts might have hoped, it is undeniably moving in the right direction.

Voting Highlights

Johnson & Johnson - 04/22/2021 - United States
Proposal: Shareholder Proposals Regarding Report on Access to COVID-19 Products, Independent Chair, Racial Impact Audit, and Bonus Deferral Policy

Johnson & Johnson researches and develops, manufactures, and sells various products in the health care field worldwide. It operates in three segments: Consumer, Pharmaceutical, and Medical Devices.

Johnson & Johnson (J&J) had four shareholder proposals (SHP) filed at this year's AGM. Perhaps the doubling of the number of SHPs filed at its AGMs compared to recent years was due to J&J's successful creation of a Covid-19 vaccine which put it in the limelight. Alternatively, the high number of SHPs might be a sign of the diverse topics of importance to shareholders during this AGM season. We expect shareholder resolutions to continue to grow in number in the coming years, reflecting the increased focus on ESG topics by investors.

Historically, SHPs at J&J have focused on governance topics of remuneration and independent oversight. These topics also returned at this year's AGM and received sizeable support with one SHP asking for an independent chair (43%) and another for a bonus deferral policy (22%). We supported both these proposals since they are in line with best practices.

This year's AGM also saw the introduction of two new SHPs with topics closely tied to recent events. The first SHP was filed at several pharmaceutical companies who were successful in creating a Covid-19 vaccine. It asked the company to report on how public financial support for development of a vaccine or therapeutics for COVID-19 is being taken into account in access to such products, such as price-setting. We believe this proposal helps ensure that any medical breakthroughs derived from the public's contribution will be priced in an accessible way so that communities of all income levels will benefit equally. Therefore, we supported the proposal which gained support of nearly 32% of the shareholders.

The final SHP filed at the AGM appears to be closely linked to the global support gained by the BLM movement during 2020. The proposal asks the company to conduct and publish a third-party audit to review the racial impact of its policies and practices, to provide recommendations for improving the company's racial impact. The company has already made a commitment to address certain racial issues within its products and product development and we believe this proposal would further promote the integration of diversity and inclusion. Over a third of all shareholders shared this sentiment and supported the proposal.

The wide spread of SHP topics indicates that companies need to increasingly broaden their scope of attention to meet shareholder and community expectations of good corporate responsibility.

Amazon.com Inc. - 05/26/2021 - United States
Proposal: Shareholder Proposals Asking for the Company to Act on Issues related to Climate Change, Working Conditions, Inclusivity.

Amazon.com Inc. is a U.S. multinational technology company that engages in the retail sale of consumer products and subscriptions, in North America and internationally. The company focuses on e-commerce, cloud computing, digital streaming, and artificial intelligence.

The shareholder proposals up for vote at the company's annual shareholder meeting largely concerned racial and equity issues, as well as antitrust topics, and responsible use of the company's facial recognition technology. We supported all of the 11 shareholder proposals, asking the company to take action on these topics, aiming to make the company a more transparent and conscientious corporate citizen. Even though the shareholder resolutions were non-binding, they were a way to raise our concerns on certain corporate policies and put pressure on improving Amazon's practices related to civil rights, equity, diversity, and inclusion.

Among the 11 proposals submitted by shareholders, we supported the one asking from the company's board to adopt a policy to require that the chair of the board shall be an independent director who has not previously served as an executive officer. From a shareholder's point of view, we believe that an independent chair strengthens corporate governance and has a better oversight of management practices, leading to shareholder value creation.

We also supported the resolution asking the company to report on plastic packaging and setting goals to reduce the impact of plastic pollution. According to the proponent's statement, Amazon approximately generates 465 million pounds of plastic packaging waste, of which 22 million ends in the ocean. We acknowledge the environmental risks coming from plastic pollution and we encouraged the company to take necessary action to address this issue by supporting this resolution.

Additionally, we supported the resolution asking the board to adopt a policy that promotes representation of employees' perspectives among corporate decisions, by including employees in the list of candidates put forward by the Nominating and Governance Committee. Employee representation on the board helps companies consider the views of an important stakeholder group, and is standard practice in some other markets. Even though it is not prevalent in the US yet, we believe it could play an important role in ensuring more responsible company management.

Lastly, we voted in favor of the three resolutions asking for an analysis of the company's impact on civil rights, a human rights impact report assessing the risks incurred by facial recognition technology, and a report on customer due diligence related to facial recognition products. Robeco co-filed the resolution on enhanced customer due diligence as part of our engagement with the company on the social impact of artificial intelligence. The proposal received 35% of votes in favor. Amazon was among many other companies that last year made supportive statements on the Black Lives Matter movement, and those proposals practically focus on mitigating human rights risks and violations and promoting racial equality.

Facebook Inc - 05/26/2021 - United States

Proposal: Shareholder Proposals Asking for Independent Chair, Recapitalization, Report on Child Exploitation, and Human Right Expertise in the Board

Facebook Inc. is a U.S. multinational conglomerate focusing on information technology. Facebook offers products and services globally through its social networking platforms, Facebook, Facebook Messenger, Instagram, WhatsApp.

At this year's Facebook AGM, there were once again many shareholder resolutions up for vote. These proposals were asking for Facebook to improve their corporate governance practices, to combat potential legal and reputational risks, and to promote human rights.

Shareholders requested that the company gradually eliminate the special class of super-voting shares that the CEO has, which gives him the majority voting control of the company. We supported this resolution since we believe that one vote per share generally operates as a safeguard for common shareholders. We also supported the shareholder resolution asking for the board chair to be independent. We believe that an independent chair is in a better position to uphold shareholders' best interest and oversee management decisions. We favored both proposals since they contribute to improved corporate governance practices and increase board accountability.

Regarding social issues, again this year two resolutions were submitted requesting human/civil rights expertise to be added to the board, and reporting on online child exploitation. We believe that the company should address the increasing sexual child exploitation issue due to the encrypted messaging services provided on their platforms. It is necessary for the company to assess, report and proactively address this sensitive issue, and to efficiently mitigate potential operational and reputational risks.

Shareholders proposed that the nominating committee will nominate at least one candidate on the board, who has human/civil rights expertise. We were among the 4.06% of the shareholders who supported this proposal. We believe that a director with this type of experience within the board, would better help face human-right-related risks and ensure accountability and oversight. We were pleased to see the company launching its corporate human rights policy in March 2021, but an independent director with experience in the field is highly important, given Facebook's preeminent role in the social media landscape and the risks this entails.

Finally, we supported the proposal asking the company to report on reducing false and divisive information. Shareholders need detailed information to assess how the company is managing and mitigating related risks by the misuse of their platforms.

Alphabet Inc - 06/02/2021 - United States

Proposal: Shareholder Proposals Asking for Recapitalization, Linking Executive Pay to Sustainability and Diversity, Report on Whistleblower Policies, and Human Right Expertise in the Board.

Alphabet Inc is a U.S. multinational conglomerate company that is the parent company of Google and several Google subsidiaries. Alphabet Inc provides online advertising services in the United States, Europe, the Middle East, Africa, the Asia-Pacific, Canada, and Latin America. The company offers performance and brand advertising services.

Alphabet was another large American tech company that was targeted by a handful of shareholder proposals (SHP) focusing on social and corporate governance topics. We supported the SHP requesting the board to initiate a 7-year recapitalization plan, that would ultimately result in one vote per share. We view this plan to be on the best interest of minority shareholders, allowing them to have an equal voice and express it with their votes when it comes to important matters.

We also supported the SHP asking the nominating committee to add at least one candidate to the board who has human and/or civil rights expertise. The company has received criticism by the media for not doing enough to protect user privacy, with numerous allegations of private data misuse, and we engage with the company on the social impact of artificial intelligence. We believe that board-level oversight of human rights considerations is a positive step and in

line with our engagement asks. Additionally, we supported the SHP asking for a third-party review of the whistleblower policy effectiveness. Taking into consideration the risks the company faces due to ineffective whistleblower protections , and given the recent controversies, we believe that the request outlined in this proposal would benefit shareholders.

Lastly, shareholders requested the company prepare a report assessing the feasibility of integrating sustainability and diversity metrics in its executive compensation program. In the prior year, the same resolution was supported by 13.1% of the votes, showcasing that shareholders do value the integration of environmental and social factors into the business strategy. We believe that the adoption of this proposal is necessary, and thus we supported this SHP also this year, and we encourage the company to introduce a bonus program that links executives' compensation to specific ESG goals.

NetEase Inc - 06/23/2021 - United States
Proposal: Election of Director

NetEase Inc is a technology company, engaged in developing and operating online game services, intelligent learning services, and other products.

The AGM season always places the roles and responsibilities of boards of directors firmly into the spotlight. Shareholders must decide if directors have properly discharged their duties over the past year, and if they are fit to represent investors' interests in the future. While it is difficult to continually monitor the performance of individual board members, shareholders should aim for the boards of their companies to reflect certain elements of best practices to encourage robust oversight.

These standards vary by market but are generally based on the same philosophy: boards where highly qualified directors represent a variety of views, can dedicate sufficient time to their role, and are regularly refreshed to ensure independence are more likely to provide a healthy challenge to the C-suite, which is in the best interests of the market.

At the AGM of NetEase, we voted against two directors, as the board fell afoul of several of the above guidelines. We voted against the former CFO (until 2007) of the company, who has served on the board for 19 years and holds five further board seats at other companies. We generally believe that this level of outside commitments will inhibit the director's ability to focus fully on their responsibilities at all of these companies. Therefore, we considered director Lee 'overboarded' and opposed his re-election.

We had further structural concerns about the composition of the board. The average board tenure is excessive, with the last director having been appointed 14 years ago. Meanwhile, the board is composed of 5 male directors, with only one woman serving on the board. We believe that companies listed on large US exchanges like the Nasdaq should have at least 30% gender diversity (rounding down to account for board size). Finally, no independent Chair or lead director has been appointed, leaving the board with insufficient outside leadership.

For the above reasons, we voted against the longest-serving member of the Nominating Committee, in the absence of a committee Chair, as we believe he is responsible for the poor board composition.

Disclaimer

Robeco Institutional Asset Management B.V. ('Robeco') distributes voting reports as a service to its clients and other interested parties. Robeco also uses these reports to demonstrate its compliance with the principles and best practices of the Tabaksblat Code which are relevant to Robeco. Although Robeco compiles these reports with utmost care on the basis of several internal and external sources which are deemed to be reliable, Robeco cannot guarantee the completeness, correctness or timeliness of this information. Nor can Robeco guarantee that the use of this information will lead to the right analyses, results and/or that this information is suitable for specific purposes. Robeco can therefore never be held responsible for issues such as, but not limited to, possible omissions, inaccuracies and/or changes made at a later stage. Without written prior consent from Robeco you are not allowed to use this report for any purpose other than the specific one for which it was compiled by Robeco.

Border to Coast UK Listed Equity Fund

Proxy Voting Report

Period: April 01, 2021 – June 30, 2021

Votes Cast	**1559**	**Number of Meetings**	**82**

For	1460	With Management	1459
Abstain	3	Against Management	100
Against	96	Other	0
Other	0		
Total	**1559**	**Total**	**1559**

In 65% of meetings we have cast one or more votes against management recommendation.

ROBECO
The Investment Engineers

General Highlight

A new frontier in the fight against climate change

Climate change is now a cornerstone of investor stewardship but addressing this topic through votes at shareholder meetings is relatively novel. However, the 2021 proxy voting season has demonstrated that boards will be held accountable for their climate-related oversight by proxy advisors, activist groups, and institutional investors alike.

Historically, shareholders have addressed their climate change concerns to boards through filing shareholder proposals. In the US for instance, the number of climate-related shareholder proposals filed has steadily risen over the years, from 34 in 2012 to over 140 in 2020. Of the proposals filed, many get withdrawn if the request is adopted by the company, but some proposals are also challenged by companies and omitted from the AGM. Although these challenges are intended for poorly drafted or immaterial proposals, companies lagging in climate action often use this mechanism to skirt the concerns raised by shareholders. In these cases, shareholders may escalate their climate-concerns by voting against the nomination of board directors such as the chairman or members of the audit or sustainability committees.

