Lincolnshire
COUNTY COUNCIL
Working for a better future

County Offices
Newland
Lincoln
LN1 1YL

7 July 2021

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 15 July 2021** in the **Council Chamber, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely

Debbie Barnes OBE
Chief Executive

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

Councillors E W Strengiel (Chairman), P E Coupland (Vice-Chairman), M G Allan, M A Griggs, Mrs A M Newton MBE, S R Parkin, T Smith and Dr M E Thompson

Co-Opted Members

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

PENSIONS COMMITTEE AGENDA
THURSDAY, 15 JULY 2021

11 **Annual Pensions Committee Training Plan and Policy** 127 - 144

(To receive a report by Jo Ray, Head of Pensions, which sets out the training policy and the annual training plan for the Pensions Committee members for the year to June 2022)

12 **Pension Fund Draft Annual Report and Accounts** 145 - 356

(To receive a report by Claire Machej, Accounting, Investment and Governance Manager, which brings the draft Annual Report and Accounts for the Pension Fund to the Committee for approval)

13 **Annual Report on the Fund's Property and Infrastructure Investments** 357 - 372

(To receive a report by Claire Machej, Accounting, Investment and Governance Manager, which outlines the performance of the Fund's property and infrastructure investments for the year ended 31 March 2021)

CONSIDERATION OF EXEMPT INFORMATION

In accordance with Section 100(A)(4) of the Local Government Act 1972, agenda item 14 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 for the consideration of this item of business.

14 **Investment Performance Report** 373 - 430

(To receive an exempt report by Claire Machej, Accounting, Governance and Investment Manager, which provides the Committee with the opportunity to consider investment performance)

Democratic Services Officer Contact Details

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

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

Contact details set out above.

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing Agenda for Pensions Committee on Thursday, 15th July, 2021, 10.00 am (moderngov.co.uk)

All papers for council meetings are available on:
https://www.lincolnshire.gov.uk/council-business/search-committee-records

PENSIONS COMMITTEE
18 MARCH 2021

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

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

Co-Opted Members: Mr A N Antcliff (Employee Representative), Steve Larter (Small Scheduled Bodies Representative) and R Waller (District Council Representative)

Pension Board Members: Roger Buttery, Gerry Tawton and David Vickers attended the meeting as observers

Officers in attendance:-

Andrew Crookham (Executive Director Resources), Lisa Darvill (Client Relationships Manager, West Yorkshire Pension Fund), Yunus Gajra (Head of Governance and Business Development, West Yorkshire Pension Fund), Peter Jones (Independent Advisor), Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Rachel Wilson (Democratic Services Officer)

125 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor C L Perraton-Williams.

126 DECLARATIONS OF MEMBERS' INTERESTS

Mr Steve Larter declared an interest as a deferred and active member of the Pension Fund.

Andy Antcliff declared an interest as an employee of Lincolnshire County Council and a contributing member of the Pension Fund.

Councillor P M Key declared an interest as an active member of the Pension Fund.

Councillor R Waller declared an interest as his daughter was an active member of the Pension Fund as she worked for Lincolnshire County Council.

127 MINUTES OF THE PREVIOUS MEETING HELD ON 7 JANUARY 2021

RESOLVED:

> That the minutes of the meeting held on 7 January 2021 be approved as a correct record and signed by Chairman.

128 INDEPENDENT ADVISOR'S REPORT

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

The Committee's Independent Advisor informed the Committee that the conclusion of his report which had been written two weeks prior to the meeting, had been "to travel hopefully" in respect of global equities, and since then there had been a growing number of caveats which he wished to explore during his update. However, the most important event had been the US President's stimulus package of $1.9 trillion, which equated to around 9% of US national output. About one third of that amount would be issued as cheques in the post to many private individuals in the US in the coming week or so. This would then be cash in the bank for families and would be spent on goods and services. This would provide a huge stimulus to the US economy and most commentators believed this would have a worldwide effect.

In terms of the caveats previously mentioned, it was reported that the principal one was the long term interest rates, which had risen sharply this year. This, plus other factors were increasing fears of inflation. It was reported that views of economists were split. It was believed that globally inflation would rise. However, it was not clear whether it would rise to 2 – 2.5% around the world then fall back or whether it would be a substantial rise over the coming years.

The Advisor had been reminded from a question in a previous set of minutes about speculation in the tech stocks (e.g. Amazon and Google), and at the time he had stated that they had been some of the major beneficiaries from Covid-19 due to the increased numbers of people working from home, shopping online, and their valuations had risen sharply. However, as Covid-19 was now in decline in the US, and this pattern was likely to follow around the world in the second half of 2021, it was noted that these stocks had fallen sharply between mid-February and mid-March 2021 by 12%.

The Independent Advisor concluded his update by discussing the role of the global central banks, as they had assisted government support by providing liquidity and lowering interest rates. It was commented that they would not want to take any action, such as withdrawing that liquidity too soon as it might risk stalling any economic recovery. If central banks remained unconvinced about the pace of economic recovery, it was thought that the outlook for equities remained positive. However, if everyone, including the banks, was certain of a robust economic recovery, that would be when concerns arose. The Federal Reserve had recently announced that interest rates would remain unchanged until 2022 at the earliest. It was also noted that the Bank of England was meeting that day as well.

It was commented that if there was rising inflation and interest rates also went up, this was likely to result in a lot of people and businesses struggling financially. The Committee was advised that this was the last thing that central banks and the government wanted, but the question would be how far they would be prepared to let inflation rates rise. It was noted

that the markets were comfortable with inflation and interest rates up to 2%. It was commented that if inflation went up to 3% (for example) in the US, it was likely that the Federal Reserve would step in and take some action.

RESOLVED

That the update be noted.

129 REPORT BY THE INDEPENDENT CHAIR OF THE LINCOLNSHIRE LOCAL PENSION BOARD

Consideration was given to a report which updated the Committee on the work of the Pensions Board during the previous few months and provided the Committee with assurances gained from the Pension Board's work.

The Chairman of the Lincolnshire Local Pension Board guided members through the report, and brought to their attention the data scores; employer monthly submissions and contribution monitoring; and the Border to Coast Pensions Partnership – Deep Dive. In relation to the Pension Regulators data scores it was noted that the Scheme Specific scores had improved from 77% to 84% over six months, and the Board would continue to monitor the position.

In relation to the employer submissions, there was disappointment that there had been 57 late data submissions and 13 late payments of contributions. However, the Board did accept that there was some mitigation due to the difficult operating conditions as a result of Covid-19.

It was also highlighted that there was a potential conflict of interest in relation to the Border to Coast Board Partner Fund non-executive directors. It was reported that Lincolnshire County Council did not support this arrangement and had not made any nominations.

RESOLVED

That the report be noted.

130 PENSION FUND UPDATE REPORT

Consideration was given to a report which updated the Committee on Fund matters for the quarter ending 30 December 2020. The matters included in the report included Funding and Performance update; TPR Checklist Dashboard; Breaches Register; Risk Register Update; Asset Pooling Update; Good Governance Review; Independent Advisor – Review Against Objectives; Investment Consultancy Services Contract; and Conference and Training Attendance.

Members were guided through the report and attention was drawn to the updates in relation to the funding level, the updates to the risk register, and the good governance review.

In relation to the performance of the Independent Advisor, members commented that as non-specialists in finance, they had always found his reports very useful in following the markets. The Committee did not consider that there were any changes or improvements necessary.

It was reported that, in terms of conference and training attendance, members and officers had attended many virtual meetings since the previous quarter.

RESOLVED

1. That the report be noted;

2. That the comments made in relation to the performance of the Independent Advisor be noted;

3. That the creation of a working group of officers and volunteers from the Pensions Committee be approved to consider the Investment Consultant appointment and, following due process, recommend an appointment to the October meeting of the Pensions Committee.

131 RESPONSIBLE INVESTMENT UPDATE

Consideration was given to a report which provided the Committee with an update on the Responsible Investment activity during the third quarter of the financial year 2020/21 (October to December inclusive).

Members were guided through the report, and it was commented that Border to Coast was a strong advocate of Responsible Investment, and this was always high up on its agenda.

RESOLVED

That the Committee notes the report.

132 PENSIONS ADMINISTRATION REPORT

Consideration was given to the quarterly report by the Fund's pension administrator, West Yorkshire Pension Fund (WYPF).

Members were guided through the report with particular attention paid to the performance against key areas of work from 1 October – 31 December 2020. Attention was also drawn to Scheme information - in particular that the numbers in the Fund had remained stable, with

the number of 'undecided' reducing; the age profile of the scheme; member and employer contact; and employer training, which was being held virtually.

Members were advised that it had been a very busy period, but it was pleasing to see targets being met, even though the team continued to work remotely.

RESOLVED

That the report be noted.

133 EMPLOYER MONTHLY SUBMISSIONS UPDATE

Consideration was given to a report which provided the Committee with up-to-date information on Employer Monthly Submissions for the third quarter of the financial year 2020/21 (October to December inclusive).

It was reported that this was the standard quarterly report and it was highlighted that there were very few employers who paid their contributions late. However, members were informed that there had been a deterioration in the performance of one of the larger payroll providers submitting employer data during this quarter. The Fund contacted all affected employers and encouraged them to work with the payroll provider to improve compliance. The Fund had also been actively engaging with the provider to ensure they met the statutory deadlines. It was noted that progress had been good and in January 2021, just one submission had been late.

In response to the update, members queried whether the late payments were due to Covid-19. It was commented that by quarter 3 of the financial year, staff would have been working from home for six months, therefore it was likely that any initial problems that would have been encountered should have been resolved by this point. It was also noted that payroll providers could have periods of poor performance, for example if they had turnover in their staff.

RESOLVED

That the report be noted.

134 LINCOLNSHIRE PENSION FUND POLICIES REVIEW

Consideration was given to a report which brought to the Committee the main policies of the Pension Fund for review. It was reported that any areas which had been updated were set out in the report. The policies brought to the Committee for review were as follows:

- Investment Strategy Statement (ISS)
- Communications Policy
- Governance Compliance Statement
- Breaches Reporting Policy
- Code of Conduct and Conflicts of Interest

It was highlighted that the main change was in the Pension Fund Code of Conduct and Conflicts of Interest Policy and related to amendments to separate out where requirements differed for the Board and the Committee, and also the addition of consideration of stewardship responsibilities.

It was noted that there very few changes to any of the other policies, and none that were contentious.

RESOLVED

That the policies, as set out below, be approved:

1. Investment Strategy Statement (ISS)
2. Communications Policy
3. Governance Compliance Statement
4. Breaches Reporting Policy
5. Code of Conduct and Conflicts of Interest

135 LINCOLNSHIRE PENSION FUND - BUSINESS PLAN 2021/22

Consideration was given to a report which presented the Lincolnshire Pension Fund Business Plan 2021/22 to the Committee for approval. It set out the overall objectives, Pension Fund Statistics, resources and budget, key tasks for 2021/22, key risks and the forward Plan for 2021/22.

It was noted that where tasks had not been completed from 2020/21 this had been due to circumstances outside of the control of the Team.

RESOLVED

That the Lincolnshire Pension Fund Business Plan 2021/22 be approved.

136 ANNUAL REPORT AND ACCOUNTS 2020/21: REVIEW OF ACCOUNTING POLICIES

Consideration was given to a report which summarised the changes to the Code of Practice on Local Authority Accounting which would be incorporated into the 2020/21 Statement of Accounts for Lincolnshire Pension Fund; the proposed amendments to the Accounts and Audit Regulations 2015, which were currently out for consultation, and the impact this would have on the 2020/21 Statement of Accounts; and the review of the Council's Accounting Policies for the Pension Fund Statements.

It was highlighted that there had only been minor amendments to the guidance and so there had only been minor changes to the accounts and accounting policies. It was also noted that

consideration would have to be given to valuations for unquoted assets received after the draft accounts had been published, but in advance of the final accounts being signed off.

It was queried whether officers were able to provide an update on the sign off of the previous year's accounts. The Committee was advised that this was almost complete, as mentioned previously, the County Council had engaged a specialist valuer to provide a valuation of the Energy from Waste facility in North Hykeham. The new valuation provided was close to the existing valuation, and there was no requirement to change the accounts as the new valuation was within the materiality limits. This was currently going through the Mazars quality assurance process so should be signed off in the coming days.

RESOLVED

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

2. That the proposed changes to the Accounts and Audit Regulations 2015, which were out for consultation, be noted; and

3. That the Statement of Accounting Policies (attached at Appendix A to the report) be approved for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2021.

137 LINCOLNSHIRE PENSION FUND - FUNDING STRATEGY STATEMENT AND EMPLOYER FLEXIBILITIES POLICIES

Consideration was given to a report which advised the Committee of updates to the Funding Strategy Statement (FSS), following the appointment of Barnett Waddingham, and new employer flexibilities policies in light of the new Regulations that came into force on 23 September 2020. The Regulations required these policies to the referenced in the Funding Strategy Statement.

It was reported that the FSS and the policies were sent to all employers in the Fund for consultation on 4 March 2021. No negative feedback had been received, and the consultation had closed the previous day.

RESOLVED

That the updated Funding Strategy Statement, Deferred Debt and Debt Spreading Policy, and the Contribution Review Policy be approved.

138 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED

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

139 INVESTMENT PERFORMANCE REPORT

Consideration was given to a report by the Accounting, Investment and Governance Manager which set out investment performance for the Lincolnshire Pension Fund over the period 1 October 2020 to 31 December 2020.

(NOTE: Councillor P E Coupland left the meeting at 12.19pm)

RESOLVED

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

140 PENSIONS ADMINISTRATION SHARED SERVICE EXTENSION

Consideration was given to a report which provided the Committee with information in relation to the Pensions Administration Shared Service Extension.

RESOLVED

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

The meeting closed at 12.25 pm

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

Report to:	**Pensions Committee**
Date:	**15 July 2021**
Subject:	**Independent Advisor's Report**

Summary:

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

Recommendation(s):

That the Committee note the report.

Background

<u>Investment Commentary – July 2021</u>

Stock markets seemingly becalmed.

The investment community remains convinced that a strong global economic recovery is in hand for the rest of 2021 and probably into early 2022. The global economy is of course recovering from a severe setback in 2020 – so some significant numerical increases year on year should be expected. The increase in output in the second half of this year could well amount to say 7% annual rate, in the USA, UK and elsewhere but perhaps rather less robustly in Europe and China. With such a strong economic foundation, the corporate sector should do very well, with profits and earnings per share increasing, perhaps at around 25% per annum in the next year or so. So, a good backdrop for equity markets.

And yet, in the last month or so, the performance of the main investment classes, equities and government securities, has been distinctly lacklustre. The year 2021 started off well enough. Year to date, many markets are up about 15%, with the UK lagging somewhat, no doubt on Covid and continuing Brexit anxieties. The other notable laggards are the “tech stocks” e.g. Amazon, Facebook, Google, Netflix which collectively are up around 5% - but having traded in a narrow range for some months. And government bond markets similarly, where prices have largely stabilised, yet where yields remain very low (around 1.5% p.a. for 10 year maturities in the USA, lower in the UK, and still negative in Germany).

President Biden

There is no doubt that all markets have been re-assured by the "sure-footedness" of President Biden and his administration. His emphasis on getting America back to work, bolstered by an aggressive Covid vaccination programme have helped; as has his constructive attitude to international relations – with the sole exception of China where he has continued the policy of dis-engagement of his predecessor. With this exception, the contrast to the attitudes of Donald Trump is stark.

The key early decisions of the Biden administration have been focussed on a huge further economic stimulus bolstered by actions of the US Federal Reserve (the US central bank); this has as a primary objective to reduce unemployment. There has also been a program of cash hand-outs to those in need, which has already had a material effect on consumer spending. The most recent of these, in April, amounted to about £1,000 per family. The result is that the USA is already recording a robust economic recovery, which inevitably will benefit other parts of the world, by sucking in increasing volumes of imports, including raw materials. The price of oil, for example, has almost doubled since a year ago.

Inflation anxieties

Inevitably, such a huge economic stimulus, and in particular the surge in cash available to the economy has raised fears of rampant inflation. The US Federal Reserve (and indeed every other key global central bank e.g. the Bank of England) has pledged to look through any temporary rise in inflation. The latest "headline" US inflation was 5%, no less. But there were some unusual and seemingly temporary features behind that figure. For example, prices of second hand light vehicles (cars, SUV's) were up 7%, reflecting the shortage of new cars where production has been severely hampered by the lack of computer chips. More generally, there are anecdotal reports of numerous supply chain difficulties and hence price hikes. The Chairman of the US Federal Reserve has repeatedly emphasised its willingness to see such inflation figures as transitory, and one not requiring a dramatic policy response - such as a sharp increase in interest rates. So far, the markets, both equities and fixed interest, seem re-assured by these statements. There are sceptics, so far in a minority. Inflation running out of control remains the most significant risk the stability of both markets.

Conclusion

Often, in the past, markets that have become becalmed subsequently display a significant move, either upwards or downwards. By this, I mean, moves of greater than say 15%. At the moment the markets are in "wait and watch mode". Perhaps, this is merely the usual summer quiet period for markets. Early autumn, if not sooner, is likely to see more lively markets.

Peter Jones
23 June 2021

Consultation

a) Risks and Impact Analysis

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

Background Papers

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

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

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

Report to:	**Pensions Committee**
Date:	**15 July 2021**
Subject:	**Report by the Independent Chair of the Lincolnshire Local Pension Board**

Summary:

The purpose of this report is:

A) To update the Pensions Committee on the work of the Pension Board (PB) during the last few months;

B) For the Pensions Committee to receive assurances gained from the PB's work; and

C) For the Pensions Committee to consider recommendations from the PB.

Recommendation(s):

The Pensions Committee is requested to note the report.

Background

1.0 <u>OUTCOMES FROM PENSION BOARD MEETING ON 18 MARCH 2021</u>

1.1 The PB met on the 18 March and a particular focus was on the following:

a) Employer Monthly Submissions and Contribution Monitoring.

b) The Pension Regulator's Public Service Governance Survey.

c) Pension Benefits in Suspense – temporary bank accounts.

d) Governance – TPR Checklist Dashboard.

e) Pension Board Membership.

1.2 **Employer Monthly Submissions and Contribution Monitoring** – the PB considered the standard report on employer monthly submissions for the quarter October to December 2020. There were five late payment of contributions and forty-eight late submissions of data. The quarter saw a deterioration in the performance of one of the larger payroll providers in submitting employer data into the portal. The payroll provider actively engaged with the fund and agreed a revised process which has improved performance. During the financial year, there were 20 cases of the late payment of contributions and 111 cases of the late submission of monthly returns. Given the difficult operating conditions as a result of the virus the PB accepted that some lapses were understandable. Efforts will, however, continue to remind employers/payroll providers of their duties and responsibilities through individual contacts either in person, by email or telephone. The Board will keep this issue under close review.

1.3 **The Pension Regulator's Public Service Survey Governance and Administration Survey** – the PB considered the annual survey which had been completed by the PB Chairman with additional information from the Head of Pensions, and from the administrators, WYPF, where required. The survey covered a range of topics including Governance, Managing Risks, Administration and Record-Keeping Processes, Cyber Security, Annual Benefits Statements, Resolving Issues, Reporting Breaches, Governance and Administration, COVID-19 Pandemic, Pensions Dashboards, Climate Change, Perceptions of TPR and Attribution. The conclusions and outcomes from the survey will be shared with the PB when they are published later in the year.

1.4 **Pension Benefits in Suspense** – the Pensions Committee has been informed previously that when a member reaches pension age and they have not been successfully traced, WYPF set up a HSBC bank account with sub accounts for each pensioner. This avoids any unauthorised payment tax charges for the members once they are found. The PB considers a detailed report on the amounts currently held in these Sub Accounts and the proposed course of action to find the members at six monthly intervals. In the report to the March PB meeting, the number of temporary deposit accounts held for lost contact pensioners and deferred members was 60, with a total of £47,225 held by HSBC. The number of temporary deposit accounts held for post 2014 preserved refunds was 201, with a total of £26,513 held by HSBC. The PB was advised that WYPF review annually the bank accounts and carry out further traces to locate the rightful owners of the funds held on a temporary basis. The PB requested further information on the deposit accounts, including dates established.

1.5 **Governance – TPR Checklist Dashboard** – the PB regard Lincolnshire's compliance with the Pension Regulator's Code of Practice as very important in the overall context of governance of the pension scheme. It is pleasing to report that Lincolnshire was largely compliant in that there were 95 green and 1 not relevant out of 99 items in the Code. There were 3 partially compliant.

1.6 **Pension Board Membership** – it is pleasing to report that both Councillor Whittington and David Vickers were re-elected to the PB.

Conclusion

ASSURANCES GAINED BY THE BOARD

2.1 The vast majority of employers pay their contributions on time and submit the required documentation.

2.2 The PB has some concerns with the apparent delays in finding the rightful owners of pension benefits in suspense.

2.3 The fact that Lincolnshire is largely compliant with the TPR Checklist Dashboard gives the PB assurance that the Scheme is well governed.

Roger Buttery
Independent Chairman

June 2021

Consultation

a) Risks and Impact Analysis

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

Background Papers

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

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

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

Report to:	**Pensions Committee**
Date:	**15 July 2021**
Subject:	**Pension Fund Update Report**

Summary:

This report updates the Committee on Fund matters for the quarter ending 31 March 2021 and any other current issues.

The report covers:

1. Funding and Performance Update
2. TPR Checklist Dashboard
3. Breaches Register Update
4. Risk Register Update
5. Asset Pooling Update
6. Investment Consultancy Services Contract
7. Committee Meeting Dates - Proposed Changes
8. Conference and Training Attendance

Recommendation(s):

That the Committee:

1) consider and note the report; and

2) approve the proposed changes to the December, January, September and October Committee meetings, as set out in section 7 of this report.

Background

1. Funding and Performance Update

1.1 Over the period covered by this report, the value of the Fund increased in value by £74.4m (+2.8%) to £2,734.6m on 31 March 2021.

Asset Allocation

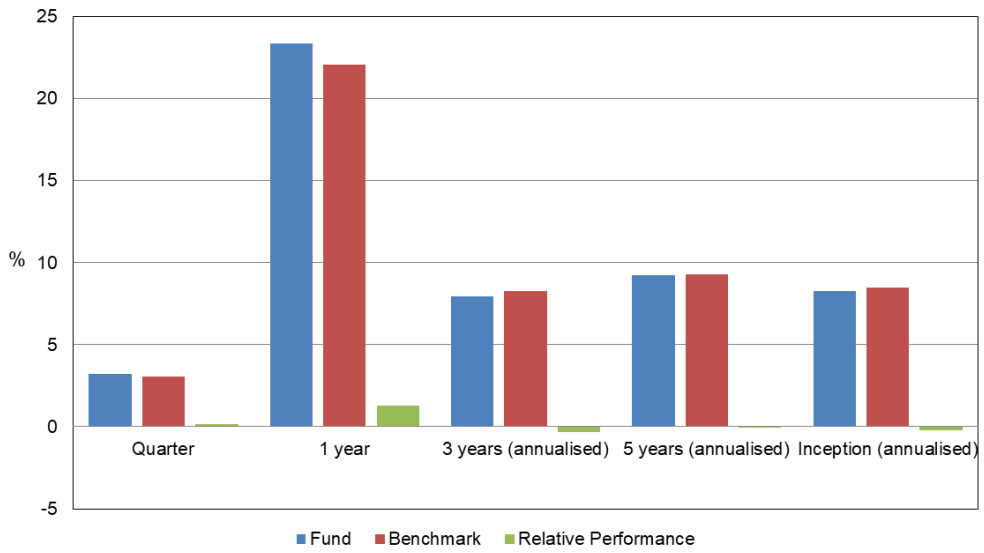
1.2 Appendix A shows the Fund's distribution as at 31 March. At an asset class level, property is below its lower tolerance and cash is above its upper tolerance. As agreed at the March Committee meeting, an additional £30m allocation is being made into a residential property fund. Further discussion on the Fund's property allocation will be had as part of the Investment Strategy training being held in September. The higher cash level is a result of the rebalancing undertaken during the transition from Invesco into the LGIM Future World Fund and the Border to Coast Global Equity Alpha Fund. This additional cash is being invested to fund expected drawdowns in property and infrastructure investments.

1.3 The Fund's overall position relative to its benchmark is set out in the table below.

Asset Class	Q1 2021 £m	Q4 2020 £m	Asset Allocation %	Strategic Asset Allocation %	Difference %
UK Equities	442.9	422.6	16.1	15.0	1.1
Global Equities	1,124.6	1,143.0	41.0	40.0	1.0
Alternatives	516.7	506.1	19.0	21.0	(2.0)
Property	203.8	201.2	7.5	10.0	(2.5)
Fixed Interest	349.4	366.4	12.8	13.5	(0.7)
Cash	97.1	20.9	3.6	0.5	3.1
Total	**2,734.6**	**2,660.2**	**100.0**	**100.0**	

Fund Performance

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



	Fund %	Benchmark %	Relative Performance %
Quarter	3.23	3.07	0.16
1 year	23.34	22.07	1.28
3 years*	7.93	8.24	(0.31)
5 years*	9.23	9.28	(0.05)
Inception**	8.28	8.48	(0.20)

*Annualised from 3yrs. **Since Inception figures are from March 1987

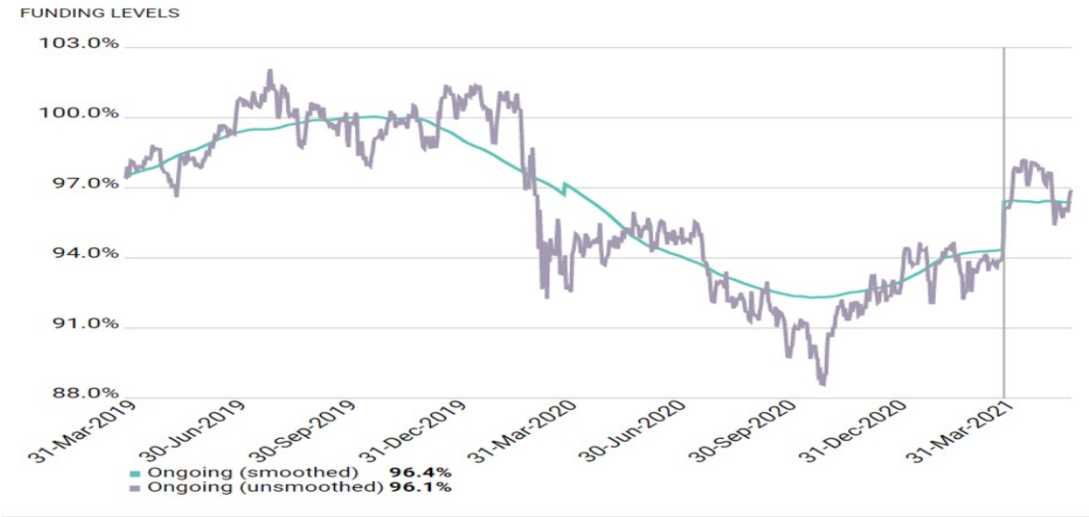
1.5 Over the quarter, the Fund produced a positive return of 3.23% (as measured by Northern Trust), outperforming the benchmark by 0.16%. The Fund was also ahead of the benchmark on the one year period, but slightly underperformed on the three and five year periods and since inception.

1.6 Appendix B shows the market returns over the three and twelve months to 31 March 2021.

Funding Level

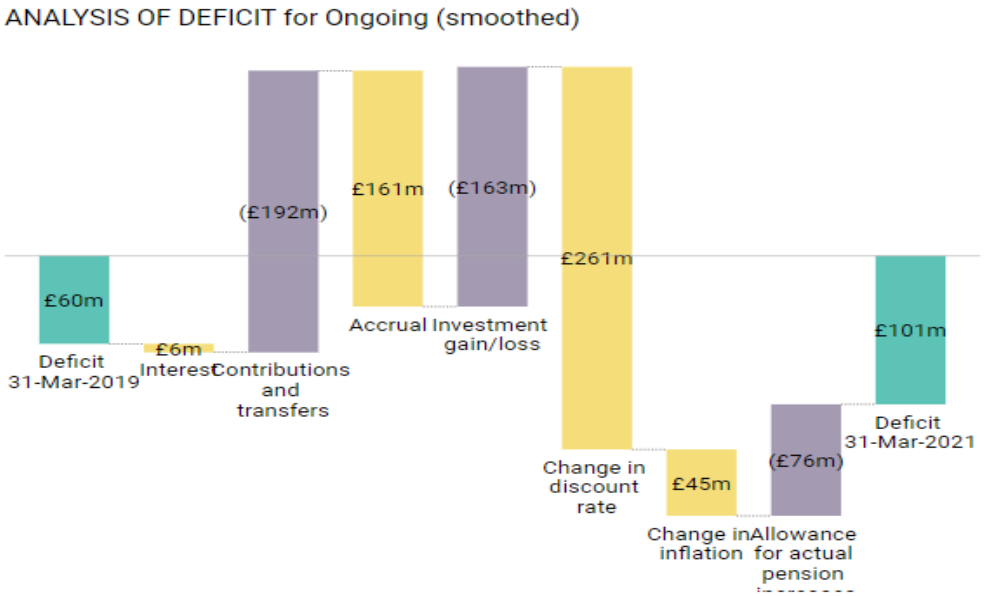
1.7 The funding update is provided to illustrate the estimated development of the funding position of the Lincolnshire Pension Fund from the latest formal valuation, 31 March 2019, to the current quarter end, 31 March 2021. The accuracy of this type of funding update is expected to decline over time, as the period since the last valuation increases. This is because the funding update does not allow for changes in individual members' data since the last valuation. It is, however, a useful tool to assist the Committee to identify whether the time is right to reduce the overall risk in the asset allocation of the Fund, as it approaches a 100% funding level.

1.8 At the last formal valuation, conducted by Hymans Robertson, the Fund assets were £2.35bn and the liabilities were £2.54bn. This represented a deficit of £183m and equated to a funding level of 93%. This was reworked under the methodology of Barnet Waddingham, and resulted in an updated funding level of 97.5%, with assets and liabilities measured at £2.33bn and £2.39bn respectively. This is now used for comparisons going forwards.



1.9 Since the valuation date, the funding level has fallen by 1.1% to 96.4%. The graph above shows the volatility of the changes over the period since then, both on a smoothed and unsmoothed basis.

1.10 Over the period 31 March 2019 to 31 March 2021 the deficit, in real money, has increased from £60m to £101m. The biggest impactor is the change in discount rate, although this has been partially offset by the higher than expected investment returns over the period. Since the valuation, contributions have broadly matched the accrual of new benefits. The table below shows the analysis of the change in deficit.



ASSUMPTIONS

Ongoing (smoothed)	31-Mar-2021	31-Mar-2019
Discount Rate	4.23%	4.81%
CPI	2.73%	2.65%
Salary Increases	3.73%	3.65%

2. TPR Checklist Dashboard

2.1 To assist in the governance of the Lincolnshire Fund, it assesses itself against the requirements of the Pension Regulator's (TPR's) code of practice 14 for public service pension schemes, as set out in a check list attached at appendix 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.

2.2 There has been one changed since the last quarter's report:

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.

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

F1 – Maintaining Accurate Member Data - Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?
Amber - Scheme member records are maintained by WYPF. Therefore much of the information here and in later questions relates to the records they hold on LCC's behalf. However, as the scheme manager, LCC is required to be satisfied the regulations are being adhered to. Data accuracy is checked as part of the valuation process and the annual benefits statement process. Monthly data submissions and employer training are improving data accuracy, however there are a number of historical data issues that are in the process of being identified and rectified.

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

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

K7 – Scheme Advisory Board Guidance - Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.
Remaining Amber - Annual Training Plan of Committee shared with PB and all PB members invited to attend.

3. Breaches Reporting - update

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

- **Late payment of contributions** – a separate paper is presented to the Committee at paper 9, updating the Committee on all monthly employer contribution breaches over quarter.

- **Late payment of AVC cash from Prudential** – The Fund's AVC provider, Prudential, has been having problems following a change in IT system earlier this year. This has caused an issue with processing contributions and has resulted in late provision of AVC cash to retiring members, delaying their final pension calculations and payment. This has been reported to TPR, and they will be provided with an update in early July. Employers have been notified of the delays and asked to make their members aware of the issues.

4. Risk Register Update

4.1 The risk register is brought to the Committee at agenda item 10 as part of its annual review.

5. Asset Pooling Update

Sub Funds

5.1 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.

5.2 Since the last Committee meeting, Border to Coast has held a number of workshops with officers and advisors covering Fund design, the Responsible Investment and alternative investments.

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

Joint Committee Meetings

5.4 The minutes of the Joint Committee meeting held on 9 March, and the agenda items for the latest meeting of 13 July, will be shared with Committee and Board members once received. 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
- Real Estate UK Proposition
- Real Estate Global Proposition
- Real Estate – Business Case
- CEO Report
- Summary of Investment Performance and Market Returns
- Performance Report
    - UK Listed Equity
    - Overseas Developed Equity
    - Emerging Markets Equity
    - UK Listed Equity Alpha
    - Global Equity Alpha
    - Investment Grade Credit
- Update on Emerging Matters

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

5.6 Border to Coast are facilitating a Joint Committee Responsible Investment Workshop on 20 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

5.7 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.

5.8 A strategy meeting of the Senior Officers of the Partner Funds was held with Border to Coast on 12 July, covering:

- an update on the Good Governance review from Jeff Houston (LGA and SAB);

- strategy - international pooling review, longer-term risks and opportunities, capabilities required to support Partner Funds;
- other opportunities for Partner Funds to work together; and
- development of shareholder relationship between Border to Coast and Partner Funds.

Shareholder Matters

5.9 As the Committee are aware, there are two distinct roles that Lincolnshire County Council has with Border to Coast: the shareholder and the investor (or client). The Committee's role is that of investor, and is represented at the Joint Committee by the Chairman of the Pensions Committee. The shareholder role is undertaken by the Executive Director of Resources, and fulfils the role as set out in the Shareholder Agreement, which was approved by Full Council in February 2017.

5.10 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.

5.11 There have been two shareholder resolutions since the last report, which Lincolnshire voted in favour of:

- to approve the Chief Operating Officer Pay Review; and
- to approve additional resources to the alternatives team, given the increased commitments to series C of the Fund.

5.12 The Annual General Meeting of Border to Coast is being held virtually on 20 July.

6. Investment Consultancy Services Tender

6.1 At the March meeting of this Committee, it was agreed that the tender process for Investment Consultancy Services for the Fund would be carried out by a working group of officers and volunteers from the Pensions Committee. An email was sent to all members in June requesting volunteers, and both Cllr Strengiel and Cllr Smith offered to be part of the working group, in addition to the Committee's Independent Advisor, Peter Jones, and the Assistant Director – Finance, Michelle Grady, offering their services.

6.2 The working group will be working over the summer months to provide a recommendation to the Committee at the October meeting.

7. Committee Meeting Dates - Proposed Changes

7.1 The Committee meets six times a year for formal meetings, plus an additional two times for training meetings. The months and reporting periods for these meetings are set out below:

- January – quarterly meeting reporting to quarter ended 30 September
- February/March – training meeting
- March – quarterly meeting reporting to quarter ended 31 December
- June – investment manager presentations meeting
- July – quarterly meeting reporting to quarter ended 31 March
- September – training meeting
- October - quarterly meeting reporting to quarter ended 30 June
- December – investment manager presentations meeting

7.2 In order to better align the meetings with reporting quarter ends, two proposals are being put forward:

a) it is proposed that from 2021/22, the December and the January meetings are swapped – therefore the December meeting will be a standard quarterly meeting reporting to the quarter end 30 September, and January will be used for investment manager presentations; and

b) it is proposed from 2022/23, the September and October meetings are swapped – therefore the September meeting will be a standard quarterly meeting reporting to the quarter end 30 June, and October will be used for a training meeting.

7.3 In addition, the December meeting date (9 December) clashes with the LAPFF Annual Conference, that is normally attended by the Chairman of this Committee and an Officer. Therefore it is proposed that this meeting date is moved by one week, to be held on Thursday 16 December, at 2pm on this occasion to avoid a clash with Overview and Scrutiny Management Board. This third week in December would then be considered for future Committee meetings, to avoid future clashes with the LAPFF Annual Conference.

7.4 The Committee are asked to consider the proposed changes.

8 Conference and Training Attendance

8.1 It is stated in the Committee's Training Policy, approved each July, that following attendance (virtual or otherwise) at any conferences, seminars, webinars or external training events, members of the Committee and officers will share their thoughts on the event, including whether they recommended it for others to attend.

8.2 The Committee and officers are therefore requested to share information on relevant events they have participated in since the last Committee meeting

Conclusion

9 The Fund has maintained its recovery from the falls earlier in the year, and is 96.4% funded as at the end of December (under the methodology of Barnett Waddingham).

10 The Committee are requested to consider the proposed Committee date changes detailed at section 7, to better align the quarterly meetings with reporting periods and to avoid the clash with the LAPFF Annual Conference.

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Distribution of Investments
Appendix B	Market Returns (31 March 2021)
Appendix C	TPR Checklist Dashboard
Appendix D	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.