Holding directors accountable for a company's (inadequate) approach to climate change could become the norm. Just recently, Majority Action – an ESG focused shareholder activist group – published their 'Proxy Voting for a 1.5°C World' campaign, which outlines a list of systemically important companies in the three key industries that have not set emissions targets aligned to limiting warming to 1.5°C. The campaign calls on institutional investors to use their voting rights to vote against company directors that have failed in their oversight responsibilities to address escalating climate change.

One of the challenges in adopting such a voting approach is consistently identifying which companies are not in line with a 1.5°C or Paris-aligned scenario. Companies and international organizations often use different methods to calculate their long-term 2050 climate change scenarios, which is then reflected by the discrepancies in short-term targets. Nonetheless, there are several resources like the Climate Action 100+ Net-Zero Benchmark or the Transition Pathway Initiative (TPI) that investors can use to help track the climate change targets set by companies. The Border to Coast voting guidelines incorporate the toolkit of the TPI to flag companies where a vote against the chairman of the board is warranted due to climate-related concerns. These benchmarks also enable investors to monitor the annual progress made by companies, and to determine whether to escalate their approach to voting and engagement.

These new guidelines for proxy voting underscore that, where companies are failing to develop effective climate transition plans, boards will appropriately be held accountable. While institutional investors' definitions of what is appropriate may vary, the importance and urgency of holding directors accountable are clear.

ROBECO
The Investment Engineers

Voting Highlights

BP plc - 05/12/2021 - United Kingdom
Proposal: Shareholder Proposal Regarding GHG Reduction Targets

BP plc is an oil and petrochemicals company. The Company explores for and produces oil and natural gas, refines, markets, and supplies petroleum products, generates solar energy, and manufactures and markets chemicals.

BP was one of several oil and gas companies in 2021 where shareholder activism organisation Follow This filed resolutions requesting Paris-aligned GHG reduction targets. The proposals are important gauges of investor support for companies' existing climate plans, and what action shareholders believe companies should take to ensure they contribute to the goals of the Paris agreement.

We supported the shareholder proposal at BP, since it requested the company to set Scope 1,2, and 3 emission reduction targets over the short, medium, and long term. The proposal is also asking for the company to report annually on the GHG emissions reduction plan, which we believe should be tied to a non-binding shareholder vote on progress. The reason that the proposal adds value in the case of BP is that the company did not put forward a Say on Climate resolution in 2021. Supporting the resolution acts as an important signal that formalized progress reporting and shareholder feedback mechanisms are a vital component of climate leadership.

Recognizing the targets that BP had already set, we saw further room for improvement on coverage of all emissions scopes and board accountability for implementation. Our support for this resolution was primarily meant to foster accountability via reporting and feedback mechanisms. We believe that Say on Climate resolutions (e.g. periodically on strategy, annually on disclosure) are key elements of climate leadership in the sector. In our vote we also considered the findings of the Climate Action 100+ Net Zero Benchmark.

The shareholder proposal received just over 20% support from shareholders at the AGM. We believe this sends a clear message, and the board has committed to continuing engagement with shareholders on its climate plans, and to report on the progress of this engagement regularly, in line with the UK Corporate Governance Code.

Royal Dutch Shell Plc - 05/18/2021 - United Kingdom
Proposal: Approval of the Energy Transition Strategy and Shareholder Proposal Regarding GHG Reduction Targets

Royal Dutch Shell PLC, through subsidiaries, explores, produces, and refines petroleum. The Company produces fuels, chemicals, and lubricants. Royal Dutch Shell owns and operates gasoline filling stations worldwide.

Shell's 2021 AGM saw two important climate-related proposals on the agenda. Resolution 20 represented an industry first, as Shell put forward its own climate transition plan for a shareholder vote. Resolution 21 was a shareholder proposal on greenhouse gas reduction targets.

Shell's climate plan is currently one of the most elaborate and advanced plans in the oil and gas sector. We do however recognise that certain aspects of the plan (carbon capture and storage and nature-based solutions) have been challenged and will require them to make more disclosure to enable investors to assess the feasibility and scalability. Shell's proposal for approval of the Energy Transition Strategy will be re-submitted every three years with a yearly progress report put to the shareholder vote each year. Shareholders can monitor and raise concerns in relation to progress on the strategy on an annual basis. We supported the proposal with 78% of our voting rights. At the AGM, we expressed our desire for Shell to increase pace and take significant steps in the near future. This aligns with the progress we have expected and seen from Shell during our engagement under the Climate Action 100+ initiative. Following the AGM and a court ruling regarding its transition plan in The Hague, Shell has already further advanced its plans and ambitions.

Resolution 21 was a shareholder proposal for Shell to set climate-related targets in the long, medium, and short term. In our assessment, Shell has set one of the most advanced targets in their sector, and the company should focus on implementation in its next steps. Therefore, we abstained from voting on this resolution with 78% of our holding. We recognise the value of this shareholder proposal in providing positive impetus to Shell to advance its position in making its net zero commitment as concrete as possible.

Shell's own Say on Climate vote received the support of c. 89% of votes cast. Meanwhile, shareholders also voiced their view on the further development of Shell's targets, with resolution 21 receiving 30% of votes in favour. We will continue to engage with the company with a focus on Shell reaching alignment with the Climate Action 100+ Net Zero Benchmark criteria by 2023.

HSBC Holdings plc - 05/28/2021 - United Kingdom
Proposal: Approval of Climate Policy

HSBC Holdings plc (HSBC) is a banking and financial services company. The Company manages its products and services through three businesses: Wealth and Personal Banking (WPB), Commercial Banking (CMB), and Global Banking and Markets (GBM).

HSBC put its climate policy to vote at its recent AGM and received 99% support. We also voted in favor of the resolution, given the significant strides taken by the company. The result was preceded by pressure from a shareholder resolution filed by a USD 2.4 trillion investor coalition led by ShareAction that was ultimately withdrawn. ShareAction expressed its support for HSBC's own proposal instead.

HSBC has committed to phase out financing (project finance, corporate finance, and underwriting) of coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. This is an important move by the bank given its exposure to Asia, and HSBC's global rank as the world's 15th largest coal power financer. To date, HSBC has been one of the only European banks with no corporate financing restriction for companies exposed to the thermal coal sector and has provided more than USD 15 bn of financing to coal developers from October 2018 to 2020.

HSBC acknowledged that expansion of coal-fired power is incompatible with the goals of the Paris agreement. This is a relatively big turnaround given the company's previous stance and financing of coal-related activities. HSBC has also committed to set, disclose, and implement a strategy with short- and medium-term targets to align its financing across all sectors with the goals of the Paris climate agreement, starting with oil & gas and power & utilities sectors. It will use 1.5°C pathways that are not overly reliant on negative emissions technologies.

The company will publish a new coal policy by the end of 2021 which is expected to include several elements, namely: 1.) a prohibition of general corporate financing and underwriting to companies that are highly dependent on coal mining and/or coal power, as well as companies planning new coal mines, coal plants and coal infrastructure, 2.) commitment to help clients develop, publish and implement coal phase-out plans in line with the 2030/2040 timelines by a specific date and no later than December 2023, 3.) a commitment to focus on the entire coal supply chain, including coal equipment manufacturers and any other coal supply chain function that contributes to the expansion of coal-related activities. Following the AGM, we will continue to monitor how HSBC upholds their new commitments.

ROBECO
The Investment Engineers

Disclaimer

Robeco Institutional Asset Management B.V. ('Robeco') distributes voting reports as a service to its clients and other interested parties. Robeco also uses these reports to demonstrate its compliance with the principles and best practices of the Tabaksblat Code which are relevant to Robeco. Although Robeco compiles these reports with utmost care on the basis of several internal and external sources which are deemed to be reliable, Robeco cannot guarantee the completeness, correctness or timeliness of this information. Nor can Robeco guarantee that the use of this information will lead to the right analyses, results and/or that this information is suitable for specific purposes. Robeco can therefore never be held responsible for issues such as, but not limited to, possible omissions, inaccuracies and/or changes made at a later stage. Without written prior consent from Robeco you are not allowed to use this report for any purpose other than the specific one for which it was compiled by Robeco.

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**14 October 2021**
Subject:	**Pensions Administration Report**

Summary:

This is the quarterly report of the Fund's administrator, West Yorkshire Pension Fund (WYPF).

Yunus Gajra, Assistant Director (Finance, Administration and Governance) 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 April 2021 to 30 June 2021.

KPI's for the period 01.04.21 to 30.06.21						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
AVC In-house (General)	35	20	34	85	97.14	2.14
Change of Address	302	10	296	85	98.01	1.74
Change of Bank Details	44	10	39	85	88.64	4.41
DWP request for Information	6	20	6	85	100	8.67
Death Grant Nomination Form Received	316	20	310	85	98.1	5.29
Death Grant to Set Up	33	5	31	85	93.94	1.12
Death In Retirement	136	5	131	85	96.32	5
Death In Service	5	5	5	85	100	4
Death on Deferred	11	5	11	85	100	5
Deferred Benefits Into Payment Actual	320	5	299	90	93.44	1.14
Deferred Benefits Into Payment Quote	463	35	428	85	92.44	19.46
Deferred Benefits Set Up on Leaving	552	20	526	85	95.29	11.38
Divorce Quote	27	20	25	85	92.59	13
Divorce Settlement Pension Sharing order Implemented	1	80	1	100	100	1
Enquiry	6	5	6	85	100	2.67
Estimates for Deferred Benefits into Payment	2	10	2	90	100	5
General Payroll Changes	89	10	89	85	100	1
Initial Letter Death in Service	5	5	5	85	100	1
Initial letter Death in Retirement	136	5	128	85	94.12	2.14
Initial letter Death on Deferred	11	5	10	85	90.91	1.45
Monthly Posting	747	10	704	95	95	4.27
NI adjustment to Pension at State Pension Age	10	Next payroll	10	85	100	19.3

Payment of Spouses _Child Benefits	76	5	68	90	90	4
Pension Estimate	231	10	216	75	93.51	3.24
Phone Call Received	1182	3	1166	95	98.65	1
Refund Actual	105	10	105	95	100	1
Refund Quote	166	35	160	85	96.39	3.33
Retirement Actual	167	3	166	90	99.4	1
Spouse Potential	5	20	5	85	100	15.4
Transfer In Actual	25	35	25	85	100	2.64
Transfer In Quote	38	35	38	85	100	2.03
Transfer Out Payment	8	35	8	85	100	7.38
Transfer Out Quote	80	20	71	85	88.75	9.53
Update Member Details	632	20	632	100	100	1

2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	22,867	25,575	543	25,239	2,446
Percentage of Membership	29.83	33.36	0.70	32.92	3.19
Change from Last Quarter	-48	-426	+173	+357	-48

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	216	1,503	1,566	1,964	2,509	2,758	3,449	3,801	3,049	1,685	293	74	22,867

2.3 Employer Activity - During 1 April 2021 to 30 June 2021

New Academies and Education Trusts	2
New Town and Parish Council	1
New Admission Bodies	0
Total of New Employer	**3**
Employers Exited	0
Total Numbers of employers	**296**

3.0 Member and Employer Contact

3.1 Over the quarter April to June we received **5** online customer responses.

Over the quarter April to June **96** Lincolnshire member's sample survey letters were sent out and **10 (10.5%)** returned:

Overall Customer Satisfaction Score:

April to June 2020	July to September 2020	October to December 2020	January to March 2021	April to June 2021
92.7%	94.9%	82.1%	86.8%	81.7%

Appendix A – Customer Surveys.

3.2 Employer Training

Over the quarter 1 April 2021 to 30 June 2021 we held the following webcasts which were attended by employers across all four Funds that WYPF administer:

- Processing pension statement blocks and quarantines
- Online forms and when to use them
- Ill health for deferred members
- Understanding term time only members

4.0 Internal Disputes Resolution Procedures

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

Stage 1 appeals against the fund

No appeals currently outstanding.

Stage 1 appeals against scheme employers

Two appeals are currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
02/12/2020	Appeal against being refused an ill health pension.	Referred to Serco as the scheme employer. 2nd medical review being arranged. Reminder sent and response received stating obtaining medical records.	
28/04/2021	Appeal against being refused an ill health pension	Referred to Lincoln College as the scheme employer. Member contacted WYPF on 24/08/2021 regarding the IDRP process. From this call it was established that the member is still employed. Lincoln College should therefore have turned down the appeal as no pensions decision was made.	

Stage 2 appeals

No cases

Ombudsman

No cases

5.0 Administration Update

5.1 Prudential

Lincolnshire's AVC providers are the Prudential who have been excellent in the service they have provided to our members over the years.

However, since late last year there have been a number of issues with their administration which has impacted on members resulting in delays in processing retirements and allocating contributions to member's records. The issues are affecting the whole of the LGPS sector.

WYPF have been in touch with Prudential and escalated the issues to their senior management.

As a result of continuing issues both WYPF and LPF have reported the issues to The Pensions Regulator and we await the outcome of their investigations. A recent update from TPR said 'The situation is being monitored accordingly'.

We are still experiencing delays for some members but there has been a slight improvement over the recent months. Prudential are also awarding members a payment of £175 for poor service, distress and inconvenience. We will continue to monitor the situation carefully.

5.2 Employer Work

During this period WYPF worked on 7 new Academies/Prime account schools and 6 new admission bodies.

5.3 Annual Benefit Statements (ABS) and Deferred Benefit Statements (DBS)

This year's statements have been issued electronically. Members have been asked to sign up to the secure 'MyPension' portal to access their statements. However, members who still prefer a paper version will be able to opt out and receive one.

As at 31 August 2021 98.7% of ABS's and 99.9% of DBS's have been produced for Lincolnshire members who are eligible to receive one. The remaining ABS's are due to queries on records with Employers and outstanding transfers and linkings which are being worked on.

5.4 Audits undertaken by Bradford Councils Internal Audit

No internal audits were undertaken during this period.

5.5 Staffing

WYPF is nearing the end of a big recruitment campaign to replace staff who have retired or left as well as recruiting to new posts under the revised structure. Details of appointments will be provided at the next meeting.

5.6 Two new Fire clients, Northamptonshire and Cambridgeshire joined WYPF's shared service partnership from 1st July 2021. This will bring the total number of Fire Authorities under WYPF administration to 23.

6.0 Current Technical Issues

See Appendix B.

7.0 Web Registrations

The number of members registered for online member web are:

Active	7,207	31.52%
Deferred	5,497	21.49%
Pensioner	4,933	19.55%

8.0 Shared service Budget

8.1 For 2021/22 a budget of £15.43m was approved for all WYPF operational activities, including the shared services, with a budget of £6.86m as set out below.

WYPF PENSION ADMIN	2020/21 OUTTURN PD13 £000	2021/22 BUDGET £000	2021/22 FORECAST PD03 £000
Accommodation	288	365	248
Actuary	0	168	0
Computer	453	485	524
Contingency	0	0	0
Employees	5,314	5,936	3,588
Internal Recharge	-691	-784	1,754
Other Running Costs	211	165	122
Transaction Costs	0	0	0
Printing & Stationery	495	529	458
Admin strategy	0	0	0
TOTAL EXPENDITURE	**6,070**	**6,864**	**6,694**
Member number	467,795	467,795	467,795
PARTNER MEMBERS	168,523		467,795
WYPF MEMBERS	299,272		-
Cost per member	**£12.98**	**£14.67**	**£14.31**
Charge to WYPF Account	-4,046	-4,528	-4,114
Other Income	-396	-36	-80
Shared Service Income	-1,628	-2,300	-2,500
TOTAL INCOME	**-6,070**	**-6,864**	**-6,694**

8.2 Cost per member

Lincolnshire LGPS	MEMBER No	NUMBER OF MONTHS	FACTORED MEMBER No	BUDGET PER MEMBER	2021/22 BUDGET	FORECAST COST PER MEMBER	2021/22 FORECAST PD10
Lincolnshire LGPS	76,716	12	76,716	£14.67	£1,125,662	£14.31	£1,097,806

9.0 Awards

WYPF was shortlisted by **Pensions Age** under the following categories:

- DB Scheme of the Year
- Pension Scheme Communication Award
- Pension Administration Award

Winners were announced at a ceremony in London on 15 July 2021. Whilst we did not win any of the awards, which all went to big private sector funds, it's a great achievement to

be shortlisted with such strong competition both from the public & private sector and we are proud of our efforts to gain the recognition.

We were also shortlisted by the **European Pensions Age** under the following categories:

- European Pension Fund of the Year
- Pension Fund Communication Award
- Pension Fund Innovation Award

Winners will be announced at a ceremony in London on 20 October 2021.

Conclusion

WYPF and LPF continue to work closely as shared service partners to provide an efficient and effective service to all stakeholders within the Lincolnshire Pension Fund.

Consultation

a) Risks and Impact Analysis

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

Appendices

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

Background Papers

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

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

Customer Survey Results - Lincolnshire Members
(1st April to 30 June 2021)

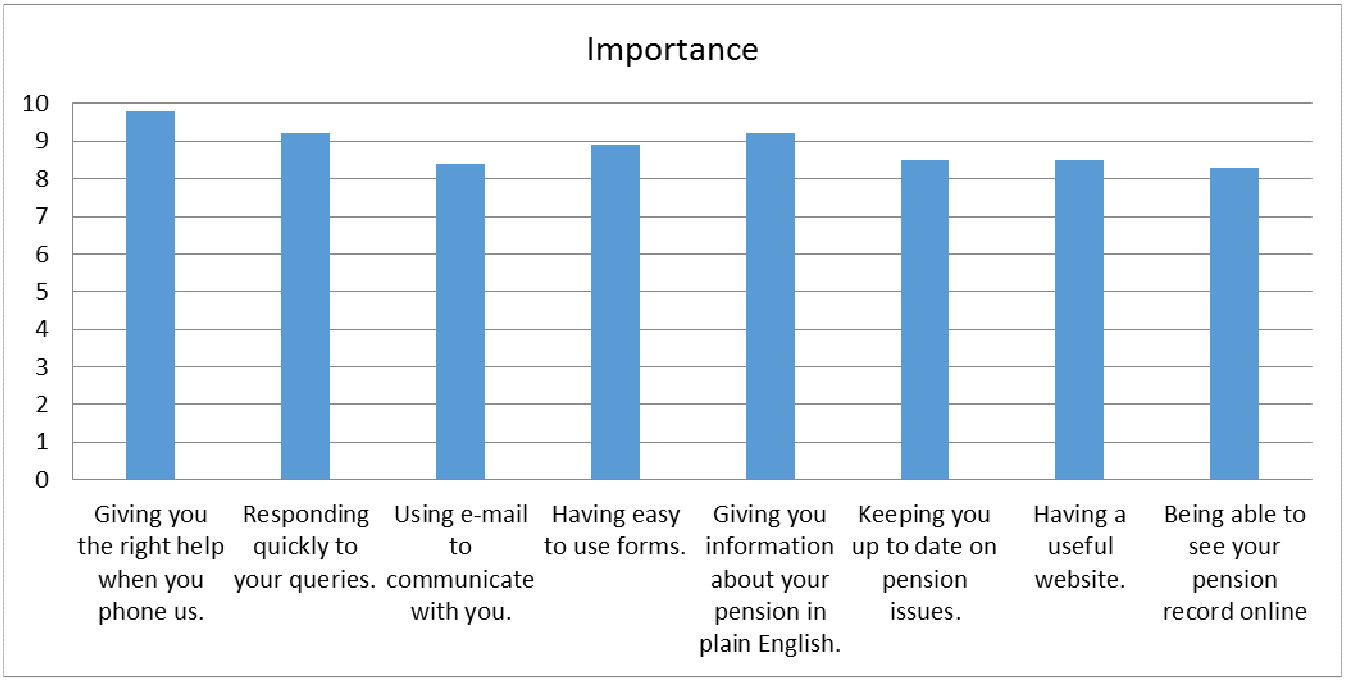
Over the quarter April to June we received **5** online customer responses.

Over the quarter April to June **96** Lincolnshire member's sample survey letters were sent out and **10 (10.5%)** returned:

Overall Customer Satisfaction Score;

April to June 2020	July to September 2020	October to December 2020	January to March 2021	April to June 2021
92.7%	94.9%	82.1%	86.8%	81.7%

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



Sample of positive comments:

Member Number	Comments
8000662	Good. informative and quick service
8134971	Very efficient, clear and helpful during difficult time. Very happy with the service received.
8018283	Apart from waiting 35 minutes for someone to answer the young ladies who helped me were truly excellent. The service I received was excellent.
8106197	quick and efficient

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
None		

APPENDIX B

Current Technical Issues

MHCLG letter about new requirement for exit payment data

MHCLG wrote to chief financial officers of councils and combined authorities in England on 9 April 2021, letting them know about a new requirement to provide data on exit payments.

Councils were asked to provide data on all redundancy payments, pension strain payments and other special payments made in consequence of an exit for 2014/15 to 2020/21 by the end of May 2021. We expect that a similar request will be made for subsequent years.

The data will be used to inform delivery of the Government's policy to end excessively high exit payments in the public sector.

The letter included a draft specification and invited comments by 26 April 2021 on the clarity of the data requirements and the practicality of providing this.

High Court judgment on exit credits

On 27 May 2021, the High Court handed down its judgment in the case of EMS & Amey v Secretary of State for MHCLG. The case relates to the non-payment of a £6.5 million exit credit.

The Court found in favour of MHCLG and upheld the retrospective effect of the LGPS (Amendment) Regulations 2020. The judge noted that 'there were compelling public interest reasons for making the regulations retroactive', and that 'the aim of avoiding windfall payments and protecting the pension funds was legitimate'.

Background

From 14 May 2018, the LGPS (Amendment) Regulations 2018 introduced a requirement on administering authorities to pay any surplus (exit credit) to exiting employers.

EMS exited the Scheme in June 2018. The surplus at leaving was £6.5 million. However, the administering authority had concerns about paying this amount to EMS because a 'pass-through arrangement' had been in place.

MHCLG made the LGPS (Amendment) Regulations 2020, which came into force on 20 March 2020. The regulations amended the exit credit rules, requiring administering authorities to decide the amount of an exit credit after taking into account relevant factors. The regulations do not apply to credits paid before

20 March 2020. Therefore, as the administering authority in this case had yet to pay EMS the exit credit, the new rules applied to it.

The claimants brought a judicial review against the 2020 Regulations applying retrospectively.

Clarification on the exit credit discretion

The claimants also raised concern about how administering authorities are applying the new rules; in particular, suggesting that some administering authorities are excluding the possibility of paying an exit credit because a pass-through arrangement is in place. All parties accepted that this is incorrect, and the regulations do not give primacy to any single factor. In paragraph 161, the Court clarified the parameters of the discretion to award exit credits:

"i) The essential obligation of the decision maker is to make a rational and fair application of regulation 64(2ZAB) and (2ZC), giving the words their clear meaning.

Paragraph 7.2 of the explanatory memorandum could give the impression that no exit credit can or should be paid in the circumstances described in that paragraph. That impression would be misleading, because the regulation requires a multi-factorial discretion to be applied, having regard to all relevant facts of which the decision maker is made aware. The regulation does not make any single factor conclusive.

Regard may always be had to the fact that, by the legislation as amended by both the 2018 Regulations and the 2020 Regulations, the Defendant provided for the possibility of exit credits.

Regard also may always be had to the fact that, by the legislation as amended by the 2020 Regulations, a multi-factorial discretion was provided to replace, and no doubt was thought to be fairer than, an absolute entitlement.