DISTRIBUTION OF INVESTMENTS

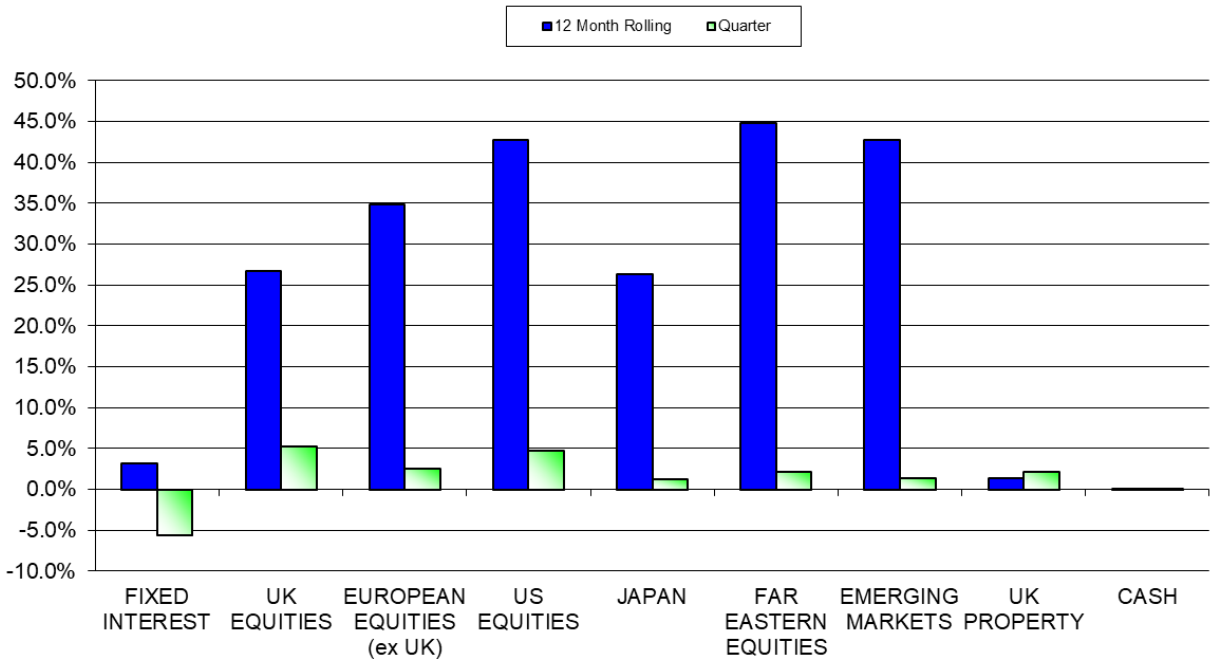
INVESTMENT	31 March 2021			31 December 2020			COMPARATIVE STRATEGIC BENCHMARK	
	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	%	TOLERANCE
UK EQUITIES								
Border to Coast UK Listed Equity	442,899,015	28.3%	16.1%	422,588,370	27.0%	15.9%	15.0%	+/- 2.0%
TOTAL UK EQUITIES	**442,899,015**		**16.1%**	**375,620,002**		**15.9%**	**15.0%**	
GLOBAL EQUITIES								
Invesco	2,258,708	0.1%	0.1%	661,019,303	42.2%	24.8%		
LGIM Future World	410,865,161	26.2%	15.0%				15.0%	+/- 2.0%
Border to Coast Global Equity Alpha	711,480,312	45.4%	25.9%	481,952,487	30.8%	18.1%	25.0%	+/- 2.5%
TOTAL GLOBAL EQUITIES	**1,124,604,181**		**41.0%**	**1,142,971,790**		**42.9%**	**40.0%**	
TOTAL EQUITIES	**1,567,503,196**	**100.0%**	**57.1%**	**1,565,560,160**	**100.0%**	**58.8%**	**55.0%**	
ALTERNATIVES *	**516,717,240**		**19.0%**	**506,124,673**		**19.0%**	**21.0%**	**+/- 3.0%**
PROPERTY	**203,822,424**		**7.5%**	**201,168,669**		**7.6%**	**10.0%**	**+/- 1.5%**
FIXED INTEREST								
Blackrock	153,513,311	43.9%	5.6%	162,660,642	44.4%	6.1%	6.0%	+/- 1.0%
Border to Coast Investment Grade Credit	195,898,414	56.1%	7.2%	203,722,138	55.6%	7.7%	7.5%	+/- 1.0%
TOTAL FIXED INTEREST	**349,411,725**	**100.0%**	**12.8%**	**366,382,780**	**100.0%**	**13.8%**	**13.5%**	**+/- 1.5%**
TOTAL UNALLOCATED CASH	**97,111,525**		**3.6%**	**20,917,308**		**0.8%**	**0.5%**	**+ 0.5%**
TOTAL FUND	**2,734,566,110**		**100%**	**2,660,153,590**		**100%**	**100.0%**	

* including Infrastructure

APPENDIX A

APPENDIX B

CHANGES IN MARKET INDICES
MARKET RETURNS TO 31 MARCH 2021



INDEX RETURNS	12 Months to Mar 2021 %	Jan-Mar2021 %
FIXED INTEREST	3.1%	-5.6%
UK EQUITIES	26.7%	5.2%
EUROPEAN EQUITIES	34.9%	2.5%
US EQUITIES	42.7%	4.7%
JAPANESE EQUITIES	26.3%	1.2%
FAR EASTERN EQUITIES	44.8%	2.1%
EMERGING MARKETS	42.8%	1.4%
UK PROPERTY	1.4%	2.1%
CASH	0.1%	0.0%

Appendix C

The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

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

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

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

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

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

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Appendix D

Lincolnshire Pension Board Record of Breaches

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

Appendix D

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

Appendix D

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
			WYPF to action – e.g. retirements	circumstances			meeting
Mar 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	Update on improvement plan presented to Board to discuss in March	Not reported, but under review.		
March 18	Contributions - updated	Late payments December to February	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Issue to be raised at March employers meeting
April 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC self-reported to TPR	Reported	Jan 19 - Improvement plan completed and reported back to TPR	Regular updates to be provided to TPR and Board
July 18	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers
July 18	LCC Leavers information –	Outstanding leavers	Incorrect ABS's, over	LCC self-reported to	TPR updated		Regular updates to be

Appendix D

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
	updated	information not sent to WYPF by LCC	statement of liabilities	TPR			provided to TPR and Board
September 18	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers
September 18	LCC Leavers information – updated	Outstanding leavers information not sent to WYPF by LCC	Incorrect ABS's, over statement of liabilities	LCC self-reported to TPR	TPR updated		Regular updates to be provided to TPR and Board
December 18	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers
February 19	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Fines increased
June 19	Contributions – updates	Late payments	Cashflow issues, data not	Made aware and fined in	Not reported – not material to		Continuing training and

Appendix D

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
			provided to WYPF to action – e.g. retirements	some circumstances	LPF		communications with employers
Sept 19	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers
December 19	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
March 20	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
June 20	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process

Appendix D

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
Sept 20	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
Dec 20	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
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	Reported 24/5	TPR noted and require update following end of June	Update breach details following end of June.

Appendix D

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
				that it is expected to be BAU by the end of June (initially April).			

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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Pensions Committee**
Date:	**15 July 2021**
Subject:	**Responsible Investment Update**

Summary:

This paper provides the Committee with an update on Responsible Investment activity during the fourth quarter of the financial year 2020/21 (January to March inclusive).

Recommendation(s):

The Committee 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 Committee 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 38 companies, on issues ranging from human rights and employment standards to climate change reporting and environmental risk. The outcomes of these engagements are shown in the company progress report, included in their quarterly engagement report.

- LAPFF Chair, Cllr Doug McMurdo, met with a range of large global asset managers to discuss their approaches to responsible investment. Topics covered climate change, human rights, and audit, among others. The goal of these engagements is to ensure that asset managers are engaging on behalf of LAPFF members in a way that facilitates LAPFF's responsible investment policies and objectives.

- The Forum met with General Motors (GM) and Volkswagen (VW). Both companies outlined their commitments to investing in and scaling up electric vehicle production. VW stated that it was committed to achieving net zero by 2050 and highlighted the reputational damage to the company caused by the emissions scandal. GM stated that it was aiming for an all-electric future, was aiming for carbon neutrality, and was working with the Science-Based Taskforce Initiative on this aim. Two weeks after the engagement GM formally announced its plans for carbon neutrality by 2040 in products and operations and its aspiration to eliminate tailpipe emission for light-duty vehicles by 2035.

- LAPFF continues to engage with Shell. In addition to its own engagement, LAPFF is engaging via the CA100+ group of investors on Shell. The Forum is very keen to continue the collaboration with other investors, and make sure that investors collectively communicate a consistent and robust case to ensure all aspects of the company's financial outcomes and performance are understood fully.

- A shareholder resolution was filed for the 2021 HSBC AGM asking for publication of a strategy, with short, medium and long-term targets, to reduce the company's exposure to fossil fuel assets on a timeline aligned with the goals of the Paris agreement. Following the resolution filing, LAPFF

participated in a meeting in February 2021 hosted by Investor Forum with the CEO and Chair to discuss the resolution. The company has acknowledged that 'expansion of coal-fired power is incompatible with the goals of the Paris agreement, and has committed to phasing out coal-fired power and thermal coal mining in the EU and OECD by 2030 and other regions by 2040. Further, in line with the resolution, HSBC has 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. It will use 1.5C pathways that are not overly reliant on negative emissions technologies. Commitments made by the company are set out in a special resolution tabled by the bank for its 2021 AGM. The bank has committed to publishing a new coal policy by the end of 2021.

1.4 Members of the Committee 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 (https://www.bordertocoast.org.uk/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 on their website:
https://www.bordertocoast.org.uk/app/uploads/2021/02/Quarterly-Stewardship-Report-Q4-2020-Final.pdf.

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 141 AGM's, where the percentage of meetings where they have at least one vote against management is 55%. During the quarter they have engaged with companies on 72 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:
https://www.bordertocoast.org.uk/?dlm_download_category=engagement

Voting

1.8 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.

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

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

Border to Coast RI Survey – Lincolnshire results

1.11 In April this year, Border to Coast sent all Partner Funds Committee members, Board members and officers their RI Survey. The survey sought views on a number of connected topics to enable them to collectively understand:

- current levels of understanding of RI
- views of Border to Coast's existing communications and what people want to hear more about
- how RI is currently managed and integrated
- how RI work across the pool should be prioritised in the future

1.12 The responses would be used to assess where Border to Coast are currently, and whether (and how) resources should be developed to ensure they are delivering on what has been jointly committed to. In addition to understanding across the pool, each Partner Fund has also received a report back on their own results. This is attached at appendix C.

1.13 The results of the overall survey have been brought to the Joint Committee meeting held on 13 July, and those papers have also been shared with Committee members.

1.14 Whilst the Committee membership has changed significantly since this survey was undertaken, it may still be useful to see how the Lincolnshire responses compare to the collective responses. Highlighted below are the pages with specific Lincolnshire detail, with comments as appropriate.

- Page 3 – Breakdown of who completed the survey (by role) for your Fund's respondents – the 13 respondents were across most roles.

- Page 4 – Breakdown of level of understanding of our Fund's respondents (Q3) – understanding was generally good, consistent with other funds.

- Page 6 – Breakdown of our views on each type of update (Q4) – this was generally positive, but perhaps highlighted the need for better signposting of some Border to Coast documents.

- Page 7 – Breakdown of RI issues that we want to hear about (Q5) – there was a broad range of issues that respondents wanted to hear about, with investment decisions and ESG integration having the most interest, and Border to Coast's collaborations having the least interest. This was broadly consistent with the overall response from all funds.

- Page 8 – Breakdown of how well we believe Border to Coast develops its approach in consultation with officers and the Joint Committee (Q6) – generally positive responses. The responses from all those surveyed differed quite markedly across different roles.

- Page 9 – Breakdown of how we rate our understanding of how Border to Coast integrates RI into investment decisions and on-going investment and corporate strategy (Q7) – large proportion of average understanding; perhaps an area to ask Border to Coast to concentrate on when they next appear before the Committee. As with question 6, the responses from all those surveyed differed quite markedly across different roles.

- Page 10 - Breakdown of what we see as the biggest challenges in further developing Border to Coast's RI strategy (Q8) – the main response here for Lincolnshire was a lack of consistent data and reporting in key asset classes, which was seen as the second biggest challenge across all responses; with the biggest challenge being the lack of consensus between partner funds on RI strategy.

1.15 The final pages of the survey identify topics within the comments, and the next steps for Border to Coast. The survey highlights the importance of dialogue and discussion in development and implementing a strategic and sustainable approach to RI. Upcoming activities with Border to Coast include:

- July – Joint Committee workshop on engagement themes & climate change
- September – OOG RI workshop: RI Policy review
- October – Annual Conference
- October – OOG RI workshop: Net Zero

<u>Border to Coast – Net Zero proposal</u>

1.16 As can be seen from the upcoming activities above, Border to Coast are exploring the intention to be "Net Zero" by 2050. This refers to achieving an overall balance between greenhouse gas emissions produced and emissions taken out of the atmosphere. Countries, companies and investors are all under increasing pressure to commit to Net Zero by 2050. There is also considerable pressure on LGPS funds from divestment lobbyists.

1.17 Border to Coast will be working with Partner Funds to explore how it can achieve this aim whilst considering how they can support Partner Fund's own commitments, how it can be net zero as an organisation and what net zero means as an investor.

1.18 This is a complex area, as it is not just about decarbonisation targets or divesting from Oil and Gas. There needs to be engagement with companies and policy makers, and the use of forward looking metrics to measure alignment.

1.19 In order to better understand the various issues, and for Lincolnshire to explore its own intention to become net zero, it has been suggested in the Annual Training report, at agenda item 11 of this Committee, that Border to Coast are invited to present a session on Net Zero at the September training meeting.

Scheme Advisory Board (SAB) Responsible Investment A-Z

1.20 SAB has launched an RI A- Z Guide. This provides a glossary of RI terms, organisations, standards and legislation. It is indexed by:

- classification (what it is);
- category (where it fits in Environmental, Social and Governance (ESG); and
- status (in the context of the LGPS legislative framework)

The guide also includes LGPS specific case studies.

1.21 The guide can be found on the SAB website: https://ri.lgpsboard.org/items.

Conclusion

2.1 This report brings to the Committee 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
Appendix C	Border to Coast RI Survey - Lincolnshire results

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.

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Border to Coast Global Equity Alpha Fund

Proxy Voting Report

Period: January 01, 2021 – March 31, 2021

Votes Cast	328	Number of Meetings	25

For	307	With Management	302
Withhold	0	Against Management	25
Abstain	2	Other	1
Against	19		
Other	0		
Total	328	Total	328

In 52% of meetings we have cast one or more votes against management recommendation.

General Highlights

The importance of proxy voting

Proxy voting is a fundamental part of corporate governance. The so-called shareholder democracy, where investors have the power with their vote to influence corporate decisions or hold management to account, is of growing importance.

Throughout the years, we see significant changes in how shareholders' voting rights are exercised, and the impact this has. Over the last year and due to the Covid-19 pandemic, we saw voting mostly taking place digitally, and only few shareholders attending annual shareholder meetings in person. Still, investors managed to raise their concerns and achieve impact. That strengthens our view on the importance of proxy voting, and the difference it makes to companies' operations and decisions.

Another aspect that shows the importance of voting, is the increasing number of retail investors. Based on SEC figures, it is estimated that in 2020, approximately 47% of the households in the US owned shares in companies directly or through funds. Those retail investors entrusted their wealth, and subsequently their shareholder voting rights, to fund managers, making their proxy voting practices particularly impactful. Additionally, according to a Morningstar survey, more and more retail investors are interested in investing in sustainability-themed funds and are willing to show their sustainability beliefs when voting at companies' AGMs. This trend is expected to increase as more and more millennials are joining the pool of retail investors.

Over the last few years, there have been an increasing number of shareholder resolutions focusing on climate change and promoting social equity and justice. This has made it clear that shareholders are shifting their focus from short-term gains, to more long-term benefits, and this is translated in their proxy voting decisions as well. Companies recognize the pressure they are under and are beginning to act accordingly. The final element that we believe makes proxy voting critical, is that it is part of the fiduciary duty of the manager to the ultimate beneficiaries. At the same time, shareholders have a duty towards society, in the sense that the companies they own ought to have an ethical and social behavior as a norm. This is the essence of what makes proxy voting an important link in the investing chain, and a key component of stewardship: exercising our rights as shareholders gives us the opportunity to have a say on matters that transcend traditional corporate governance matters, as we seek to encourage progress on sustainability in the belief that this contributes to long-term value creation.

Boards under scrutiny in wake of pandemic

For the 2021 voting season, shareholders, regulators, and other stakeholders have expanding expectations for board action in the wake of the pandemic. Boards of directors are being prompted to address financial and social pressures, a reimagined workplace, evolving regulatory demands and increased scrutiny on environmental, social and governance (ESG) activities.

Although the frequency and subject matter of shareholder proposals vary significantly across markets, one new climate-focused proposal gaining significant traction this proxy season is the 'Say on Climate' advisory vote. Proposals requesting a 'Say on Climate' vote demand that a company provide shareholders with the opportunity to approve of the company's climate policies and strategies on a consultative basis, like 'Say on Pay' proposals do for executive remuneration. More specifically, this new proposal requests that companies annually report emissions data and reduction strategies in a manner consistent with the Task Force on Climate-related Financial Disclosures' (TCFD)

framework. Failing a 'Say on Climate' proposal could also trigger votes against the nomination of responsible directors if insufficient actions have been taken to address shareholders' climate related concerns.

On another note, expectations around board oversight of human capital management (HCM) and corporate culture are projected to increase. The economic impact of the pandemic and social justice movements in many regions have sparked demand for disclosure of more HCM data such as gender pay gaps, safety incidents and employee turnover. Moreover, boards, especially at companies with large numbers of at-risk or furloughed employees, will also be expected to disclose how the pandemic's impact across their workforces was considered in reconfiguring pay for senior executives.

Lastly, many companies around the world are expected to continue to hold virtual-only meetings for at least the first half of 2021. Last voting season, shareholders expressed significant concerns regarding the inability to ask questions or to vote at virtual meetings. While several solutions have been provided by some participants in the proxy voting chain to facilitate access to meetings, companies will likely be more scrutinized for their handling of online meetings. Especially if companies experience technical mishaps or hold audio-only meetings with limited opportunities for shareholders' questions and dialogue.

Votes Against Management

In the following instances, Border to Coast Pension Partnership voted against the reccomendation of management at the shareholder meeting. In each instance where a vote against management has been cast, the rationale for the vote is also provided.

Issuer Name	Meeting Date	Proposal Description	Management Recommendation	Vote Decision	With Or Against Management	Vote Note	Meeting Type
Walt Disney Co (The)	3/9/2021	Advisory Vote on Executive Compensation	For	Against	Against Management	Though the company has taken steps forward improving their compensation practices, we believe there are further points to be taken to strengthen pay for performance.	Annual
Walt Disney Co (The)	3/9/2021	Shareholder Proposal Regarding Lobbying Report	Against	For	Against Management	Increases transparency and leads to greater disclosure of all political donations and lovying practices.	Annual
Walt Disney Co (The)	3/9/2021	Shareholder Proposal Regarding Non-Management Employee Representation on the Board	Against	For	Against Management	Employee representation on the Board grows long-term value of the company and contribute to long-term corporate sustainability.	Annual
Costco Wholesale Corp	1/21/2021	Elect Richard A. Galanti	For	Withhold	Against Management	CFO on board	Annual
Costco Wholesale Corp	1/21/2021	Advisory Vote on Executive Compensation	For	Against	Against Management	Long term awards are not linked to performance.	Annual
Becton, Dickinson And Co.	1/26/2021	Advisory Vote on Executive Compensation	For	Against	Against Management	Due to the impact of the COVID-19 pandemic on the Company's business, payouts under the STIP were increased	Annual

Becton, Dickinson And Co.	1/26/2021	Shareholder Proposal Regarding Right to Call a Special Meeting	Against	For	Against Management	A 15% threshold for calling a special meeting is appropriate	Annual
CGI Inc	1/27/2021	Elect Alain Bouchard	For	Against	Against Management	The nominee has attended less than 75% of meetings without a valid excuse.	Annual
CGI Inc	1/27/2021	Elect Julie Godin	For	Against	Against Management	The nominee is the Chair of the board and the company has not put the dividend policy up for vote.	Annual
CGI Inc	1/27/2021	Elect Serge Godin	For	Against	Against Management	The nominee is the Chair of the board and the company has not put the dividend policy up for vote.	Annual
Visa Inc	1/26/2021	Shareholder Proposal Regarding Right to Act by Written Consent	Against	For	Against Management	Increases the ways shareholders can reach the board and the Company.	Annual
Visa Inc	1/26/2021	Shareholder Proposal Regarding Improvement of Guiding Principles of Executive Compensation	Against	For	Against Management	The proposal enhances the disclosure on executive compensation practices.	Annual
Samsung Electronics	3/17/2021	Financial Statements and Allocation of Profits/Dividends	For	Against	Against Management	The Company has bundled the approval of the financial statements with the allocation of dividends.	Annual
Virgin Money UK Plc.	2/25/2021	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
SKF AB	3/25/2021	Remuneration Report	For	Against	Against Management	The compensation plan lacks of clawback provisions under the Short-Term Incentive Plan. The	Annual

						compensation plan lacks of clawback provisions under the Long-Term Incentive Plan.	
TAV Havalimanlari Holding Anonim Sirketi	3/22/2021	Compensation Policy	For	Against	Against Management	The company has not disclosed a maximum award level.	Ordinary
TAV Havalimanlari Holding Anonim Sirketi	3/22/2021	Authority to Carry out Competing Activities or Related Party Transactions	For	Against	Against Management	Granting unfettered discretion is unwise; Potential conflict of interests	Ordinary
Compass Group Plc	2/4/2021	Remuneration Report (Advisory)	For	Against	Against Management	The company provides excessive pension payments.	Annual
Compass Group Plc	2/4/2021	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Daimler AG	3/31/2021	Ratification of Management Board Acts	For	Abstain	Against Management	Ongoing investigations	Annual
Daimler AG	3/31/2021	Ratification of Supervisory Board Acts	For	Abstain	Against Management	Ongoing investigations	Annual
Daimler AG	3/31/2021	Amendments to Articles (Place of Jurisdiction)	For	Against	Against Management	The proposed amendments reduce shareholder rights.	Annual
Naver Co Ltd	3/24/2021	Financial Statements and Allocation of Profits/Dividends	For	Against	Against Management	The Company has bundled the approval of the financial statements with the allocation of dividends.	Annual
Naver Co Ltd	3/24/2021	Elect CHOI In Hyuk	For	Against	Against Management	Board is not sufficiently independent	Annual
Naver Co Ltd	3/24/2021	Directors' Fees	For	Against	Against Management	Excessive compensation	Annual

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Border to Coast UK Listed Equity Fund

Proxy Voting Report

Period: January 01, 2021 – March 31, 2021

Votes Cast	243	Number of Meetings	20

For	232	With Management	232
Withhold	0	Against Management	11
Abstain	1	Other	0
Against	10		
Other	0		
Total	243	Total	243

In 30% of meetings we have cast one or more votes against management recommendation.

General Highlights

The importance of proxy voting

Proxy voting is a fundamental part of corporate governance. The so-called shareholder democracy, where investors have the power with their vote to influence corporate decisions or hold management to account, is of growing importance.

Throughout the years, we see significant changes in how shareholders' voting rights are exercised, and the impact this has. Over the last year and due to the Covid-19 pandemic, we saw voting mostly taking place digitally, and only few shareholders attending annual shareholder meetings in person. Still, investors managed to raise their concerns and achieve impact. That strengthens our view on the importance of proxy voting, and the difference it makes to companies' operations and decisions.

Another aspect that shows the importance of voting, is the increasing number of retail investors. Based on SEC figures, it is estimated that in 2020, approximately 47% of the households in the US owned shares in companies directly or through funds. Those retail investors entrusted their wealth, and subsequently their shareholder voting rights, to fund managers, making their proxy voting practices particularly impactful. Additionally, according to a Morningstar survey, more and more retail investors are interested in investing in sustainability-themed funds and are willing to show their sustainability beliefs when voting at companies' AGMs. This trend is expected to increase as more and more millennials are joining the pool of retail investors.

Over the last few years, there have been an increasing number of shareholder resolutions focusing on climate change and promoting social equity and justice. This has made it clear that shareholders are shifting their focus from short-term gains, to more long-term benefits, and this is translated in their proxy voting decisions as well. Companies recognize the pressure they are under and are beginning to act accordingly. The final element that we believe makes proxy voting critical, is that it is part of the fiduciary duty of the manager to the ultimate beneficiaries. At the same time, shareholders have a duty towards society, in the sense that the companies they own ought to have an ethical and social behavior as a norm. This is the essence of what makes proxy voting an important link in the investing chain, and a key component of stewardship: exercising our rights as shareholders gives us the opportunity to have a say on matters that transcend traditional corporate governance matters, as we seek to encourage progress on sustainability in the belief that this contributes to long-term value creation.

Boards under scrutiny in wake of pandemic

For the 2021 voting season, shareholders, regulators, and other stakeholders have expanding expectations for board action in the wake of the pandemic. Boards of directors are being prompted to address financial and social pressures, a reimagined workplace, evolving regulatory demands and increased scrutiny on environmental, social and governance (ESG) activities.

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Votes Against Management

In the following instances, Border to Coast Pension Partnership voted against the reccomendation of management at the shareholder meeting. In each instance where a vote against management has been cast, the rationale for the vote is also provided.

Issuer Name	Meeting Date	Proposal Description	Management Recommendation	Vote Decision	With Or Against Management	Vote Note	Meeting Type
Diploma plc	1/20/2021	Remuneration Report (Advisory)	For	Against	Against Management	Increase in base salary for the new CEO, and disproportionately large annual bonus payout (short-term) compared to long-term incentive. This imbalance between short and long-term remuneration can potentially misalign executives' incentives with long-term shareholder value creation, and is exacerbated by an increase in base salary. Use of discretion to shorten the vesting period of PSP awards and the lack of disclosure around relevant performance metrics.	Annual
Grainger Plc	2/10/2021	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Sage Group plc	2/4/2021	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies	Annual

						becoming involved in funding political processes	
Compass Group Plc	2/4/2021	Remuneration Report (Advisory)	For	Against	Against Management	The company provides excessive pension payments.	Annual
Compass Group Plc	2/4/2021	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Imperial Brands Plc	2/3/2021	Remuneration Report (Advisory)	For	Against	Against Management	Significant salary on appointment	Annual
Imperial Brands Plc	2/3/2021	Elect Thérèse Esperdy	For	Abstain	Against Management	The nominee serves as Chairman of the Nominating Committee and the board lacks sufficient diversity, but has committed to resolve this going forward.	Annual
Imperial Brands Plc	2/3/2021	Authorisation of Political Donations	For	Against	Against Management	Oppose all political donations due to reputational risks and democratic implications of companies becoming involved in funding political processes	Annual
Tui AG	3/25/2021	Elect Alexey A. Mordashov	For	Against	Against Management	Less than 75% Attendance	Annual
Tui AG	3/25/2021	Management Board Remuneration Policy	For	Against	Against Management	Executive service contracts exceed 1 year.	Annual
Tui AG	3/25/2021	Remuneration Report	For	Against	Against Management	Executive service contracts exceed 1 year.	Annual

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Border to Coast Pensions Partnership

Partner Fund survey on Responsible Investment

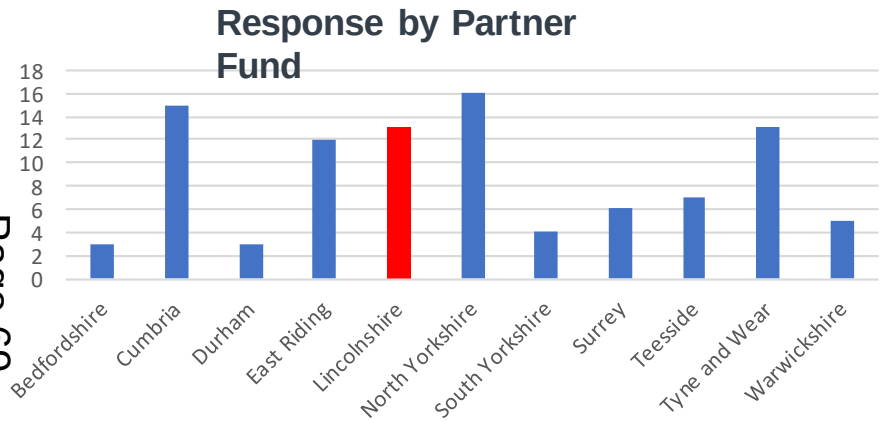
Executive Summary

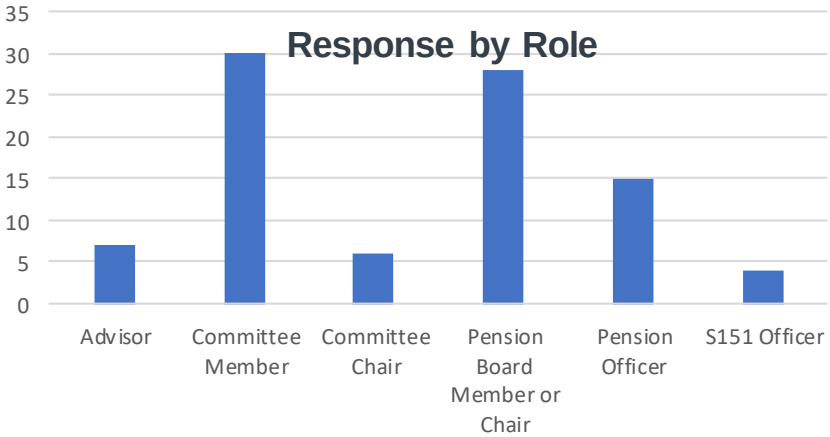
- The Responsible Investment (RI) survey was issued to Partner Funds to explore their understanding of, and our collective priorities for, RI. We had a 36% response rate (94 of the 264 invitees responded).
- All the respondents felt they had a good understanding of RI – S151 and Pension Officers felt most confident.
- The updates on RI provided by Border to Coast are highly regarded – although there is a desire to hear more about how ESG factors are integrated into investment decisions.
- There was only positive sentiment in how Border to Coast is currently developing its approach to RI – this is felt most strongly by S151 Officers and Committee Chairs.
- Ensuring a collective approach to RI is seen as the single largest challenge, although the lack of standardised data and reporting is a close second. While three quarters of respondents say their knowledge or RIs better than average, equally a lack of understanding of RI is seen as the fourth major risk.
- We received nearly 70 comments on what success in leadership in RI looks like. The main themes include a clear strategy and approach to investing, effective reporting, manging climate change, and supporting the education and engagement of all individuals in Partner Funds on RI.

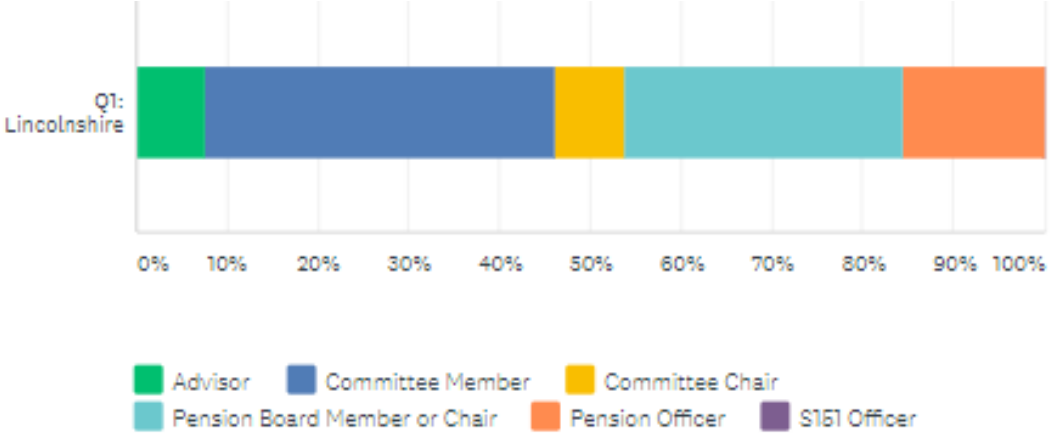
Survey analysis

- On 12 April we issued a survey on Responsible Investment (RI) to our Partner Funds – this was issued to 264 individuals. We received 95 responses (a 36% response rate) when the survey closed on 4 May.

- All 11 Partner Funds responded to the survey – although there was limited responses from a handful of Partner Funds, with a degree of correlation to those with local government elections. The response rate by role was reasonably proportionate across the pool.



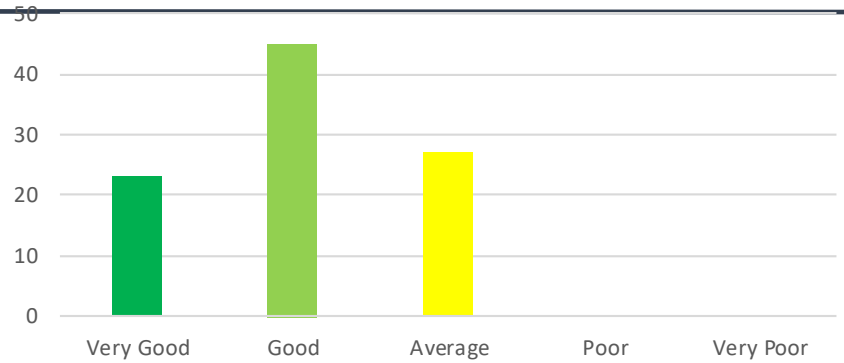


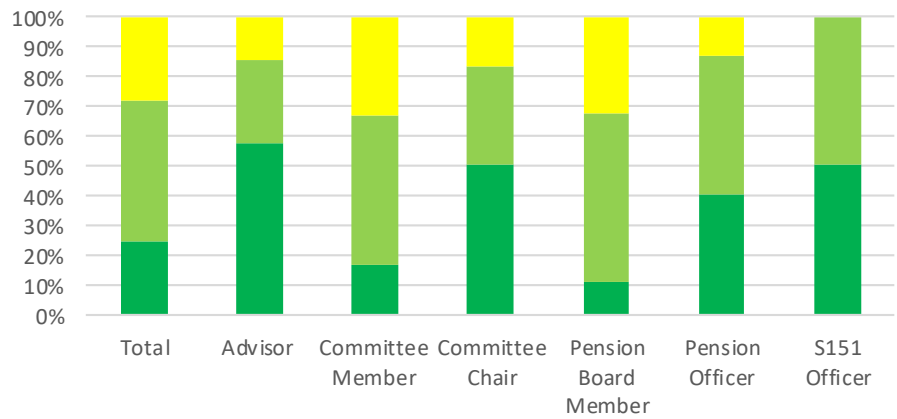


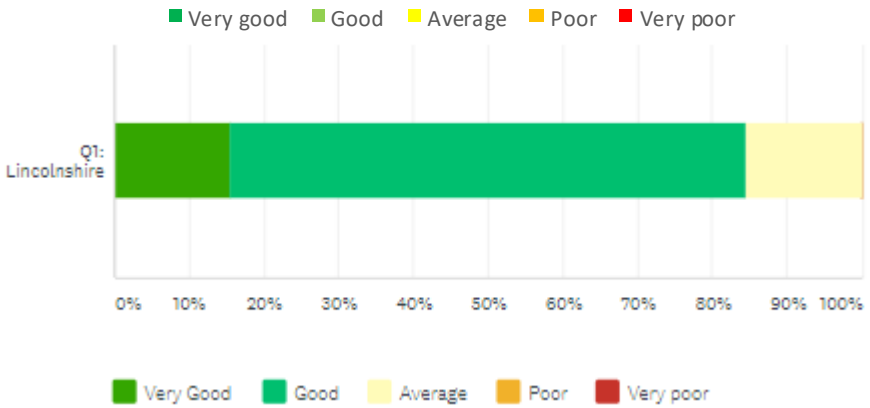
Survey analysis

Q3. RI is incorporating environmental, social and governance (ESG) factors in investment decisions, engagement and voting. How would you rate your understanding of this?

- Respondents feel confident in their knowledge of RI – with half believing their knowledge to be 'good', and a quarter 'very good'.
- A quarter felt their knowledge was 'average' – this was typically from people who were new to the Committee and were in the process of building up their knowledge base.
- By role, Pension Board and Committee members were the least confident; S151 and Pension Officers felt the most confident in their knowledge.
- There was a comment that the various initiatives and anacronyms (e.g. TPI, TCFD, TPR, etc) made getting up to speed on issues more challenging.