Regard must be had to the relevant factors stipulated at paragraphs (a) to (c) of regulation 64(2ZC).

The regulation does not give primacy to any single factor. The weight given to any relevant factors therefore will always depend on the facts of the individual case."

TPO publishes three member factsheets

In March 2021, the Pensions Ombudsman (TPO) published three factsheets aimed at members, covering the Early Resolution Service, how TPO investigates complaints and complaining to the party at fault.

The factsheet on the Early Resolution service explains what the service is, how it operates and what the member's options are.

The factsheet on how TPO investigates complaints explains the investigation process, what is meant by a determination, how TPO will communicate during the investigation, how TPO will share information and how the member can help the process.

The factsheet on complaining to the party at fault explains the need for members to have first tried to resolve the matter with the party at fault before TPO can investigate. This includes explaining how the member can complain to the party at fault, time limits, and what happens after then.

Pension scams webinar

On 31 March 2021, TPR hosted a webinar on the pledge to combat pension scams.

The webinar included speakers from TPR, the Pensions Scams Industry Group, the Money and Pension Service and the City of London Police. It also included recordings of calls from victims of scams.

TPR has published a recording of the webinar on their website.

TPR addresses concerns about new criminal offences powers

On 19 April 2021, David Fairs from TPR published a blog addressing concerns raised about TPR's new criminal offences powers.

The Pension Schemes Act 2021 includes two new criminal offences, which are expected to come into force in autumn 2021. The offences cover avoiding employer pension debts and risking savers' pensions. TPR has recently consulted on their policy setting out their approach to the investigation and prosecution of these new powers.

Many industry commentators have raised concerns about the reach of the new powers. Some have speculated that the new powers could lead to competent trustees resigning in fear of inadvertently committing an offence.

David Fairs confirms in the blog that TPR will not overstretch the intent and purpose behind the new powers.

Direction on GMP indexation updated

The Government had decided to discount conversion as a long-term policy solution and make the interim solution the permanent solution for indexing guaranteed minimum pensions (GMPs) in public service pension schemes.

HMT has updated their direction under section 59A of the Social Security Pensions Act 1975, implementing the decision. The updated direction commenced on 6 April 2021 and applies in England, Scotland and Wales.

LGPC responds to NMPA consultation

On 19 April 2021, the Local Government Pension Committee (LGPC) responded to the consultation on increasing the normal minimum pension age (NMPA).

HM Treasury consulted on increasing the NMPA. The consultation reconfirmed an earlier decision to increase the NMPA from 55 to 57 from 6 April 2028. The consultation also sought views on proposals to implement the increase.

Supreme Court refuses to hear claim against SPA changes

The Supreme Court has recently confirmed that it will not hear the claim against the State Pension age (SPA) changes. The claim was supported by the campaign group, Backto60.

In the claim, Backto60 argued that the increase in the SPA affecting women born in the 1950s was discriminatory and that government did not give the women enough notice. Both the High Court and Court of Appeal had previously dismissed the claim.

PSIG publishes new version of Code of Good Practice

The Pensions Scams Industry Group (PSIG) has published version 2.2 of its 'Code of Good Practice on Combating Pension Scams'.

The new version is effective from 1 April 2021 and is updated to improve usability and to reflect recent regulatory changes as well as the evolving nature of pension scams. The code includes a section outlining the key changes.

Action Fraud launches awareness campaign about pension scams

On 20 April 2021, Action Fraud launched a national awareness campaign to remind the public about the importance of doing their research before making changes to their pension, including a warning to remain vigilant against pension scams.

The press release announcing the launch contains some simple steps for members to protect themselves against scams and advice on what to do if they suspect a scam.

PDP progress update

The PDP April 2021 progress update report includes information updates on the programme achievements over the last six months. You can read more about the PDP timetable for delivering pensions dashboards in the Programme timeline.

On 13 April 2021, the Pensions Dashboards Programme (PDP) issued an invitation to tender (ITT) for a supplier to provide the digital architecture for pension dashboards.

The chosen supplier will provide the main parts of the digital architecture. This will include the pension finder service, the consent and authorisation service and the governance register.

Prudential announce update to their brand

Prudential has announced that they will be updating their brand with a fresh new look and feel (including a new logo). This will include updating their websites, social media, brochures, letters and emails.

Prudential will roll out the updates to their communications gradually from mid-May 2021. So, you may receive information from them in the old and new brand over the next 12 months.

Prudential has said that the brand update will have no impact on either their contact details or login details to their online services.

Prudential has set up a webpage about their brand update giving more information.

Written Ministerial Statement on McCloud

On 13 May 2021, Luke Hall, Minister for Regional Growth and Local Government, made a Written Ministerial Statement on McCloud and the LGPS. The statement confirms the key changes that the Government will make to the LGPS regulations to remove the unlawful age discrimination. The statement confirms that:

- the age requirement for underpin protection will be removed
- a member will not need to leave with an immediate entitlement to
- benefits to qualify for underpin protection
- the remedy period will end on 31 March 2022
- the underpin calculation will be based on final pay at the underpin date,
- even when this is after 31 March 2022
- there will be two stages to the underpin calculation:
- the first on the underpin date – the date of leaving or on the normal
- pension age in the 2008 Scheme, if earlier
- the second when the benefits are paid
- the regulations will be retrospective to 1 April 2014.

We expect MHCLG to issue a full response to the consultation and to publish draft regulations later this year.

Call for input on improving the pensions journey

TPR and the Financial Conduct Authority have launched a call for input on improving the consumer pensions journey. They are seeking views from interested parties such as pension providers and employers on how consumers make decisions about their pension at key points throughout their working lives. The responses to the call for input will be used to find better ways to support individuals and help them to achieve better pensions outcomes.

The Pensions consumer journey: Call for input closed on 29 June 2021.

Call for input on improving the pensions journey: Blog and extension

On 1 June 2021, the Pensions Regulator (TPR) published a blog setting out the reasons for the call for input on improving the pensions.

The blog highlights how the world of pensions has changed. Life expectancy has risen significantly over the last 60 years, the demographic of membership has altered

and savers in defined contribution schemes outnumber their defined benefit counterparts by 15 to one.

The Queen's Speech

The Government's legislative programme was laid out in the Queen's Speech delivered on 11 May 2021. The Government announced:

- a Public Service Pensions and Judicial Offices Bill that will introduce amendments to incorporate the McCloud judgment into public service pension schemes including the LGPS, and
- a Boycotts, Divestment and Sanctions Bill which aims to stop public bodies imposing their own views about international relations by preventing boycott, divestments or sanctions against foreign countries.

The Scheme Advisory Board plans to update its summary of the Supreme Court Boycotts case next month to reflect the contents of the Bill. You can find a link to the current version of the summary on the Legal opinions and summaries page of the Board website www.lgpsboard.org.

PLSA launches LGPS research project

On 18 May 2021, the Pensions and Lifetime Savings Association (PLSA) announced an LGPS research project at its Local Authority Conference. The research will look at areas of best practice, the future challenges faced by the LGPS and identify areas where additional clarity is needed.

SAB Annual Report 2019/20 launched

Councillor Jim Goodfellow, the Chair of the Scheme Advisory Board (SAB), recently launched the fifth Annual Report. The Report aims to provide a primary source of information about the Board's work over the last financial year (2019/20) for members, employers and other stakeholders.

Finance Act 2021 receives Royal Assent

On 10 June 2021, the Finance Act 2021 received Royal Assent.

The Act gives legal effect to the Government's decision to freeze the lifetime allowance at £1,073,100 for tax years 2021/22 to 2025/26, as announced at the last budget. The Government used budget resolutions to freeze the allowance from 6 April 2021 to the date the Act received Royal Assent.

Treasury launches consultation on cost control mechanism

On 24 June 2021, HM Treasury launched a consultation on proposed changes to the cost control mechanism alongside a written ministerial statement.

The consultation follows a review of the mechanism by GAD, which was published on 15 June 2021. HM Treasury requested the review amidst concern that the mechanism was not operating in line with its original objectives, in particular that it would only be triggered by extraordinary, unpredictable events.

The consultation sets out Treasury's response to GAD's findings and proposes making the following three changes, all of which were recommended in GAD's review:

- only considering past and future service in the reformed CARE schemes in the mechanism (so, removing any allowance for final salary schemes)
- widening the 2 per cent corridor to 3 per cent
- introducing an economic check so that a breach of the mechanism would only be implemented if it would still have occurred had long-term economic assumptions been considered.

The outcome of the consultation will not impact on the 2016 cost control valuations.

The consultation recognises that there are differences between the LGPS and other public service schemes, especially in the way in which employer contributions are set. The Government welcomes views on how the economic check would apply to the LGPS.

The consultation does not cover schemes in Northern Ireland, though Treasury welcomes feedback from all stakeholders across all UK public service schemes.

The consultation closes at 11:45pm on 19 August 2021. We intend to respond and will share our response before the closing date.

The consultation is available to view on the:

- Non-scheme consultations page of www.lgpsregs.org and

Treasury launches consultation on the SCAPE discount rate methodology

On 24 June 2021, H M Treasury launched a consultation on the methodology the Government uses to set the SCAPE discount rate alongside a written ministerial statement.

The SCAPE (Superannuation Contributions Adjusted for Past Experience) discount rate is used in the valuation of unfunded public service pension schemes (such as the NHS scheme) to set employer contribution rates. The discount rate is also used to set actuarial factors in the LGPS and other schemes.

Subject to the consultation on the cost control mechanism (see previous article), the rate may also become relevant to the outcome of the mechanism in the future. This is because the Government proposes to base the 'economic check' on the SCAPE discount rate, or an alternative measure, such as expected long-term GDP.

The consultation seeks views on the objectives for the SCAPE discount rate and the most appropriate methodology for setting it.

The current level of the rate will not be changed by this consultation; the Government will carry out a separate exercise to set a new rate in line with the chosen methodology following this consultation.

The consultation closes at 11:45pm on 19 August 2021.

The consultation is available to view on the:

- Non-scheme consultation page of www.lgpsregs.org

Commons committee publishes report on public sector pensions

In June 2021, the House of Commons Committee of Public Accounts published

a report on public sector pensions, after taking evidence earlier this year from HM Treasury and the Government Actuary's Department.

The report includes the Committee's conclusions:

- HM Treasury focuses on affordability to the taxpayer, but this is often at the expense of its other objectives, such as ensuring a decent income in retirement and supporting employers in recruiting and retaining staff.
- Public service pensions are affecting the delivery of frontline services in some areas, due to increased employer contributions.
- HM Treasury has not done enough to ensure people understand the value of their pensions.
- HM Treasury has done little to identify and manage the stark differences in average pensions between genders and other groups.
- HM Treasury has had to revisit key elements of the 2014/15 reforms due to the McCloud judgment and the cost control process not working as intended. These issues may take decades to resolve fully.
- HM Treasury has not yet performed an evaluation of the 2014/15 reforms and the Committee is not convinced that it is on track to meet its objectives.

LGPS mortality data

On 15 June 2021, the Scheme Advisory Board (SAB) in England and Wales updated its LGPS mortality data to the end of March 2021. The data covers all LGPS administering authorities in England, Wales, Scotland and Northern Ireland.

On the same day, the SAB published updated reports from Aon and Barnett Waddingham. Each report sets out analysis of the mortality data of a single LGPS fund during the pandemic.

Making ABSs for active members available on a website

In accordance with the Public Service Pensions (Information about Benefits) Directions 2014, administering authorities may provide annual benefit statements (ABS) to active members by making them available on a website. The Directions set out requirements that must be complied with when doing so. As a result of a question we have received, we would like to reiterate what those requirements are:

- if the member requests a copy of the ABS, the administering authority must provide a paper copy (or a copy in a similar form capable of being read) free of charge
- the administering authority must be satisfied that members will be able to get access to, and store or print, the ABSs
- the administering authority has taken into account the requirements of disabled persons
- each time the authority uses a website to provide an ABS to an active member, the authority must first have told the member that fact, explaining how the member will be able to access and read the statement
- where the authority is using a website for the first time to provide an ABS to the member, the authority must give the information mentioned in the last bullet by giving it to the member by hand or by sending it to the member's last known postal or email address. Each subsequent time, the authority must give that information in such manner as the administering authority considers will bring that information to the member's attention (including by sending it to the member's last known email address).