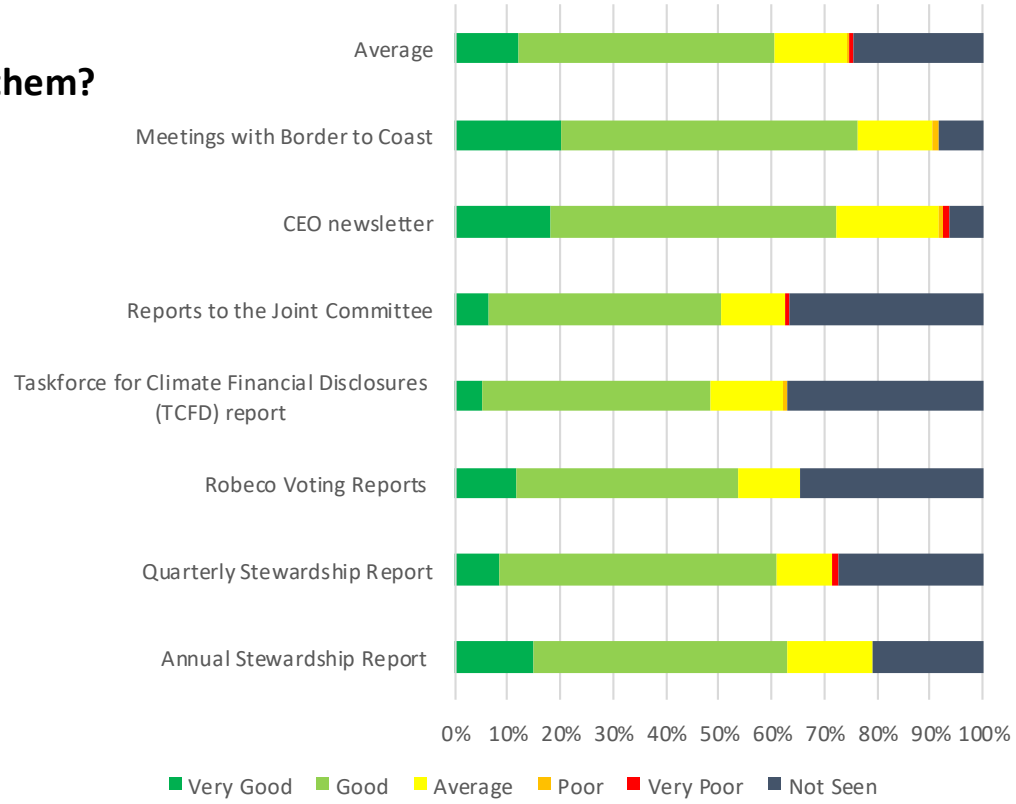




Survey analysis

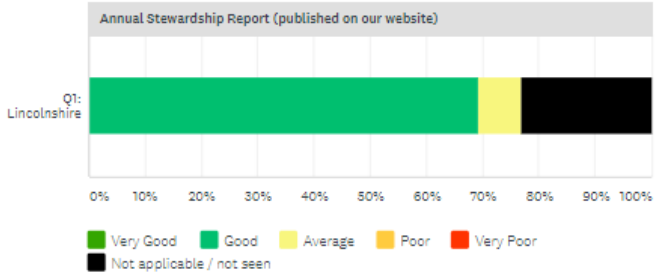
Q4. Border to Coast provides various updates on Responsible Investment. What are your views on them?

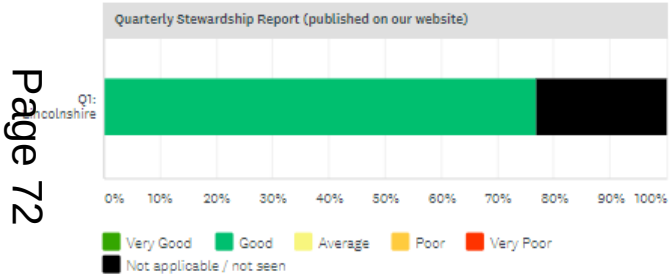
- Generally, the updates on RI provided by Border to Coast are highly regarded.
- Face to face meetings continue to be the most valued method of engagement on RI, followed closely by the CEO blogs.
- Pension Board and S151 Officers are significantly most likely not to have seen the various content produced by Border to Coast.
- We received 22 comments – with a number commenting on the challenge of finding the time to see, read and digest the material provided by Border to Coast.

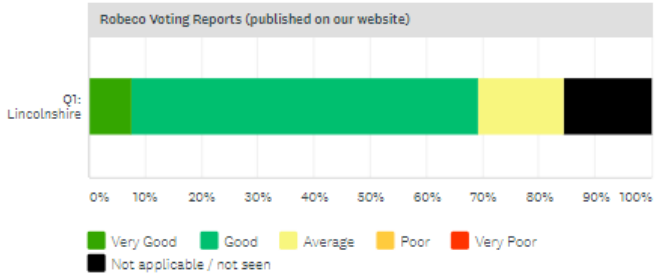


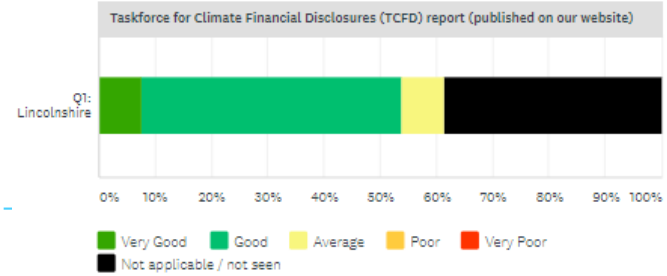
Survey analysis

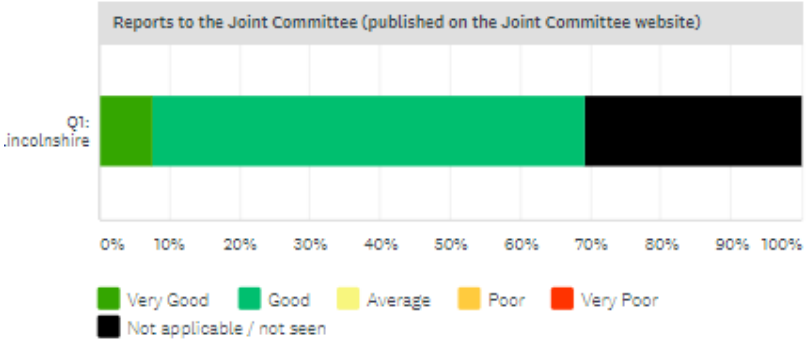
Q4. Border to Coast provides various updates on Responsible Investment. What are your views on them?

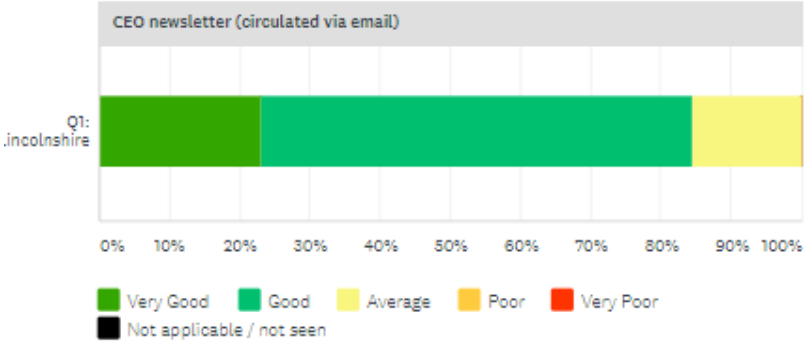


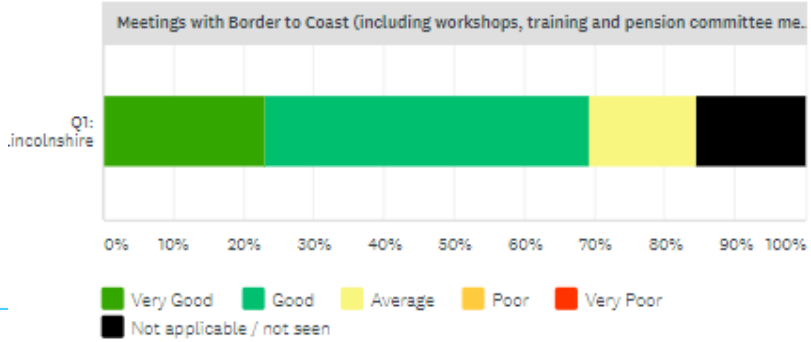








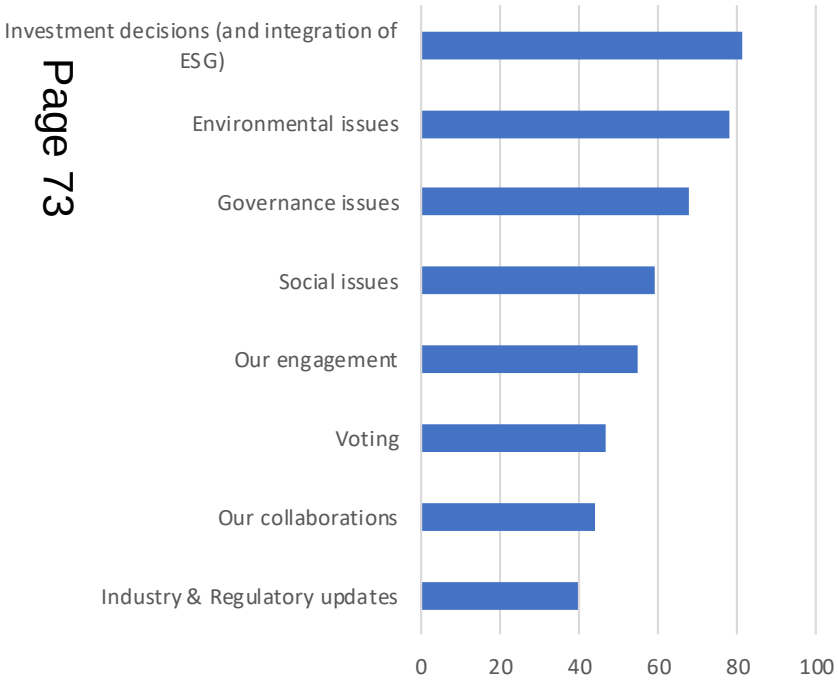


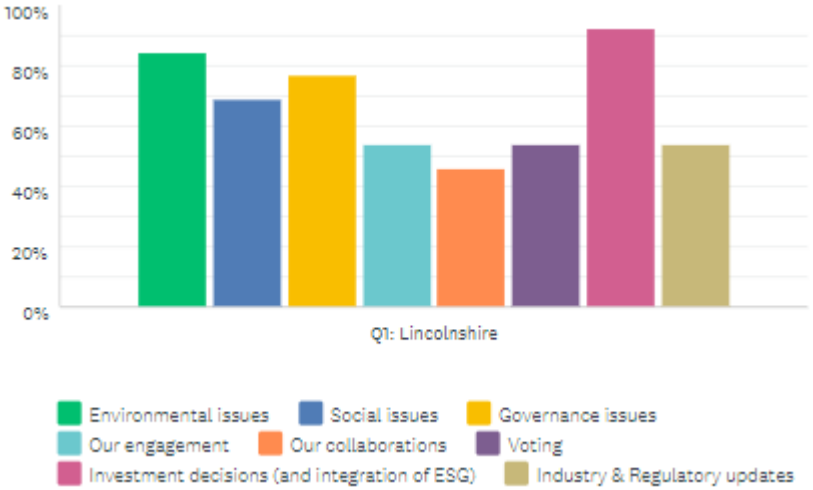


Survey analysis

Q5. We want to ensure we keep you up to date in what is a fast moving and evolving area. What RI issues you want to hear about?

- Overall, Partner Funds are most interested in how RI is integrated into investment decisions (and when investment decisions are made based on ESG considerations). The topics of interest were very similar regardless of their role.
- Within the comments, there was an acceptance that many of the issues were inter-related and selecting specific issues was a challenge (and may be inappropriate).

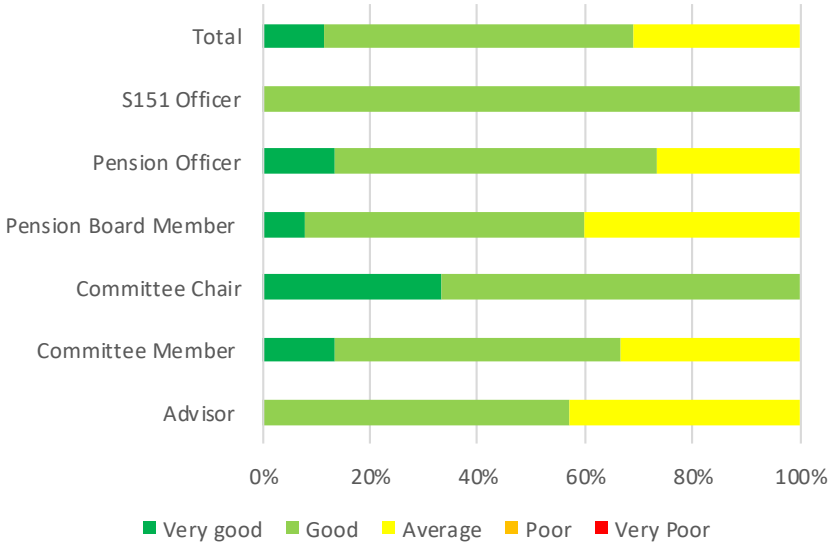


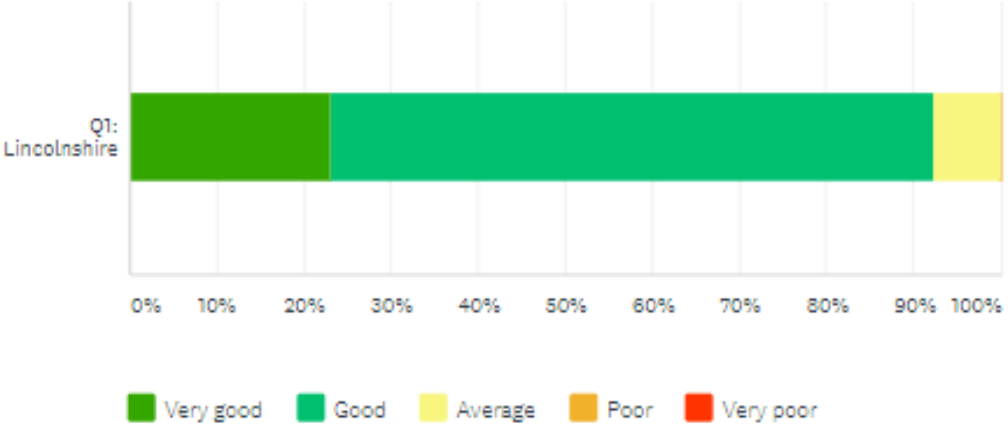


Survey analysis

Q6. Border to Coast develops its approach to RI in consultation with Officers and the Joint Committee. How well do you believe this is working?

- There is a high level of satisfaction across all audiences in how RI is collaboratively developed.
- Committee Chair and S151 Officers are the most satisfied; Advisors and Pension Board members are the least satisfied (with 40% believing the process is 'average').
- We received 18 comments. While many recognised the intent and effort to gain consensus, they equally recognised the challenge to achieve this. Given the importance of the issue several suggested that Border to Coast should provide the Partner Funds more leadership on this issue (while recognising the tension this could cause).

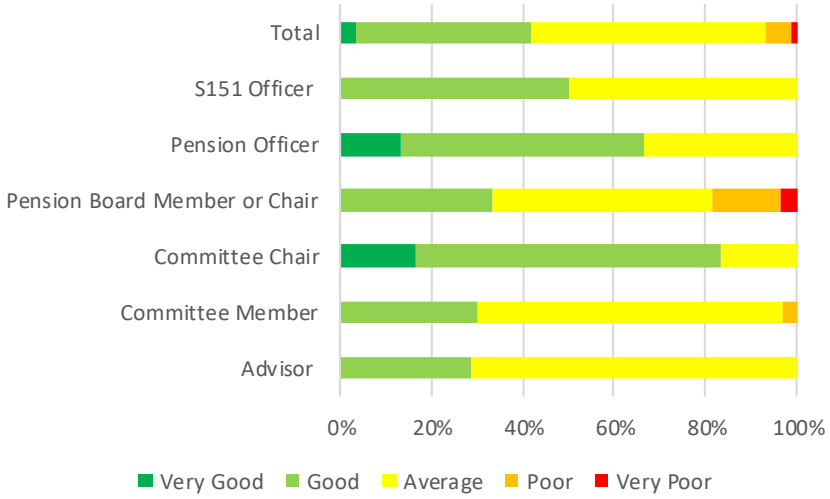


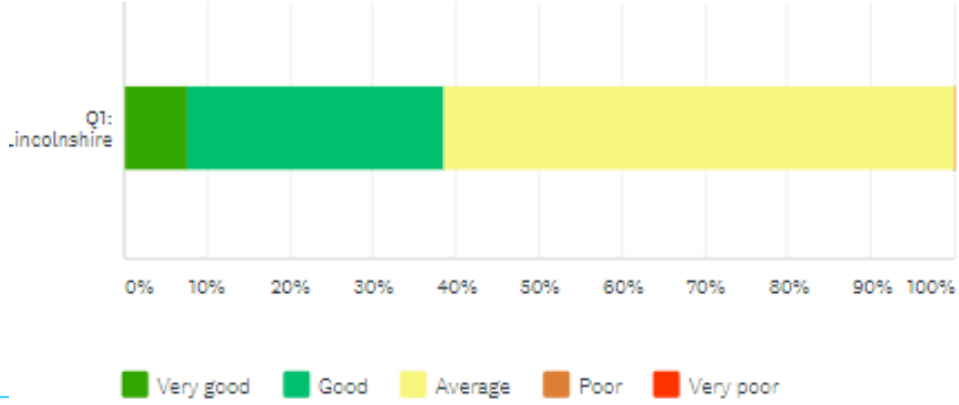


Survey analysis

Q7. How would you rate your understanding of how Border to Coast integrates RI into investment decisions and ongoing investment and corporate strategy?

- While Pension Officers and Committee Chairs have a high level of understanding in how Border to Coast integrates RI, this is not necessarily matched in the other audiences.
- We received 11 comments, most relating to data and insights. Several commented on the importance of RI but the challenges in embedding and reporting on RI in Private Markets.
- Others discussed the lack of transparency / communication in how Border to Coast implements RI in its investment decisions, portfolio/risk management, and ongoing investment strategy. There was an ask to better highlight this (both in its own right and to address the challenges by scheme members / pressure groups).



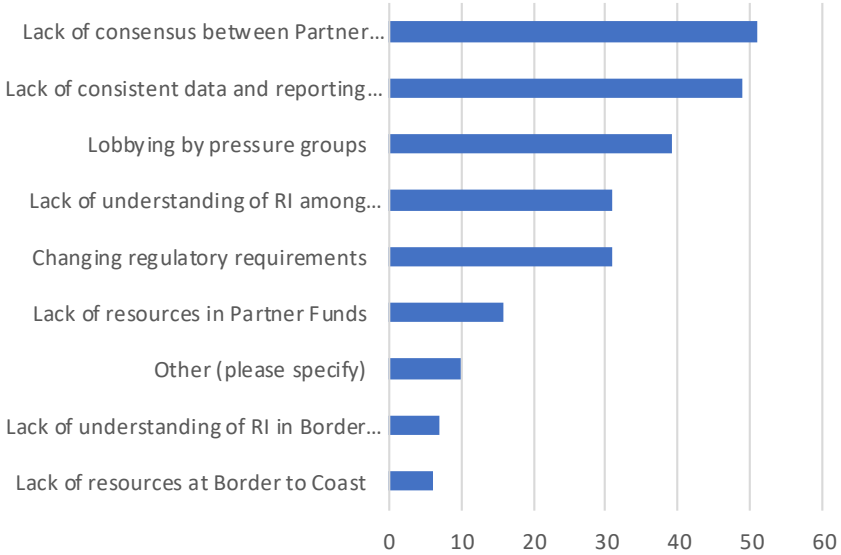


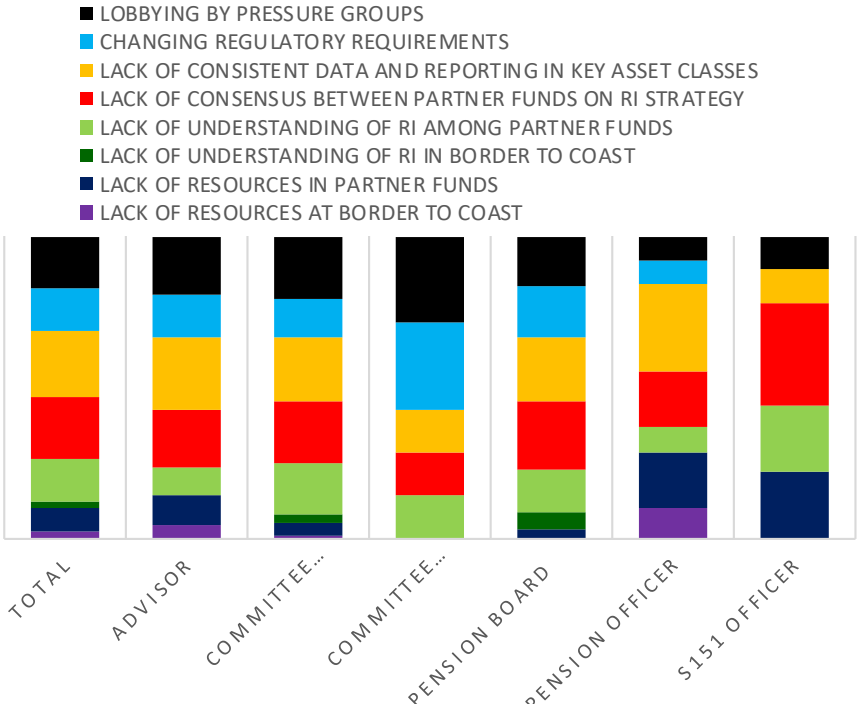
Survey analysis

Q.8 What do you see as the biggest challenges in further developing Border to Coast's RI strategy?

- As alluded in Q6, gaining consensus on RI is seen as the single largest challenge, although the lack of standardised data and reporting is a close second (perhaps related to increasing lobbying by pressure groups). While three quarters of respondents say their knowledge of RI is better than average, a lack of understanding of RI is seen as the fourth major risk.

- The 'other' comments related to a wide spread of issues – from the speed of change, robust data, opportunities for collaboration, and maintaining a commitment as we progress.





Survey analysis

Q9. The Joint Committee has asked Border to Coast to show leadership in RI. What would success in this look like to you?

We received nearly 70 comments, which can broadly be split into the following themes. To highlight the breadth of issues raised, the verbatims are in the appendix.

Strategy	Investment approach	Measures, targets & reporting	Climate change	Education
• There was agreement that we should have a well formulated and articulated strategy, with an appropriate governance to implement. • There was equally an acknowledgement that to achieve a 'leading' approach, supported by all, could be a challenge. • To achieve a 'leading' approach, there was an acceptance of the need for a "challenging debate" to gain consensus – and this position could then be used to clearly articulate our approach, drive understanding, and "manage the knee jerk reactions of pressure groups".	• There was consensus on the importance of RI in delivering long term and sustained investment returns – but with varying views on how to best achieve this. • A number of comments emphasised the importance of integrating RI in a considered manner, consistent with funds' fiduciary duty and avoiding being pressurised by 'populist' voices. • There were a handful of comments on divestment – oil and tobacco were mentioned.	• Give meaning to the aspirations by setting clear targets to enable RI issues - particularly on the environment - to be measured and monitored. • Robust reporting to ensure we meet our regulatory requirements; and to help manage the pressure from pressure groups whose aim is not the same as Partner Fund members • There were several comments on a desire for better evidence as to how ESG factors have been integrated into investment decisions, engagement and voting.	• A number reflected that there is a danger that, collectively, there has been too little work, done too late, on climate change. • A desire for a significant commitment towards Net Zero, supported by a clearly articulated action plan the delivery of which can be monitored by stakeholders	• Given the complexity and range of RI, there were several comments emphasising the importance of fully engaging and supporting the understanding of RI across all audiences (and in particular Committee and Pension Board members). • Border to Coast was seen as being well placed to facilitate this.

Survey analysis

Q10. Do you have any other thoughts or suggestions you'd like to share?

Of the 26 comments received, almost half highlighted the positive progress being made and the work of Border to Coast.

The other comments can be broadly divided into four main areas:

- **Collaboration:** the importance of Partner Funds and Border to Coast continuing to work in an open, transparent and collaborative manner to be successful.
- **Focus**: ensuring the importance of climate change doesn't drown out the other RI priorities; and that RI remains a mechanism to deliver long term, sustainable, returns rather than responding to political / pressure groups.
- **Additional Support:** support for the expansion of the Border to Coast RI team to provide further support for the Partner Funds.
- **Engagement**: ensuring the direct link with Border to Coast and Pension Committee and Pension Board members remains strong

Reflections & Next Steps

Survey analysis & feedback

- We will provide an analysis of each Partner Fund scores against the total survey. Given the limited numbers responding per fund, caution on interpreting these scores is required. Following on from this we welcome feedback on the results.

Education & Engagement

- While our RI updates are valued, they are not consistently seen by all. We need to collectively consider what the best way to rectify this.
- We need to evolve our updates – in particular through our Quarterly Stewardship and the new ESG Quarterly reports on how we implement and integrate RI.
- We have a series of education activities to help new members accelerate their understanding and insight of RI.

Our approach to RI

- The survey highlights the importance of dialogue and discussion in development and implementing a strategic and sustainable approach to RI. Upcoming activities include:
  - **July** - Joint Committee workshop on engagement themes & climate change
  - **September** – OOG RI workshop: RI Policy review
  - **October** – Annual Conference
  - **October** – OOG RI workshop: Net Zero

Verbatims

Q9. The Joint Committee has asked Border to Coast to show leadership in RI. What would success in this look like to you?

Strategy

- Challenging debate leading to a consensus approach.
- A common understanding of strategy and policy by committee members
- Agreement between partner funds
- A RI policy which partner funds really buy into and are prepared to defend/stand by when under pressure from activists
- Committee & Board members of Partner Funds understanding, and supporting, the RI decisions made by Border to Coast
- Helping funds achieve some level of alignment and consensus on RI that then translates into the investment products available
- Consensus if not unanimity of views of funds
- "Show Leadership" is sometimes used to suggest being in front of the curve and making bold decisions. I'm not entirely sure that this is where we should be. We should certainly be transparent and prepared to explain how decisions are reached.
- Demonstrable progress on agenda and 'ownership' across funds.
- A collaborative RI strategy with buy in from all partner funds
- Leadership is not always trying to be at the front of the bunch - it is taking a reasonable approach, on direction and pace - based on the stakeholders varying requirements whilst progressing the various issues within RI in a considered, progressive and managed way
- A well formulated and articulated strategy with appropriate governance to implement
- Best in class in percentage of esg investments. Clear policy and performance Managed against policy
- Understanding the aim is long term and doesn't require knee jerk reactions to pressure groups.
- Phew! This is a seminar in itself and obviously crucial. Developing a leading strategy that genuinely reflects the issues above in investment decisions, is not derailed by short term issues or pressure group noises off; is data/evidence based as far as possible; continues to make money for the partner funds; tries to foresee future developments-as per all investment decisions; punches its weight in lobbying companies to improve; gets closer to Govt to stop them making stupid decisions!

Investment Approach

- Investments that create a more positive social and economical impact and bringing a good return.
- Delivering top quartile net of fees investment performance based on investment decision-making with long-term RI at its core (rather than as a driver of the decision-making process in itself).
- A clear direction of travel towards increased investment in RI with target dates. And these being met.
- Approaching this in a 'considered' way, based on investment considerations, backed up with analysis, consistent with funds' fiduciary duty. No knee-jerk reactions or populist approach for the sake of it.
- Real change in investment policy with real action on Managers if policies not adhered to.
- Sustained financial success of investments
- Holding companies to account harnessing PFs collective voice to enhance LT sustainable performance for Funds.
- Ensure B2C continues to demonstrate that RI is a prime consideration for the fund along with investment returns

Verbatims

Q9. The Joint Committee has asked Border to Coast to show leadership in RI. What would success in this look like to you?

Measures, targets & reporting

- Border to Coast reporting back regularly to the joint committee regarding updates on progress made with RI , also making successful changes in the way Border to Coast operate and implement changes within the organisation.
- Bold targets and flexing muscle as a large investor to force change at asset management side.
- A good understanding of the key issues and policy approach by all Joint Committee members combined with consensus on a consistent approach across Partner Funds over the long term.
- Meeting regulatory requirements and ensuring that Governance issues are at the top of the agenda. Avoiding pressure from pressure groups whose aim is not the same as our members.
- Continuing collaboration, education and understanding of the issues and emerging practices.
- Taking a real stand against companies, investment houses and countries that violate ESG considerations.
- Give meaning to the aspirations by setting clear targets to enable RI issues - particularly on the environment - to be measured and monitored.
- Proven collaboration and engagement that resulted in positive outcomes for the pool and shareholder funds.
- Highest quality disclosures issued in a timely manor, effective support to partner funds.
- First class reporting identifying the improved outcomes from implementing an excellent RI strategy - e.g. improved performance, meeting carbon reduction targets (once agreed) etc.
- Delivering RI nirvana(!) - a position where taking RI issues into account in investment decision making becomes second nature to the extent that all investment is responsible investment. More realistically - successful leadership in RI can be demonstrated by continuing to demonstrate (usually) incremental improvements in measuring, reporting, engaging, communicating and collaborating on RI issues.
- Engaging with the wider industry to get better data (both in listed and private markets) so that we can set expectations and move from talking to doing.
- A far reaching RI Strategy that pushes the boundaries
- Clear understanding by Border to Coast of the key RI issues for the Funds and then delivering on these issues. Need to identify what the Fund's want first and then deliver against this. Also need to accept each fund may have a different approach.
- Responsive investments in RI that demonstrate members understand their role in changing the way we use our funds
- Confident approach and ROI
- Taming the under-informed lions outside BTCPP.
- A gradual withdrawal from non RI albeit some of these have good returns to be replaced by positive RI with improved returns over time. Continued pressure on organisations (voting, withdrawal of funds, etc) to drive change.
- The Board, Committee and officers all being reassured and satisfied that they are fulfilling their obligations in this context
- Consistent voting on ESG issues

Verbatims

Q9. The Joint Committee has asked Border to Coast to show leadership in RI. What would success in this look like to you?

Education

- Evidence that ESG factors are genuinely an integral part of investment decisions, engagement and voting. More communication possibly - see comments at 4 & 6 above
- My fully understanding the decision process and how BTC will provide a clear guide to its investment methodology
- Evidence of successful investment in innovative and ground breaking schemes, thereby bringing about wider change.
- Border to Coast being recognised as at the forefront rather than following trends
- Leadership implies others following. Most importantly this means PF's but also other pools and the wider investment community.
- A confident march towards addressing the challenges of the 21st century and properly harnessing the power of the £50 billion Border to Coast manages to that end. You will have a far better idea of the demographic of pension fund committees. I may be entirely mistaken but my hunch is that they are predominantly comprised of old white men and a few old white women. Somehow our pension funds have to be able to engage with change and with new opportunities in a rapidly changing world facing exceptional challenges over the next 40 years. Success to me will be the emergence of pension funds packed with educated and informed individuals who are confident that it is possible to both protect and grow pension funds AND protect the environment and improve the quality of life for everyone across the planet by investing purposefully.
- Finding ways to make lobby groups aware of legislative challenges committee members face
- PFC members and officers can meaningfully describe RI and what we are doing if put on spot. PFCs regularly attend sessions / get updates from BCPP which is the main way by which they learn about ESG.
- That sounds like a cop out by the Joint Committee. It could include provision of materials which helped schemes communicate a positive approach to ESG to scheme members.
- 1. Officers, Pension Fund Committee, Pension Board Members having a complete and engaging understanding of RI 2. Border to Coast being named in Journals / Press to raise awareness of Boarder to Coasts existence and their influence in the area of RI 3. Border to Coast engage with all 8 Pools and be the voice on RI collectively.
- Provide more help to partner funds on their RI issues. If your RI team had more resource it could: Have taken more of a leading rather than supporting role on partner fund stewardship code responses; co-ordinate RI related information to deal with FOI's; be more proactive in developing RI investment solutions, including how they are badged (e.g. uk equity alpha is undergoing a big change, which has created an opportunity to strengthen RI, which could be to make it a more apparent aspect of the fund, rename it as sustainable etc); take the lead on dealing with RI issues affecting Border to Coast and the partner funds including the recent e-mail from Ewan (which does the opposite).

Verbatims

Q9. The Joint Committee has asked Border to Coast to show leadership in RI. What would success in this look like to you?

Climate change

- A Net Zero 2030 target - one of the top 3 priorities Work streams to establish the best ways to get there Stronger PR Big emphasis on evidence and metrics
- Have no investments related to tobacco
- A significant commitment towards Net Zero, supported by a clearly articulated action plan the delivery of which can be monitored by stakeholders
- Reduced investment in fossil fuels
- Exiting fossil fuels would be a start
- When a plan is confirmed for all investments are immediately environmentally friendly and zero carbon by 2050
- Gradual disinvestment in tobacco products
- Partner Funds setting challenging targets that support climate change mitigation. Much of the work in this area seems likely to be too little too late.
- Demonstrating how the border to coast fund is forward looking to address climate change situation and choosing which investment portfolios they choose
- Reduction in fossil fuel investment to nil
- Disinvestment, and publicise this! .... of course, we're not going to sell out of the big oil companies (immediately), but to be able to say to the members "we're deliberately not invested in XXXX because of YYYY" would show leadership

Other

- To exert influence in the direction of travel of RI legislation and policy. There to be tangible outcomes from engagement.
- Would there be an appropriate Award to aim for? Or maybe commendation in some influential journal?

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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Pensions Committee**
Date:	**15 July 2021**
Subject:	**Pensions Administration Report**

Summary:

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

Yunus Gajra, the Assistant Director (Finance, Governance and Administration) from WYPF, will update the Committee on current administration issues.

Recommendation(s):

That the Committee note the report.

Background

1.0 Performance and Benchmarking

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

1.2 The table below shows the performance against key areas of work for the period 1 January 2021 to 31 March 2021.

KPI's for the period 1.1.21 to 31.3.21						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
AVC In-house (General)	45	20	42	85	93.33	9.73
Age 55 Increase to Pension	1	Next Payroll	1	85	100	26
Change of Address	256	10	247	85	96.48	1.62

KPI's for the period 1.1.21 to 31.3.21						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
Change of Bank Details	62	Next Payroll	62	85	100	2.85
DWP request for Information	1	20	1	85	100	1
Death Grant Nomination Form Received	543	20	541	85	99.63	3.09
Death Grant to Set Up	34	5	32	85	94.18	3.32
Death In Retirement	186	5	169	85	90.86	2.95
Death In Service	7	5	6	85	85.71	3
Death on Deferred	11	5	11	85	100	1.36
Deferred Benefits Into Payment Actual	223	5	210	90	94.17	1.61
Deferred Benefits Into Payment Quote	255	35	232	85	90.98	12.31
Deferred Benefits Set Up on Leaving	500	20	482	85	96.4	7.89
Divorce Quote	41	20	38	85	92.68	9.29
Divorce Settlement Pension Sharing order Implemented	1	80	1	100	100	1
Enquiry	15	5	14	85	93.33	1
Estimates for Deferred Benefits into Payment	8	10	7	90	87.5	4.5
General Payroll Changes	92	Next Payroll	92	85	100	1
Initial Letter Death in Service	7	5	7	85	100	1
Initial letter Death in Retirement	186	5	182	85	97.85	1.03
Initial letter Death on Deferred	11	5	10	85	90.91	21.82
Life Certificate Received	1	10	1	85	100	1
Monthly Posting	724	10	701	95	96.82	1.83
NI adjustment to Pension at State Pension Age	17	Next Payroll	17	85	100	9.65
Payment of Spouses _Child Benefits	73	10	71	90	97.26	6.36
Pension Estimate	134	10	123	75	91.79	3.66
Pension Saving Statement	2	20	2	100	100	1

KPI's for the period 1.1.21 to 31.3.21						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
Phone Call Received	1167	3	1156	95	99.06	1
Refund Actual	113	10	112	95	99.12	1
Refund Quote	145	35	143	85	98.62	12.17
Retirement Actual	136	3	134	90	98.53	1
Set Up New Spouse Pension	73	5	66	85	90.41	4
Spouse Potential	6	20	6	85	100	9.17
Transfer In Actual	27	35	27	85	100	2.07
Transfer In Quote	54	35	54	85	100	2.52
Transfer Out Payment	10	35	9	85	90	20.7
Transfer Out Quote	78	20	71	85	91.03	5.41
Update Member Details	575	20	572	100	99.48	1

2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	22,915	26,001	370	24,882	2,494
Percentage of Membership	29.89	33.92	0.48	32.46	3.25
Change from Last Quarter	+58	-262	-170	+400	-29

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	251	1548	1555	1985	2501	2777	3452	3757	3057	1660	295	77	22915

2.3 Employer Activity - During 1 January 2021 to 31 March 2021

New Academies and Education Trusts	4
New Town and Parish Council	0
New Admission Bodies	1
Total of New Employer	**5**
Employers Exited	0
Total Numbers of employers	**293**

3.0 Member and Employer Contact

3.1 Over the quarter January to March we received **0** online customer responses.

Over the quarter January to March **119** Lincolnshire member's sample survey letters were sent out and **20 (16.9%)** returned:

Overall Customer Satisfaction Score:

January to March 2020	April to June 2020	July to September 2020	October to December 2020	January to March 2021
78.7%	92.7%	94.9%	82.1%	86.8%

Appendix A – Customer survey results.

3.2 Employer Training

Over the quarter 1 January 2021 to 31 March 2021 we held six Employer webcasts which were attended by Employers across all four Funds that WYPF administer.

4.0 Internal Disputes Resolution Procedures

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

<u>Stage 1 appeals against the fund</u>

No appeals currently outstanding.

Stage 1 appeals against scheme employers

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

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
2/12/2020	Appeal against being refused an ill health pension.	Referred to Serco as the scheme employer. 2nd medical review being arranged.	
7/1/2021	Delays in payments of benefits.	Delays in payment due to admin problems with Prudential. WYPF writing to Pru to ask them to offer compensation to member.	29/3/2021

Stage 2 appeals

No appeals currently outstanding.

Ombudsman

No cases currently outstanding.

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 members records. The issues are affecting the whole of the LGPS sector. A number of complaints have been received from the Fund's members.

WYPF have been in touch with Prudential and escalated the issues to their senior management and their response was:

Payment of claims
Within our claims team we've implemented additional staff and overtime working.

We are aware that when AVC claims are not paid in a timely manner, this directly affects the payment of main scheme benefits to the member. This is therefore a very

high priority. Where there has been a delay in processing payment of claims, we'll make sure the member claim is not disadvantaged.

Prudential expect the service for claims to be back to normal service levels by early April.

Delays to investment of contribution
We've deployed additional expert resources to the teams that manage contribution listings and payments.

Where an investment has been delayed through slow processing, we'll make sure investment of the funds is backdated to the date they were originally received by us.

Prudential expect normal turnaround times for investment to be in place by early April.

Telephony response times
Unfortunately, there have been longer than normal wait times for scheme members to speak to us. The service has been impacted by ongoing home working but we are in the process of increasing the number of people available to answer calls. It will take a few months for the wait times to reduce and we expect to be back to normal by June.

As mentioned above, Prudential do expect it to take some time for all services to return to normal and we will let you know if there are other delays. It's important that we are clear with you about the challenges we've experienced, and to reassure you that for any delayed member transaction, the member will not experience any financial detriment.

Unfortunately, the timescales for resolving these issues, as quoted in the Prudential response above have not been met and we continue to experience problems in all areas. The latest response from Prudential indicates that they are still working on a service recovery plan and as a consequence there will be a delay in providing the annual scheme information and Annual Benefit Statements to members of at least 8 weeks. A copy of the letter received from Prudential is attached at **Appendix B**.

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.

5.2 Employer Work

During this period WYPF worked on 10 new Academies/Prime location schools and 6 new admission bodies.

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

This year statements will be issued electronically. Members will be 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.

5.4 Audits undertaken by Bradford Councils Internal Audit:

a) Transfers In

It is audit's opinion that the standard of control of identified risks in the system is **excellent.**

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.

Internal Audit made no recommendations for improvement.

5.5 Staffing

WYPF is in the middle of a big recruitment campaign to replace staff that have retired or left as well as recruiting to new posts under their revised structure. A number of appointments have been made whilst a number of posts are currently out to advert.

5.6 Two new Fire clients, Northamptonshire and Cambridgeshire will join WYPF's administration from 1st July 2021. This will bring the total number of Fire Authorities under administration to 21.

6.0 Current Technical Issues

See Appendix C.

7.0 Web Registrations

The number of members registered for online member web are:

Active	4,226	18.44%
Deferred	3,352	12.89%
Pensioner	4,404	17.70%

8.0 Shared Service Budget

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

WYPF PENSION ADMIN	2019/20 OUTTURN PD13 £000	2020/21 BUDGET £000	2020/21 OUTTURN PD13 £000	2020/21 VAR BGT - PD13 FAV (ADV) £000	2021/22 BUDGET £000	2021/22 FORECAST £000
Accommodation	358	282	288	-6	230	210
Actuary	165	0	0	0	0	0
Computer	297	165	453	-288	300	350
Contingency	0	0	0	0	50	120
Employees	3,532	5,546	5,314	232	6,477	6,278
Internal Recharge	1,722	-700	-691	-9	-736	-646
Other Running Costs	142	167	211	-44	140	150
Transaction Costs	0	0	0	0	0	0
Printing & Stationery	512	651	495	156	490	489
Admin strategy	0	0	0	0	0	0
TOTAL EXPENDITURE	6,728	6,111	6,070	41	6,951	6,951
TOTAL MEMBERS	**423,929**	**423,929**	**443,432**		**464,056**	**464,056**
PARTNERS MEMBERS			**145,124**		**145,124**	**145,124**
WYPF MEMBERS			**298,308**			
Cost per member	**£15.87**	**£14.42**	**£13.69**		**£14.98**	**£14.98**
WYPF Income	-4,763	-3,775	-4,002	227	-4,275	-4,601
Other Income	-40	-36	-88	52	-176	-176
Shared Service Income	-1,925	-2,300	-1,980	-320	-2,500	-2,174
TOTAL INCOME	-6,728	-6,111	-6,070	-41	-6,951	-6,951

The 2020/21 final cost per member of £13.69 means a reduction of £2.91 (17.5%) against projected charge in May 2020 of £16.60, means all partners will receive a refund for 2020/21 financial year.

Savings delivered to shared service partners. Over the last 5 years, 2016/17 to 2020/21 we have delivered savings of over £5m for pension admin shared services before inflation and increased members (table below).

SHARED SERVICE FINANCIAL PERFORMANCE	TOTAL MEMBERS	% INCREASE IN MEMBERS	LPF MEMBERS	CONTRACT MAX CHARGE NO INFLATION	ACTUAL CHARGE PER MEMBER	SAVINGS (MAX LESS ACTUAL x MBRS)	LPF SHARE OF SAVINGS
2016/17	373,472	2.91%	76,212	£17.00	£13.70	1,232,458	251,500
2017/18	377,454	1.05%	77,479	£17.00	£14.35	1,000,253	205,319
2018/19	418,141	9.73%	77,042	£17.00	£15.01	832,101	153,314
2019/20	425,483	1.73%	76,734	£17.00	£15.87	480,796	86,709
2020/21	464,037	8.31%	76,770	£17.00	£13.68	1,540,603	254,876
						5,086,210	951,718

8.2 Lincolnshire projected shared service charges

Lincolnshire LGPS	MEMBER No	NUMBER OF MONTHS	BUDGET PER MEMBER	2021/22 BUDGET
Lincolnshire LGPS	76,770	12	£14.87	£1,141,569.90

9.0 Awards

WYPF has been shortlisted by Pensions Age under the following categories:

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

Winners will be announced at a ceremony in London on 15 July 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 Reponses
Appendix B	Letter from Prudential
Appendix C	Technical issues

Background Papers

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

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

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Customer Survey Results - Lincolnshire Members
(1st January to 31st March 2021)

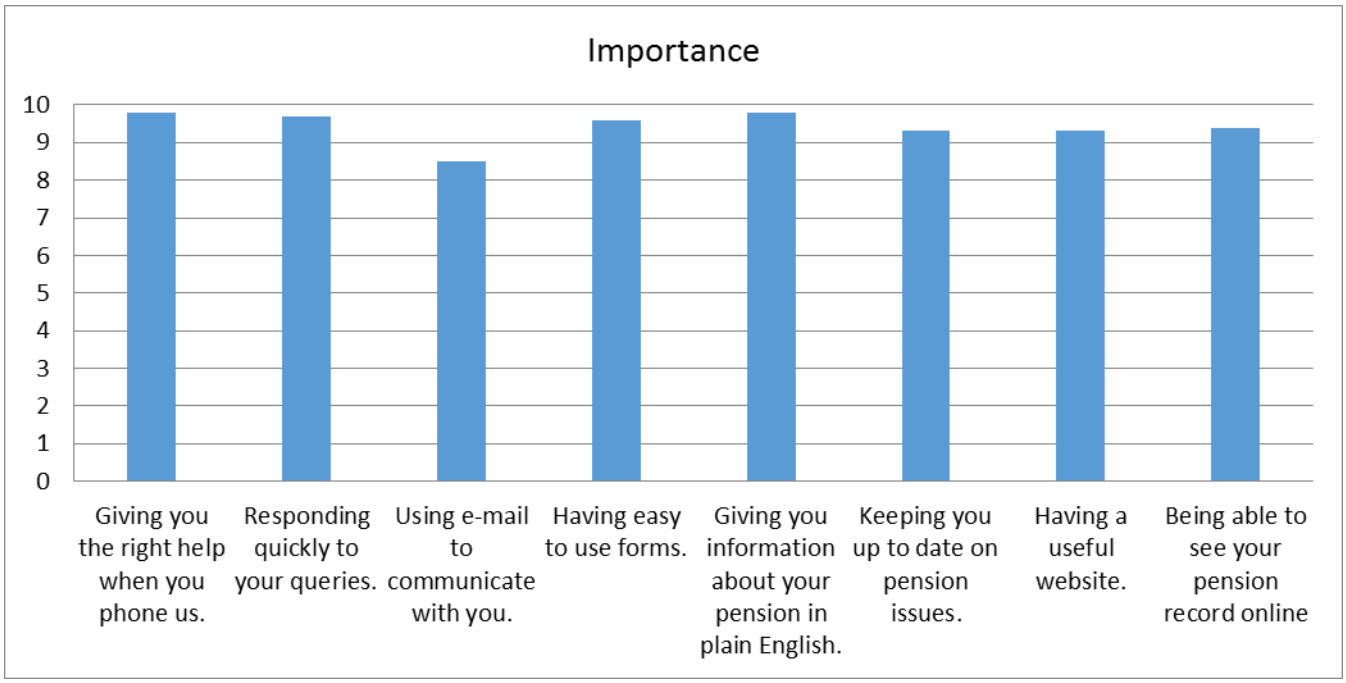
Over the quarter January to March we received **0** online customer responses.

Over the quarter January to March **119** Lincolnshire member's sample survey letters were sent out and **20 (16.9%)** returned:

Overall Customer Satisfaction Score;

January to March 2020	April to June 2020	July to September 2020	October to December 2020	January to March 2021
78.7%	92.7%	94.9%	82.1%	86.8%

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



Sample of positive comments:

Member Number	Comments
8038636 Email	Hello, I just wanted to pass on my thanks to everyone who has helped and supported me through the process of applying for my ill health retirement. You have all been professional, courteous and very knowledgeable while also showing empathy. It has been an extremely stressful time for me, so I have really appreciated it. I would appreciate if you could please forward this to the team as I'm not sure of the names of those who dealt with my claim.
8054270	The service provided by your staff was very professional especially when they working from home. I would like to thank your staff member who contacted me and dealt my pension and sorted my queries and put everything in place for my pension payments.
8053109	Always helpful when I contacted by phone. Gentleman Dave who I spoke to regularly was efficient, pleasant and helpful.
8074792	Excellent, painful time made easier. No complaints, all well, thank you

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
8105682	My recent call was concerning, paying tax on my very small pension, I got passed off to revenue but they are no help, as they don't like to speak to you, I was unaware that I suppose to pay a tax on this small amount. I am unhappy.	Spoke to member on the phone and explained we have to use the tax code issued by the tax office. He said he was ok wit it now. He was just annoyed at the time because he had claimed job seekers which they reduced by the full amount of his pension even though he was being taxed. He doesn't want to take this any further now but appreciates my call.
8124099	Stressful. Transition of my pension was most difficult and stressful process, I have ever had to go through.	Thank you for taking the time to complete and return our customer feedback form. I have reviewed your file and appreciate the feedback regarding the transfer of your pension to the Teachers Pension Scheme. Legislation requires that we produce a transfer quote within 3 months of receipt of the request and issue within 10 days of the guarantee date. In order to reduce the time spent following up forms from other schemes, the team who deal with transfers out are currently working on the internal systems we have in place to ensure that we are minimising the turn around time as much as is possible.

		I appreciate your taking the time to give me your feedback and assure you that we are always trying to improve our service.

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Pru
part of M&G plc

«TITLE» «FIRSTNAME» «LASTNAME»
«ADDRESS1»
«ADDRESS2»
«ADDRESS3»
«ADDRESS4»
«POSTCODE»

Our Reference:
CPHLR0521/1

Plan name:
<Plan name>

Plan number:
<Plan number>

June 2021

Dear Pension Manager

Our service performance

As you may be aware, we have experienced some delays in the processing of investments and claims. I am very sorry for the impact of these delays on you as a client of Prudential and upon your scheme members.

We are working through a service recovery plan which aims to bring our service levels back to normal, and provide you and your members with the quality of support you deserve.

To help with this recovery, we have recruited additional colleagues to improve the performance in all areas.

We have made material improvements over the last year to the processing time for a retirement claim, and I expect this to continue to improve. However, there are some older claims we are addressing as a matter of priority.

Complaints

Affected members have rightly taken action to complain to us about the service received. We are addressing these complaints and, where appropriate, paying compensation.

Contribution processing

We have also experienced delays in the processing of contributions. We have taken action to ensure that where an investment has been delayed, the date of processing reflects the date of receipt, rather than the date of processing; ensuring that scheme members are not 'out of market' for a significant period of time.

One of the challenges we have experienced in dealing with the backlog of processing is that contributions and the supporting data provided by payroll administrators are not always correctly referenced or have incomplete data. The payroll administrators have been contacted for additional information where required. We will be doing more work with them to improve the format and referencing of payments and data. This will, in turn, help us to improve the service we provide.

Scheme Revisions and Annual Benefit Statements

As a consequence of the servicing delays outlined above, unfortunately there is a timing impact on the production of the annual scheme revision information and Annual Benefit Statements. The provision of your scheme annual revision information is expected to be at least 8 weeks later than usual.

I am very conscious of the impact delays of this kind have on you and your members. We are working to produce the scheme revision information and Annual Benefit Statements as quickly as possible.

I know this information will be unwelcome and I'm sure, will cause additional concern to you as a client of Prudential. We have informed the Pensions Regulator of the delays and challenges you and your members have experienced.

I would like to re-affirm our commitment to improving the service we provide to you and your members, and we will update you regularly on our progress.

Yours faithfully

Clare Bousfield
Director of Prudential Assurance Company Limited

Appendix C

Current 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 will be 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.

We have been working with the Scheme Advisory Board's secretariat to respond to concerns about confidentiality, clarity and timing of the final request (expected sometime in May 2021).

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 (see Bulletin 208).

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.

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.

You can read the LGPC response on –

- the non-scheme consultations page of www.lgpsregs.org

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.

PDP issues ITT for dashboard digital architecture

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.

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.

Panels and Independent Financial Advisers guidance

On 18 March 2021, the Pensions Ombudsman (TPO) published its Panels and Independent Financial Advisers guidance.

Historically, pension scheme administrators, trustees and employers have expressed concern about the scope of their responsibilities in providing financial advice to members and have hesitated in recommending or facilitating access to particular financial advisers. TPO's guidance on this topic sets out its approach to the provision of factual information in respect of independent financial advisers.

Anthony Arter, Pensions Ombudsman said: "In these complex and challenging times, it is important that scheme members know where to turn for help when they are considering their pension options and/or are planning for their retirement. Obtaining independent financial advice is not always easy for members of pension schemes. Pension schemes have difficult decisions to make when they disseminate complex information. I am often asked for my views where a scheme ponders establishing a panel of independent financial advisers. My office has set out some information to assist schemes and their members, which I hope will be helpful."

At the meeting of the National LGPS Technical Group on 5 March 2021, the group discussed the possibility of administering authorities having access to a panel of independent financial advisers (see item 19 of the minutes). The group has asked the Scheme Advisory Board (SAB) in England and Wales to consider this matter.

Discussions are currently underway between the SAB and the National LGPS11 Frameworks, on the feasibility of an Independent Financial Advice framework. This would be for providers who are willing to undergo LGPS specific training.

New code of practice consultation

On 17 March 2021, TPR launched its New Code of Practice consultation. The consultation closes on 26 May 2021.

The draft new code consolidates (with updates and amendments) most of the existing codes of practice (including the public service code of practice 14) into a new online code providing a single up-to-date and consistent source of information.

The other codes will be consolidated into the single code at a later date, subject to further consultation.
TPR will also be carrying out a series of engagement activities to provide more details about the new code and hear views from industry experts, including a virtual workshop at the end of April 2021.
We will be responding to the consultation in due course and will share our response in advance of the closing date.

Pension funds to step up reporting to stop scammers

On 25 March 2021, TPR called on the pensions industry to raise the alarm over suspected scams, following a concerning long-term drop in reporting.

Data from the national fraud and cybercrime reporting centre, Action Fraud, shows a steady fall in pension scam reports from 1,788 in 2014 to 358 in 2020, an almost 80 per cent reduction.

While there has been a slight rise in reporting so far in 2021, TPR is calling on the industry to be on high alert for criminal or suspicious activity and to sign up to its Pledge campaign to help combat 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.

Budget 2021

The Chancellor, Rishi Sunak, delivered the Budget on 3 March 2021. The main areas affecting pensions are mentioned below:

Lifetime allowance frozen until 2026

The lifetime allowance is frozen at £1,073,100 until the end of the 2025/26 tax year. As the allowance is not reducing, the Government has confirmed there is no need for transitional protection.

No response on Pensions Tax Administration Call for Evidence

There was no response to the Pensions Tax Administration Call for Evidence. During the summer of 2020, the Government sought views on how different methods of tax relief operated by pension schemes affect the take-home pay of low earning individuals.

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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Pensions Committee**
Date:	**15 July 2021**
Subject:	**Employer Monthly Submissions Update**

Summary:

This paper provides the Committee with up-to-date information on Employer Monthly Submissions for the fourth quarter of the financial year 2020/21 (January to March inclusive).

Recommendation(s):

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

Background

1.1 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 2020 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 March 2021

Month	Payment of Contributions		Submission of Data		Payment of Conts & Submission of Data		Data and Payments do not Match / Incorrect Rate	
April	*3*	*1.1%*	*14*	*5.1%*	*4*	*1.5%*	*2*	*0.7%*
May	*0*	*0.0%*	*2*	*0.7%*	*1*	*0.4%*	*5*	*1.8%*
June	*5*	*1.8%*	*8*	*2.9%*	*3*	*1.1%*	*0*	*0.0%*
July	*3*	*1.1%*	*8*	*3.0%*	*1*	*0.4%*	*0*	*0.0%*
August	*1*	*0.4%*	*14*	*5.2%*	*0*	*0.0%*	*6*	*2.2%*
September	*1*	*0.4%*	*11*	*4.1%*	*1*	*0.4%*	*3*	*1.1%*
October	*5*	*1.9%*	*18*	*6.7%*	*1*	*0.4%*	*2*	*0.7%*
November	*0*	*0.0%*	*22*	*8.2%*	*1*	*0.4%*	*4*	*1.5%*
December	*0*	*0.0%*	*8*	*3.0%*	*1*	*0.4%*	*3*	*1.1%*
January	1	0.4%	0	0.0%	0	0.0%	1	0.4%
February	1	0.4%	3	1.1%	0	0.0%	1	0.4%
March	0	0.0%	3	1.1%	0	0.0%	1	0.4%
Total	**20**		**111**		**13**		**28**	

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

1.6 The final quarter of 2020/21 has seen good compliance from all employers. The issues seen earlier in the financial year for one of the Fund's larger payroll providers was fully resolved for the quarter four submissions.

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

1.8 If any employer makes contribution payments or submits data late in three out of six months on a rolling basis, they will receive a fine, unless they are able to offer extenuating circumstances. Fines are currently set at a minimum of £136. Table two sets out the number of fines issued since April 2020. There have been no fines issued in the quarter January to March 2021.

Table Two: Late contributions fines to March 2021

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

Conclusion

2.1 This report provides quarterly monitoring information on the timeliness and accuracy of employer submissions to help the Pensions Committee understand if there are any issues arising from late payments or data 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 four 2020/21 (January to March 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.

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Late Contributions and Payments January to March 2021

January 2021

Employer	Late Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
G4S	Yes	24/02/2021					
ANCASTER CofE PRIMARY							Yes
	Total = 1		Total = 0		Total = 0		Total = 1

February 2021

Employer	Late Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
JOHN SPENDLUFFE SCHOOL, ALFORD	Yes	26/03/2021					
LINCOLN COLLEGE			Yes	23/03/2021			
MELLORS CATERING SERVICES			Yes	24/03/2021			
WITHAM 3RD INTERNAL DRAINAGE BOARD			Yes	24/03/2021			
ANCASTER CofE PRIMARY							Yes
	Total = 1		Total = 3		Total = 0		Total = 1

March 2021

Employer	Late Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
CATERLINK			Yes	27/04/2021			
CATERLINK (SOUTH WITHAM)			Yes	27/04/2021			
CATERLINK (WALTON GIRLS HIGH SCHOOL)			Yes	27/04/2021			
THE KINGS SCHOOL, GRANTHAM							Yes
	Total = 0		Total = 3		Total = 0		Total = 1

Appendix A

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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Pensions Committee**
Date:	**15 July 2021**
Subject:	**Lincolnshire Pension Fund Risk Register**

Summary:

This report presents the Pension Fund Risk Register and Risk Policy to the Committee for annual review and approval.

Recommendation(s):

That the Committee:

1) review and approve the risk management policy; and
2) review and approve the risk register.

Background

1. Committee members will understand the importance of looking at risk as part of the normal Member training that the Council provides. Given the size and importance of the Pension Fund, it is best practice to have a separate risk register considering the key risks that can impact the Fund and how they can be mitigated, if at all possible. The risk register is reviewed annually at this Committee, and any additional changes or updates are reported in the quarterly Fund Update reports.

2. The risk management policy, which is a formal record of the Fund's appetite for risk, its risk management structures and its approach to risk management, is attached at appendix A. There have been no changes to this policy since its review last year.

3. Appendix B is the Pension Fund risk register. This has been updated to reflect the new risk register template of the Council. The risks are split across four areas – Governance (4 risks), Investments and Funding (10 risks) Operational (15 risks) and People (1 risk).

4. The Fund risk register follows the new format of the Council's risk registers. To assist in understanding the risk register, the first risk on the register and the associated columns are described below:

- No. – an identifying number
- Risk owner – person responsible overall
- Risk description
- Risk appetite (not yet completed)
- Current risk score – based on likelihood and impact
- Target risk score – based on likelihood and impact
- Assurance status – high, substantial, limited or low
- Assurance direction of travel – improving, static or declining
- Actions – what existing or new and developing controls are in place
- Notes/comments

5. The risk appetite definitions are set out below:

Averse	Cautious	Creative & Aware	Opportunist	(Mature) Hungry
Preference for safe business delivery options that have a low degree of **inherent** risk and only a potential for limited reward.	Preference for safe delivery options that have a medium degree of **residual** risk and may only have limited potential for reward.	Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing a good level of reward.	Collaborative approach to recognise and drive the opportunities that lead to the development of economic and business sustainability and improvement – not taking the tried and tested route – looking for upside risk	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.
Safe delivery options – not willing to accept risk in most circumstances – reluctant to take action given uncertainty – highly likely to be influenced by experience	Willing to accept some risk – but prefer safe options – minimising risk exposure with tight corporate controls over change	Creative and open to considering all potential delivery options, with well measured risk taking whilst being aware of the impact of its key decisions. 'No surprises' risk culture		Willing to accept opportunities and delivery options with high inherent risk. Recognise that not all risks will be known

6. The risk appetite is a new addition, and is something that the LCC Risk team are currently working with at CLT level, this will then cascade to directorates/individual services on identifying their own risk appetite for their areas, which will fall in line following the session with CLT. Therefore this column is left blank at this time.

7. The Committee would need to be satisfied that they were comfortable with the controls in place for each risk identified, understanding that there will always be some risks that cannot be fully mitigated.

Conclusion

8. It is considered best practice to have identified the high level risks associated with managing a Pension Fund and to have put appropriate controls in place, and to set out a Risk Management Policy and Risk Register.

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	Risk Management Policy
Appendix B	Pension Fund Risk Register July 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 Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.

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Risk Management Policy

RISK MANAGEMENT POLICY

Lincolnshire County Council, as the Administering Authority of the Lincolnshire Pension Fund (the Fund), is aware that some risks will always exist and will never be eliminated.

Against this background, and within the overall risk strategy of the County Council, the Fund recognises it has a moral and statutory duty to manage risk with a view to protecting its assets and the benefits due to the scheme members, and supporting its employers.

The Fund will meet this duty by adopting best practice risk management (RM) which will support a structured and focused approach to managing risks, and ensuring risk management is an integral part in the governance of the Fund at a strategic and operational level.

The overall aim is to embed risk management into the processes and culture of the Fund to help it achieve its objectives and enhance the value of services the Fund provides to scheme members and employers.

THE FUND'S RM OBJECTIVES

The Fund's RM objectives are to:

- integrate risk management into the culture and day-to-day activities of the Fund;
- raise awareness of the need for risk management by all those connected with the delivery of services (including partners, delivery agents and those involved in any form of collaborative delivery of services);
- enable the Fund to anticipate and respond positively to change;
- minimise loss and inconvenience to employers and scheme members arising from, or connected with, the delivery of Pension Fund services;
- establish and maintain a robust process for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice; and
- ensure consistent application of the Fund's RM methodology.

KEY MECHANISMS FOR DELIVERY

To demonstrate the Fund's clear commitment to achieving the objectives of the risk management strategy, the Fund has identified the key mechanisms through which they will be delivered. These objectives will be achieved by:

- maintaining clear roles, responsibilities and reporting lines within the Fund for risk management;
- maintaining adequate representation at departmental and corporate level, and also across the LGPS, so that risks may be freely communicated, experience pooled and information, guidance or procedures that may have a significant impact on the Fund's risk may be considered;
- promoting excellence in risk management;
- ensuring that risk management is explicitly considered in all policy decisions, partnerships, projects and key planning processes;
- maintaining a risk register for risks arising across all aspects of managing the Fund, and ensuring that the process assesses risks for likelihood and impact, identifies owners and mitigating controls and ensures that they are reviewed at least annually – ensuring that these are adequately documented and regularly reviewed in the light of changing circumstances;
- providing opportunities for shared learning on risk management across the LGPS, and with partners and stakeholders where appropriate;
- reinforcing the importance of effective risk management as part of the everyday work of employees, and that employees, officers and members are adequately informed and receive training about the risks within their own working environment; and
- regularly monitoring, reporting and independently reviewing the Fund's arrangements.

The Fund recognises the breadth and complexity of the service that it delivers, and also of the mechanisms by which they are delivered. Further support, advice and guidance can also be obtained from the Head of Pensions.

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Risk Register - Pension Fund

Version: 2.1

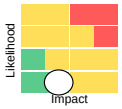
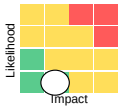
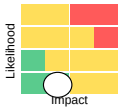
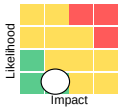
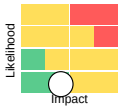
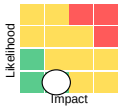
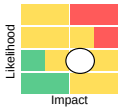
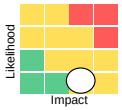
Reviewed: Quarterly (reported to Pensions Committee and Pension Board)

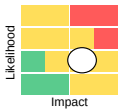
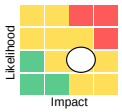
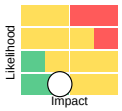
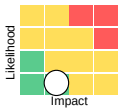
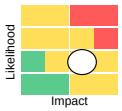
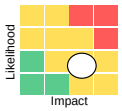
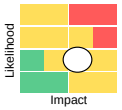
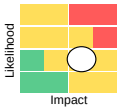
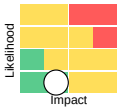
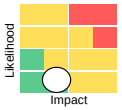
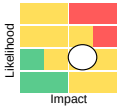
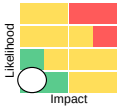
Service Objectives:

1. **Ensure there are enough assets to cover liabilities in the long term**
2. **To prepare the statutory accounts for the Pension Fund to the agreed timetable and with an unqualified audit.**
3. **To monitor all investments to ensure they are fit for purpose and within the targeted risk and return levels**
4. **To monitor the external investment managers and service providers to ensure they are acting within their IMA and/or SLA**
5. **To ensure that there is sufficient liquidity available to pay drawdowns on the Funds commitments and pensions due**
6. **To work in partnership with WYPF to ensure an effective and efficient Pensions Administration Service is provided**
7. **To work in partnership with WYPF to support the employers and scheme members**

Owner : Head of Pensions

Lincolnshire COUNTY COUNCIL *Working for a better future*

No.	Risk Owner	Risk Description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept - insert the appetite that relates to the risk)	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
Governance									
G1	Head of Pensions	Governance requirements are not met.				**High**	→	**Existing** • Governance compliance statement • Pension Committee reporting • Monthly member letter • Investment Strategy Statement • Funding Strategy Statement • Trained Committee members and officers • Pension Board **New & Developing** • SAB Good Governance requirements implementation • Fund governance review to be undertaken	SAB Good governance review expected in 2021/22, following which a governance review will be undertaken.
G2	Head of Pensions	Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.				**High**	→	**Existing** • Induction training • Training policy and annual training plan • Additional committees for training sessions • Self assessment **New & Developing** •	New Committee members following elections in May 2021. Initial training agreed and annual training plan will be taken to July Committee.
G3	Head of Pensions	Failure to ensure that the Pension Board's is effective in carrying out its role.				**High**	→	**Existing** • Induction training • Ongoing training and work plan • Additional meetings for training session • Self assessment **New & Developing** •	No changes to the Board following terms ending in 2021.
G4	Head of Pensions	Governance of asset pooling - management of relationship with Border to Coast.				**Substantial**	↑	**Existing** • Joint Committee • Officer operation group • Senior officer group • Governance Charter **New & Developing** •	Border to Coast now more established - now 3 years since it went live. Governance and reporting structures bedded in. Governance Charter in place.

No.	Risk Owner	Risk Description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept - insert the appetite that relates to the risk)	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
Investment and Funding									
I1	Head of Pensions	Required returns not met due to poor strategic allocation.				**Substantial**	→	**Existing** • Professional advice • Triennial review • Performance monitoring • Monthly Members letter • Reporting to Pensions Committee **New & Developing** •	
I2	Head of Pensions	Custodian bank goes bust.				**High**	→	**Existing** • Service level agreement with termination clause • Regular Meetings • Regular control reports • Other Custodian options - review markets **New & Developing** • Move to greater use of pooled vehicles • Quarterly report of bank capital position	Regulatory capital position now provided on a quarterly basis
I3	Head of Pensions	Poor investment performance from managers.				**Substantial**	→	**Existing** • Performance measurement • Managers report monthly • Reporting to pensions committee • Diversification across managers • Manager meetings • Long term timeframe **New & Developing** •	
I4	Head of Pensions	Assets not enough to meet liabilities.				**Substantial / Limited??**	↑	**Existing** • Valuation • Asset Liability Study • Quarterly reporting of funding level • Professional advice **New & Developing** •	Improving funding position since 2019 valuation and stock market recoveries from Covid 19 shock in March 2020.
I5	Head of Pensions	Non compliance of external managers.				**High**	→	**Existing** • FSA regulated • Manager due diligence on appointment • Manager monitoring • Report quarterly to team and Committee • Qualified officers • Additional managers meetings as required • Border to Coast relationship **New & Developing** •	
I6	Head of Pensions	Asset pooling - transition of assets from existing mandates to Border to Coast.				**Substantial**	↑	**Existing** • Officer operations group • Workstreams within Border to Coast • Communicate to Committee regularly • S151 meetings • Use of Transition Managers **New & Developing** •	50% of assets transitioned to 31 March 2021 Target set to reflect position once all assets are transferred

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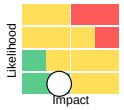
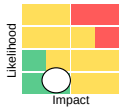
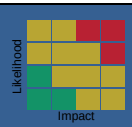
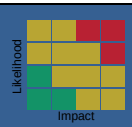
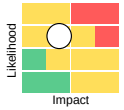
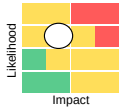
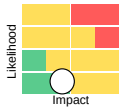
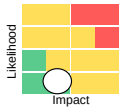
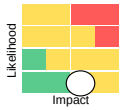
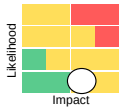
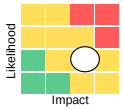
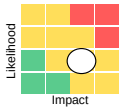
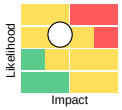
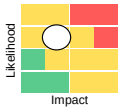
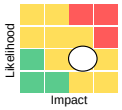
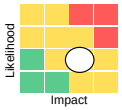
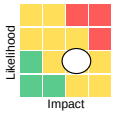
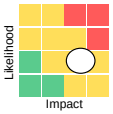
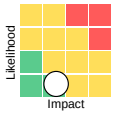
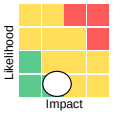
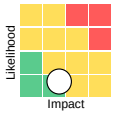
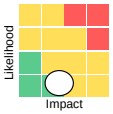
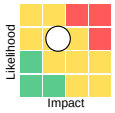
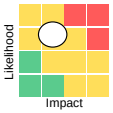
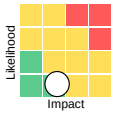
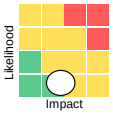
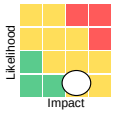
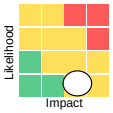
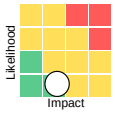
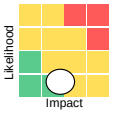
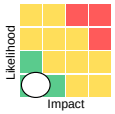
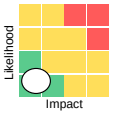
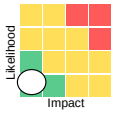
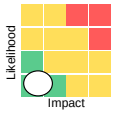
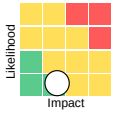
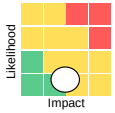
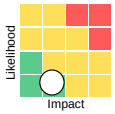
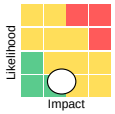
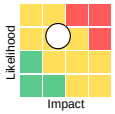
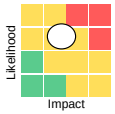
I7	Head of Pensions	Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).				**High**	↑	**Existing** • Border to Coast assistance • Managers reporting requirements • LAPFF membership • Voting and Corporate Governance Policy • RI policy • RI Beliefs **New & Developing** • Stewardship Code 2020 • TCFD Reporting • Increased focus on ESG investments	New Stewardship Code statement expected to be taken to October 21 Committee Collaborative work being done by/with Border to Coast
I8	Head of Pensions	Economic uncertainty due to UK leaving the EU.				**Low**	↑	**Existing** • Increased monitoring of managers • Review investment strategy • Regular communications with Committee and Board **New & Developing** •	Removed from risk register March 2021 - no longer a specific risk, just BAU
I9	Head of Pensions	Maturing Fund - greater number of deferred and pensioner members than active members - more pensions being paid out than contributions coming in.				**Substantial**	→	**Existing** • Investment strategy • Cashflow monitoring • Discourage opt outs • 50/50 scheme option • Communication through employers **New & Developing** •	
I10	Head of Pensions	Failure of Border to Coast Pensions Partnership Limited as the Fund's asset pool and investment manager.				**High**	→	**Existing** • Ownership of company as a shareholder • Oversight across different levels with Joint Committee, Officer operations group and Senior officer group • Regular reporting to FCA • Oversight by Company Board **New & Developing** •	
Operational									
O1	Head of Pensions	Employer and employee contributions and payments of pensions: • Non-collection • Miscoding • Non-payment				**Substantial**	→	**Existing** • Employer contribution monitoring • Additional monitoring at specific times • Reconciliations • Improved employer contribution data • Monthly returns checks • UPM employer module • Ongoing employer training **New & Developing** •	

No.	Risk Owner	Risk Description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept - insert the appetite that relates to the risk)	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
O2	Head of Pensions	Inability to deliver the administration service in accordance with the agreement.				**Substantial**		**Existing** • Performance Indicators • Bi-monthly meetings with WYPF • Horizon Scanning • Internal Audit - here and Bradford • Collaboration Agreement • Response to Audit Reports in the form of action plans • Benchmarking & performance data • Process management • Complaint reporting • Customer Surveys • Reporting to Committee and Board **New & Developing** • Shared Service Client Relationship Manager appointment	Client Relationship Manager appointed from April 2021
O3	Head of Pensions	Calculating and paying pensions correctly (inc. completion of the Guaranteed Minimum Pension Reconciliation and communication with Pensioners).				**Substantial**		**Existing** • Internal control through audit process • Constant monitoring / checking • Quality standard at WYPF • Process management • NFI and Tracing services • Data Cleansing • Reporting to Board and Committee • Internal Audit - here and Bradford **New & Developing** •	
O4	Head of Pensions	Non-compliant in Information Governance - incl. GDRP compliance.				**Substantial**		**Existing** • WYPF policies • Reporting to Committee and Board • LCC policies • Internal Audit - here and Bradford **New & Developing** •	
O5	Head of Pensions	Cyber security breach.				**Substantial**		**Existing** • WYPF and Bradford Council policies • LCC policies and training • External provider control reports **New & Developing** •	
O6	Head of Pensions	Employer breaches.				**High**		**Existing** • Make employers aware of responsibilities through Admin Strategy and training • Reporting breaches procedure • Contribution monitoring • PFR role in assistance **New & Developing** •	

No.	Risk Owner	Risk Description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept - insert the appetite that relates to the risk)	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
O7	Head of Pensions	Pension Freedom and Choice rules could encourage additional transfers out of the Fund, increasing the maturity and requiring large payments out.				High	→	**Existing** • Value of transfers monitored **New & Developing** •	
O8	Head of Pensions	Increasing employer numbers and/or reducing covenant strengths				Substantial	→	**Existing** • Admission agreements • Bonds • Employer covenant monitoring • Contribution monitoring • Employer communication • PFR roles **New & Developing** • Actuaries Employer Database being developed • Developing additional employer monitoring internally	
O9	Head of Pensions	Financial Statements of Pension Fund incorrect or late				High	→	**Existing** • Agreed timetable • Externally audited • Qualified and trained staff • Closedown procedures **New & Developing** •	Specific issue with 20/21 LCC accounts which impacted the auditor statement on the PF accounts not expected again
O10	Head of Pensions	Fraud risk not managed				Substantial	→	**Existing** • Separation of duties • Internal & external audit • Monthly reporting • Reconciliation procedures • National Fraud Initiative reporting **New & Developing** •	
O11	Head of Pensions	Financial regulations (e.g. LCC / CIPFA) and statutory requirements not adhered to / legal guidelines not followed				High	→	**Existing** • Underlying regulation of Fund Managers • Fund Manager control reports • Contracts in place setting out parameters • LCC staff appropriately qualified and aware of policies and procedures • Pension Fund managed in line with statutory regulations • Membership of CIPFA Pensions Network, PLSA etc. • Pension Board oversight **New & Developing** •	
O12	Head of Pensions	Financial or administration decisions challenged				High	→	**Existing** • Performance monitoring and reporting • Monthly and quarterly reporting from WYPF • Admin processes and procedures • Legal input in complex decisions **New & Developing** •	

No.	Risk Owner	Risk Description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept - insert the appetite that relates to the risk)	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
O13	Head of Pensions	Personal gain (internal or external) through: • Fraud or misappropriation of funds • Manipulating share price				High		**Existing** • Declaration of interests completed • Due diligence of new Fund Managers • Access restricted regarding transfer of funds - authorised signatories required • Regulation of Fund Managers • Insurance arrangements of managers • LPF Code of Conduct • Separation of duties and scheme of delegation **New & Developing** •	
O14	Head of Pensions	The Pensions Regulator requirements not adhered to (including common and scheme specific data requirements)				High		**Existing** • Regular meetings with and reporting from WYPF • LCC staff appropriately qualified and aware of legal requirements • Pension Fund managed in line with statutory regulations • Membership of professional networks • Pension Board oversight **New & Developing** •	
O15	Head of Pensions	Changes in legislation not implemented correctly				High		**Existing** • Regular meetings with and reporting from WYPF • LCC staff appropriately qualified and aware of legal requirements • Pension Fund managed in line with statutory regulations • Membership of professional networks. • Pension Board oversight **New & Developing** •	
People									
P1	Head of Pensions	Loss of key staff and loss of knowledge and skills				Substantial		**Existing** • Diversified staff / team • Look at other authorities with best practices to ensure LCC positions still desirable • Attendance at pensions user groups, both WYPF and LCC • Procedural notes which includes new systems as and when (LCC & WYPF) • Section meetings / appraisals (LCC & WYPF) • Regular team building (LCC & WYPF) • B2C and partner funds relationships • Training requirements and qualifications **New & Developing** • LCC Team structure review in 2021/22	

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Pensions Committee**
Date:	**15 July 2021**
Subject:	**Annual Pensions Committee Training Plan and Policy**

Summary:

This report sets out the training policy and the annual training plan for the Pensions Committee members for the year to June 2022.