In our view, one of the ways it would be acceptable for the administering authority to bring the information to the member's attention is via the Scheme employer. The administering authority should satisfy themselves that the employer is able and willing to contact all relevant employees.

MaPS MoneyHelper goes live

On 18 March 2021, the Money and Pensions Service (MaPS) revealed plans to launch a single offering for consumers called MoneyHelper. This will replace the Money Advice Service, the Pensions Advisory Service and Pension Wise. Though, Pension Wise will continue as a named service under the MoneyHelper umbrella.

Roll out began on 7 June 2021 with the launch of the Beta MoneyHelper website, ahead of a working date of 30 June for the full launch of MoneyHelper. The Beta launch allowed MaPS to continue testing and to gather vital feedback ahead of the full launch.

Next steps

As part of the consolidation of three brands into one, MaPS has decided to discontinue some of their content. This will enable them to provide a better and enhanced consumer experience, a single source of information and guidance where information can easily be found in one place.

As of 30 June 2021, links to the legacy websites (Money Advice Service, The Pensions Advisory Service and Pension Wise) will automatically redirect to the relevant new location on MoneyHelper. If the article(s) or tool(s) no longer exist, itwill redirect to a relevant landing page on the broader topic.

Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**14 October 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, Assistant Director (Finance, Administration and Governance) from WYPF, will update the Board.

Recommendation(s):

That the Board note the report.

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 are entitled to a pension scheme benefit but for whom we have lost contact with or who will not claim their benefits.

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 Pensions 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	**49**
Total Credits	**£45,114.69**

Opened Accounts

2021/22	2
2020/21	17
2019/20	27
2018/19	34
2017/18	66
2016/17	11
2015/16	4

Closed Accounts

2021/22	2
2020/21	15
2019/20	42
2018/19	22
2017/18	27
2016/17	4
2015/16	0

STG2 - Post 14 Refunds	

Currently Opened

No. of Deposit with Credit Balances	**274**
Total Credits	**£34,483.48**

Opened Accounts

2021/22	40
2020/21	169
2019/20	131

Closed Accounts

2021/22	4
2020/21	48
2019/20	14

2.0 Lost Contact Pensioners/Deferreds

2.1 The number of temporary deposit accounts held for this category of members has decreased to 49 from 60 which was reported at the last Pensions Board.

Total number: 49

Current amount held in accounts: £45,114.69

This is a reduction on the amount previously held of £47,225.00 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 274 from 201:

Total number: 274

Current amount held in accounts £34,483.48

This is an increase from the amount previously held of £26,512.88

3.2 This is an increase of 73 reported at the last Pensions 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.

3.3 A detailed breakdown of the number of accounts opened and closed is shown at Appendix A.

4.0 Members not claiming benefits

4.1 A number of temporary bank accounts relate to members not claiming their benefits for reasons unknown. This could be because any pension may impact on DWP benefits they may be claiming, the pension is too small or they do not believe the pension is genuine.

4.2 If persistent attempts to contact the beneficiary fails then a personal visit usually resolves the issue and the count is closed and balances are paid to the beneficiary. However, personal visits are currently on hold due to the pandemic.

5.0 Tracing

5.1 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.

5.2 On-line tracing agencies used include Experian, Locta and Trace IQ. Where pensions are a reasonable amount (the cost is deductible from the benefits payable) then individuals tracing agents are used.

6.0 Conclusion

6.1 Payments into a temporary bank account are made when all tracing options are exhausted and 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.

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

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	Deposit Account Summary

Background Papers

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

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

Appendix A

	STAGE 1 - PENSIONERS		
	Date Opened	Closed Date	Cumulative Total
1	26/05/20	Open	286.60
2	07/06/18	Open	365.86
3	04/12/20	Open	3,557.72
4	17/03/21	Open	373.54
5	23/05/16	Open	1,100.84
6	27/11/20	Open	4,726.56
7	30/06/21	Open	0.00
8	30/06/21	Open	0.00
9	23/11/18	Open	2,138.66
10	26/11/18	Open	722.34
11	28/03/19	Open	3,234.17
12	23/02/18	Open	2,143.40
13	23/07/20	Open	524.89
14	02/07/20	Open	82.37
15	16/09/19	Open	486.66
16	09/01/18	Open	29.94
17	09/01/18	Open	22.42
18	14/02/19	Open	26.93
19	06/02/20	Open	8,774.76
20	06/02/20	Open	2,089.53
21	10/02/20	Open	106.92
22	06/02/20	Open	132.60
23	06/02/20	Open	638.48
24	26/06/19	Open	312.81
25	19/06/20	Open	1,522.20
26	04/12/20	Open	1,298.68
27	19/06/20	Open	91.90
28	19/06/20	Open	77.31
29	05/06/20	Open	100.23
30	09/08/19	Open	177.00
31	09/08/19	Open	135.54
32	26/11/15	Open	862.66
33	19/06/20	Open	124.20
34	09/05/17	Open	143.87
35	22/01/20	Open	185.69
36	27/02/18	Open	119.35
37	16/09/20	Open	15.09
38	14/11/17	Open	67.59
39	29/08/19	Open	57.74

	STAGE 1 - PENSIONERS		
	Date Opened	Closed Date	Cumulative Total
40	07/06/17	Open	59.99
41	06/09/19	Open	1,457.44
42	10/02/20	Open	4.81
43	23/09/19	Open	2,346.32
44	28/03/19	Open	403.93
45	15/07/19	Open	1,806.82
46	16/09/20	Open	309.31
47	02/11/16	Open	673.86
48	22/10/20	Open	414.83
49	10/02/20	Open	780.33
			45,114.69

Appendix A

	STG1 - Pensioner/Beneficiary - Closed										
1	15/12/17	09/01/18	0.00	46	02/08/18	30/04/19	0.00	91	01/04/195	29/11/18	0.00
2	24/12/15	02/11/18	0.00	47	09/01/18	12/11/19	0.00	92	02/04/00	06/05/21	0.00
3	08/06/17	03/07/17	0.00	48	09/01/18	28/10/19	0.00	93	07/06/17	28/07/17	0.00
4	08/06/17	28/07/17	0.00	49	20/12/17	09/09/19	0.00	94	08/06/17	16/06/17	0.00
5	07/09/18	07/01/00	0.00	50	07/06/17	11/12/17	0.00	95	26/05/17	17/09/17	0.00
6	07/09/18	08/01/00	0.00	51	10/01/17	05/03/18	0.00	96	08/06/17	18/05/18	0.00
7	02/08/18	09/01/00	0.00	52	06/02/20	06/02/20	0.00	97	08/06/17	29/01/18	0.00
8	11/12/17	25/10/19	0.00	53	14/02/20	14/02/20	0.00	98	08/06/17	11/04/18	0.00
9	15/11/16	24/06/20	0.00	54	07/06/17	05/09/19	0.00	99	21/07/17	03/06/19	0.00
10	17/10/19	09/12/19	0.00	55	10/02/20	04/05/21	0.00	100	10/05/18	16/04/20	0.00
11	08/06/17	24/11/17	0.00	56	02/08/18	31/08/18	0.00	101	12/02/19	14/02/19	0.00
12	28/07/17	31/07/17	0.00	57	06/06/17	12/02/21	0.00	102	08/06/17	15/05/18	0.00
13	23/01/19	25/04/19	0.00	58	06/06/17	12/02/21	0.00	103	16/01/18	13/02/18	0.00
14	10/01/18	22/11/18	0.00	59	06/06/17	12/02/21	0.00	104	05/07/19	09/09/19	0.00
15	09/05/16	25/05/16	0.00	60	06/06/17	12/02/21	0.00	105	28/03/17	05/09/19	0.00
16	09/03/16	24/08/16	0.00	61	06/06/17	12/02/21	0.00	106	04/04/17	05/09/19	0.00
17	20/12/17	25/07/18	0.00	62	06/06/17	12/02/21	0.00	107	07/06/17	07/11/17	0.00
18	02/01/19	14/08/19	0.00	63	06/06/17	12/02/21	0.00	108	07/06/17	07/11/17	0.00
19	23/02/18	10/05/18	0.00	64	06/06/17	12/02/21	0.00	109	13/12/17	25/11/19	0.00
20	13/03/19	09/09/19	0.00	65	30/01/20	15/12/20	0.00	110	31/08/18	23/01/20	0.00
21	22/12/16	09/08/17	0.00	66	30/01/20	18/01/21	0.00	111	06/09/17	09/09/19	0.00
22	09/11/17	27/02/18	0.00	67	08/06/17	05/09/17	0.00	112	10/05/18	30/01/20	0.00
23	09/01/00	12/07/16	0.00	68	08/06/17	25/10/17	0.00				
24	04/01/00	13/11/18	0.00	69	06/06/17	12/02/21	0.00				
25	08/06/17	04/08/17	0.00	70	08/06/17	24/10/17	0.00				
26	12/04/19	29/10/19	0.00	71	07/06/17	13/12/17	0.00				
27	02/08/18	07/02/19	0.00	72	24/10/17	01/02/18	0.00				
28	15/11/17	26/11/18	0.00	73	01/05/19	14/10/19	0.00				
29	08/06/17	25/10/19	0.00	74	02/08/18	24/09/18	0.00				
30	24/10/17	29/01/18	0.00	75	02/08/18	30/05/19	0.00				
31	02/08/18	23/01/19	0.00	76	10/06/20	12/01/21	0.00				
32	23/01/19	26/02/19	0.00	77	15/04/19	29/04/19	0.00				
33	02/08/18	08/10/19	0.00	78	13/04/16	06/03/17	0.00				
34	23/11/18	09/09/19	0.00	79	23/07/20	12/02/21	0.00				
35	15/01/19	12/11/19	0.00	80	10/05/17	28/07/17	0.00				
36	15/01/19	28/10/19	0.00	81	18/07/18	25/09/18	0.00				
37	09/11/17	07/02/20	0.00	82	08/11/18	08/10/19	0.00				
38	06/01/17	09/09/19	0.00	83	10/05/18	18/02/19	0.00				
39	06/01/17	11/12/19	0.00	84	30/05/18	23/12/19	0.00				
40	09/01/18	06/12/19	0.00	85	18/04/19	09/03/20	0.00				
41	23/02/18	22/05/18	0.00	86	08/11/18	08/10/19	0.00				
42	15/12/17	25/10/19	0.00	87	08/11/18	08/10/19	0.00				
43	13/04/16	09/09/19	0.00	88	07/06/17	28/09/17	0.00				
44	14/02/19	05/08/19	0.00	89	23/05/17	25/09/18	0.00				
45	16/01/18	14/03/18	0.00	90	07/06/17	09/08/17	0.00				

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**14 October 2021**
Subject:	**Transfers Out**

Summary:

This report updates the Board on the West Yorkshire Pension Fund Transfers Out system.

Yunus Gajra, Assistant Director (Finance, Administration and Governance) from WYPF, will update the board.

Actions Required:

That the Board note the report.

1. Background

1.1 When a member ceases to be employed they can choose to transfer their pension benefits into a new scheme, either one provided by their new employer or their own scheme run by a private provider.

1.2 The transfer value is an actuarial value of a member's benefits paid to an alternative pension scheme.

2.0 Transfer out quote request

2.1 Enquiry forms or request letters for a transfer value quotation are received from either the member, their new pension scheme provider or a Financial Advisor.

2.2 Eligibility for a transfer value is checked in accordance with the current working instructions and if they are eligible to transfer WYPF will supply a quotation to either the member or the new scheme / provider.

2.3 Request from a Financial Advisor

If a request for a transfer out quote is received from a Financial Advisor a check is made to ensure authorisation from the member to provide details to this individual / firm has been received.