Recommendation(s):

That the committee:

1) approve the training policy;
2) agree the proposed areas for training at the September and February meetings; and
3) approve the annual training plan.

Background

1. There is a high level of risk involved in managing and making decisions relating to the Local Government Pension Scheme (LGPS). It is therefore essential that those involved with these tasks have the appropriate knowledge and skills to do so. The need for appropriate knowledge and skills in the management of pension schemes has been a key topic in recent years in both the public and private sector.

2. The introduction of the new Markets in Financial Instruments Directive (MIFID II) in January 2018, has made it is even more important that the Committee are appropriately trained to ensure that the Fund retains its Professional investor status.

3. Members and Officers are required to undertake training to satisfy the obligations placed upon them by the following:

   - Lord Hutton, in his review of Public Sector Pensions, included a key recommendation referring to the need for all Pension Committees and Boards to be properly trained.

- The Public Service Pensions Act 2013 included a requirement for members of Pensions Boards in the public sector to have an appropriate level of knowledge, and included a provision that required the Pensions Regulator to issue a Code of Practice relating to this for both Pension Board members and Scheme Managers (the Administering Authority). It is expected that the Good Governance Review, being undertaken by the Scheme Advisory Board, will require similar mandatory training for all Committee members.

- The Chartered Institute of Public Finance and Accountancy (CIPFA) launched a technical guidance for Representatives on Pensions Committees and non-executives (i.e. officers) in the public sector within a Knowledge and Skills Framework (KSF) in January 2010. The framework identifies the skill set for those responsible for pension scheme financial management and decision making. CIPFA followed this up with a Code of Practice which LGPS funds are expected to adhere to, reporting on how their Pension Committee members and officers are meeting the requirements of their Framework in the Annual Report and Accounts. The Pension Committee members' KSF is attached at appendix B.

- Myners Principles – Scheme Administering Authorities have been required for some time to report on a 'comply or explain' basis their adoption of, and compliance with, the principles. This is set out in the Governance Compliance Statement. The CIPFA document Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012) also details the expectations that the Administering Authority should meet.

4. The Pensions Committee has adopted the key recommendations and principles of the CIPFA Code of Practice, detailed below:

- Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision making and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.

- Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme financial knowledge and skills for those in the organisation responsible for financial administration and decision-making.

- The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA Pensions Knowledge and Skills Frameworks.

- The organisation has designated a named individual to be responsible for ensuring that policies are implemented.

5. For the Lincolnshire Pension Fund, the Executive Director of Resources, Andrew Crookham, is the designated officer in this regard.

6. To ensure that the Fund complies with the requirements above, a training policy and annual training plan is produced (attached at appendix A) and agreed by the Committee. Evaluation of knowledge and skills is periodically undertaken to ensure any emerging knowledge gaps (due to either regulatory/market change or change in members or key officers) are addressed.

7. The CIPFA KSF (attached at appendix B for reference) covers six areas:

   i. Pensions Legislative and Governance Context

   ii. Pensions Auditing and Accounting Standards

   iii. Financial Services Procurement and Relationship Management

   iv. Investment Performance and Risk Management

   v. Financial Markets and Products Knowledge

   vi. Actuarial Methods, Standards and Practices

8. It is acknowledged that these areas are very wide; however, the framework requires an awareness or understanding in most areas, rather than detailed knowledge. There are also a number of different ways in which this information can be gained, such as during normal Committee meetings, training sessions or attendance at conferences or seminars. It is not expected for members of the Committee to have knowledge in all areas of the framework but a collective understanding by the Committee as a whole.

9. The training policy was last agreed at the July 2020 meeting of this Committee. It sets out the policy concerning the training and development of:

   - the members of the Pensions Committee; and

   - officers of Lincolnshire County Council responsible for the management of the LGPS.

   The training policy is established to aid members of the Pensions Committee in performing and developing their individual roles in achievement of the collective responsibility of the Committee. The requirement of the Committee is to ensure that members are able to demonstrate that, collectively, they have the required knowledge and skills to make appropriate decisions and offer challenge, and that officers are adequately trained and experienced to undertake the day-to-day operation and management of the Scheme.

9. Following elections every four years (and when there are any other Committee changes) all new members to the Committee are expected to attend the new member induction training before the date of their first Pensions Committee meeting, and anyone unable to attend that is offered one-to-one training by the Head of Pensions. In addition, all Committee members are required to:

- attend a basic training course (LGA Fundamentals or equivalent) designed for new members to the Pensions Committee within the first year on the Committee, or as a refresher when required;

- complete the on-line training of the Pensions Regulator at https://education.thepensionregulator.gov.uk/login/index.php within six months of joining the Committee (and send their certificates to the Head of Pensions); and

- undertake, as a Committee, regular training as set out in the annual training plan.

10. The Committee training plan presents the topics that will be covered in the normal Committee meetings and also the additional training sessions for the coming year. This will be updated for additional areas that are covered in Committee throughout the year, and will be used to assist in disclosure requirements for training in the Annual Report. The statement of compliance also requires Officers to keep a record of attendance at training courses and conferences by Members. Members are requested to inform Officers should they attend any meetings that are relevant to the Knowledge and Skills Framework.

11. A date of 16 September has been set aside for proposed training covering the Investment Strategy of the Fund, presented by the Investment Consultant, a session on becoming net zero by 2050, presented by Border to Coast, as mentioned in the Stewardship report at agenda item 7.

12. The date for the February 2022 training has not yet been agreed, however it is proposed that the Actuary is invited to present training on the valuation process, as we lead up to the March 2022 Triennial Valuation.

13. Committee members are asked to agree the topics for training for the meetings in September and February.

14. Committee members that attend external training events, including conferences, should be willing to provide a brief update to the next meeting of the Pensions Committee, covering the following points:

- their view on the value of the event and the merit, if any, of attendance;

- a summary of the key learning points gained from attending the event; and

- recommendations of any subject matters at the event in relation to which training would be beneficial to all Committee Members.

Conclusion

15. The training policy has been developed to respond to the various requirements laid down in regulations and guidance to ensure that both Committee members and officers are suitably knowledgeable to perform their duties within the Pension Fund. The Committee training plan sets out the areas of training covered for the coming year, and a new plan will be brought each year to the July Committee.

16. Committee members are asked to agree the training topics proposed for September and February training sessions.

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Training Policy and Annual Plan
Appendix B	CIPFA Knowledge and Skills Framework

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.

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PENSIONS COMMITTEE TRAINING POLICY AND COMMITTEE TRAINING PLAN JULY 2021 TO JUNE 2022

Policy Objectives

The Fund's objectives relating to knowledge and skills are:

- The Pension Fund is managed and its services delivered by people who have the appropriate knowledge and expertise, and that the knowledge and expertise is maintained in a changing environment.

- Those persons responsible for governing the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, ensure their decisions are robust and well based, and manage conflicts of interest.

- The Pension Fund and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Scheme.

- Those persons responsible for governing the Fund meet the requirements to be opted up to a professional investor status under MIFID II.

To assist in achieving these objectives, there is a **mandatory minimum** level of training that all members of the Committee agree to complete. Any Committee members failing to undertake the minimum requirements will be referred to the Chairman of the Committee.

The Fund will aim for compliance with the CIPFA Knowledge and Skills Framework and Code of Practice, and take on board the guidance within the Pension Regulator's Code of Practice for public sector pension schemes.

Application of the Policy

The training policy will apply to all members of the Pensions Committee and Council officers that have involvement in managing the Pension Fund, at any level.

Review and maintenance

This training policy is expected to be appropriate for the long-term but to ensure good governance it will be formally reviewed at least annually by the Committee, to ensure it remains accurate and relevant.

The Fund's Training Plan will be updated each year, taking account of the result from any training needs evaluations and any emerging issues. The Committee will be updated with events and training opportunities as and when they become available, or relevant to on-going business.

CIPFA Knowledge and Skills Framework and Code of Practice

In January 2010, CIPFA launched technical guidance for Representatives on Pension Committees and non-executives in the public sector within a knowledge and skills framework. The framework sets the skill set for those responsible for pension scheme financial management and decision making.
The Framework covers six areas of knowledge identified as the core requirements:

- Pensions legislative and governance context
- Pension Accounting and auditing standards
- Financial services procurement and relationship development
- Investment performance and risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practice

CIPFA's Code of Practice recommends (amongst other things) that LGPS administering authorities:

- formally adopt the CIPFA Knowledge and Skills Framework (or an alternative training programme);
- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme); and
- publicly report how these arrangements have been put into practice each year.

The Lincolnshire Pensions Committee fully supports the CIPFA Code of Practice and adopts its principles.

Training Provision, Measurement and Assessment

In order to identify and meet training needs and assess whether those governing the Fund are meeting the CIPFA Framework requirements, all Members and Officers agree to:

Members:

Mandatory Minimum**:**

- Upon appointment to the Pensions Committee, undertake a one-to-one training session with the Head of Pensions, before attendance at the first Pensions Committee meeting;
- Attend a basic training course (LGA Fundamentals or equivalent) designed for new members to the Pensions Committee within the first 18 months on the Committee;
- Complete the on-line training of the Pensions Regulator at **https://education.thepensionregulator.gov.uk/login/index.php** within six months of joining the Committee; and
- Undertake, as a Committee, regular training as set out in the annual training plan.

In addition:

- Highlight to officers any areas where further training would be desirable or required, following subjects covered in Committee meetings or following attendance at any external training events or conferences;
- Obtain a satisfactory collective level of knowledge and skills in relation to all modules of the CIPFA Framework. Support from officers and the Fund's Advisors will be available as and when required, but always in advance of any decision being taken; and
- Report as appropriate in external documentation the compliance with knowledge and skills requirements e.g. progress in the Fund's Annual Report and Accounts and Governance Compliance Statement.

Officers:

All Lincolnshire LGPS officers with responsibility for managing the LGPS will be expected to have a detailed understanding of the CIPFA Knowledge and Skills Framework requirements for LGPS Practitioners, taking account of the requirements of their roles. Any specific targets will be determined and updated as necessary from time to time in joint agreement by the Head of Pensions and the Executive Director of Resources, in liaison with the Chairman of the Pensions Committee.

The Council's appraisal process will also identify any knowledge gaps and address training requirements.

Delivery of Training

Consideration will be given to various training resources available in delivering training to members of the Pensions Committee and officers.

Evaluation will be given to the mode and content of training in order to ensure it is targeted to needs and on-going requirements and emerging events. It is to be delivered in a manner that balances both demands on members' time and costs. These may include but are not restricted to:

Pensions Committee Members	Officers
In-house delivered training Using an Online Knowledge Library or other e-training facilities Attending courses, seminars and external events Internally developed training days and Committee meetings Shared training with other Funds or Border to Coast Regular updates from officers and/or advisors	Desktop / work base training Using an Online Knowledge Library or other e-training facilities Attending courses, seminars and external events Training for qualifications from recognised professional bodies (e.g. CIPFA, IMC) Internally developed sessions Shared training with other Funds or Border to Coast

External Events

All relevant external events will be emailed to members as and when they become available. Members should report attendance at any such events to officers, who will maintain a log of all events attended for compliance with reporting and monitoring requirements.

After attendance at an external event, Committee Members should be willing to provide verbal feedback at the next Committee covering the following points:

- Their view on the value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to all Committee Members.

Officers attending external events will also be expected to report to their direct line manager with feedback and to make recommendations of any subject matters at the event in relation to which training would be beneficial to other officers or the Committee.

Officers attending events will also be expected to provide knowledge sharing with the wider Pensions team.

PENSIONS COMMITTEE TRAINING PLAN JULY 2021 TO JUNE 2022

The six areas covered within the CIPFA Knowledge and Skills Framework (KSF) are:

1. **Pensions Legislative and Governance Context**

2. **Pensions Auditing and Accounting Standards**

3. **Financial Services Procurement and Relationship Management**

4. **Investment Performance and Risk Management**

5. **Financial Markets and Products Knowledge**

6. **Actuarial Methods, Standards and Practices**

It is acknowledged that these areas are very wide; however, the framework requires an awareness or understanding in most areas, rather than detailed knowledge. There are also a number of different ways in which this information can be gained, such as during normal Committee meetings, training sessions or attendance at conferences or seminars. It is not expected for members of the Committee to have detailed knowledge in all areas of the framework but a collective understanding by the Committee as a whole.

The table below details the training plan for the year*, with the areas of the KSF that will be covered in each report or training session referenced in the final column.

Date	Topic	KSF area(s)
Jul 2021 Committee papers	Independent Advisor Market Update Local Board Report Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Annual Property Report Risk Register Annual Review Annual Training Report Annual Report and Accounts Property Investment Report Investment Management Report	4,5 1 1,3,4 1,4 1 1 4,5 1,4 1 1,2 5 4,5
Sep 2021 Training	Investment Strategy Border to Coast - Net Zero	4,5 1,4

Oct 2021 Committee papers	Independent Advisor Market Update Local Board Report Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Audit Governance Report Annual Fund Performance Report Investment Management Report Investment Strategy Update Investment Consultant Appointment	4,5 1 1,3,4 1,4 1 1 2 4 4,5 4,5 3,4,5
Dec 2021 Committee papers	External Manager Presentations	4,5
Jan 2022 Committee papers	Independent Advisor Market Update Local Board Update Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Investment Management Report Border to Coast RI Policy and Voting	4,5 1 1,3,4 1,4 1 1 4,5 1,3,4
Feb 2022 Training	Triennial Valuation	6
Mar 2022 Committee papers	Independent Advisor Market Update Local Board Update Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Investment Management Report Fund Policies Review Annual Accounting Policies Review LPF Business Plan	4,5 1 1,3,4 1,4 1 1 4,5 1,4 2 1
June 2022 Committee	External Manager Presentations	4,5

papers		

*Committee papers and training may be subject to change.

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APPENDIX B

ANNEX A

Pensions Knowledge and Skills Framework for Elected Representatives and Non-executives

Pensions legislative and governance context	Pensions accounting and auditing standards	Financial services procurement and relationship management	Investment performance and risk management	Financial markets and products knowledge	Actuarial methods, standards and practices
General pensions framework A general awareness of the pensions legislative framework in the UK. **Scheme-specific legislation** An overall understanding of the legislation specific to the scheme and the main features relating to benefits, administration and investment. An awareness of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 and Local Government Pension Scheme (Administration) Regulations 2008 and their main features. An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	Awareness of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the accounts and annual report. Awareness of the role of both internal and external audit in the governance and assurance process.	**Understanding public procurement** Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations. A general understanding of the main public procurement requirements of UK and EU legislation. **Supplier risk management** Awareness of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	**Total fund** Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks. **Performance of advisors** Awareness of the Myners principles of performance management and the approach adopted by the committee. **Performance of the committee** Awareness of the Myners principles and the need to set targets for the committee and to report against them. **Performance of support services** Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	**Investment strategy** Awareness of the risk and return characteristics of the main asset classes (equities, bonds, property). Understanding of the role of these asset classes in long-term pension fund investing. **Financial markets** Understanding of the primary importance of the investment strategy decision. A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks. An awareness of the limits placed by regulation on the investment activities of local government pension funds.	**Valuations** Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring. Awareness of the importance of monitoring early and ill health retirement strain costs. A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers. **Outsourcing** A general awareness of the relevant considerations in relation to outsourcings and bulk transfers.

Pensions legislative and governance context	Pensions accounting and auditing standards	Financial services procurement and relationship management	Investment performance and risk management	Financial markets and products knowledge	Actuarial methods, standards and practices
A regularly updated appreciation of the latest changes to the scheme rules. Knowledge of the role of the administering authority in relation to the LGPS. **Pensions regulators and advisors** An understanding of how the roles and powers of the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme. **General constitutional framework** Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers. Awareness of the role and statutory responsibilities of the treasurer and monitoring officer.					

Pensions legislative and governance context	Pensions accounting and auditing standards	Financial services procurement and relationship management	Investment performance and risk management	Financial markets and products knowledge	Actuarial methods, standards and practices
Pension scheme governance An awareness of the LGPS main features. Knowledge of the Myners principles and associated CIPFA and SOLACE guidance. A detailed knowledge of the duties and responsibilities of committee members. Knowledge of the stakeholders of the pension fund and the nature of their interests. Knowledge of consultation, communication and involvement options relevant to the stakeholders.					

Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Pensions Committee**
Date:	**15 July 2021**
Subject:	**Pension Fund Draft Annual Report and Accounts**

Summary:

This report brings the draft Annual Report and Accounts for the Pension Fund to the Pensions Committee for approval.

Recommendation(s):

That the Committee approve the draft Pension Fund Annual Report and Accounts.

Background

1. The draft Pension Fund Annual Report and Accounts for the year ended 31 March 2021 (included at **Appendix A**) has been completed and is being independently audited by the Council's external auditors, Mazars. The Pension Fund accounts also form part of the Lincolnshire County Council Statement of Accounts, which were published in draft on the Council's website at the end of June.

2. The Annual Report and Accounts have been prepared taking into account the guidance produced by Chartered Institute of Public Finance Accountants (CIPFA) and relevant accounting standards. There have been no changes to the guidance for preparing the annual report 2021. Changes to the Code of Practice on Local Authority Accounting for 2020/21 were presented to this Committee in March and have been incorporated into the accounts element of the Annual Report.

<u>Pension Fund Accounts</u>

3. Publicly quoted valuations, such as those for equities and bonds are available shortly after the end of the financial year, however, for unquoted holdings, such as private equity, infrastructure and unquoted alternatives, valuations often take much longer to be prepared. Initial 31 March valuations for these assets are based on audited accounts from earlier periods (such as 31 December) rolled forward for cashflow movements. This approach is allowed by the Code. However, as updated valuations are received, Fund Officers will need to consider their materially, both

individually and collectively, and revise the accounts to reflect this information, if necessary.

4. The draft accounts presented to the Committee today include all 31 March valuation information received by the Fund to the end of June. However, at this date there were a significant number of private equity, infrastructure and unquoted alternative holdings where the final 31 March valuation has not been received. All 31 March valuations received for these funds, after 30 June, and in advance of the deadline for publishing audited accounts (30 September) will be reviewed and incorporated into the accounts if considered material, either individually or collectively. Therefore the accounts included in the final Annual Report may differ to those presented today. Any changes will be reported to this Committee in October.

Next Steps

5. The draft Pension Fund Accounts, as part of the County Council draft Statement of Accounts, will be approved by the Audit Committee at its meeting on Monday 12 July. Subject to the completion of audit work the final Statement of Accounts will be presented to the Audit Committee for approval at their meeting in September.

6. The final Pension Fund Annual Report and Accounts will then be reported to this Committee in October along with comments from the External Auditors on their report to 'Those Charged with Governance'. Following this the Fund's Annual Report will be published.

Conclusion

7. The Lincolnshire Pension Fund Report and Accounts has been produced for the year ended 31 March 2021. The Accounts element of the report may be subject to change in light of outstanding valuation information relating to unquoted asset valuations as at 31 March 2021.

8. Subject to completion of External Audit work the final Annual Report and Accounts will be presented to the Pensions Committee in October. Following that, a copy of the Pension Fund Annual Report and Accounts will be distributed to interested parties.

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	Lincolnshire Draft Pension Fund Annual Reports and Accounts 2021

Background Papers

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

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

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

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Lincolnshire
COUNTY COUNCIL
Working for a better future

Lincolnshire Pension Fund Annual Report & Accounts 2021

Lincolnshire Pension Fund

Local Government Pension Scheme

Annual Report for the Year Ended 31 March 2021

Contents

Management Arrangements

Administering Authority	Lincolnshire County Council

Pensions Committee Members as at 31 March 2021

County Councillors

B Adams
R D Butroid
P E Coupland (Vice Chairman)
P Key
C Perraton-Williams
S Rawlins
E W Strengiel (Chairman)
Dr M E Thompson

District Council Representative

R Waller

Representative of Other Employers

S Larter

Employee Representative

A Antcliff (Unison)

Professional Advisors

County Council Officers

Executive Director of Resources	A Crookham BSc CPFA
Head of Pensions	J Ray
Independent Advisor	P Jones
Fund Actuary	Barnett Waddingham
Fund Investment Consultant	Hymans Robertson

Asset Pool and Operator

Border to Coast Pensions Partnership

Investment Managers of the Fund as at 31 March 2021

Equities:	Border to Coast Legal and General
Bonds:	Blackrock Border to Coast
Alternatives:	Morgan Stanley
Multi Asset Credit:	Pimco

Private Equity:	Aberdeen Standard
	Capital Dynamics
	Pantheon
Infrastructure:	Infracapital
	Innisfree
	Pantheon
Property:	Aberdeen Standard
	Aviva
	Blackrock
	Franklin Templeton
	Hearthstone
	Igloo
	Royal London
	Rreef

Auditors	Mazars LLP
Investment Custodian	Northern Trust
AVC Provider	Prudential
Fund Banker	Barclays
Benefits Administration	West Yorkshire Pension Fund

Report of the Pensions Committee

Introduction

The Pensions Committee of Lincolnshire County Council is responsible for the management of the Pension Fund, covering administration, investments and governance. It approves the investment policy of the Fund and monitors its implementation during the year. The Committee generally meets eight times a year, including two manager presentation meetings and two training meetings. Special meetings are convened if considered necessary.

Members of the Committee as at 31 March 2021 are listed on page 3.

All members of the Committee can exercise voting rights.

Meetings over the 2020/21 financial year were all held virtually, as a result of the Coronavirus pandemic.

Corporate Governance and Responsible Investing

The Fund expects its appointed investment managers to act as responsible investors and that they fully integrate environmental, social and governance (ESG) issues into their investment process. It has produced a Responsible Investment Policy and Responsible Investment Beliefs that can be found on the Pension Fund's shared website, at www.wypf.org.uk. The Fund works closely with Border to Coast, and the other Partner Funds of the asset pool, to agree its approach to RI and stewardship. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), an organisation that monitors the governance of companies. The LAPFF seeks to protect and enhance shareholder returns by engaging with companies on a wide range of ESG issues and encouraging improvement, where required. The Fund is expecting to complete its Stewardship Code Statement in the coming months, to meet the new standard required under the Financial Reporting Council's 2020 Stewardship Code, to explain how it acts as a responsible shareholder. Once completed, this will be published on the Fund's shared website.

Investment Performance

The Fund has an investment objective to meet its liabilities over the long term and to produce a return of 0.75% p.a. over the return produced by the strategic asset allocation benchmark.

The twelve month period ended 31 March 2021 saw the value of the Fund increased by £511.7m to £2,713.7m. The overall investment return of 23.3 was ahead the Fund's specific benchmark return of 22.1%. Over the last ten years, the Fund's annualised investment performance of 7.9% is slightly behind the benchmark return of 8.0%.

Detail on the global markets over the year can be found in the Investment Background, on page 44.

Manager Arrangements

There have been a number of manager changes over the last 12 months:

- In June 2020 the Fund made a commitment to a residential property fund managed by Hearthstone.
- In July 2020, the Fund transitioned assets from its passive bond holdings with Blackrock to an investment into a multi asset credit fund managed by Pimco. It also transitioned assets from its passive UK equity manager Legal and General into the internally managed Border to Coast UK Equity sub-fund.
- In February 2021, the Fund transitioned the assets from its global equity portfolio managed by Invesco into the Border to Coast Global Equity Alpha sub-fund and the Legal and General Future World Fund.

Pensions Administration

The shared service arrangement with West Yorkshire Pension Fund (WYPF) to provide Pensions Administration services for the Lincolnshire Fund is now five years old. A satellite office for WYPF is based in Lincoln, co-located with the LCC Pension Fund team. This arrangement was made to improve efficiency and reduce costs in the provision of the Pensions Administration service, and this is now being seen. The move from an annual data return to a monthly process has considerably improved the quality of data held in the administration system, enabling a better service to be provided to scheme members. WYPF continues to work with the Lincolnshire Fund and its employers to improve all aspects of administering the scheme.

The initial period for the shared service was five years, from April 2015, with two additional two year extensions available. The Pensions Committee agreed the first two year extension to 31 March 2022 at its meeting in March 2019. The further two year extension to 31 March 2024 was agreed by the Pensions Committee at their meeting in March 2021.

Local Pension Board

The Local Pension Board for the Lincolnshire Pension Fund was set up in April 2015, as prescribed in the Public Service Pensions Act 2013 and the Local Government Regulations 2013. Its oversight role to ensure that the Fund is meeting all the requirements for administration and governance, as set out in the various regulations and by the Pensions Regulator, has been a welcome addition to the governance structure of the Pension Fund. The annual report of the Board can be found on page 37.

Meetings over the 2020/21 financial year were all held virtually, as a result of the Coronavirus pandemic.

Asset Pooling

The requirement to pool the Fund's assets with other LGPS Funds came into statute in November 2016. Lincolnshire chose to become part of the Border to Coast Pensions Partnership (Border to Coast), alongside ten other partner LGPS funds. Progress has continued to ensure that Border to Coast is able to implement the investment strategy of the eleven partner funds, over the long term. The oversight of the asset pool is carried out by a Local Government Joint Committee, on which the Chairman of the Pensions Committee sits, and by the Administering Authority as shareholders. The objective of Border to Coast is to reduce investment costs, improve performance and increase resilience across the Funds, over the long term. Border to Coast went live in July 2018, with assets

from three of the partner funds with internally managed assets. Work continues with Border to Coast in creating the sub-fund range that will be available to the Fund. As mentioned above, assets have continued to be transferred from existing managers into Border to Coast managed funds.

Coronavirus Pandemic

The business continuity plans of the Lincolnshire Pensions Team and WYPF, as the administrators, were put into action in March 2020 and all aspects of managing the Fund continued to be fulfilled over the year. The teams have been working from home for the majority of the financial year and this is expected to continue into 2021/22.

Fund Governance and Communication Statements and the Investment Strategy Statement

The Fund's investments are managed in accordance with the Investment Strategy Statement (ISS).

The Fund's ISS, Governance Compliance Statement, Communications Policy, Funding Strategy Statement and Administration Strategy are all attached at the end of this report. These documents, and other related publications, can also be downloaded from the Pension Fund's shared website, at www.wypf.org.uk.

Hard copies of any of these statements may be obtained from:

Jo Ray, Head of Pensions
Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL
Tel: 01522 553656 | email: jo.ray@lincolnshire.gov.uk

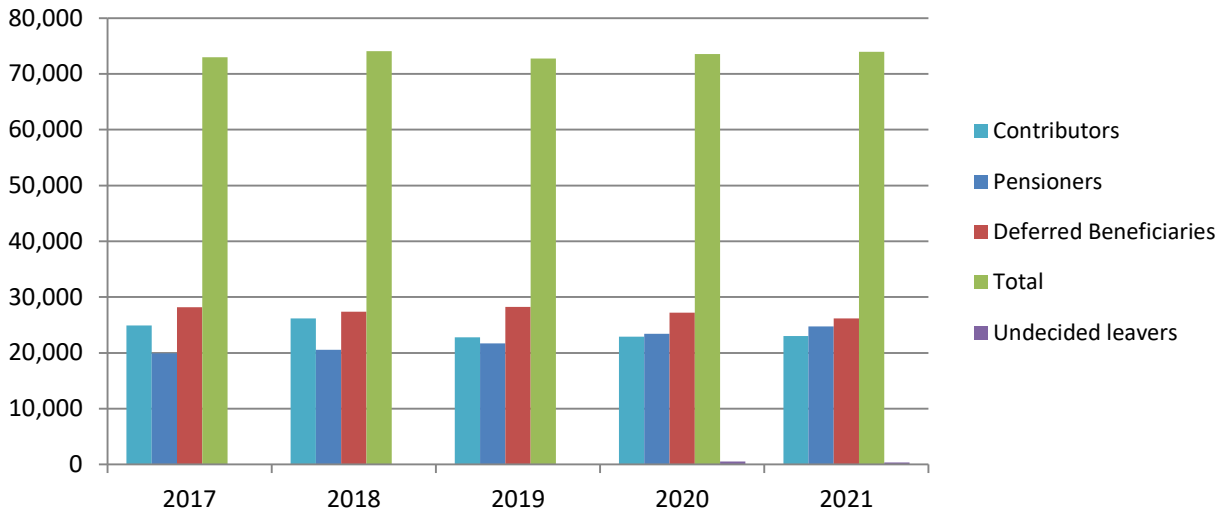
Councillor Eddie Strengiel
Chairman
Pensions Committee

Management Report of the Administering Authority

The Local Government Pension Scheme (LGPS) is a national scheme administered on a local basis by Lincolnshire County Council, providing current and future benefits for around 74,000 scheme members.

Local Government Pension Scheme Membership

As can be seen from the chart below, the active membership has risen slightly over the year. The Fund has matured over the last five years, with pensioner and deferred members (those that are no longer in the Scheme but will be entitled to a pension at some point in the future) making up 68.8% of the overall membership.



Year ended 31March	2017	2018	2019	2020	2021
Contributors	24,893	26,153	22,820	22,890	23,038
Pensioners	19,916	20,543	21,715	23,438	24,746
Deferred Beneficiaries	28,182	27,356	28,221	27,201	26,160
Total	72,991	74,052	72,756	73,529	73,944
Undecided Leavers*	-	-	-	529	383

*undecided leavers only recorded at year end from 31 March 2020

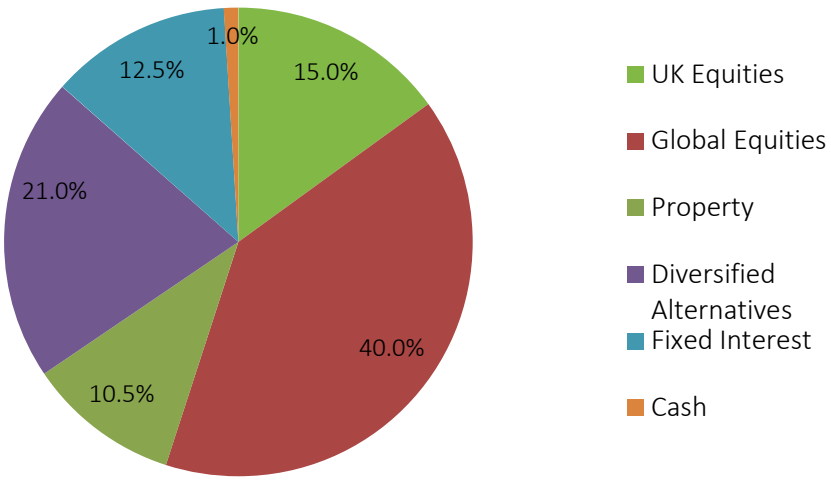
(Note: The numbers disclosed in the table above reflect individual pension records within the County Council's database at a point in time. Current and past members of the LGPS may have more than one pension record as a result, for example, of having more than one part time contract of employment with a Scheme employer.)

Investment Policy

The Fund is managed with regard to a strategic asset allocation benchmark. This is reviewed at least every three years, alongside the Fund's triennial valuation. The strategic asset allocation is set to provide the required return, over the long term, to ensure that all pension payments can be met. The actual asset allocation may differ from the strategic benchmark within tolerances that are agreed by the Pensions Committee. The distribution of investments is reported to the Pensions Committee monthly and quarterly.

Strategic Asset Allocation Benchmark

The asset allocation below reflects the long term asset allocation agreed by the Pensions Committee, however this will be implemented over time as the Fund transitions assets to Border to Coast. In the interim, the actual asset allocation may be quite different to the final strategic allocation. For performance measurement purposes the strategic allocation is amended as assets are moved.



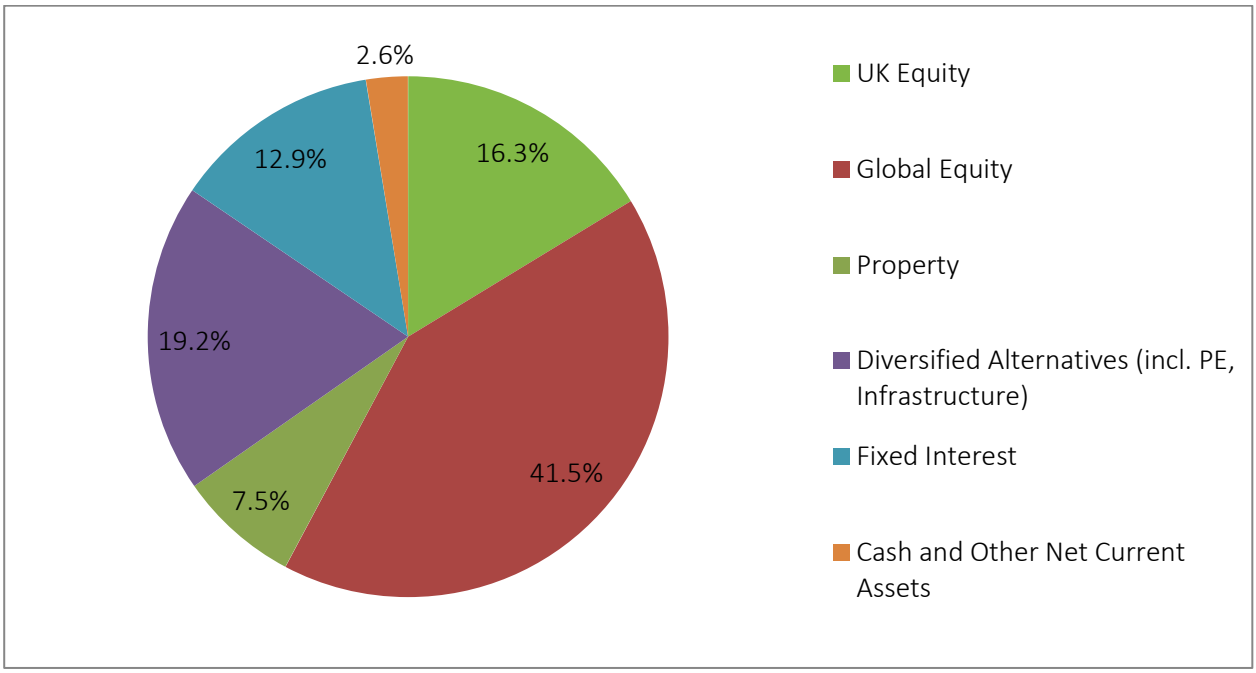
Asset class	Strategic Benchmark 31 March 2021 %	Strategic Benchmark 31 March 2020 %
UK Equities	15.0	15.0
Global Equities	40.0	40.0
Total Equities	**55.0**	**55.0**
Property	10.5	10.5
Infrastructure	-	-
Diversified Alternatives (incl. Private Equity, Infrastructure, Multi Asset Credit)	21.0	21.0
Fixed Interest	12.5	12.5
Cash	1.0	1.0
Total	**100.0**	**100.0**

Total Actual Asset Distribution

The distribution of the assets is shown in the table and pie chart below.

Asset Class	Market Value £'m	31/3/21 %	31/3/20 %
UK Equity	442.9	16.3	15.8
Global Equity	1,124.6	41.5	38.2
Total Equities		57.8	54.0
Property	203.7	7.5	9.0
Diversified Alternatives (incl. Private Equity, Infrastructure)	521.2	19.2	17.4
Fixed Interest	349.4	12.9	18.7
Cash & Other Net Current Assets	71.9	2.6	0.9
	2,713.7	100.0	100.0

*excludes Border to Coast shareholding valued at £1,181,819



Fund Investment Performance

The twelve month period ended 31 March 2021 saw the value of the Fund increased by £511.7m to £2,713.7m. The overall investment return of 23.3 was ahead the Fund's specific benchmark return of 22.1%. Over the last ten years, the Fund's annualised investment performance of 7.9% is slightly behind the benchmark return of 8.0%. The biggest impact was the outperformance of the Border to Coast Global Equity fund.

Annual investment performance over the previous ten years is set out in the table below. The Fund's ten year annualised return of 7.9% compares to a rise in retail prices of 2.5% and an increase in public sector earnings of 2.1%.

Investment Performance of the Fund 1 April 2011 to 31 March 2021

	Lincolnshire Fund Return %	Comparative Benchmark Return %	Retail Price Inflation %	Public Sector Increase in earnings %
2011/12	1.5	2.4	3.6	1.8
2012/13	12.6	11.3	3.3	1.1
2013/14	6.3	6.2	2.5	1.1
2014/15	12.3	12.4	0.9	(0.9)
2015/16	1.0	1.8	1.6	1.9
2016/17	19.8	19.3	3.1	1.3
2017/18	3.3	3.0	3.3	2.6
2018/19	8.2	8.1	2.4	2.7
2019/20	(5.8)	(3.9)	2.6	3.0
2020/21	23.3	22.1	1.5	6.0
10 years annualised	7.9	8.0	2.5	2.1

Manager/Asset Class Performance of the Fund

Asset Class	1 Year		3 Years annualised		5 Years annualised	
	FM	BM	FM	BM	FM	BM
Equities						
LGIM Global Equity* (inception Feb 21)	6.3%	6.3%	n/a	n/a	n/a	n/a
Border to Coast Global Equity**	48.5%	38.9%	n/a	n/a	n/a	n/a
LGIM UK Equity (terminated July 20)	9.9%	9.9%	(1.3%)	(1.3%)	n/a	n/a
Border to Coast UK Equity* (inception July 20)	18.2%	18.7%	n/a	n/a	n/a	n/a

Fixed Interest						
Blackrock	3.1%	3.1%	3.7%	3.7%	5.1%	5.1%
Blackrock (interim) (terminated July 20)	1.8%	2.1%	1.8%	1.9%	n/a	n/a
Border to Coast Investment Grade Credit**	8.6%	7.0%	n/a	n/a	n/a	n/a
Property/Infrastructure						
Property Unit Trusts	3.0%	2.5%	1.5%	2.4%	2.7%	4.2%
Property Other and Infrastructure***	(3.5%)	7.0%	0.6%	7.0%	4.4%	7.0%
Diversified Alternatives						
Morgan Stanley	10.8%	4.2%	6.4%	4.7%	7.0%	4.6%
Legacy Private Equity	3.2%	4.4%	10.3%	4.7%	8.7%	4.6%
Infrastructure***	2.1%	6.0%	n/a	n/a	n/a	n/a
Multi Asset Credit						
PIMCO* (inception Aug 20)	3.2%	2.1%	n/a	n/a	n/a	n/a
Total	23.3	22.1	7.9	8.3	9.2	9.3

* Border to Coast UK Equity, LGIM Global Equity, Pimco were all invested during 2020/21, with dates above

** Border to Coast Global Equity and Border to Coast Investment Grade Credit were both invested during 2019/20

*** Infrastructure performance was comingled with property returns until 1/4/2019

Top Holdings

Listed below are the top twenty holdings in the Pension Fund, including both pooled investments and direct holdings in the segregated account, as at 31 March 2021. These account for £2,613.1m and make up 95.1% of the Fund's investments.

	Market Value £m's	Proportion of Fund %
Border to Coast Global Equity Alpha Fund	711.5	25.9
Border to Coast UK Listed Equity Fund	442.9	16.1
Legal and General Future World Fund	410.9	15.0
Morgan Stanley Alternative Investments	359.9	13.1
Border to Coast Investment Grade Credit Fund	195.9	7.1
PIMCO Multi Asset Credit Fund	89.4	3.3
Blackrock Aquila Corporate Bond Fund	75.8	2.8
Aberdeen Standard Property Fund	65.3	2.4
Aviva Property Fund	49.9	1.8
Blackrock Aquila Life >5 Year ILG Fund	47.3	1.7
Blackrock Property Fund	40.4	1.5

Blackrock Aquila Gilts Fund	30.4	1.1
Royal London Asset Management Property Fund	24.0	0.9
Innisfree Secondary Fund	17.2	0.6
Standard Life European Property Growth Fund	13.1	0.5
Infracapital Greenfield Partners	9.1	0.3
Innisfree Secondary Fund 2	8.7	0.3
Innisfree Continuation Fund	8.5	0.3
Pantheon Global Infrastructure Fund III	6.9	0.2
Hearthstone Property Fund	6.0	0.2
Total	2,613.1	95.1

Investment Management Arrangements

The Fund invests by means of collective investment vehicles, also known as pooled funds. Pooled fund values exclude cash where this is held at an asset class level with the custodian. The £2.3m within the segregated mandates table is due to the timing of dividends received and outstanding tax claims due following the termination of this mandate.

Segregated Mandates

Asset Class	Manager	Market value £m's	% of the Fund
Global Equities (ex UK)	Invesco	2.3	0.1
Total		2.3	0.1

Pooled Funds

Asset Class	Manager	Market value £m's	% of the Fund
Fixed Interest	Blackrock	153.5	5.6
	Border to Coast	195.9	7.1
	Total Fixed Interest	349.4	12.7
UK Equities	Border to Coast	442.9	16.1
Global Equities	Border to Coast	711.5	25.9
	LGIM	410.9	15.0
	Total Equities	1,565.3	57.0
Property	Aberdeen Standard	78.3	2.9
	Aviva	49.9	1.8
	Blackrock	40.4	1.5
	Franklin Templeton	0.6	0.0
	Hearthstone	6.0	0.2
	Igloo	0.2	0.0
	Royal London	24.0	0.9
	Rreef	0.1	0.0
	Total Property	199.5	7.3

Infrastructure	Infracapital	9.1	0.3
	Innisfree	34.5	1.3
	Pantheon	6.9	0.2
	Total Infrastructure	50.5	1.8
Private Equity	Aberdeen Standard	1.6	0.1
	Capital Dynamics	2.6	0.1
	Pantheon	8.2	0.3
	Total Private Equity	12.4	0.5
Alternatives	Morgan Stanley	359.9	13.1
Multi Asset Credit	PIMCO	89.4	3.3
Total Pooled Vehicles		2,626.4	95.7

Investment Administration and Custody

The Fund's segregated managers are responsible for the administration of the assets held within their mandates, and the Council's officers are responsible for the administration of the pooled fund investments.

The Fund's custodian at 31 March 2021 was Northern Trust, with responsibility for safeguarding the segregated assets, in addition to providing investment accounting and performance measurement services.

Funding

The Lincolnshire Pension Fund's latest triennial valuation was as at 31 March 2019. The results from this are published on the Fund's shared website.

The table below summarises the latest triennial valuation's financial position in respect of benefits earned by members up to this date, compared with the previous valuation.

	31 March 2016	31 March 2019
Past Service Liabilities	£2,288m	£2,536m
Market Value of Assets	£1,759m	£2,353m
Surplus/(Deficit)	(£529m)	(£183m)
Funding Level	77%	93%

The funding level of the Fund is monitored each quarter on a roll forward basis, and this is reported to the Pensions Committee.

Stewardship Responsibilities

As a responsible shareholder, the Lincolnshire Pension Fund has previously produced a Tier 1 Stewardship Code statement, in compliance with the Financial Reporting Council's (FRC)

Stewardship Code. The FRC produced a new code in 2020, requiring more detail and examples of outcomes of stewardship, and the Fund will complete its statement against this new code during 20/21.

The Fund encourages its external managers and service providers to produce their own statements against the FRC code, and to report their engagement and stewardship activity to the Fund.

The Pensions Committee believe that the adoption of good practice in Corporate Governance will improve the management of companies and thereby increase long term shareholder value. The Fund's Responsible Investment (RI) policy and Corporate Governance and Voting policy can be found on the shared website at www.wypf.org.uk. These policies are aligned with those of our asset pool, Border to Coast, who is responsible for implementing them across the assets that they manage for the Fund. In addition to this, the Committee agreed a set of Responsible Investment Beliefs, which can also be found on the shared website. Any investment decisions that the Committee make are made with consideration of these beliefs.

The Fund requests that its equity managers vote on all company holdings, wherever possible. Information on the votes cast by these managers are reported to the Pensions Committee on a quarterly basis, and this information is available on the Lincolnshire County Council website in the relevant Committee documents.

The Fund works closely with Border to Coast and the other partner funds within the asset pool to ensure that they integrate RI into all of their investment activity. An update on the three year plan of Border to Coast, with their developments against the agreed principles and the current support they provide Partner Funds and what they intend to do going forwards, is shown below. Further information on the RI work that Border to Coast does can be found on their website at www.bordertocoast.org.uk.

Principle	Border to Coast Strategic Development	Partner Fund Support
Integrating ESG	Embed investment process and enhance ESG tools including Robeco portal Training programme for PMs on thematic issues External manager monitoring framework Develop frameworks for new asset classes (bonds, property, private markets)	Current: education (e.g. climate working party); transparency of reporting; oversight of (pooled) managers Future: centralised procurement of climate change advice; oversight of LGIM (as dominant passive manager in pool)
Active Ownership	Create holistic engagement framework to enable tracking of milestones across portfolios Clear process for setting engagement themes	Current: common policy agreed and implemented for all Border to Coast holdings; education; LAPFF - representation at business meetings Future: training

Require Disclosure	Review of industry initiatives to prioritise Gap analysis of portfolios and remedial plan Review Border to Coast disclosure	Current: engagement in respect of Border to Coast portfolio holdings and support for wider initiatives Future: Share review of wider disclosure developments
Promoting PRI	External manager engagement framework Review wider procurement framework for ESG	Current: training for officers and committees Future: materials for websites
Collaboration	Develop collaboration capability by working with Robeco on an engagement Continue to build network and external profile	Current: collaborate in respect of Border to Coast engagement themes and portfolio holdings
Reporting	Enhance reporting on engagement and themes Standardise reporting across external managers Improve transparency	Current: disclosure on our website of voting and engagement activity, RI policy and voting guidelines Future: review of Partner Fund websites and development of checklist / materials for sharing

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary organisation comprising of 82 LGPS Funds and seven of the LGPS asset pools. LAPFF exists to promote the investment interests of Local Authority Pension Funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance in the companies in which they invest. Further information on the work of the LAPFF can be found at www.lapfforum.org. LAPFF engages with companies across a wide range of issues that can broadly be grouped into five engagement themes:

- Climate risk;
- Social risk;
- Governance risk;
- Reliable accounting risk; and
- LGPS and Stewardship.

Risk Management

Risk management is an integral element of managing the Pension Fund. The Pension Fund has a risk register which identifies the major risks associated with managing the Fund. This is reviewed by the Pensions Committee annually, and new or changed risks are reported at each quarterly meeting.

The table below highlights the key risks and how they are managed.

Key risk identified:	A range of controls are in place including:
Assets do not cover liabilities	Triennial valuation, diversification of investments, regular monitoring and reporting, professional advisors.
The inability to deliver the Pensions Administration Service, due to failure in the shared service agreement	Performance and management indicators, regular meetings, internal and external audits, service level agreement and benchmarking.
Paying pensions incorrectly	Process controls, audits, reconciliations, task management.
Collecting contributions incorrectly	Employer contribution monitoring, monthly contribution data returns, audits, employer training, reconciliations.
Not meeting statutory requirements	Pension Board oversight, checklist against the Pensions Regulator requirements, regular reporting to Committee and Board.
Loss of key staff, knowledge and skills	Diversified staff/team, pensions user groups, procedural notes, appraisals.
Asset Pooling – failure in the management of the relationship with Border to Coast Pensions Partnership and/or the investment performance, as a client and a shareholder	Joint Committee, officer operations group, senior officers group, regular meetings with Border to Coast.
Cyber security breach	WYPF, Bradford Council and LCC policies, reports to management group, reports to Pension Board and Committee.
Failure to meet requirements as a responsible investor, across all ESG risks, including climate change and a transition to a low carbon economy	Stewardship Code compliance, RI reporting by managers and to Committee, Voting and RI policies.

Information regarding the risks relating to financial instruments is included within the notes to the accounts, later in this report.

Lincolnshire County Council's (LCC) internal audit team regularly undertake audits across different aspects of the Fund's management and administration. In addition they work with the Internal Auditors of West Yorkshire Pension Fund, from Bradford Council to provide additional assurance over the administration function. The output from these audits is reported to the Council's Audit Committee, and brought to the Pension Board and Committee as appropriate. There were no internal audits undertaken in 2020/21 by LCC's internal audit team.

Assurance from the service suppliers and fund managers appointed by Lincolnshire Pension Fund is obtained thorough the receipt and monitoring of control reports – e.g. ISAE 3402 (AAF 01/06) or SSAE16/70. For 2020/21 reasonable assurance was obtained from all third party operations.

Business Plan and Budget

The Fund's Business Plan is brought to the Pensions Committee each March for approval. The business plan sets out the Fund's objectives, the resources and budget, the key tasks for the year ahead, the key risks and a forward plan of Committee and Board meetings.

The table below shows the reviews the progress of the key tasks for the year 2020/21:

Subject	Context	2020/21 Review
Pensions Committee and Board meetings	The responsibility for the Pension Fund is delegated to the Pensions Committee, with the Pension Board providing an oversight role on the administration and governance of the Fund.	All Pension Committee and Board meetings held as expected (albeit virtually).
Asset Pooling with Border to Coast	Border to Coast Pensions Partnership has been created to meet the Government's investment reform criteria. In accordance with regulations and statutory guidance, assets should transition to the management of Border to Coast as appropriate vehicles become available.	Initial investment made into the internally managed UK Equity sub-fund, subsequent investment made into the Global Equity Alpha sub-fund. All transitions undertaken successfully. Oversight meetings held at officer, S151 and Joint Committee levels. Continued development on the multi asset credit, property and alternative fund offerings.
Administration Service (including employer data quality)	A good performing administration service is key to our stakeholders and for ensuring the quality of information held is appropriate for calculating benefits and liabilities.	Strong KPI figures generally throughout the year and positive customer survey responses, as reported to Committee and Board each quarter.

Annual Report and Accounting	The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors.	Delayed receipt of external audit opinion due to an issue with the Council's accounts meant Pension Fund accounts were published by 1 December without the opinion. An unqualified opinion was received in April 2021 and the accounts were republished.
Responsible Investment (RI)	There is continued focus on how LGPS Funds can best address and manage RI issues such as environmental, social and governance matter (ESG).	The Committee and Board received additional information and training to understand RI requirements. Investment changes were made to better align the strategy to the Committee's RI beliefs. Work continued with external managers and Border to Coast to ensure that it is embedded across all investment decisions. Worked with partner funds to design a broad template for the Stewardship Code.
Actuarial Service Tender	The contract with the Fund's Actuary expires in October 2020. The national framework for actuarial services is being refreshed and will be available to call off in the summer.	The National Framework was used to call off and appoint a new Actuarial Consultant. The Fund undertook a successful transition from Hymans Robertson to Barnett Waddingham.
Work by the Scheme Advisory Board (SAB)	The SAB have a number of projects underway to improve the management /governance of LGPS Funds.	Unfortunately the Good Governance project was delayed as a result of the pandemic. The Fund responded to any requests from SAB throughout the year.

Employer Accounting	Employers within the Fund require pensions accounting information at various times of the year, for inclusion in their statutory accounts.	All employers received appropriate accounting reports as required.

The budget and actual expenditure for operating the Lincolnshire Pension Fund for 2020/21 are set out in the table below. They are split between Administration Costs, Investment Management Expenses and Oversight and Governance Costs.

- **Administration Costs** include the costs of dealing with Fund members and employers in relation to current and future benefits. This service is provided to Lincolnshire Pension Fund via a Share Service with West Yorkshire Pension Fund.
- **Investments Management Expenses** include the cost of Fund Managers, Border to Coast Pension Partnership and the Fund's Custodian.
- **Oversight and Governance Costs** include:
  - The cost of the Fund's actuary, external auditor and other advisors. Actuarial costs incurred by individual employers within the Fund are recharged to that employer;
  - Staffing and accommodation costs associated with running the Fund; and
  - Costs associated with Fund governance for the Local Pensions Board.

	Original Budget 2020/21 £000	Actuals 2020/21 £000	Variance £000
Administration Costs			
Charge from Shared Service Administrator	1,283	986	(297)
Other	1	(1)	(2)
Investment Management Expenses			
Management Fees	9,172	8,104	(1,068)
Performance Related Fees	0	263	263
Other Fees	942	1,495	553
Oversight and Governance Costs			
Contracted Services	361	410	49
Recharge of Actuarial Services	(160)	(146)	14
Recharge from Administering Authority (incl. staff costs	248	247	(1)
Border to Coast Governance Costs	0	234	234
Other Costs	41	9	(32)
Total	11,888	11,601	(287)

At the end of the year variances between the original budget and actual expenditure included:

- Administration Costs: The annual administration charge from West Pension Fund was estimated to be £16.60 per member. Actual costs at the end of the year reduced the charge per member for 2020/21 by £2.91 to £13.69. The reduction arose due to the costs of the administration shared service now being split between four Funds (West Yorkshire, Lincolnshire and the London Boroughs of Hounslow and Barnett).

- Investment Management Costs: Costs incurred on management fees and performance fees reflect the size of the portfolio and investment returns achieved by managers. Costs in this area are very difficult to predict, particularly when markets and volatile.

  Additional other investment management fees were incurred during 2020/21. These relate to transition costs arising from the two large transitions undertaken in 2020/21: the transfer of UK equities from LGIM passive UK equity fund to Border to Coast Listed UK Equity sub-fund; and Global Equities from the Invesco mandate to LGIM Future World Fund and the Border to Coast Global Equity Alpha sub-fund.

- Oversight and Governance Costs: Border to Coast governance costs were originally budgeted for under investment management expenses, management fees, however, these costs should be classified under oversight and governance.

Employer Contribution Rates

Analysis of Active and Ceased Employers in the Fund:

	Active	Ceased	Total
Scheduled Body	222	13	235
Admitted Body	27	21	48
Total	249	34	283

The employers' contribution rates (including deficit cash or percentage of payroll amounts where applicable) applying in the year ended 31 March 2021, for all employers are set out below, alongside actual cash contributions received from both the employer and the employees for each body.

Scheduled & Admitted Bodies Contributing to the Fund as at 31 March 2021:

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received £k Employer	Employee
SCHEDULED BODIES				
County and District Councils				
Lincolnshire County Council	17.5	£8,240k	27,690.9	6,418.7
LCC Schools	17.5	7.4%	10,587.7	3,362.3
Boston Borough Council	17.7	£598k	2,018.6	374.9
East Lindsey District Council	17.5	£872k	2,564.0	564.9
City of Lincoln Council	17.3	£1,777k	4,473.3	1,019.7
North Kesteven District Council	17.6	£795k	2,574.4	669.3
South Holland District Council	17.4	£744k	1,868.5	408.8
South Kesteven District Council	17.5	£1,226k	3,727.2	909.8
West Lindsey District Council	17.2*	£940k	2,069.4	462.4
Internal Drainage Boards				
Black Sluice	18.2*	£62k	197.7	57.1
Lindsey Marsh	18.5*	£28k	306.6	119.3
North East Lindsey	20.7	£1k	10.1	3.0
South Holland	19.3	9.4% & £150k	253.1	23.3
Upper Witham	19.7	£51k	122.8	24.8

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received £k Employer	Employee
Welland and Deeping	19.2	£112k	266.4	56.1
Witham First	20.5	-1.2%	54.9	20.0
Witham Fourth	19.4	£76k	267.8	67.9
Witham Third	18.9	£26k	163.7	54.7
Parish and Town Councils				
Billinghay PC	21.1	1.4%	4.1	1.2
Bourne TC	21.1*	1.4%	12.1	3.6
Bracebridge Heath PC	21.1	1.4%	9.6	2.4
Cherry Willingham PC	21.1	1.4%	3.2	0.8
Crowland PC	21.1	1.4%	6.3	1.6
Deeping St James PC	21.1	1.4%	11.2	2.9
Gainsborough TC	21.1	1.4%	39.6	11.0
Gedney PC	21.1	1.4%	4.6	1.2
Greetwell PC	21.1	1.4%	1.1	0.3
Horncastle TC	21.1	1.4%	15.9	4.2
Ingoldmells PC	21.1	1.4%	5.2	1.3
Louth TC	21.1	1.4%	15.0	4.1
Mablethorpe & Sutton TC	21.1	1.4%	19.0	6.5
Market Deeping TC	21.1	1.4%	16.8	4.3
Nettleham PC	21.1	1.4%	7.4	2.1
North Hykeham TC	21.1	1.4%	23.1	6.1
Pinchbeck PC	21.1	1.4%	7.8	2.3
Skegness TC	21.1	1.4%	60.4	16.3
Skellingthorpe PC	21.1	1.4%	9.6	2.5
Sleaford TC	21.1	1.4%	54.9	14.4
Stamford TC	21.1	1.4%	34.3	9.0
Sudbrooke PC	21.1	1.4%	1.6	0.4
Sutton Bridge PC	21.1	1.4%	7.5	2.1
Thorpe on the Hill PC	21.1	1.4%	2.2	0.5
Washingborough PC	21.1	1.4%	11.2	3.1
Welton-by-Lincoln PC	21.1	1.4%	8.1	2.3

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received £k Employer	Employee
Woodhall Spa PC	21.1	1.4%	3.7	1.0
FE Establishments				
Bishop Grosseteste University	23.5*	£76k	998.1	273.4
Boston College	23.8		856.3	213.3
Grantham College	23.8	£42k	708.3	174.2
Lincoln College	24.5	£264k	1,216.9	242.8
Stamford College (left 31/07/2020)	23.8	£26k	226.7	56.0
Other Scheduled Bodies				
Acorn Free School	19.5	-3.0%	25.6	9.2
BG Lincoln	22.8	£1k	29.0	7.2
Public Sector Partnership Services	19.9	£91k	1,104.8	323.6
Police Chief Constable and Police & Crime Commissioner (pooled rates also with G4S)	16.3	£1,448k	3,581.4	871.3
Academies				
Aegir Community Academy	21.0	£37k	189.0	44.0
Alford Queen Elizabeth	21.2*		50.1	15.3
Bassingham Primary Academy	22.0	£8k	45.0	9.6
Beacon Primary	19.1		39.7	12.0
Boston Grammar	20.1	£7k	123.3	34.4
Boston High School	21.2*	£28k	140.5	34.9
Boston John Fielding	19.9	See Grantham Ambergate	124.5	36.4
Boston St Mary's RC Primary	20.3	£4k	55.8	14.2
Boston West Academy	21.0	-1.8%	62.7	18.5
Boston Witham Federation	19.4	£28k	862.9	263.8
Bourne Abbey Academies Trust	20.9	£10k	258.5	69.1
Bourne Academy	21.1	£13k	248.9	71.6
Bourne Grammar	21.3	£29k	187.6	48.8
Bourne Keystone Academy Trust	21.2*	£3k	149.3	43.6
Bracebridge Infant and Nursery	20.7	£2k	35.6	9.3
Branston CofE Infant School	20.8	£2k	20.3	4.9
Branston Community Academy	20.9		219.9	59.6

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received £k Employer	Employee
Branston Junior Academy	21.9	£14k	44.8	7.9
Browns CofE Academy	21.9	£2k	21.0	4.8
Caistor Grammar Academy	21.0*		82.4	27.4
Caistor Yarborough	20.0	£3k	97.9	27.9
Carlton Academy	19.8	£4k	116.0	33.2
Caythorpe Primary Academy	19.9	See Grantham Ambergate	27.7	7.8
Chapel St Leonards Academy	19.9	See Grantham Ambergate	53.7	16.0
Cherry Willingham Primary	20.3		41.6	11.7
David Ross Educational Trust	20.4	£112k	639.6	150.3
Eastfield Infant and Nursery School	19.4	See Springwell City Academy	94.4	24.8
Edenham CofE Academy	21.8	£6k	22.0	4.1
Ellison Boulters Academy	20.3	£1k	55.5	15.4
Ermine Primary	20.3	£10k	184.1	41.0
Fosse Way Academy	20.7		129.3	34.8
Frithville Primary	20.2*	See Horncastle Banovallum	14.7	4.2
Gainsborough Benjamin Adlard	20.4	-1.8%	57.4	17.2
Gainsborough Parish Church	20.3	£12k	90.3	20.9
Giles Academy	19.5	£7k	153.4	43.4
Gipsey Bridge Academy	20.9	£4k	23.6	5.5
Gosberton House Academy	18.9	£21k	123.5	32.0
Grantham Ambergate	19.9	£245k	463.6	71.0
Grantham Greenfields Academy	19.9	See Grantham Ambergate	54.7	16.4
Grantham Isaac Newton Primary	19.9	See Grantham Ambergate	96.5	27.7
Grantham Kings School	21.6*	£2k	157.5	48.0
Grantham Sandon	19.9	See Grantham Ambergate	117.9	34.3
Grantham St Mary's Catholic	21.2	£7k	50.5	11.5
Grantham Walton Girls	21.2	£10k	127.5	32.2

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received £k Employer	Employee
Harrowby CofE Infants	20.6*	£2k	22.3	6.0
Hartsholme Academy	17.8	£10k	112.1	36.5
Heighington Millfield Academy	20.3		64.8	18.3
Hillcrest EY Academy	19.4	£12k	80.4	20.3
Holbeach Bank Academy	20.7	£2k	19.8	4.8
Holbeach Primary	20.4	£12k	75.5	17.5
Holy Trinity CofE Primary	21.2	£6k	30.3	6.4
Horncastle Banovallum	20.2*	£66k	189.6	39.2
Horncastle Education Trust	20.2*	See Horncastle Banovallum	49.7	18.6
Horncastle QE Grammar	20.2*	See Horncastle Banovallum	94.6	29.0
Huntingtower Community Primary	20.3		106.4	29.4
Huttoft Primary Academy	19.7		51.2	14.5
Ingoldmells Academy	20.1	£1k	43.0	11.7
John Spendluffe Academy	20.7	£20k	206.3	52.7
Keelby Primary Academy	21.4	£14k	56.1	10.9
Kesteven & Grantham Academy	21.4	£33k	235.5	55.4
Kesteven & Sleaford High	21.2*	£18k	133.2	34.3
Kidgate Primary Academy	19.6	£11k	94.6	24.9
Kirkby La Thorpe	20.0	£2k	38.1	10.1
Lacey Gardens Junior School	19.4	See Springwell City Academy	95.5	27.9
Linchfield Community Primary Academy	19.9	See Grantham Ambergate	50.5	14.7
Lincoln Anglican Academies	17.7	-1.3%	89.4	41.9
Lincoln Castle Academy	21.1	£19k	171.8	43.4
Lincoln Christs Hospital School	21.2	£33k	268.3	68.0
Lincoln Our Lady of Lincoln	20.6		46.5	12.5
Lincoln St Hugh's Catholic	21.5	£7k	77.3	18.3
Lincoln St Peter & St Paul's	20.8	£13k	121.6	30.2
Lincoln UTC	18.7	£7k	68.1	19.2
Lincoln Westgate Primary	20.5	£3k	80.5	21.8

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received £k Employer	Employee
Ling Moor Academy	20.3		75.0	20.5
Little Gonerby CofE	21.2	£2k	57.3	14.8
Long Bennington CofE	21.6*	£9k	58.2	14.7
Long Sutton Primary School	24.8*	£13k	115.4	25.3
Louth Academy	20.5	£43k	166.4	34.6
Louth King Edward VI Grammar	21.3	£55k	188.8	38.4
Mablethorpe Academy	20.8	£13k	115.3	28.8
Manor Farm Academy	18.7		29.3	8.6
Manor Leas Infant Academy	21.0		46.2	12.3
Manor Leas Junior Academy	21.3	£6k	44.7	10.4
Market Rasen De Aston	20.7		228.4	54.8
Morton CofE Academy	21.0	£12k	55.2	11.4
Mount Street Academy	20.2	£10k	124.1	33.2
National CofE Junior	20.6*	£17k	93.8	24.2
Nettleham Infants Academy	19.9	£11k	52.7	11.2
New York Primary	20.2*	See Horncastle Banovallum	17.0	5.1
North Kesteven School	21.6*	£58k	201.2	44.1
North Thoresby Primary	20.6		22.2	6.0
Pinchbeck East CofE Primary Academy	25.9 (provisional)		8.4	1.8
Poplar Farm School	19.9	See Grantham Ambergate	38.7	11.0
Priory Federation of Academies	20.3		1,193.8	339.5
Rauceby CofE	22.2	£6k	38.3	8.3
Redwood Primary	20.3		49.4	14.0
Ruskington Chestnut Street	20.6	£23k	78.1	14.8
Seathorne Primary, Skegness	24.6	£17k	130.4	26.4
Sir Robert Pattinson Academy	20.6	£25k	232.9	61.9
Sir William Robertson	21.0	£20k	185.7	47.4
Skegness Academy	20.0	£15k	261.8	74.3
Skegness Infant Academy	20.4	£11k	83.7	20.3
Skegness Junior Academy	20.9	£6k	93.6	23.3

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received £k Employer	Employee
Sleaford Carres Grammar	21.2*	£36k	222.4	61.1
Sleaford Our Lady of Good Counsel	19.9	-2.0%	32.7	10.1
Sleaford St Georges	20.9		418.6	121.0
Sleaford William Alvey	20.4	£2k	97.5	26.5
Somercotes Academy	18.7	£28k	75.0	14.4
South Witham Community	21.5*	£8k	26.0	5.0
Spalding Academy	21.7	£63k	270.4	56.3
Spalding Grammar	21.1	£27k	165.1	40.2
Spalding Parish Church CofE	24.6	£11k	153.6	32.6
Spalding Primary Academy	25.9 (provisional)		11.1	2.5
Spilsby Primary Academy	21.2	£25k	89.4	17.3
Springwell Lincoln City Academy	19.4	£37k	348.5	95.9
St Bernards Academy Louth	19.7	£55k	222.7	50.6
St Giles Academy	19.5	£29k	142.0	32.9
St John's Primary Academy	21.1	£13k	108.5	26.1
St Lawrence Academy	19.3	£28k	175.0	45.1
St Michaels CofE Primary	20.1	£14k	91.8	21.4
St Nicholas CofE Boston	25.5	£6k	69.8	14.2
St Norberts Catholic Primary	20.5	£3k	40.5	10.2
St Paul Community Primary	19.9	See Grantham Ambergate	66.3	19.1
St Thomas CofE Boston	20.1	£15k	117.6	29.7
Stamford Bluecoat Academy	25.9 (provisional)		25.3	5.6
Stamford Malcolm Sargent	20.8		182.9	50.2
Stamford St Augustines	20.1	£2k	39.6	10.6
Stamford St Gilberts	21.0	£10k	63.4	14.3
Stamford Welland Academy	21.7	-1.1%	82.0	23.1
Surfleet Seas End Primary Academy	25.9 (provisional)		1.6	0.3
Tall Oaks Academy Trust	20.3	£11k	194.5	52.1
The Deepings Academy	21.1	-1.4%	258.2	77.7
The Gainsborough Academy	20.5		129.9	36.7
The Garth School	19.9	See Grantham	106.6	31.4

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received £k Employer	Employee
		Ambergate		
The Marton Academy	21.4	£5k	22.7	4.6
The Priory School	19.9	See Grantham Ambergate	108.8	31.6
The Priory Pembroke	20.3		93.3	26.0
Theddlethorpe Primary Academy	21.2	£3k	28.0	6.7
Thomas Cowley Academy	20.8	£18k	184.3	49.4
Thurlby Community Primary	23.8*	£1k	32.0	7.9
Tower Road Academy	20.3	£5k	126.8	37.4
University Academy Holbeach	20.9	£39k	308.2	78.9
University Academy Long Sutton	20.7	£22k	149.8	37.1
Utterby Primary Academy	21.7	£2k	21.1	4.9
Waddington All Saints Primary	21.1	9	77.7	18.5
Wainfleet Magdalene Primary	20.6	£14k	77.6	17.1
Warren Wood Specialist	20.5	£24k	128.2	29.0
Washingborough Academy	21.0	£6k	72.5	18.3
Welton William Farr CE	21.4	£35k	300.8	71.6
Welton St Mary's CofE	21.3	£5k	59.8	14.6
West Grantham Federation	20.2	£14k	289.6	66.5
Weston St Mary	20.2	£1k	6.9	1.6
Whaplode CofE Academy	20.6	£6k	48.1	11.6
William Lovell Academy	21.0	£28k	90.6	17.0
Willoughby School Bourne	20.3		172.9	49.3
Witham St Hughs Academy	20.3	£2k	80.0	22.0
Woodhall Spa St Andrews	20.4	£1k	64.4	17.4
Woodlands Academy Spilsby	19.9	See Grantham Ambergate	59.4	17.2
Wyberton Primary School	20.0	£12k	62.2	14.1
ADMITTED BODIES				
Active Lincolnshire	21.6		19.6	6.2
Active Nation	33.1		13.9	2.6
Adults Supporting Adults	31.1	-2.0%	9.3	1.8

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received £k Employer	Employee
Balfour Beatty	17.5	7.4%	124.6	32.0
Caterlink (West Grantham Academy)	32.1	-32.1%	0	2.2
Caterlink (Walton Girls High)	28.8		21.3	4.2
Caterlink (South Witham)	32.0		7.5	1.4
Compass Contract Services (UK) Ltd (contract ended April 2020)	31.8	-31.8%	0	0.3
Danfo	30.3		11.2	2.1
Easy Clean Contractors (Baston)	33.7	£2k	4.3	0.4
Easy Clean Contractors (Linchfield)	31.7	-31.7%	0.1	0.3
Edwards & Blake	32.7	£5k	16.2	2.1
Future Cleaning Services	32.8	-2.5%	5.6	1.1
G4S (for rate see Police pool)	16.3		604.2	239.5
Greenwich Leisure Limited	17.5	7.4%	374.9	89.9
Independent Cleaning Services (Caistor Grammar)	26.1		2.8	0.6
Lincoln Arts Trust (left 30/10/2020)	28.3	-2.7%	22.1	2.9
Lincolnshire Housing Partnership	29.7	£143k	227.9	24.9
Lincolnshire Road Car Company Ltd. (Stagecoach)	17.3		0.6	0.2
Magna Vitae Leisure Trust	21.1	-4.6%	216.2	76.9
Making Space	30.4		10.1	1.6
Mellors Catering Services	25.7	£1k	9.6	2.1
Nightingale Cleaning Ltd	32.3		1.3	0.2
Outspoken Training	35.5	-15.6%	0.8	0.2
Platform Housing Group	28.2	£392k	684.5	75.5
Serco	17.5	7.4%	639.0	166.2
Taylor Shaw (Branston)	33.9	-2.2%	8.8	2.0
Vinci	35.2	-35.2%	0.8	2.3

* indicates employer has ill health insurance with Legal and General therefore the actual rate paid is reduced by 1.75% for the insurance premium

Contribution payments are paid by the employers directly into the Lincolnshire Pension Fund bank account, and monthly data submissions are sent to the Fund's administrator, WYPF, through a secure portal.

The timely receipt of contribution payments and data submissions is monitored closely. Late payers (either in paying cash or in submitting data after the Funds deadline of the 19 of the month following payroll, or where the two elements do not agree) are reported quarterly to both the Pensions Committee and the Pension Board.

A policy is in place to fine employers where they are late in three of any six months over a rolling period, to cover additional administrative costs. However the Fund and its administrator work closely with employers to ensure that employers understand their responsibilities and the processes required to meet them. Over the year to 31 March 2021 there were 7 fines raised to employers (18 in 2019/20). The Fund has not opted to levy interest on overdue contributions.

Asset Pooling

Introduction

In the LGPS (Management and Investment of Funds) Regulations 2016, enacted in November 2016, the Government required all Local Government pension funds to combine their assets into a small number of asset pools, in line with guidance issued by the Secretary of State and meeting the four criteria set out below:

a. Benefits of scale - a minimum asset size of £25bn;

b. Strong governance and decision making;

c. Reduced costs and value for money; and

d. Improved capacity to invest in infrastructure.

These regulatory changes do not affect the sovereignty of the Lincolnshire Pension Fund, and the pooling of LGPS assets will have no impact on the employee contribution rates or pension entitlement of members of the fund (pensioners, current employees and previous employees who are yet to draw their pension).

New guidance from Ministry of Housing, Communities and Local Government (MHCLG) is expected to be issued for consultation in 2020/21.

Lincolnshire Pension Fund's Solution

Having assessed the various options available, it was decided that the Fund would pool its assets with ten other like-minded funds, and create a new entity to implement the investment strategy and manage the investments. Some core principles were agreed at the very beginning, these included:

- One Fund one vote – regardless of size all Funds will be treated equally;
- Equitable sharing of costs;
- A fully regulated company; and
- To drive efficiencies and work effectively, partner funds must have a complimentary investment ethos, risk appetite and strategy.

The new entity was created by the partner funds, with experts appointed to ensure the structure would meet the needs of the Funds, the requirements of the Financial Conduct Authority (FCA) and the criteria set by Government.

Border to Coast Pensions Partnership

Border to Coast Pensions Partnership Ltd (Border to Coast) went live in July 2018 as a fully regulated asset management company, jointly owned by twelve partner funds' administering authorities, with each Fund having an equal share in the company. Due to the merger of Northumberland and Tyne and Wear Pension Funds in April 2020, the number of partner funds has reduced to eleven. This change has not impacted the core principles listed above. Border to Coast's role is to implement the investment strategies of the partner funds, through a range of investment sub-funds offering internally and externally managed solutions.