A check is also made with The Financial Conduct Authority (FCA) who regulates firms and individuals that provide financial advice. The FCA maintain a register that shows all those firms & individuals who have been authorised to conduct regulated activities. They also have a section listing firms & individuals to avoid.

If the request is from an overseas financial advisor these can be checked in the International Organization of Securities Commissions (IOSCO) investor alerts list

2.4 If WYPF are satisfied with the checks the details are sent to the Financial Advisor.

2.5 If WYPF is not satisfied with the checks, the transfer value is sent direct to the member with an explanation of why they have been sent to them and not the Financial Advisor. A letter is also sent to the Financial Advisor explaining why we have sent the details to the member.

2.6 Member elects to transfer

If the member elects to transfer out they must also supply a Financial Advice Confirmation form which has been completed by the Financial Advisor and also the member if –

- The member has a deferred benefit entitlement
- The member will be able to access benefits flexibly from the new scheme
- The total cash equivalent transfer value of all the members LGPS rights in England & Wales is more than £30,000

A check is also made that the advisor who has completed the form is regulated to do so by checking the FCA Financial Services Register.

2.7 Before the transfer out is paid we are required to record which member of staff conducted the checks and when, plus evidence that the advisors firm or company are on the Financial Services Register.

3.0 Internal audit

3.1 An Internal audit of transfers out was conducted by Bradford Council in October 2020. The audit focused on the key risks associated with the WYPF transfer out system and the controls which were expected to be in place to effectively manage those risks.

3.2 It is audit's opinion that the standard of control of identified risks in the system is **excellent.**

3.3 The audit review has determined that the identified risks are being effectively managed. The control environment is as expected and supports the achievement of key business objectives.

4.0 Conclusion

4.1 That as Administrator, WYPF has two main aims for members who wish to transfer out:

- To only make a valid (recognised) transfer; and
- To help put the member in a position to make an informed choice

Scheme members have a responsibility to protect themselves from scams, but WYPF has a duty to make sure they are aware of the consequences of falling victim to scams.

4.2 WYPF has robust procedures in place to ensure we only pay transfers out to appropriately registered schemes and that they are able to accept the transfer.

Consultation

a) Risks and Impact Analysis

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

Background Papers

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

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

This page is intentionally left blank

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**14 October 2021**
Subject:	**Employer Monthly Submissions Update**

Summary:

This paper provides the Board with up-to-date information on Employer Monthly Submissions for the first quarter of the financial year 2021/22 (April to June 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 employers and payroll providers, to assist in understanding the monthly process they need to complete and the data they are required to supply.

1.4 A summary of all late contributions or data submissions since April 2021 is set out in table one below. Appendix A sets out the employers who were late, and details when the outstanding payment or information was received.

Table One: Late contributions and data submissions to June 2021

Month	Payment of Contributions		Submission of Data		Payment of Contributions and Submission of Data		Data and Payments do not Match / Incorrect Rate	
April	1	0.4%	4	1.5%	0	0.0%	2	0.7%
May	4	1.5%	5	1.9%	0	0.0%	0	0.0%
June	3	1.1%	4	1.5%	1	0.4%	2	0.7&
Total	**8**		**13**		**1**		**4**	

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. The first quarter of 2020/21 has seen good compliance from all employers, only a small number of employers missed the deadlines set and there are no specific concerns arising from the late employers during the quarter.

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

1.7 If any employer makes contribution payments or submits data late in three out of six months on a rolling basis, they will receive a fine, unless they are able to offer extenuating circumstances. Fines are currently set at a minimum of £136. Table two sets out the number of fines issued since April 2021. There has been one fine issued in the quarter.

Table Two: Late contributions fines to June 2021

April	May	June
1	0	0

Conclusion

2.1 This report provides quarterly monitoring information on the timeliness and accuracy of employer submissions to help the Pensions 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 one 2021/22 (April to June 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.

This page is intentionally left blank

Late Contributions and Payments April to June 2021

April 2021

Employer	Late Cash Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
BOURNE ACADEMY (South Lincolnshire Academy)	YES	21/05/2021					
BALFOUR BEATTY			YES	18/06/2021			
EDWARDS & BLAKE			YES	18/06/2021			
MELLORS CATERING SERVICES			YES	25/05/2021			
TAYLOR SHAW LTD (BRANSTON) (Elior)			YES	18/06/2021			
BRANSTON COMMUNITY ACADEMY							YES
ST PETER & ST PAUL CATHOLIC ACADEMY, LINCOLN (St. Therese of Lisieux)							YES
	Total = 1		Total = 4		Total = 0		Total = 2

May 2021

Employer	Late Cash Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
EASY CLEAN (BASTON PRIMARY)	YES	21/06/2021					
EASY CLEAN (LINCHFIELD) (WEST GRANTHAM ACADEMY TRUST)	YES	21/06/2021					
MALCOLM SARGENT PRIMARY ACADEMY, STAMFORD	YES	23/06/2021					
SOMERCOTES ACADEMY (Tollbar MAT)	YES	29/06/2021					
BALFOUR BEATTY			YES	22/06/2021			
BLACK SLUICE INTERNAL DRAINAGE BOARD			YES	22/06/2021			
EDWARDS & BLAKE			YES	24/06/2021			
FUTURE CLEANING SERVICES (Bidvest Noonan)			YES	24/06/2021			
TAYLOR SHAW LTD (BRANSTON) (Elior)			YES	24/06/2021			
	Total = 4		Total = 5		Total = 0		Total = 0

Appendix A

June 2021

Employer	Late Cash Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
ACTIVE LINCOLNSHIRE	YES	30/07/2021					
BOURNE ACADEMY (South Lincolnshire Academy)	YES	23/07/2021					
G4S	YES	20/07/2021					
BASSINGHAM PRIMARY ACADEMY (Aspire)			YES	22/07/2021			
CRANWELL COUNTY PRIMARY			YES	27/07/2021			
LITTLE GONERBY INFANT ACADEMY			YES	26/07/2021			
SIR WILLIAM ROBERTSON ACADEMY (Aspire)			YES	22/07/2021			
GRANTHAM COLLEGE					YES	21/07/2021	
PINCHBECK EAST CofE PRIMARY ACADEMY							YES
POLICE & CRIME COMMISSIONER							YES
	Total = 3		Total = 4		Total = 1		Total = 2

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**14 October 2021**
Subject:	**Annual Report and Accounts 2020/21: External Audit Update Report**

Summary:

This report brings to the Board an update report from Mazars, the Funds External Auditor, on the 2020/21 audit of the financial statements. The report details the audit work outstanding and findings from the work completed to date.

Recommendation(s):

That the Board note the report.

Background

1.1 The Pension Fund Annual Report and Accounts for the year ended 31 March 2021 have been completed and were presented to the Board at the meeting on 16 July. They are now being independently audited by the Fund's external auditors, Mazars.

Statement of Accounts

1.2 The accounts presented in July included all 31 March asset valuation information received by the Fund to the end of June. However, some of these valuations related to earlier accounting periods (e.g. 31 December 2020) rolled forward for cash flows. This is standard valuation practice for unquoted assets and is the approach set out in accounting standards. Over the summer, 31 March 2021 valuations, for these holdings have been received by the Pension Fund Officers, and after review, have been incorporated into the Pension Fund Accounts. The total impact of these updated valuations is a £33.948m increase in asset values (across alternatives, infrastructure, private equity and property venture).

1.3 The above amendments have been made to the Statement of Accounts 2020/21, plus a small of disclosure amendments identified by the External Auditor during their presentational review of the accounts document.

Audit Progress Report

1.4 A copy of the External Auditors Progress Report is attached to this report at Appendix A. This details the findings from their work on the Pension Fund financial statements completed to date and summarises the work outstanding on the Pension Fund audit.

1.5 In summary, the key points to note are:

- Status of the Audit (Section 2): The auditor still has work to complete on:
  - Third party investment information received from Fund Managers, and there are still a number of statements outstanding from Managers;
  - Final checks on the accounts and consistency checks on the Annual Report; and
  - The final review of the audit work by the Mazars Engagement Lead.

- Significant Findings (Section 4):
  - The review of management override of controls has not highlighted any issues to bring to the Board's attention;
  - Valuation of investments within level 3 of the fair value hierarchy: highlights that a number of updated valuation statements have been received by the Fund since the date the accounts where published in draft in July.

- Internal Control Recommendations (Section 5): No material internal control recommendations have been identified to date.

- Summary of misstatements (Section 6):
  - Update to Investment Valuation Information: Once the draft accounts are formally signed and published, in accordance with the Regulations, any subsequent amendments are referred to as misstatements. This is the case even if such amendments are inevitable and result from the timing of the information available from investment fund managers as is the case this year. The change to the accounts detailed here was identified and proposed by officers from proactively tracking the asset changes from the information received.
  - A small number of minor disclosure amendments have been identified and made to the Accounts.

Conclusion

2.1 The audit of the Pension Fund Statement of Accounts for the year ended 31 March 2021 is largely complete and it is expected that the external auditor, Mazars, will issue an unqualified audit opinion in November. They also expect to issue the consistency opinion on the Annual Report by the statutory deadline.

Consultation

a) Risks and Impact Analysis

N/A

Appendices

These are listed below and attached at the back of the report	
Appendix A	Mazars External Audit Progress Report September 2021

Background Papers

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

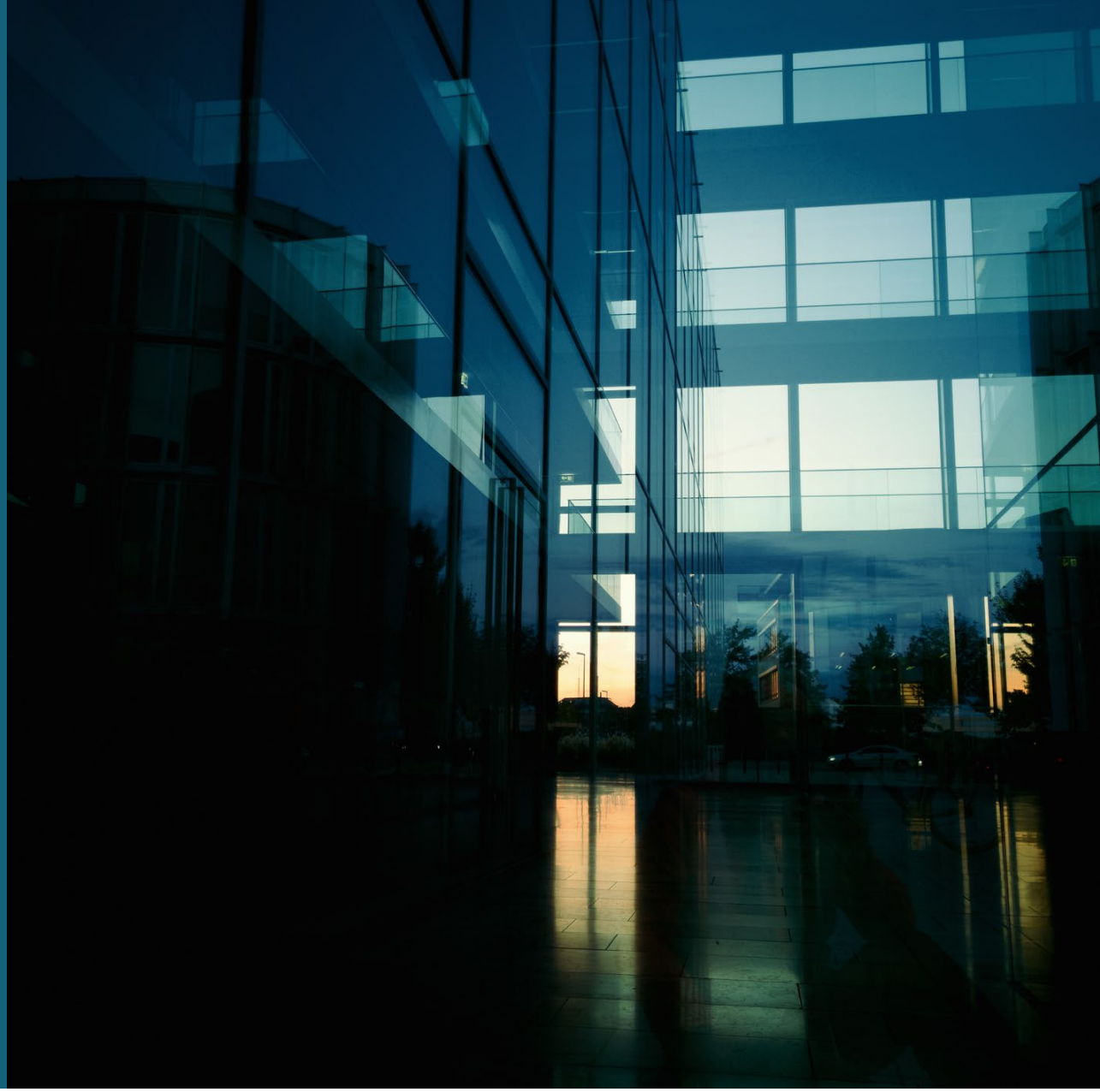
This report was written by Claire Machej, who can be contacted on 01522 553641 or claire.machej@lincolnshire.gov.uk.