Border to Coast is based in Leeds and has 100 employees. This includes a large team to directly manage assets, alongside a team to select external managers. As an FCA regulated company, Border to Coast has to comply with all the requirements that any other asset manager has to, and is subject to company legislation. At the end of March 2021, Border to Coast had £21.7bn under management across ten collective investment vehicles, and £3bn of Private Market commitments from partner funds.

Oversight and Governance

Border to Coast has eleven LGPS partner funds – Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, South Yorkshire, Surrey, Teesside, Tyne & Wear and Warwickshire. The Chairs of the Pensions Committees of these funds sit on a Joint Committee, to exercise oversight of the investment performance of the company and report back to, and take feedback from, the various Pensions Committees. In addition there is a scheme member representative that has a non-voting seat on the Joint Committee, who is nominated by the eleven Partner Funds' Local Pension Boards. The Joint Committee represents the Funds as investors in Border to Coast. As Border to Coast is jointly owned by the administering authorities of the Pension Funds, there is also a shareholder role that the authorities provide, and the responsibilities are all set out in a shareholder agreement. Pension Fund Officers provide day-to-day oversight and work closely with Border to Coast to ensure that the company provides the investment vehicles the funds need to implement their investment strategies.

Asset Transitions

As at 31 March 2021, the Lincolnshire Fund had transitioned assets into three sub-funds.

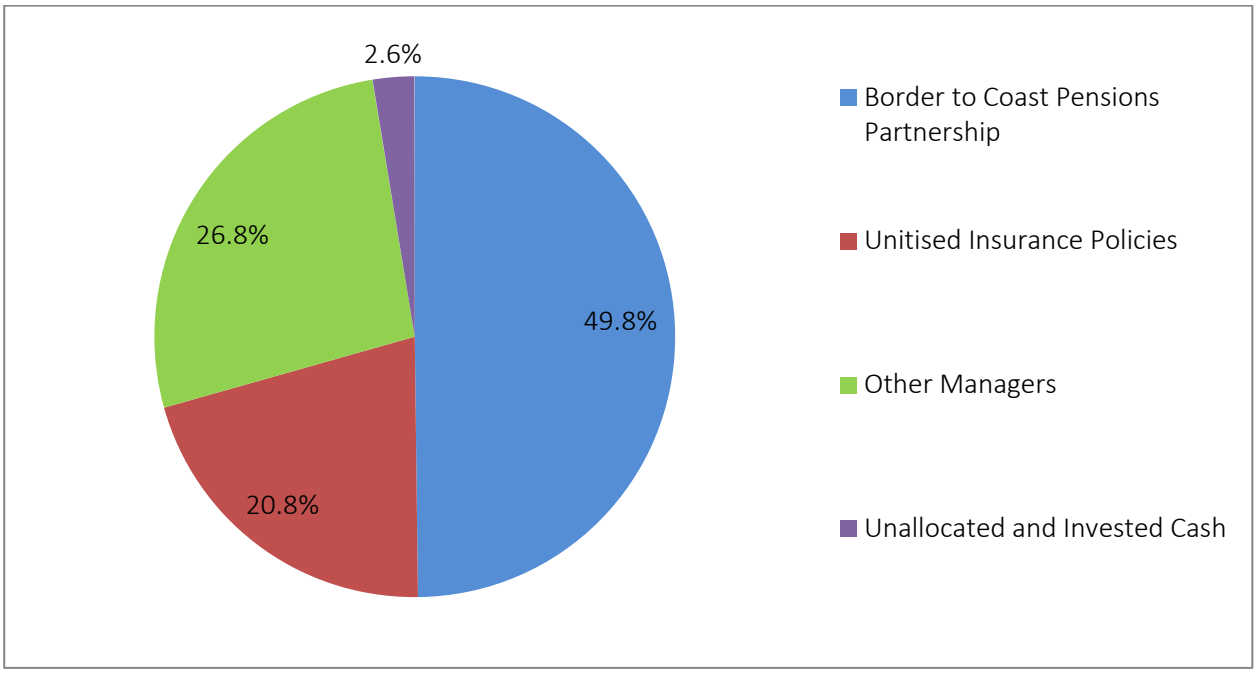
The first transition took place in October 2019, when approximately £420m was transferred from three global equity managers (Columbia Threadneedle, Morgan Stanley and Schroders) to the Border to Coast Global Equity Alpha sub-fund. In February 2020 the second wave of assets was

transitioned, with approximately £190m transferring from a passive bond portfolio managed by Blackrock to the Border to Coast Investment Grade Credit sub-fund.

In July 2020, approximately £380m was transferred from a passive UK equity mandate managed by Legal and General into the Border to Coast UK Equity sub-fund. In February 2021, an additional investment of approximately £196m was made into the Global Equity Alpha sub-fund, following the termination of Invesco's global equity mandate.

Transition into the Border to Coast Multi Asset Credit sub-fund is expected later in 2021, and work continues on the property and alternatives solutions.

The chart and table below shows the proportion of the Fund that has now been invested into Border to Coast vehicles at as 31 March 2021, at 49.8%. This compares to 23.8% invested at 31 March 2020, and shows the positive direction of travel. Further detail on this can be found in the Accounts section of this report at note 12C.



Assets under management, costs and savings prior to 2018/19 are shown as a cumulative value, as Border to Coast Pensions Partnership went live in July 2018.

Border to Coast Assets Under Management (AUM) for Lincolnshire Pension Fund	Cumulative to 18/19	2019/20	2020/21
Border to Coast	0	525	1,350
Passive / Other (not to be pooled)	574	585	564
Other	1,770	1,092	799
Total AUM £m	2,344	2,202	2,713
Border to Coast	0%	24%	49%

Border to Coast Assets Under Management (AUM) for Lincolnshire Pension Fund	Cumulative to 18/19	2019/20	2020/21
Passive / Other (not to be pooled)	24%	27%	21%
Other	76%	49%	30%
Total AUM %	100%	100%	100%

Border to Coast costs and savings for Lincolnshire

During 2020/21 Border to Coast has worked with the Partner Funds to gather data, agree assumptions, and build a savings model and process that will enable consistent reporting against this key metric going forward. This supports one of the original objectives of pooling i.e. to reduce costs and deliver value for money.

Savings from future launches are not included and the level of savings should grow as we develop and include other funds.

The table below details the net savings to date.

Border to Coast Costs and Savings	Cumulative to 18/19 Actual £m	2019/20 Actual £m	2020/21 Actual £m
Implementation Costs – pre-incorporation	0.19	-	-
Implementation Costs – post-incorporation	0.24	-	-
Share Purchase/Subscription	0.83	-	0.35
Share Purchase/Subscription (adj.)	-	-	-
Governance Costs	0.17	0.19	0.23
Development Costs	0.01	0.06	0.05
Project Costs	-	0.09	0.14
Total Set-up and Operating Costs	1.44	0.35	0.78
Transition Costs	-	0.42	(0.01)
Fee savings due to pooling	0.06	0.05	0.21
Fee Savings – Private Markets	-	-	-
Fee Savings – Public Markets	-	0.35	0.91
Fee Savings – Public Markets (add. costs)	-	-	(0.06)
Fee Savings – Real Estate UK	-	-	-
Fee Savings – Real Estate Global	-	-	-

Border to Coast Costs and Savings	Cumulative to 18/19 Actual £m	2019/20 Actual £m	2020/21 Actual £m
One Offs (Crossing deals)	-	-	3.28
Other Savings	-	-	-
Total Fee Savings	0.06	0.40	4.34
Net Position	(1.38)	(0.37)	3.57
Cumulative Net Position	(1.38)	(1.74)	1.82

Border to Coast contact details:

Border to Coast Pensions Partnership
5th Floor, Toronto Square, Leeds, LS1 2HJ

More information can be found at their website at www.bordertocoast.org.uk

Annual Report of the LGPS Local Pension Board 2020/2021

Introduction

The Local Pension Board of Lincolnshire County Council (LCC) has been in operation for almost six years and I am pleased to present the report for the year 2020/2021.

Pension Boards were introduced in to the Local Government Pension Scheme (LGPS) from April 2015 under the Public Sector Pensions Act 2013 with the responsibility to assist administering authorities, in particular pension managers, and to secure compliance with the LGPS regulations.

The Lincolnshire Local Pension Board was established by the Administering Authority in June 2015 and operates independently of the Pensions Committee.

Purpose

The Board's role is to work closely in partnership and assist the Administering Authority in its role as Scheme Manager in relation to the following matters:

- Securing compliance with the Scheme Regulations and any other legislation relating to the governance and administration of the Scheme;
- Securing compliance with the requirements imposed by the Pensions Regulator (TPR) in relation to the Scheme;
- Ensuring any breach of duty is considered and followed under the Scheme's procedure for reporting to TPR and to the Scheme Manager;
- Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme; and
- Such other matters as the Scheme Regulations may specify.

Further detailed information on the Board's functions is set out in the Terms of Reference.

Constitution and Membership

The membership of the Board during the period was as follows:

- Independent Chair (non-voting)
  Roger Buttery

- **2 Employer Representatives** (both voting)
  Councillor Mark Whittington (Lincolnshire County Council)
  Gerry Tawton (Boston College)
- **2 Member Representatives** (both voting)
  David Vickers
  Kim Cammack

All the Board Members have completed the Pension Regulator's Public Service toolkit. All the Board Members have also attended a variety of externally organised conferences and seminars throughout the year as well as two internal training sessions on "An understanding of the mandate for one of the investment managers and possible replacement options, and Border to Coast's property offering"; and "LGPS fund valuations, accounting and current LGPS issues".

The Work Programme

The Board has an annual work programme. At each of the four meetings, the Board considered several standard reports, including:

Service Provision during the pandemic – the Board received assurances from the West Yorkshire Pension Fund (WYPF) that the pensions administration service had continued to be provided during the pandemic lockdowns. The Administration Team transitioned successfully and seamlessly to working from home and provided continued support to the membership. The Board congratulated the Team for their efforts.

Each quarter, the Board considered a report from the Business Development Manager (BDM) from WYPF on current administration issues within the Lincolnshire Pension Fund. The Key Performance Indicators (KPIs) are an important consideration. Throughout the year, the Board has been comfortable with the performance of WYPF and most of the KPIs have been in the 95% range.

At alternative meetings during the year, the BDM was questioned on the data scores as reported to TPR. At the January meeting, the reported scores were Common data 95.66% and Scheme Specific data 84.03%. The target is 100%, particularly for Common data. The Board continues to monitor WYPF's progress against an agreed data improvement plan.

The Board also noted that 99.3% of the Annual Benefit Statements had been issued to members by the statutory deadline. This was considered to be an excellent achievement.

Although there is a concern over meeting the TPR's targets on data quality, overall, the Board's conclusion was that the administration of the scheme continues to be sound.

Employer monthly submissions and contribution monitoring - at each meeting, the Board considered a report from the Head of Pensions on any current issues within the fund including investment matters and the employers' monthly submissions and contribution monitoring. As regards the latter, for the vast majority of employers, the payment of contributions and the data submissions are made on a timely basis but there are a few outliers. During the year, there were 20 cases of the late payment of contributions and 111 cases of the late submission of monthly returns This is both disappointing and unacceptable but there is a recognition that it is important to work with the employers to attempt to resolve issues before taking further action. Efforts will therefore continue

to remind employers/payroll providers of their duties and responsibilities through individual contacts, either in person, by email or telephone. The Board will keep this issue under close review.

Annual Report & Accounts and External Audit - At the July meeting, consideration was given to the Pension Fund's draft Annual Report & Accounts for 2019/2020 which had been approved by the Pensions Committee on 16 July, 2020. An unqualified audit opinion was issued on the Pension Fund Statement of Accounts. The Board congratulated the Head of Pensions on producing an excellent document.

The pension fund accounts form part of LCC's main accounts. As a result of a technical accounting issue, the deadline of 30 November (normally 31 August but changed as a result of the pandemic) for signing off the accounts was missed. The accounts were eventually signed off on 30 April 2021. This was disappointing and underlines the need for separate audit certificates, a request that has been made previously.

There was a concern that the low level of audit fees (£19,000) for the external audit might compromise the quality of the audit. Following discussions with the Executive Director – Resources, this concern has been taken up nationally because LCC does not have any real leverage over either the auditor allocated or the fee paid. Although a national review of public sector audit has been undertaken, the Government rejected the proposals. This is unsatisfactory and the Board will continue to monitor the position.

Border to Coast Pensions Partnership (BCPP) – the Board undertook a "deep dive" into the governance arrangements surrounding BCPP, particularly as the operating company is owned by eleven local authority pension funds, one of whom is Lincolnshire. The Board concluded that that the governance arrangements are strong with the exception of the appointment of two nominated non-executive directors by the partner funds to the company board of Border to Coast where there is a potential conflict of interest. LCC did not support these arrangements and has not made any nominations.

Internal audit activity - the Board reviewed an exempt report on the internal audit of several aspects of the pensions service, including annual benefit statements, accuracy of contributions recorded on member records and transfers in. The overall conclusion of the review was that LCC's Internal Audit Team continue to be able to place reliance on the assurance work of the pensions administration function undertaken by the WYPF. There were a number of recommendations which management accepted and are being acted upon.

The Board also considered an exempt comprehensive report on Cyber Security and gained some assurance that the issue is taken very seriously by the WYPF through Bradford City Council.

The pension regulator's code of practice - Lincolnshire's compliance to the Code is regarded as a very important report.

The eleven elements of the Code are:

a) Reporting duties;

b) Knowledge and understanding;

c) Conflicts of interest;

d) Publishing information about schemes;

e) Managing risk and internal controls;

f) Maintaining accurate member data;

g) Maintaining contributions;

h) Providing information to members and others;

i) Internal dispute resolution;

j) Reporting breaches of the law; and

k) Scheme advisory board.

A checklist of 99 items covering the above was produced in a traffic lights format. It is pleasing to report that Lincolnshire was largely compliant throughout the year. As at March 2021, there were 95 green and 1 not relevant. There were 3 partially compliant because certain aspects are outside direct control. The Board considered that the compliance to tPR's Code was very good.

Conclusion

The Board considers the governance and administration of the Scheme to be sound. Lincolnshire's compliance to the vast majority of TPR's Code of Practice is particularly impressive. The Report and Accounts for 2019/2020 was an excellent document and there was an unqualified audit report. The Board will continue to monitor various national initiatives if any proposals unfold.

The Board would like to express its thanks to Jo Ray, Head of Pensions, her Team and the staff of the WYPF for the huge amount of work undertaken during the year. Finally, I should like to thank the four Board Members for their considerable input and support during the year.

Roger Buttery
Pension Board Chair
May 2021

Any questions regarding the Pensions Board or its work can be addressed through the Head of Pensions.

Jo Ray, Head of Pensions
Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL
Tel: 01522 553656 | email: jo.ray@lincolnshire.gov.uk

Information on Board membership and meetings can be found on the Council's website:
http://lincolnshire.moderngov.co.uk/

Lincolnshire Pension Fund

Actuary's statement as at 31 March 2021

Introduction

The last full triennial valuation of the Lincolnshire Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 27 March 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The market value of the Fund's assets as at 31 March 2019 was £2,353m.
- The Fund had a funding level of 93% i.e. the value of assets for valuation purposes was 93% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £183m.
-

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;

plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 18.6% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in Appendix 3 of the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2019 are summarised below:

Assumptions	Assumptions used for the 2019 valuation
Financial assumptions	
Market date	31 March 2019
CPI inflation	2.3% p.a.
Long-term salary increases	2.6% p.a.
Discount rate	4.0% p.a.
Demographic assumptions	
Post-retirement mortality	
Base tables	Based on Club Vita analysis
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements	
Males	0.5% p.a.
Females	0.25% p.a.

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2019 valuation report.

Updated position since the 2019 valuation

Update to funding basis and assumptions

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

With effect from 1 January 2021, the salary growth assumption was reviewed and salaries are now assumed to increase at CPI plus 1.0% p.a. with no additional promotional salary scale. The derivation of CPI is discussed below.

We have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the BoE implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. We have included in the discount rate

assumption an explicit prudence allowance of 0.8%. This incorporates an allowance for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap).

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

The update to the CPI assumption mentioned above leads to a small increase in the value of liabilities. The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

Overall position

On balance, we estimate that the funding position (allowing for the revised funding basis) has improved compared to the funding position as at 31 March 2019.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equites due to actual and potential reductions and suspensions of dividends.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

The Fund can continue to monitor the funding level using LGPS Monitor on a regular basis.

Barry McKay FFA
Partner, Barnett Waddingham LLP

Investment Background

Returns for Major Markets

The twelve months to 31 March 2021 produced positive performance across most asset classes, with a large rebound in equities following the underperformance last year due to the coronavirus pandemic.

Equity market returns were all positive, ranging from 24.8% in Japan to 40.8% in the Emerging Markets.

Bond asset returns were mixed, with UK Gilts negative at -5.5 and both UK Index Linked Gilts and UK Corporate Bonds positive, returning 2.3% and 10.1% respectively.

UK Commercial Property returns were positive over the year, at 2.5%.

Investment Returns to sterling based investors 1 April 2020 to 31 March 2021

Asset Class	Index	Index return to sterling investors %
Equities		
United Kingdom	FTSE All Share	26.7
Global Equities	FTSE World	39.6
United States	S&P 500	40.5
Europe ex UK	FTSE Developed Europe	35.0
Japan	TOPIX	24.8
Emerging Markets	FTSE Emerging	40.8
Fixed Interest		
UK Gilts	FTSE UK Gilts	(5.5)
UK Index Linked Gilts	FTSE Index–Linked	2.3
UK Corporate Bonds	IBoxx Sterling Non-Gilts All Stocks	10.1
UK Commercial Property	MSCI/AREF UK Property Fund Index - All Balanced Fund Index	2.5
Cash	LIBID Seven Day Rate (compounded)	(0.07)

Asset Class Performance Narrative

Global Equity Overview

Globally, stock markets rose significantly over the past 12 months. Covid-19 was the dominant factor at the beginning of the period, as stock markets began the recovery from the lows of March 2020.

Supportive monetary and fiscal policy was prevalent over the period. The US Federal Reserve (Fed) maintained the main US rate at near zero throughout the review period, while also providing support through its bond-buying programme. Elsewhere, the European Central Bank (ECB) announced a stimulus plan worth €1.35 trillion to counter the economic effects of coronavirus. Both the US and the European Union (EU) announced expanded stimulus measures in December 2020. President Biden then proposed an additional US$1.9 trillion stimulus package in January 2021.

The backdrop of government and central bank stimulus supported investor sentiment from early on in the review period, as markets began to recover from the sell-offs witnessed in March 2020. However, the recovery stalled in September and October, reversing some recent gains. In November, however, the relatively smooth US presidential election – coupled with news of three major Covid-19 vaccines – buoyed sentiment. This persisted throughout December due to the launch of vaccination programmes, the approval of stimulus packages and the reaching of a Brexit trade deal.

Momentum stalled again in January and February 2021 as global bond markets experienced a marked sell-off, spurring worries that this could impact the fragile global recovery. This also negatively affected equities. However, while yields continued increasing thereafter, equity markets recovered on the back of rising optimism about a global economic rebound and the continuation of the vaccine rollout.

UK Equities

The UK stock market was among the poorer developed markets, but still ended the period notably higher. During a period of considerable political upheaval, investors grappled with Brexit related uncertainty and the economic fallout from the coronavirus pandemic. Smaller domestic companies outperformed larger London-listed companies.

Stocks rose at the beginning of the period, driven by the accommodative monetary and fiscal policy by the Bank of England and UK Government, respectively. Moreover, markets benefited as the economy began to reopen after months of economic lockdown. However, markets dipped again in July 2020 amid wider economic uncertainty. Meanwhile, a second Covid-19 wave and continued fears about Brexit dented returns in September and October.

However, US presidential election news and major vaccine announcements in November spurred a strong rally in equities. The rollout of vaccination programmes, coupled with the UK and the EU agreeing on a Brexit trade deal in December 2020, supported UK equities. This was despite a new Covid-19 strain spreading through the country.

This positive momentum took a brief pause in January 2021, and markets dipped slightly, before picking up again in February. This continued into March, aided by easing lockdown restrictions, some positive earnings result and the on-going vaccination rollout. By mid-March, half of all UK adults had already received at least one vaccine dose. Further, Chancellor Rishi Sunak pledged an additional £65 billion in emergency support measures for workers and businesses, while

announcing a corporate tax hike scheduled for 2023. In economic news, fourth-quarter GDP numbers were also revised upwards to 1.3% quarter-on-quarter, indicating greater-than-expected economic resilience.

US Equities

US shares registered strong returns over the past 12 months. Massive stimulus by both the Fed and US Government spurred a strong rally in US stocks. Gains continued amid hopes of a V-shaped economic recovery and easing lockdowns. However, the speed of the market recovery slowed due to fears of a second wave of coronavirus and a cautious economic outlook from the Fed. Nevertheless, the recovery continued at a steady pace and the S&P 500 Index reached a new all-time high at the beginning of September.

In September and October 2020, an uptick in Covid-19 cases, and doubts about vaccine stability and additional fiscal stimulus weighed on market sentiment. In November, the US presidential election, coupled with major vaccine announcements, was positive for equities. US stock markets ended the year at new all-time highs, with former President Trump finally signing a new US$900 billion stimulus package.

January 2021 saw markets pulling back slightly. A surge in bond yields weighed on markets in February, but stocks were positive overall. President Biden also unveiled a new proposed US$1.9 trillion stimulus package, which he signed into law in March. This supported US equities, although continued rising yields dragged on the technology sector.

By the end of the period, the corporate earnings season had so far been upbeat, with many companies on the S&P 500 Index posting better-than-expected results. In the economy, GDP in 2020 fell by 2.3%, but unemployment claims hit their lowest level since the pandemic in late March 2021. Vaccination progress had been stellar, with close to 150 million doses administered by the end of the period.

European Equities

European shares (excluding the UK) finished substantially higher over the period. Bond buying by global central banks in response to the Covid-19 pandemic ignited a rebound in European bourses at the beginning of the period. Markets then rose on signs of falling infection rates and hopes for the lifting of lockdowns. However, stocks dipped in September and October as a dramatic rise in Covid-19 cases sparked lockdown fears and actual lockdowns. Then, November saw equities rally as major vaccine breakthroughs, a Biden presidency and falling new coronavirus cases in the latter half of the month lifted stocks.

December 2020 saw the positive trend continue. The rollout of vaccinations, a new Brexit trade deal, confirmation of a Biden victory and the €500 billion expansion of the ECB's monetary stimulus programme all drove markets upwards. This was even as a second wave of infections spread through the continent, resulting in an extension of lockdown measures.

The first month of 2021 halted this upward momentum, and most European indices fell amid renewed lockdown measures. However, the region's equities performed well in both February and March, despite on-going lockdown measures and rising Covid- 19 cases. The IHS Markit composite purchasing manager's index bounced back above the 50 mark in March – the first time in six months – while economic sentiment also came in above expectations. However, renewed lockdowns, increasing Covid-19 cases and vaccination delays have sparked concerns about the

pace of the economic recovery. The ECB said it would accelerate printing money to keep Eurozone borrowing costs down.

Asian Pacific Equities

Equity markets in the Asia Pacific (excluding Japan) region rose strongly over the 12 months. The period began with uncertainty as coronavirus disruption dented global economic forecasts, while May saw protests in Hong Kong and a deterioration in US-China relations. However, stocks rebounded strongly in the summer months, with recovery momentum picking up even further from November onwards.

Loose monetary policy by Asian central banks at the beginning of the period led to a rebound in stock markets. However, in September 2020, some cracks began to show in the region's recovery. Markets recovered somewhat in October as investors perceived the pandemic's spread to be more under control. News of vaccine breakthroughs and the outcome of the US election helped extend this trend into November.

Equities maintained their strong performance in December due to the roll out of vaccination programmes and the approval of the new US stimulus bill. President Biden's new proposed US$1.9 trillion stimulus plan also buoyed Asian markets in January 2021. However, surging bond yields in February and March – coupled with on-going pandemic recovery concerns – depressed markets, and most Asia Pacific indices saw negative returns for both months.

Chinese markets rallied strongly over the period, driven by a rebound in the domestic economy. Fourth-quarter GDP growth accelerated to 6.5% year-on-year and full-year 2020 GDP grew by 2.3%. Korean and Taiwanese stocks also posted strong returns over the 12 months.

On the political front, US-China tensions deteriorated over the period. Pre-existing disagreements were exacerbated by issues like pandemic blame-shifting, protests in Hong Kong, human rights concerns and competition over 5G networks.

Japanese Equities

Equities in Japan increased over the 12 months to the end of March. The coronavirus pandemic dominated sentiment at the beginning of the period. Shinzo Abe, the then prime minister, declared a nationwide state of emergency in response to the pandemic. As economic activity dried up, the Bank of Japan (BoJ) announced a ¥117 trillion stimulus package, which helped local equity markets to rebound strongly.

However, investor optimism was dampened in June by evidence of a deep recession due to lockdown measures. Despite recovering in August and September, markets dipped again in October, weighed down by concerns about Covid-19 and the upcoming US presidential election. Japanese equities then benefited from positive investor sentiment arising from vaccine breakthroughs, US election results and positive economic data. This positive trend persisted throughout the rest of 2020, with the government announcing free vaccines for all residents and a new ¥73.6 trillion stimulus package.

The first month of the new year saw markets dip slightly as infection numbers rose. This led to the government declaring a state of emergency in Tokyo and other economic hubs to impose month-long lockdown measures. February was another positive month, and the Nikkei 225 Index hit a new high not seen since 1990. The positive momentum continued through March on broad economic

optimism. The BoJ announced a move towards a more sustainable monetary policy, scrapping its plan to buy an average of ¥6 trillion a year in equities and stating it would allow more fluctuation in 10-year bond yields. The new policy was to only buy equities when the market falls rather than steadily increasing its holdings..

Fixed Interest

Corporate Bonds

Corporate bond returns were positive over the period. Investment-grade issues saw solid returns, and even though the high-yield sector was more turbulent, it still posted strong performances. This was despite Covid-19 hitting economies and companies, leading to fears over the creditworthiness of the high-yield sector.

Investment-grade corporate bonds started the period under pressure, faced with the double effect of the coronavirus and a precipitous fall in the oil price. High-yield and emerging-market bonds fared even worse, with the former pricing in a significant rise in default rates over the coming months. However, since then, there has been a broad recovery and stabilisation. Moreover, the major central banks all purchased corporate bonds through their stimulus programmes.

But bond prices fell slightly in September and October 2020 as investors sold out of riskier debt, concerned about the potential for rising defaults amid uncertainty from rising coronavirus cases and the US election. November saw the upward trend resume on positive news flow stemming from vaccine breakthroughs and a likely Biden presidency. This extended into the end of 2020, driven by vaccine optimism, the Brexit trade deal agreement and US stimulus package. January 2021 saw mixed performance, with corporate bond indices falling, as Treasury yields rose, although high-yield indices increased. Although government bond yields spiked further in February and March, corporate bonds, particularly high-yield debt, managed to weather the storm.

However, data showed that the riskiest borrowers comprised the largest portion of US high-yield issuance in over a decade. Nevertheless, issuances remained high, with over US$140 billion raised in the US high-yield market in the first quarter of 2021.

Government Bonds

Although government bonds rose throughout most of the period, a sudden spike in February took yields in many developed markets above where they were at the beginning of the period, and global government bonds were mostly down over the 12 months. At the beginning of the period, government bonds benefited from a 'flight to safety' due to the Covid-19 outbreak, as investors abandoned risky assets in favour of government debt. Demand increased, government bond prices rose and yields dropped.

Many countries hit record-low yields in mid-2020. After a brief correction in August, investors sold global equities for government bonds, seeking lower-risk investments in the face of growing economic uncertainty. November saw US Treasury yields dipping slightly, with German bunds and UK gilts seeing increases due to vaccine optimism and the outcome of the US presidential election. US Treasury yields reversed course in December and climbed, as the Fed pledged to maintain its bond-buying programme. UK gilts had a mixed end to 2020, initially falling amid news of a more virulent Covid-19 strain, before rising on hopes of a Brexit trade deal.

In January 2021, buoyed by the market's anticipation of another stimulus package, 10-year yields in the US, UK and Germany rose. This trend was amplified in February as inflation expectations continued to climb, and yields sharply rose across the board. This trend largely continued in March, spurred by dovish central bank statements and rising economic optimism. Eurozone bonds were the exception, with yields dipping as the ECB pledged to increase bond buying.

UK Commercial Property

The effects of the global coronavirus pandemic dominated real estate returns over the last 12 months. Retail was the weakest sector at -10.1%, while industrials outperformed at 10.3%. Alongside continued growth in industrials, stabilisation in the retail warehouse sector boosted returns. But the impact of future remote and hybrid working had yet to come through in office values, which were likely to be defying gravity. Office transactions during the first quarter of 2021 were the lowest proportion of total UK volumes since Property Data's records began in 2000.

Administration of Benefits

The shared service arrangement with West Yorkshire Pension Fund (WYPF) to provide Pensions Administration services for the Lincolnshire Pension Fund began in April 2015. This arrangement was made to improve efficiency and reduce costs in the provision of the Pensions Administration service, and this is being seen.

A satellite office for the WYPF administration team is based in Lincoln, co-located with the LCC Pension Fund team, to enable scheme members to have a point of contact in Lincolnshire. Under normal circumstances, members are able to visit County Offices and speak to someone regarding their pension arrangements. However for the last year, due to the Covid pandemic, staff have generally been working from home, and all contact has been via telephone and email.

The monthly data return from employers is a considerable benefit to the administration process, and has improved the quality of data held in the administration system, enabling a better service to be provided to scheme members. However some employers and their payroll providers still need to improve their own processes for submitting accurate data. WYPF continues to work with the Lincolnshire Fund and its employers to improve all aspects of administering the scheme.

The Pensions Committee and Pension Board take a keen interest in the administration of the Fund, and receive regular reports and presentations (see the Board's annual report on page 37) on all aspects of the administration service.

The Head of Pensions is part of the overall shared service management team, and attends the bi-monthly management review meetings held in Bradford. In addition, as part of the overall governance of the service, the Head of Pensions and Executive Director of Resources sit on the Collaboration Board of the shared service, alongside the senior management of WYPF and other shared service partners, to ensure that the original aims of the partnership with WYPF are met.

The service is monitored through a number of performance indicators. These are detailed in the table below, showing the performance achieved over the last year against the expected performance, and highlighted with a red, amber or green to show where expectations have been met. Performance is reported quarterly to the Pensions Committee and Pension Board, and regular meetings are held between LCC and WYPF to understand and manage any performance issues. The critical business areas impacting on pensioners and their family take priority, these being members requiring immediate payment for retirements, redundancies, dependants' pensions and death grants.

Key Service Performance Indicators and Direction of Travel

Event	No. Cases	Target Days to Complete	Cases Target Met	Minimum Target %	Target Met %	Average Days Taken	Travel
AVC in-house	176	10	169	85	96.0	4.0	↓
Age 55 Increase	1	20	1	85	100.0	15.0	↑
Change of address	1,152	5	1,089	85	94.5	1.7	↓
Change of bank details	261	5	225	85	86.2	2.8	↓
Death grant nomination received	3,009	20	2,999	85	99.7	4.7	↑
DWP request for information	9	10	9	85	100	6.4	↑
Death grant set up	130	5	120	85	92.3	1.7	↓
Death in retirement	585	5	540	85	92.3	2.4	↓
Death in service	15	5	13	85	86.7	2.3	↑
Death in deferment	29	5	29	85	100.0	1.4	↑
Deferred benefits into payment – actual	1,227	5	1,223	90	99.7	2.4	↑
Deferred benefits into payment – quote	1,423	35	1,372	85	96.4	6.9	↓
Deferred benefits set up on leaving	2,193	10	2,063	85	94.1	9.0	↑
Divorce quote	161	20	139	85	86.3	10.3	↓
Divorce settlement – pension sharing order implemented	2	80	2	100	100.0	2.0	↑
Estimates for deferred benefits into payment	18	10	17	90	94.4	3.7	↑
General Payroll Changes	290	5	285	85	98.3	1.0	↑
Initial letter death in service	15	5	15	85	100.0	1.0	↔
Initial letter death in retirement	585	5	572	85	97.8	1.5	↓
Initial letter death in deferred	29	5	28	85	96.6	9.6	↑

Event	No. Cases	Target Days to Complete	Cases Target Met	Minimum Target %	Target Met %	Average Days Taken	Travel
Life certificate received	1	10	1	85	100.0	1.0	↑
Monthly posting	3,255	10	3,121	95	95.9	1.5	↓
NI adjustment at state pension age	31	20	28	85	90.3	13.9	↓
Payment of spouses - child benefits	251	10	246	90	98.0	5.9	NEW
Pension estimate	504	10	459	75	91.1	3.8	↑
Pension Saving Statement	5	20	5	100	100.0	1.0	NEW
Phone Call Received	4,704	3	4,648	95	98.8	1.0	NEW
Refund payment	519	10	517	95	99.6	1.0	↑
Refund quote	740	35	733	85	99.1	4.2	↑
Retirement actual	613	3	570	90	93.0	1.1	↑
Spouse – set up new pension	251	5	246	85	98.0	4.0	↑
Spouse potential	24	20	21	85	87.5	7.5	↓
Transfer in payment received	110	35	108	85	98.2	3.4	↑
Transfer in quote	153	35	153	85	100.0	2.3	↑
Transfer out payment	37	35	37	85	100.0	16.2	↑
Transfer out quote	328	20	271	85	82.6	14.4	↓
Update Member Details	2,836	20	2,820	100	99.4	1.0	NEW

As can be seen from the table above, overall performance has generally met or exceeded targets (green direction of travel arrow).

There is only one area that has a red direction of travel arrow, where the performance target has not been met and that has declined over the year:

- Transfer out quote – due to the increase in pensions scams, additional time is being taken to ensure that all transfers out are legitimate to protect members' interests.

This does not provide the Fund with any cause for concern.

Industry standard performance indicators

The service is also monitored against industry standards. These are not directly comparable to the figures above as they are measured at different points, but do provide a useful indicator of the overall level of service for comparison to other Funds.

Industry Standard Performance Indicators	Target days	Achieved %	National Average %
Letter detailing transfer in quote	10	98.2	88.8
Letter detailing transfer out quote	10	73.8	89.1
Process and pay refund	5	99.6	87.8
Letter notifying estimate of retirement benefit	10	91.1	86.1
Letter notifying actual retirement benefit	5	93.0	93.0
Process and pay lump sum retirement grant	5	95.8	86.1
Letter acknowledging death of a member	5	98.1	85.9
Letter notifying amount of dependants benefit	5	93.0	87.1
Calculate and notify deferred benefit	10	94.1	81.7

New Pensions Paid

New pensions paid over the financial year are shown below, both from an active member status and a deferred member status. This is split across the various types of events that can cause a retirement:

- Normal – retirement at normal retirement age (NRA)
- Early – retirement before NRA – generally with reduced benefits
- Late – retirement after NRA – generally with increased benefits
- Ill health – release of pension through certified ill health
- Redundancy – release of pension from age 55 when made redundant

New pensions paid	2020/21 Member numbers
Active Status	
Normal	251
Early	392
Late	102
Ill health	33
Redundancy	48
Total active	826

Deferred status	
Normal	400
Early	813
Late	24
Ill health	17
Total deferred	1,254

Pension Overpayments

Occasionally, pensions are paid in error. When this happens, processes are in place to recover the overpayments. The table below shows a summary of the value of the overpayments involved. Every effort is made to recover these, whilst managing the financial impact on the overpaid pensioners.

Overpayments	2020/21 £'000
Annual payroll	83,017
Overpayments value	31
Overpayments written off	0
Overpayments recovered (incl. bf recovered)	37

The table below shows a summary of transactions processed during the year:

Analysis of overpayments	2020/21 Number of payments
Pensions paid during period	247,164
Cases overpaid	38
Cases written off	0
Cases recovered (incl. bf recovered)	40

Fraud Prevention – National Fraud Initiative

Lincolnshire Pension Fund, West Yorkshire Pension Fund and Hounslow Pension Fund are in shared service arrangement hosted by West Yorkshire Pension Fund. The Funds participate twice a year in the National Fraud Initiative (NFI). The data that is submitted includes pensioners, beneficiaries and deferred member information for the Local Government Pension Scheme.

A summary of the latest NFI results for the **whole shared service** is shown below:

Pensioners, beneficiaries and deferred members	No. of records sent	No. and percentage of mismatches		Over payments identified	Possible frauds	Mismatches carried forward at 31 March
2020/21	286,429	963	0.3%	4	0	1
2019/20	277,293	3,845	1.4%	17	2	10
2018/19	260,387	3,339	1.3%	3	2	2
2017/18	229,994	518	0.2%	35	2	10
2016/17	224,122	1,425	0.6%	5	4	5

Value for money - Cost per member

The latest published data (2019/20) for all LGPS funds administration costs shows that LPF pensions administration cost per member is £16.27, the 8th lowest cost amongst 86 LGPS funds and well below the national average of £23.50

In 2019/20 LPF had a below average total cost per members (administration, investment and oversight & governance) at £156.66, the national average for LGPS in 2019/20 is £245.41.