This page is intentionally left blank

Audit Progress Report

Lincolnshire Pension Fund – Year ended 31 March 2021

September 2021



mazars

Contents

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit work to date. This section includes our conclusions so far on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls; and
- Valuation of investments within level 3 of the fair value hierarchy.

Based on the audit work completed to date there are no identified significant control deficiencies and no unadjusted misstatements envisaged that we are required to report to the Audit Committee.

Status and audit opinion

To-date we have completed a substantial proportion of our fieldwork on the financial statements for the year ended 31 March 2021. At this present time we envisage giving our opinion in November 2021 in line with the proposed timeframe for issuing our audit report on Lincolnshire County Council's financial statements.

At the time of preparing this report, there are some matters outstanding as outlined in section 2. We will provide an update to you in relation to the matters outstanding through our Audit Completion Report. Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:

Audit opinion
We anticipate issuing an unqualified opinion, without modification, on the financial statements.

Consistency report
We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of Lincolnshire County Council.

Wider powers
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. No objections or questions from local electors have been received.

1. Executive summary

COVID-19 impacts

The implications of the pandemic required remote working in relation to this audit. Whilst auditing on a remote basis was challenging, we have been able to work in liaison with the finance team to deliver the audit and wish to thank them for their support.

02

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Investments		Some information remain outstanding from fund managers. Our review of third party confirmations received to-date is not yet complete.
Consistency opinion		We have received a draft of the Pension Fund Annual Report. However, we have not yet compared the revised Pension Fund financial statements (within the Statement of Accounts of the Council) with the revised Pension Fund financial statements within the Pension Fund's Annual Report.
Finalised financial statements		The Pension Fund is revising its financial statements to reflect updated valuations it receives from fund managers. Following consideration of the revised valuations we will then complete our checks on the finalised financial statements before giving our opinion.
Audit Quality Control and Completion Procedures		Our audit work, including the specific procedures carried out in relation to the significant audit risks identified, is yet to undergo the final stages of review by the Engagement Lead. In addition, there are residual procedures to complete, including completing our internal technical consultations on the proposed audit opinion and the updated financial statements, updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations.

Likely to result in material adjustment or significant change to disclosures within the financial statements.

Potential to result in material adjustment or significant change to disclosures within the financial statements.

Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in May 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £26.6 million using a benchmark of 1% of net assets available to pay benefits. We also set a separate provisional specific materiality for the fund account of £10.4 million at the planning stage of the audit using a benchmark of the higher of 10% of contributions receivable and 10% of benefits payable.

Our final assessment of materiality, based on the final financial statements and qualitative factors was set using the same benchmarks:

- Statement materiality £27.4 million.
- Fund account specific materiality £11.4 million.

04

Section 04:

Significant findings

4. Significant findings

In this section we outline the significant findings from our audit work to date. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We currently envisage concluding that the financial statements have been prepared in accordance with the financial reporting framework; and
- any significant difficulties we experienced during the audit.

Significant risks

Management override of controls	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion Our work to date has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.

4. Significant findings

Valuation of investments within level 3 of the fair value hierarchy

Description of the risk

At 31 March 2021 the Pension Fund held investments which were not quoted on an active market with a fair value of £344.0 million, accounting for 12.5 per cent of the Fund's net investment assets. This included: Alternatives (£274.3 million), Property (£6.9 million), Infrastructure (£50.4 million) and Private Equity (£12.4 million). Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.

As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances for 2020/21 due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.

How we addressed this risk

We addressed this risk by completing the following additional procedures:

- agreeing the valuation included in the Pension Fund's underlying financial systems to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;
- agreeing holdings from fund manager reports to the custodian's report;
- agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available;
- reviewing the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required;
- where audited accounts are available, check that they are supported by a clear opinion; and

Valuation of investments within level 3 of the fair value hierarchy (cont'd)

How we addressed this risk (cont'd)

- where available, reviewing independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.

Audit conclusion

Subject to completion of the outstanding matters on page 7, our work has provided the assurance we sought in the above areas. It has however highlighted a material difference between the valuation of investments in the initial set of accounts prepared and the final version of the accounts on which we will be giving our opinion. This difference resulted from the timing of valuations received from fund managers. The adjusted misstatement involved is detailed on page 17 of this report.

4. Significant findings

Qualitative aspects of the Fund's accounting practices

We have reviewed the Fund's accounting policies and disclosures and our work to date has concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances..

In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2021.

Draft accounts were received from the Fund on 22 June and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. It is however worth noting that our audit work has been completed through remote working arrangements as a result of the constraints imposed by the COVID-19 pandemic. Whilst challenging at times, through the effective use of technology and close liaison with finance and other officers of the Fund these challenges were overcome.

Wider responsibilities

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

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

We have not to date exercised any of these powers as part of our 2020/21 audit.

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

05

Section 05:

Internal control recommendations

Page 176

5. Internal control recommendations

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

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

Our work to date has not identified any internal control issues to bring to your attention. Should any issues arise during the completion of our audit, these will be reported to the Audit Committee in a follow-up letter.

06

Section 06:

Summary of misstatements

Page 178

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit to date, above the trivial threshold for adjustment of £0.8 million. Where the draft accounts are formally signed and published in accordance with the Regulations any subsequent amendments are referred to as misstatements. This is the case even if such amendments are inevitable and result from the timing of the information available from investment fund managers as is the case this year. The change to the accounts detailed below was identified and proposed by officers from proactively tracking the asset changes from the information received. Last year we did our audit on the basis of a later set of accounts which already incorporated such changes. This explains why these valuation changes are highlighted in our report this year. It is our current understanding that there will be no unadjusted misstatements in relation to the Pension Fund's 2020/21 financial statements. The table below outlines our current understanding of the misstatements that are to be adjusted by management.

Adjusted misstatements

		Fund Account		Net Assets Statement	
		Dr (£m)	Cr (£m)	Dr (£m)	Cr (£m)
1	Dr: Investments – Managed Funds			37.725	
	Cr: Change in Market Value		37.725		
	Difference between valuation of unquoted investments per pension fund accounts and third party confirmations received after the year-end				
	Total adjusted misstatements		37.725	37.725	

Disclosure amendments

A number of minor disclosure amendments have been made in response to the review of the Pension Fund's financial statements by our technical team. All such matters have been addressed in the final version of the Pension Fund's financial statements.

Cameron Waddell

Mazars
Salvus House
Aykley Heads Durham
DH1 5TS

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

mazars

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**14 October 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. For the Boards information attached are Hymans Robertson Conference Highlights from:

- LGC Investment and Pensions Summit 9-10 September 2021 (Appendix A).

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.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Hymans Robertson Conference Highlights: LGC Investment and Pensions Summit 9-10 September 2021

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.

HYMANS ROBERTSON

Conference highlights

LGC Investment & Pensions Summit 9-10 September 2021

Douglas Green
Partner & Actuary

This was the first totally in-person LGPS conference since the beginning of lockdown – and this Summit had moved from Celtic Manor to Leeds Armouries. If there is something in the following summaries of all sessions over the day and a half, which you would like to discuss further, then do get in touch with your usual contact.

Chair's welcome – Rachel Elwell, Border to Coast Pensions Partnership

- LGPS has weathered the pandemic admirably, across administration, funding, governance & investment
- Audience poll on biggest investment concern in next few years – c.50% voted inflation, c.25% voted geopolitics

Implications of the economic outlook in the UK and globally for the LGPS

Richard Gwilliam, M&C Real Estate & James Ashley, Goldman Sachs Asset Management

- Dramatic price increases over the past 18 months across eg oil, shipping (and puppies!), but expect inflation rates to quickly revert to "norm"
- Interest rate increases will still be low in historical terms (markets not pricing in any significant rises)
- Most major economies expected to see 2-3% fall in real GDP growth rate, but thereafter the world's economic centre of gravity is shifting eastwards – therefore expect Asian allocations to increase over next 20-30 years
- "Freedom" from COVID will be the foundation for strong & sustainable economic recovery – projections suggest very strong recovery over next two years – eg real estate yields strong by historical standards, partly due to residential supply/demand imbalance

Discussing society's attitudes towards the supply chain – circular economy or take-make-waste

Dawn Turner, Independent Adviser & Non-Executive

- Increased engagement & visibility by organisations in the supply chain, to be more responsive to customers

- Impacts still being felt from eg lorry driver shortage (not restricted to UK) & Suez Canal blockage holding up $9bn goods per day; customers starting to see this and have to adjust
- Horse meat scandal showed the importance of monitoring supply chain, and by analogy some buyers of green energy are disappointed to discover this is by offsetting as opposed to means of production.

Councillor and pensions board member session: Scheme Advisory Board update and keeping on top of the latest developments

Bob Holloway, Local Government Association & Roger Phillips, LGPS Scheme Advisory Board

[Apologies – our attendees weren't able to attend this session]

Pool and fund officer session: Working in partnership

Laura Chappell, Brunel Pension Partnership; Kevin McDonald, ACCESS; Anthony Parnell, Carmarthenshire County Council; Jo Ray, Lincolnshire Pension Fund; Chris Rule, Local Pensions Partnership Investment

- Pooling map in England & Wales has been firmly established in last five years, and this has genuinely led to more collaborative & closer working across Funds
- Asset allocation is a sovereign decision for the Funds, and Pool drives innovation in its offerings on the basis of achieved fee savings
- Pooling is a journey, eg approach to climate change continuing to evolve
- Funds should have correlated, not contradictory, investment beliefs, otherwise Pool could just be the manager of a series of mandates.

Global equities – still your best friend?

Peter Wallach, Merseyside Pension Fund & Paul Markham, Newton Investment Management

- Equities have been on a very long bull run. At the same time, bonds have had a very long period of reducing yields. As both are looking expensive, why equities?
- Bonds cannot create new value, whereas companies can create new product lines, seek efficiencies or new markets. So there is an argument that equities still have room to grow in value, but this may be limited with bonds.
- However, inflationary and other cashflow pressures may push funds towards more illiquid investments or private markets. These come with their own risk and return profiles which may or may not deliver the "oomph" that's needed to grow.

Investment opportunities in affordable housing

Alex Greaves, M&G Real Estate & Tim Sankey, Border to Coast Pensions Partnership

- The Housing Cycle: private rented student accommodation, then to housing close to their networks (town centres, work etc), then to more spacious dwellings, before moving to retirement housing (private home or care home)
- Significant supply problem across housing (demand on average 2.5 x supply across England, but 7.5 x in London), and the affordable housing with greatest demand also has greatest management obligations (eg homeless shelters, social rented)
- Shared Ownership aims to allow easier access to housing ladder with lower deposit requirement – leasehold/freehold issues can cause problems (eg as per recent Panorama programme) but not due to Shared Ownership status.

The global search for yield – opportunities in liquid fixed income

Mark Lyon, Border to Coast Pensions Partnership & Michael Walsh, T. Rowe Price

- The traditional reasons for holding high quality fixed income assets (hedging, diversification) conflict with reduced growth expectations and income
- Emerging Market debt market is almost as big as EM equity, and larger than US Investment Grade market.

How the LGPS can invest with impact

Rosie Rankin, Baillie Gifford & Co

- Measuring impact is a big challenge, eg assessing a company's contribution to the specific targets underpinning the UN Sustainable Development Goals (SDGs)
- Estimated that $5-7trn investment every year through 2030 to deliver the SDGs. Not all are investible by private capital, but still lots of investment opportunities exist
- Listed equities can provide a good way of accessing impact opportunities

Keeping on top of the deluge of administration changes and challenges

Phil Triggs, Tri-Borough (Westminster City Council) & Abigail Leech, Local Pension Partnership Administration

- Staff adapted to home working – albeit training is harder to do remotely
- Helpdesk peak demand during pandemic was very challenging (more retirements than expected, as well as deaths) – however, not a great increase in online member access
- Necessity was the mother of invention with technology, new tools etc
- Do not think that any pooling of admin should be mandated centrally.

Member and employer communication: adapting to a new environment

Sara Maxey, Essex Pension Fund & Jill Davys, London Borough of Sutton

- Level of engagement from members is still too little, too late
- Technology provides lots of tools to improve engagement - member portals, YouTube, virtual surgeries etc
- Vital to continue offering people-based contact options
- Pandemic has accelerated innovation - a silver lining perhaps.

Administration: the next area to be pooled?

Mark Gayler, Devon Finance Services & Neil Mason, Surrey Pension Fund

- Peninsula Pensions provides shared service to both Devon & Somerset Funds, and Mark needs to ensure shared service works for the Devon Fund without having managerial control – updated systems and increasingly paperless processes have improved service quality (was not intended to save costs), albeit this took material effort
- Accuracy of data greatly depends on quality of data provided by employers, which in turn depends on employer relationships – relationships could suffer if employer numbers rose too much, eg through pooling too many Funds
- However, not all shared administrations have been successful and there are useful lessons to be learned such as the need to align partner's service standards and ensuring a shared vision for service delivery at outset.

- In general, it was broadly agreed that enforced pooling of administration would be unwelcome. In particular, Pools should be focussed on the investment aspects, not be distracted by admin provision
- Need to ensure admin is suitably high on Committee agendas.

Why cyber security might be the biggest risk your pension faces?

Matthew Cain, London Borough of Hackney & Jill Davys, London Borough of Sutton

- Salutary tale of the impact of a ransomware attack on an LGPS Fund (LB Hackney)
- The statistics on the frequency of such attacks and the direct costs are frightening. Indirect impacts on the services provided by Funds are even larger.
- Cyber criminals are one step ahead of their targets, even well-prepared funds need to continuously strengthen defences
- Data is the key. Helpful for funds to ask three key Qs: 1. Where is my data? 2. Is it encrypted at all times? 3. Who has access, and do they need it?

Committing to Net Zero by 2045: Practical experience of how the Environment Agency Pension Fund has set this goal

Marion Maloney, Environment Agency Pension Fund

- Not trying to save the world, aiming to protect the Fund from financial risk due to climate change
- The EAPF has different climate targets from the Agency: the latter has direct relationships with stakeholders which the Fund doesn't with the 2,000 companies it invests in
- Strategic asset allocation delivered the great majority of decrease in emissions
- Measure emissions, move to Paris-aligned benchmarks, deny debt if company not appropriately committed
- Invest in whole economy so all sectors turn greener, engage with companies via asset managers / Pools, using all votes and joining shareholder actions – improved company disclosures will also help

Climate risk: tackling the stewardship, governance, measurement and reporting challenges

Teresa Clay, MHCLG; Victoria Tarr, Canada Life Asset Management; Ben Yeoh, RBC Global Asset Management; Jacqueline Jackson, London CIV; Ed Baker, PRI

- Teresa started with an update on the impending consultation on LGPS TCFD requirements: this should be in October, ideally ahead of COP26 – will be broadly in line with those coming into effect 1 Oct 2021 for private sector schemes – analysis on two scenarios incl one Paris-aligned, three metrics, target based on one of the metrics
- Differences from DWP requirements for private schemes:
  (a) Propose that all LGPS Funds will move together, not phased by size
  (b) First year of application: 2022-23, first report due by end of 2023
  (c) Funds required to report on data quality in line with greenhouse gas protocol, as third metric
  (d) SAB will report on all Funds' compliance, data quality etc
- Proposals aimed to be as consistent as possible; for more ambitious Funds, they could use a 4th metric
- All the above is subject to final ministerial approval etc. There was then a panel discussion: key themes included:
  - the need for engagement with companies;
  - benefits of collaboration across the Pools for that engagement (which also assists in the resource requirements);

- consideration across the whole portfolio (eg including sovereign debt);
- understand risks & opportunities and hence set targets;
- appreciation that this can be a long process;
- line up the stakeholders & actions to enable the reporting.

The great debate: Pooling was a great idea and we will never look back

George Graham, South Yorkshire Pensions Authority; Mike O'Donnell, London CIV; William Bourne, Independent Adviser

- Important for Pools to continue to deliver savings, to have close relationships with their Funds, and to have governance & ownership by the Funds
- LGPS has long history of collaboration, including areas such as responsible investment
- Pooling is here to stay, but is there a gap between where the Pools are, and where they need to be, to deliver net benefits in the long term?
- Are there barriers to getting the right Pool officers and governance involving multiple Funds?
- Will there be fewer Pools in say 10 years' time?
- The vote among the delegates was c.55% **against** the motion.

Searching for income

Jill Davys, London Borough of Sutton, & Mark Lyon, Border to Coast Pensions Partnership

- Active element of whole E&W LGPS has fallen as a % of total membership, average active members' age has risen, pay restraint being applied to actives while deferreds and pensioners seeing CPI increases: all pointing to greater maturity and more cashflow challenges – c.40% of Funds are cashflow negative even allowing for investment income
- Illiquid assets can provide income to help fill the gap, but needs preparatory time & effort: need to plan how to "get money into the ground"
- Potential sources include private debt, infrastructure, however watch less certain timing of cashflows and peculiarities of Private Markets (J-Curve etc) which can be mitigated through co-investments

Birds of a feather discussion sessions on 6 x hot topics

A. Political involvement in investment decisions – generally concluded that politics often make it difficult to reconcile with fiduciary duties

B. "Greenwashing" – it is an issue but in the main managers/companies seem to want to do the right thing, however would need better regulation & data

C. Reporting requirements on Funds – necessary for transparency and consistent data across the LGPS, even if it is a burden on officers, as long as it is being used

D. Communication to beneficiaries – pandemic has hastened improvements which would have happened anyway, eg member surgeries, submission of documents, triggering greater interest in the Fund

E. Sustainability of resources for the LGPS – there are significant challenges but surmountable: LGPS ethos can be a positive draw, need to explore moving outside council pay scales, can collaborate more

F. Funds' role in creating a more equal society – increased profile of ESG etc will help build AUM momentum which in turn will help deliver strong returns.

Preparing for the next actuarial valuation

Douglas Green, Hymans Robertson

- Flaw 1: "Jeff Bezos walks into the room … and everyone immediately becomes a billionaire on average" – big numbers can obscure small ones, eg whole Fund valuation results basically reflect the Councils' position, may disguise huge variation in funding positions of other employers and their contribution requirements
- Flaw 2: "The average family has 2.4 children" – there will be various different scenarios co-existing in your Fund already, eg the same investment return will have different impacts on different employers due to their different funding levels, cashflow positions & time horizons
- Flaw 3: The "matching DNA" conundrum – small numbers can obscure bigger ones, eg some employers will be much more affected by McCloud changes and ill-health early retirement strain costs.
- [NB Look out for a separate communication with some more detail on this]

Final keynote session: MHCLG and SAB update

Teresa Clay, MHCLG, & Joanne Donnelly, LGPS Scheme Advisory Board

- McCloud – GAD estimate £1.8bn impact for the LGPS spread over future years, amendments expected to the July Bill, aiming for completion early 2022, coming into force from spring 2023
- Climate risk (NB see details in Climate Risk session above)
- Pooling – developing proposals for stronger governance, improved reporting, and greater asset performance transparency – will draw on extensive engagement with funds, new data from pools, and research on overseas comparators
- Exit pay – MHCLG aim to publish final guidance shortly, with consultation on next steps
- Good Governance – SAB team working on data and will approach funds for more information
- Planning for the post-CIPFA Pensions Panel world (as the Panel no longer exists) – replaced by a new SAB Committee, will include some existing Panel members plus more s151 officers (NB any future guidance will not be behind a paywall)
- 2020 Stewardship Code – FRC announced further windows in October 2021 & April 2022 to apply (100% success for LGPS in last window)
- Pensions Dashboard – public sector schemes likely to only be required to participate from the end of this overall process (2024/25) due to current McCloud etc workloads
- Cost Transparency – aware that the Byhiras system is not the easiest to use, so there is LGA resource available to assist.

If you would like to pick up these topics in any more detail, please get in touch.

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Lincolnshire Pension Board**
Date:	**14 October 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 and highlight any activity for inclusion in the work programme.

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.

Conclusion

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

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

14 October 2021 **Meeting Location: County Offices, Lincoln**	
Item	*Lead Officer*
Border to Coast Governance Presentation and Annual Report and Accounts *(Presentation)*	Andrew Stone (Head of Customer Relations)
Pension Fund Update *(Report)*	Jo Ray (Head of Pensions)
Stewardship Update *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Pensions Administration Update *(Report)*	Yunus Gajra (Assistant Director – Finance, Administration and Governance, West Yorkshire Pension Fund)
Temporary Bank Accounts *(Report)*	Yunus Gajra (Assistant Director – Finance, Administration and Governance, West Yorkshire Pension Fund)
Transfers Out	Yunus Gajra (Assistant Director – Finance, Administration and Governance, West Yorkshire Pension Fund)
Employer Monthly Submissions Update *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Annual Report and Accounts 2020/21 –External Audit Update Report *(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)

6 January 2022 **Meeting Location: TBC**	
Item	*Lead Officer*
Pension Fund Update *(Report)*	Jo Ray (Head of Pensions)
Stewardship Update *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Pensions Administration Update *(Report)*	Yunus Gajra (Assistant Director – Finance, Administration and Governance, West Yorkshire Pension Fund)
The Pension Regulator Data Scores *(Report)*	Yunus Gajra (Assistant Director – Finance, Administration and Governance, 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)
Training Needs *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Workplan *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)

March 2022 **Meeting Location: TBC**	
Item	*Lead Officer*
Pension Fund Update *(Report)*	Jo Ray (Head of Pensions)
Stewardship Update *(Report)*	Claire Machej (Accounting, Investment and Governance Manager)
Pensions Administration Update *(Report)*	Yunus Gajra (Assistant Director – Finance, Administration and Governance, West Yorkshire Pension Fund)
Temporary Bank Accounts *(Report)*	Yunus Gajra (Assistant Director – Finance, Administration and Governance, 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 2021/22 –Review of Accounting Policies *(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)

July 2022 **Meeting Location: TBC**	
Item	*Lead Officer*
Pension Fund Update *(Report)*	Jo Ray (Head of Pensions)
Stewardship Update (Report)	Claire Machej (Accounting, Investment and Governance Manager)
Pensions Administration Update *(Report)*	Yunus Gajra (Assistant Director – Finance, Administration and Governance, West Yorkshire Pension Fund)
The Pension Regulator Data Scores *(Report)*	Yunus Gajra (Assistant Director – Finance, Administration and Governance, 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 2021/22 –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)

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank

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

Document is Restricted

This page is intentionally left blank