Cost per member 2018/19	Position	Lincolnshire Pension Fund	LGPS Lowest*	LGPS Highest*	LGPS Average
Administration	8th	£16.27	£0.74	£118.78	£25.50
Investment	18th	£132.83	£20.68	£774.27	£209.71
Oversight and governance	21th	£7.55	£0.00	£52.64	£12.21
Total Cost per member	13th	£156.66	£41.94	£829.30	£245.41

* the lowest and highest costs at each category are individual funds, and at the total level are the overall lowest and highest costs funds

The 2020/21 annual cost of administering the Lincolnshire Pension Fund per member, as set out in the accounts, is £13.32, investment management cost per member is £131.60, oversight and governance cost per member £10.21 and the total management cost per member is £155.13. These figures compare favourably with the average cost for authorities in the MHCLG – SF3 results for 2019/20 as shown in the table above.

Staffing

The table below identifies the numbers of staff across the areas of the shared service providing the administration service.

Shared service staff full time equivalent (FTE)	2016/17	2017/18	2018/19	2019/20	2020/21
Service Centre	54.7	58.1	59.5	54.8	52.4
Payroll	16.6	19.0	17.6	16.1	17.3
ICT	12.6	13.7	14.4	15.4	14.4
Finance	14.0	16.0	14.5	12.0	11.8
Business support	26.0	27.4	28.8	28.4	27.4
Technical	4.5	3.9	4.9	4.9	5.0
Total	128.4	138.1	139.7	131.6	128.3

Key activities undertaken during the year

Employer workshops

The free one-day and half-day workshop sessions for employers are a regular part of the training and support offered. Four different types of workshops were provided for employers over the year:

- Complete guide to administration (half day)
- Secure administration (half day)
- Employer Responsibilities (half day)
- Ill Health Retirement
- Pensionable Pay

This year the workshops were delivered virtually by the shared service WYPF staff and were designed to give employers a good understanding of the pension scheme. Feedback from participants on these events has been very positive again.

Workshop on 'Planning for a positive retirement'

The workshops run by Affinity connect, to support and guide members who are considering what retirement might mean to them, continue to be well attended.

The workshops raise awareness of key issues to consider and the decisions that members need to make as they approach this new stage in their life. It is especially useful for members thinking of retiring in the next couple of years, but valuable even if they're not yet sure when they want to retire.

Pension Increase

Each year, LPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI). Deferred members benefits are also increased by CPI. For the 2020/21 year an increase of 1.7% was applied on 6 April 2020.

Pension administration and cost

As in previous years, the workload for pension administrators continued to increase and member numbers continue to rise across the shared service with WYPF.

The shared service delivery continues to be underpinned by its accreditation to the International Organisation for Standardisation - ISO 9001:2000. The quality management systems ensure that the shared service is committed to providing the best possible service to customers, and will continue to ensure that it delivers best value to all stakeholders. The latest published data for all LGPS funds administration costs shows that LPF pensions administration cost per member is £16.27, this is the 8th lowest cost amongst 86 LGPS funds and well below national average of £25.50

Accreditation

The shared service partnership achieved accreditation for ISO27001 Information Security Management System Certification (ISMS). This accreditation is particularly important to the shared service and highlights the continued commitment to information security and provides assurance to all partners that their data and reputation is protected.

Communications

The contact centre hosted in Lincoln and in Bradford continues to be a popular way for members to communicate with the Fund about their pensions.

All annual pension benefit statements for active and deferred members were produced on time giving members information on their benefits accrued to date and what their potential benefits will be at retirement age, as well as other useful information. Positive feedback was received from members with the inclusion of information on pensions payable at ages 55, 60, 65 and state pension age, which included any reduction for early payment.

Regular newsletters continue to be issued to members to keep them informed of important pensions news.

The shared service has Facebook and Twitter accounts to encourage members of all ages to engage more with the Fund through social media.

MyPension

With the shared services 'MyPension' service (accessible on the shared website) members can view their pension record and statements, update personal details, tell us they've moved house and more. Members are being encouraged to sign up as the service moves to more online communications.

Data quality

This year LGPS Funds were required to report on their data quality to the Pensions Regulator as part of the annual scheme returns. The Pensions Regulator has set a target of 100% accuracy for new common data received after June 2010.

Current data quality figures for LPF are shown below:

Common data field	Data score %
Forename	100.0
Surname	100.0
Membership status	100.0
Date of birth	100.0
NI number	99.9
Address	96.0
Postcode	100.0

Much work is being undertaken to improve address data and this work will continue over the next twelve months and beyond.

Disaster recovery and risk management monitoring

The shared service partnership systems are hosted by WYPF which is administered by Bradford Council. Bradford Council uses a pair of geographically separated data centres, which are 3.2km apart. Both purpose-built data centres are protected by redundant power, UPS, a backup generator and cooling. The data centres are connected by point-to-point council-owned fibre runs. Datacentres have secure access systems and are monitored 24/7 by Bradford's CCTV Unit. Both sites are permanently live and accessible to the internal end users who are networked to the sites via diverse fibre cable routes. Where possible, servers are virtualised, using Microsoft Hyper-V. The servers and data are replicated between the Hyper-V hosts at both sites to ensure a short recovery time.

Data is backed up to disk medium in a 24-hour cycle and written to tape archive on robotic tape libraries at both sites. An encrypted archive copy is sent to a dedicated offsite storage facility every week. WYPF's server, disk and core network infrastructure is monitored for errors and warnings, and these generate a ticket on the WYPF IT ITIL system for investigation and resolution. Critical data stores are also replicated at disk level between sites. In the event of serious system failures WYPF would re-provision testing hardware and infrastructure environment for live running.

In the event of WYPF office accommodation becoming unavailable, staff will be relocated to other council offices or work remotely, including the remote office is in Lincoln. WYPF is covered by Bradford Council's comprehensive disaster recovery plan for all services they deliver for the shared service.

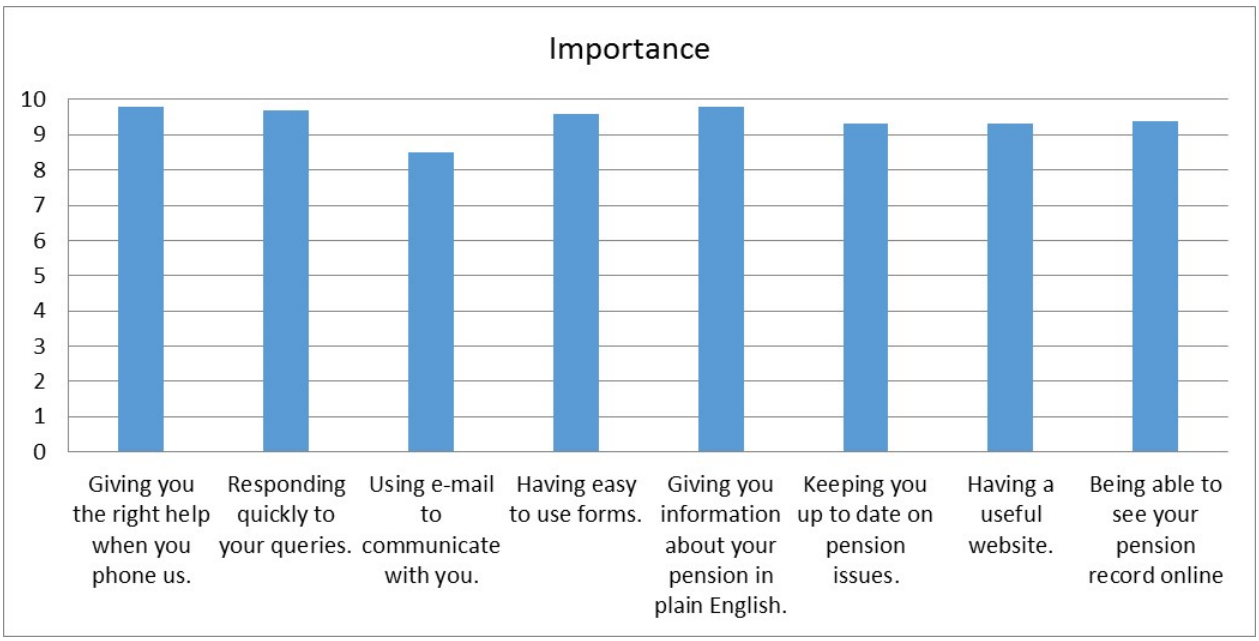
Customer satisfaction

Customer surveys are regularly sent to a sample of scheme members that have contacted the service centre or been involved in an event (e.g. retirement). In addition, the website has an online form for completion to obtain feedback.

The quarterly scores are presented to the Pensions Committee and Pension Board, in order to monitor satisfaction with the shared service by the end users. The table below shows the scores for the year.

April – June 2020	July - Sept 2020	Oct - Dec 2020	Jan - March 2021
92.7%	94.9%	82.1%	86.8%

The charts below show how members rate the importance of and satisfaction with the various services described below:




Satisfaction
10
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1
0
Giving you the right help when you phone us.
Responding quickly to your queries.
Using e-mail to communicate with you.
Having easy to use forms.
Giving you information about your pension in plain English.
Keeping you up to date on pension issues.
Having a useful website.
Being able to see your pension record online

Summary of LGPS Contributions and Benefits

The LGPS is a defined benefit scheme, however there are three different benefit tranches, based on when scheme changes were brought in with new regulations. The three tranches are Pre 2008, April 2008 to March 2014 and Post April 2014. The benefits scheme members will be entitled to will depend upon when they joined and left the LGPS – and scheme members may have benefits across all three tranches.

Membership from 1 April 2014

Membership of the LGPS is available to all contracted employees of participating employers whether whole time or part time. Casual employees may also be members providing their contract of employment is for a minimum of three months. Whilst membership of the Scheme is not compulsory, employees of Scheme employers who are eligible are deemed to have joined unless they specifically opt out, whilst employees of transferred Admission Bodies are eligible only if they are employed in connection with the service transferred.

National legislation and regulation cover the LGPS including the benefit entitlements of Scheme participants and their families. Such benefits are not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits available are outlined below.

Contributions

Employee's contribution rates from 1 April 2014 are based on actual pensionable pay using the pay band table below. The bands are increased each April in line with inflation by the Ministry of Housing, Communities and Local Government. The bands, as they stood at 31 March 2021, are shown below.

Full Time Equivalent Pay	Contribution Rate
Up to £14,100	5.5%
More than £14,100 and up to £22,800	5.8%
More than £22,800 and up to £37,100	6.5%
More than £37,100 and up to £46,900	6.8%
More than £46,900 and up to £65,600	8.5%
More than £65,600 and up to £93,000	9.9%
More than £93,000 and up to £109,500	10.5%
More than £109,500 and up to £164,200	11.4%
Over £164,200	12.5%

Benefits

The retirement age for scheme members is their Normal Pension Age which is the same as their State Pension Age (but with a minimum of age 65). However, employees may retire and draw their pension at any time between age 55 and 75. If an employee chooses to retire before their Normal Pension Age it will normally be reduced, as it is being paid earlier, and if taken later than Normal Pension Age then it will be increased, as it is being paid later. Retirement before age 55, other than on ill-health grounds, is not possible.

Annual Pensions

Pensions are calculated at a rate of 1/49 of the employee's pensionable pay in each scheme year. Inflation increases will be added to ensure that pension accounts keep up with the cost of living.

Lump Sum Payments

A member receives a tax free lump of three times their pension on service accrued prior to 1 April 2008. On service from 1 April 2008 there is no automatic lump sum, but members have the option to commute pension at the rate of £12 cash lump sum for every £1 pension given up, subject to maximum tax free lump sum of 25% of the capital value of accrued benefits at retirement.

Ill Health Retirement

There are three tiers of benefits. The benefits are calculated as for normal retirement with additional service under tiers one and two. The three tiers are explained below:

Tier 1 – The member is unlikely to be capable of gainful employment before Normal Pension Age. Benefits are based on the pension already built up at the date of leaving the scheme, plus the pension that would have built up, calculated on assumed pensionable pay, had they been in the main section of the scheme until reaching Normal Pension Age.

Tier 2 – The member is unlikely to be capable of gainful employment within three years of leaving, but is likely to be capable of undertaking such employment before Normal Pension Age. Benefits are based on the pension already built up at the date of leaving the scheme, plus 25% of the pension that would have built up calculated on assumed pensionable pay, had they been in the main section of the scheme until reaching Normal Pension Age.

Tier 3 – The member is likely to be capable of gainful employment within three years of leaving, or before Normal Pension Age if earlier. Benefits are based on the pension already built up at leaving. Payment of these benefits will be stopped after three years, or earlier if the member is in gainful employment or becomes capable of such employment, provided Normal Pension Age has not been reached by then.

Death-benefits

Death in service attracts a tax free lump sum of three times final pensionable pay. An annual pension is payable to a spouse/civil partner/co-habiting partner (when meeting certain criteria) and eligible children, however civil partners and co-habiting partners pensions are based on post 5 April 1988 membership only. If a member dies within ten years of their retirement (or up to age 75), a

single lump sum payment is made of ten times the member's annual pension, less any pension paid since retirement. For a member who retired prior to 1 April 2008 and dies within five years of their retirement, a single lump sum payment is made of five times the member's annual pension less any pension paid since retirement. The surviving spouse is entitled to an annual pension based on 1/160 accrual of the member's membership.

Supplementary Pensions

Scheme members may purchase additional pension of up to a maximum of £6,822 per annum, in blocks of £250, through Additional Pension Contributions (APCs.). As an alternative, Scheme members may increase their benefits by paying Additional Voluntary Contributions (AVCs). The AVC provider, appointed by the County Council as the administering authority, is Prudential.

Membership from 1 April 2008 to 31 March 2014

Membership of the LGPS was available to all contracted employees of participating employers whether whole time or part time. Casual employees may also have been members, providing their contract of employment was for a minimum of three months. Whilst membership of the Scheme was not compulsory, employees of Scheme employers who were eligible were deemed to have joined unless they specifically opted out, whilst employees of transferred Admission Bodies were eligible only if they were employed in connection with the service transferred.

National legislation and regulation covered the LGPS, including the benefit entitlements of Scheme participants and their families. Such benefits were not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits under this tranche are outlined below:

Contributions

Employees contributed between 5.5% and 7.5% of their pensionable pay towards their pension.

Benefits

The retirement age for scheme members was 65. However, employees could retire between 60 and 65 but would suffer a reduction to their benefits (unless protected under the 85 year rule). Retirement before age 60*, other than on ill-health grounds, was not possible without the permission of the employer (*superseded by LGPS (Amendment) Regulations 2018, with effect from 14 May 2018, to enable deferred members to take their pension from age 55 (with reductions) without employer consent).

Annual Pensions

Pensions were calculated at a rate of 1/60 of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over (no age restriction for ill-health) were increased each April in line with inflation.

Lump Sum Payments

On service from 1 April 2008 there was no automatic lump sum, but members had the option to commute pension at the rate of £12 cash lump sum for every £1 pension given up, subject to maximum tax free lump sum of 25% of capital value of accrued benefits at retirement.

Ill Health Retirement

There are three tiers of benefits. The benefits are calculated as for normal retirement with additional service under tiers one and two. The three tiers are explained below:

Tier 1 – The member is unlikely to be capable of gainful employment before Normal Pension Age. Benefits are based on the pension already built up at the date of leaving the scheme, plus the pension that would have built up, calculated on assumed pensionable pay, had they been in the main section of the scheme until reaching Normal Pension Age.

Tier 2 – The member is unlikely to be capable of gainful employment within three years of leaving, but is likely to be capable of undertaking such employment before Normal Pension Age. Benefits are based on the pension already built up at the date of leaving the scheme, plus 25% of the pension that would have built up calculated on assumed pensionable pay, had they been in the main section of the scheme until reaching Normal Pension Age.

Tier 3 – The member is likely to be capable of gainful employment within three years of leaving, or before Normal Pension Age if earlier. Benefits are based on the pension already built up at leaving. Payment of these benefits will be stopped after three years, or earlier if the member is in gainful employment or becomes capable of such employment, provided Normal Pension Age has not been reached by then.

Death-benefits

Death in service attracted a tax free lump sum of three time's final pensionable pay. An annual pension was payable to a spouse/civil partner/co-habiting partner (when meeting certain criteria) and eligible children, however civil partners and 'nominated' dependent partners pensions are based on post 5 April 1988 membership only (now superseded to allow payment without a nomination form). If a member died within ten years of their retirement (or up to age 75), a single lump sum payment was made of ten times the member's annual pension, less any pension paid since retirement. The surviving spouse was entitled to an annual pension based on 1/160 accrual of the member's membership.

Supplementary Pensions

Scheme members could purchase additional pension of up to a maximum of £6,755 per annum, in blocks of £250, through Additional Pension Contributions (APCs). As an alternative, Scheme members could increase their benefits by paying Additional Voluntary Contributions (AVCs). The AVC provider, appointed by the County Council as the administering authority, was Prudential.

Membership up to 31 March 2008

Membership of the LGPS was available to all contracted employees of participating employers whether whole time, part time or casual.

National legislation and regulation covered the LGPS including the benefit entitlements of Scheme participants and their families. Such benefits were not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits of this tranche are outlined below:

Contributions

Employees contributed 6% of their pensionable pay towards their pension, the exception being manual workers who were Fund members before 1 April 1998 who paid 5%.

Benefits

The normal retirement age for Scheme members was 65 but employees in the Scheme prior to 1 April 1998 could retire at 60* provided they had 25 years' service. Retirement before these ages, other than on ill-health grounds, was not possible without the permission of the employer (*superseded by LGPS (Amendment) Regulations 2018, with effect from 14 May 2018, to enable deferred members to take their pension from age 55 (with reductions) without employer consent).

Annual Pensions

Pensions were calculated at a rate of 1/80 of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over were linked to the movement in inflation.

Lump Sum Payments

A member received a tax free lump sum payment in retirement of three times their pension, with an option to take a bigger lump sum by exchanging part of their pension. Up to 25% of the capital value of a member's pension could be taken as tax free cash.

Ill Health Retirement

Benefits were as for normal retirement but with additional years added dependent on the length of pensionable membership.

Death-benefits

Death in service attracted a lump sum grant equivalent to up to twice final pensionable pay. An annual pension was payable to the surviving spouse and any eligible children. For death after retirement a single payment was made of five times the member's annual pension (less any pension paid since retirement). The surviving spouse was entitled to an annual pension of up to 50% of the member's pension for the rest of their life.

Supplementary Pensions

Scheme members could purchase additional membership within the Scheme up to a maximum of 6 2/3rd years. As an alternative, Scheme members could increase their benefits by paying Additional Voluntary Contributions, up to limits prescribed in scheme rules, to an AVC provider appointed by the County Council as the administering authority. The Lincolnshire AVC provider was Prudential plc.

The principal points of contact in respect of questions about the LGPS are:

Pensions Administration	West Yorkshire Pension Fund WYPF, PO Box 67, Bradford, BD1 1UP Tel: 01274 434999 | Email: pensions@wypf.org.uk
Pension Fund and Investments	Jo Ray, Head of Pensions Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL Tel: 01522 553656 | Email : jo.ray@lincolnshire.gov.uk

Pension Fund Knowledge and Skills Policy and Report

As an administering authority of the Local Government Pension Scheme, Lincolnshire County Council recognises the importance of ensuring all staff and individuals charged with the financial management and decision making with regard to the Pension Fund, are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. Within the management of the Pension Fund, LCC seeks to appoint individuals who are both capable and experienced, and will provide and arrange training for staff and individuals involved to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

An annual training plan is agreed by the Pensions Committee each year, setting out what training will be covered over the coming year and linking it back to the CIPFA Knowledge and Skills Framework. Knowledge and skills are acquired and maintained through attendance at the regular Pensions Committees, as well as through additional training sessions targeting specific areas, and attendance at seminars and conferences. In addition, all members are offered the opportunity to attend the three-day fundamentals training arranged by the Local Government Association (or an equivalent course) and all new members are offered a one-to-one training session with the Head of Pensions.

The Executive Director - Resources is the delegated officer responsible for ensuring that policies and strategies are implemented.

Activity in 2020/21

A full training plan was taken to Pensions Committee in July 2020 to identify training requirements over the coming year. The training plan was linked to specific areas within the CIPFA Knowledge and Skills Framework.

The 6 areas within the Knowledge and Skills Framework are:

1. Pensions Legislative and Governance Context
2. Pensions Auditing and Accounting Standards
3. Financial Services Procurement and Relationship Management
4. Investment Performance and Risk Management
5. Financial Markets and Products Knowledge
6. Actuarial Methods, Standards and Practices

The table below details the various areas covered in training and Committee presentations during the year, and the areas within the Knowledge and Skills Framework that they relate to.

Date	Subject matter	KSF area(s)
11 June 2020		
Reports	External Manager Presentations	4,5
16 July 2020		
Reports	Independent Advisor Market Update	4,5
	Fund Update	1,3,4
	Pensions Administration Report	1
	Employer Monthly Submissions Report	1
	Investment Management Report	4,5
	Annual Property and Infrastructure Report	1,4
	Risk Register Annual Review	1
	Annual Training Plan and Policy	1,4,5
	Draft Annual Report and Accounts	1,2
	2019 Valuation Assumptions	1,6
	Property Investment Opportunity	5
	External Manager Report	4,5
17 September 2020		
Training	Border to Coast Property Sub-Fund	5
	Investment Strategy	4,5
15 October 2020		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Pensions Administration Report	1
	Employer Monthly Submissions Report	1
	Investment Management Report	4,5
	Performance Measurement Annual Report	4
	Pension Fund External Audit Report	2
	Investment Strategy Report	1,4,5
	Actuarial Tender and Appointment Report	3,6
2 October 2020		
Training	Border to Coast Annual Conference (Virtual event)	1,3,4,5
10 December 2020		
Reports	External Manager Presentation	4,5

Date	Subject matter	KSF area(s)
7 January 2021		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Pensions Administration Report	1
	Employer Monthly Submissions Report	1
	Border to Coast RI and Corporate Governance Voting Policies	1,4
	Investment Strategy Update	4,5
	Investment Management Report	4,5
13 February 2021		
Training	Barnett Waddingham – New Actuary Introduction	6
18 March 2021		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Responsible Investment Update	1,4
	Pensions Administration Report	1
	Employer Monthly Submissions Report	1
	Fund Policies Review	1,4
	LPF Business Plan 20/21	1
	Annual Accounting Policies Review	2
	Funding Strategy Statement and Employer Flexibilities	1,4,6
	Investment Management Report	4,5
	Pensions Administration Shared Service Report	1,3

As the officer responsible for ensuring that the training policies and strategies are implemented, the Executive Director - Resources can confirm that the officers and individuals charged with the financial management of and the decision making for the Pension Fund collectively possess the requisite knowledge and skills necessary to discharge those duties and decisions required during the reporting period.

Committee Meeting Attendance 2020/21

As a result of the Coronavirus pandemic, all meetings were held virtually in 2020/21. The table below shows virtual attendance of each of the eleven members at each Committee meeting and training meeting held over the year:

	June 20	July 20	Sep 20	Oct 20	Dec 20	Jan 21	Feb 21	Mar 21
Cllr E W Strengiel (Chairman)	√	√	√	√	√	√	√	√
Cllr P E Coupland (Vice Chairman)	√		√	√	√	√	√	√
Cllr B Adams	√	√		√	√		√	√
Cllr R D Butroid	√	√			√	√	√	√
Cllr P Key	√			√	√			√
Cllr C Perraton-Williams	√	√	√	√		√	√	
Cllr S Rawlins	√	√		√	√			√
Cllr Dr M E Thompson	√	√	√	√	√	√	√	√
Cllr R Waller	√		√		√	√		√
S Larter	√	√	√	√	√	√	√	√
A Antcliff	√	√	√	√	√	√	√	√
Total Attendance	11	8	7	9	10	8	8	10

All members of the Pensions Committee have full voting rights.

Fund Account – Year Ended 31 March 2021

	See note	2019/20 £000	2020/21 £000
Contributions and Benefits			
Contributions Receivable	6	(104,258)	(113,558)
Transfers In from other Pension Funds	7	(10,629)	(7,081)
		(114,887)	**(120,639)**
Benefits Payable	8	99,326	98,215
Payments To and On Account of Leavers	9	9,920	20,694
		109,246	**118,909**
Net (additions)/withdrawals from dealings with Fund Members		**(5,641)**	**(1,730)**
Management Expenses	10	12,033	11,601
Net (additions)/withdrawals including Management Expenses		**6,392**	**9,871**
Returns on Investments			
Investment Income	11	(23,692)	(18,788)
(Profit)/Loss on Disposal of Investments and Change in the Value of Investments	12a	141,022	(485,656)
(Profit)/Loss on Forward Foreign Exchange	13	18,145	(29,687)
Net Returns on Investments		**135,475**	**(534,131)**
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		141,867	(524,260)
Opening Net Assets of the Fund		(2,361,194)	(2,219,327)
Closing Net Assets of the Fund		**(2,219,327)**	**(2,743,587)**

Net Asset Statement as at 31 March 2021

	See note	31 March 2020 £000	31 March 2021 £000
Long Term Investment Assets	12	833	1,182
Investment Assets	12	2,202,091	2,726,085
Investment Liabilities	12	(145)	(12,429)
Total Net Investments		**2,202,779**	**2,714,838**
Current Assets	19	20,418	31,779
Current Liabilities	20	(3,870)	(3,030)
Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period		**2,219,327**	**2,743,587**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 18.

Notes to the Pension Fund Accounts

Note 1. Description of the Pension Fund

The Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and Lincolnshire County Council is the Administering Authority. Benefits are administered by West Yorkshire Pension Fund (WYPF) in a shared service arrangement.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee, which is a committee of Lincolnshire County Council.

Membership

Membership of the LGPS is automatic for eligible employees, but they are free to choose whether to remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the relevant employer. Admitted bodies include charitable organisations and similar not-for-profit bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 249 contributing employer organisations in the Fund including the County Council and just under 74,000 members, as detailed below (information reported based on March processed data):

	31 March 2020	31 March 2021
Number of Employers with Active Members	251	249
Number of Employees in the Fund		
Lincolnshire County Council	9,175	9,228
Other Employers	13,715	13,810
Total Active Members	22,890	23,038
Number of Pensioners		
Lincolnshire County Council	15,444	16,369
Other Employers	7,994	8,377
Total Pensioner Members	23,438	24,746
Number of Deferred Pensioners		
Lincolnshire County Council	18,668	17,413
Other Employers	8,533	8,747
Total Deferred Pensioners	27,201	26,160

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. Rates paid by employers during 2020/21 were determined at the 2019 Valuation, or when a new employer joins the scheme. Rates paid during 2020/21 ranged from 16.3% to 33.7% of pensionable pay. In addition, the majority of employers are paying monetary amounts to cover their funding deficit.

Benefits

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Price Index.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre April 2008	Service post April 2008
Pension	Each year is worth 1/80 x final pensionable salary	Each year is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3/80 x salary In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits.

Note 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its position at year end as at 31 March 2021.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The accounts report the net assets available to pay pension benefits. The accounts do not take into account obligations to pay pensions and other benefits that fall due after the end of the financial year, nor do they taken into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the account, or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 18.

The accounts have been prepared on a going concern basis.

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

On an annual basis the Code requires the Pension Fund to consider the impact of accounting standards that have been issued but have not yet been adopted and disclose information relating to the impact of these standards. For 2021/22 the Code introduces the following changes to the accounting standards:

- Definition of a business: amendments to IFRS 3 Business Combinations;
- Interest Rate Benchmark Reform: amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments – Disclosure; and
- Interest Rate Benchmark Reform – Phase 2: amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments – Disclosure, IFRS 4 Insurance Contracts and IFRS 16 Leases.

It is not thought that any of these changes will have a significant impact on the Pension Fund Accounts for 2021/22.

Note 3. Significant Accounting Policies

Fund account - revenue recognition

a) Contributions income

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

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

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustments certificate.

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

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

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund and are calculated in accordance with the LGPS Regulations 2013:

- Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

c) Investment Income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Changes in the net market value of investments

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

Fund account - expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

i) Administrative expenses
All staff costs of the pensions administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

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

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

Fees on investments where the cost is deducted at source have been included within investment expenses and an adjustment made to the change in market value of investments.

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the value of the investments change.

In addition, the Fund has negotiated with Invesco Asset Management (for Global Equities – ex UK) and Morgan Stanley Investment Management Ltd. (for Alternative Investments) that an element of their fee will be performance related.

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

Net assets statement

g) Financial assets

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. . Any amounts due or payable in respect of trades entered into, but not yet completed at 31 March each year are accounted for as financial instruments held at amortised cost. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund and are classified as Fair Value through Profit and Loss (FVPL).

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

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

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

h) Foreign currency transactions

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

i) Derivatives

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

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

j) Cash and cash equivalents

Cash comprises of cash in hand, deposits and includes amounts held by external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

k) Financial liabilities

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

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

l) Actuarial present value of promised retirement benefits

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

m) Additional voluntary contributions

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

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

n) Contingent assets and contingent liabilities

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

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

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

Note 4. Critical Judgements in Applying Accounting Policies

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the appointed actuary. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 17.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

Note 5. Assumptions Made About the Future and Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts for the year ended 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £392m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £30m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £179m. 4) a one-year increase in assumed life expectancy would increase the liability by approximately £199m.
Hedge Funds (Note 14)	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	A fund manager estimates that the sensitivity of the valuation of these assets included at level 3 in the fair value hierarchy is +/-6%. This equates to a +/3 £3.6m on a carrying value of £72.9m.
Unquoted Assets (including Alternatives, Infrastructure, Other Property and Private Equity) (Note 14)	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the Special Guidance issued in March 2020 concerning the impact of Covid-19 on valuations. These instruments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Unquoted Assets at 31 March 2021 are valued at £271.1m in the financial statements. There is a risk that these investments may be under or over stated in the accounts. Alternatives by +/-10% or £20.1m on a carrying value of £201.4m Infrastructure by +/-16% or £8.1m on a carrying value of £50.4m Other Property by +/-18% or £1.2m on a carrying value of £6.9m. Private Equity by +/-22% or £2.7m on a carrying value of £12.4m

Note 6. Contributions Receivable

Contributions receivable are analysed below:

	2019-20 £000	2020-21 £000
Employers		
Normal	60,186	66,028
Deficit Recovery Funding	21,412	23,655
Additional – Augmentation	892	1,182
Members		
Normal	21,684	22,618
Additional Years	84	75
Total Contributions Receivable	**104,258**	**113,558**

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

	2019-20 £000	2020-21 £000
Lincolnshire County Council - Administering Authority	43,539	48,066
Scheduled Bodies	56,339	61,797
Admission Bodies	4,380	3,695
Total Contributions Receivable	**104,258**	**113,558**

Note 7. Transfers In From Other Pension Funds

	2019-20 £000	2020-21 £000
Individual Transfers from Other Schemes	10,629	7,081
Total Transfers In from Other Pension Funds	**10,629**	**7,081**

There were no material outstanding transfers due to the Pension Fund as at 31 March 2021.

Note 8. Benefits Payable

	2019-20 £000	2020-21 £000
Pensions	78,073	80,633
Commutations and Lump Sum Retirement Benefits	18,870	15,694
Lump Sum Death Benefits	2,383	1,888
Total Benefits Payable	**99,326**	**98,215**

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

	2019-20 £000	2020-21 £000
Lincolnshire County Council - Administering Authority	52,290	50,978
Scheduled Bodies	42,340	42,855
Admission Bodies	4,696	4,382
Total Benefits Payable	**99,326**	**98,215**

Note 9. Payments To and On Account of Leavers

	2019-20 £000	2020-21 £000
Individual Transfers to Other Schemes	9,580	4,986
Group Transfers to Other Schemes	-	15,481
Refunds to Members Leaving Service	340	227
Total Payments To and On Account of Leavers	**9,920**	**20,694**

During 2020/21 Stamford New College merged with Peterborough College. All assets and liabilities relating to Stamford New College have been transferred to the Cambridgeshire Pension Fund.

There were no material outstanding transfers due from the Pension Fund as at 31 March 2021.

Note 10. Management Expenses

	2019-20 £000	2020-21 £000
Administrative Costs	1,250	985
Investment Management Expenses	10,203	9,861
Oversight and Governance Costs	580	755
Total Management Expenses	**12,033**	**11,601**

The External Audit fee for the year was £0.019m (£0.019m in 2019/20).

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

2020/21	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000
Equities	1,473	541	-	932
Managed by Border to Coast	2,495	2,277	-	218
Unitised Insurance Policies	198	315	-	13
Unit Trusts	1,314	1,325	(16)	5
Other Managed Funds	4,029	3,645	279	105
Cash	-	-	-	-
	9,639	**8,103**	**263**	**1,273**
Custody Fees	222			
	9,861			

2019/20 Re-analysed	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000
Equities	1,874	1,111	203	560
Managed by Border to Coast	1,480	1,014	-	466
Unitised Insurance Policies	150	150	-	0
Unit Trusts	1,366	1,177	(24)	213
Other Managed Funds	5,158	3,352	1,462	344
Cash	1	-	-	1
	10,028	6,804	1,641	1,583
Custody Fees	175			
	10,203			

Note 11. Investment Income

	2019-20 £000	2020-21 £000
Equities	19,323	10,978
Unit Trusts:		
Property	2,158	2,572
Other Managed Funds:		
Property	405	221
Infrastructure	-	2,853
Alternatives	1,535	2,006
Interest on Cash Deposits	192	87
Stock Lending	79	71
Total Investment Income	23,692	18,788

Note 12. Investments

	2019-20 £000	2020-21 £000
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	1,182
Total Long Term Investment	**833**	**1,182**

	2019-20 Re-analysed £000	2020-21 £000
Equities	495,761	-
Pooled Investment Vehicles:		
Managed by Border to Coast Pool:		
Global Equities	344,976	711,480
UK Equities	-	442,899
Bonds	180,328	195,898
Unitised Insurance Policies:		
Global Equities	-	410,865
UK Equities	350,106	-
Bonds	234,613	153,513
Unit Trusts:		
Property	175,601	179,603
Other Managed Funds:		
Alternatives	306,633	359,893
Multi Asset Credit	-	89,436
Infrastructure	46,347	50,397
Private Equity	16,559	12,406
Property	15,170	19,946
Total Pooled Investment Vehicles	**1,670,333**	**2,626,336**
Other Investment Assets:		
Derivatives:		
Open Forward Foreign Exchange (FX)	8,335	-
Cash Deposits	23,939	97,725
Investment Income Due	3,723	2,024
Total Other Investment Assets	**35,997**	**99,749**
Total Investment Assets	**2,202,091**	**2,726,085**
Investment Liabilities		
Derivatives:		
Open Forward Foreign Exchange (FX)	-	(1,964)
Investment Income Payable	(18)	(1)
Amount Payable for Purchases	(127)	(10,464)
Total Investment Liabilities	**(145)**	**(12,429)**
Total Net Investment Assets	**2,201,946**	**2,713,656**

Note 12A. Reconciliation of Movements in Investments

2020/21	Market Value 31 March 2020 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2021 £000
Equities	495,761	152,141	(826,708)	178,806	-
Pooled Investment Vehicles:					
Managed by Border to Coast Pool	525,304	564,024	(2,075)	263,024	1,350,277
Unitised Insurance Policies	574,719	420,203	(466,257)	25,713	564,378
Unit Trusts	175,601	1,162	(1,324)	4,164	179,603
Other Managed Funds	384,709	229,640	(96,220)	13,949	532,078
	2,166,094	**1,367,170**	**(1,392,584)**	**485,656**	**2,626,336**
Other Investments:					
Derivatives:					
Open Forward Foreign Exchange (FX)	8,335	2,692,776	(2,732,762)	29,687	(1,964)
	2,174,439	**4,059,946**	**(4,125,346)**	**515,343**	**2,624,372**
Other Investment Balances:					
Cash Deposits	23,939				97,725
Investment Income Due	3,705				2,023
Amount Payable for Purchases	(127)				(10,464)
Total Net Investment Assets	**2,201,946**			**515,343**	**2,713,656**

2019/20 (Re-analysed)	Market Value 31 March 2020 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2021 £000
Equities	818,260	380,719	(784,022)	80,804	495,761
Pooled Investment Vehicles:					
Managed by Border to Coast Pool	-	620,486	(1,109)	(94,073)	525,304
Unitised Insurance Policies	712,918	140,679	(199,075)	(69,803)	584,719
Unit Trusts	178,634	973	-	(4,006)	175,601
Other Managed Funds	593,524	106,798	(261,669)	(53,944)	384,709
	2,303,336	**1,249,655**	**(1,245,875)**	**(141,022)**	**2,166,094**
Other Investments:					
Derivatives:					
Open Forward Foreign Exchange (FX)	(1,276)	2,574,575	(2,546,819)	(18,145)	8,335
	2,302,060	**3,824,230**	**(3,792,694)**	**(159,167)**	**2,174,429**
Other Investment Balances:					
Cash Deposits	36,413				23,939
Investment Income Due	5,215				3,705
Amount Payable for Purchases	-				(127)
Total Net Investment Assets	**2,343,688**			**(159,167)**	**2,201,946**

Note 12B. Analysis of Investments

Fund Manager	31 March 2020 £000	%	31 March 2021 £000	%
Investments managed by Border to Coast Pensions Partnership:				
Global Equity Alpha Sub-fund	344,976	15.6	711,480	26.2
Listed UK Equity Sub-fund	-	-	442,899	16.3
Investment Grade Credit Sub-fund	180,327	8.2	195,898	7.2
Unitised Insurance Policies				
Legal and General (Future World Fund)	-	-	410,865	15.1
Legal and General (Passive UK Equities)	350,106	15.9	-	-
Blackrock (Bond Portfolio)	234,613	10.7	153,513	5.7
Investments managed outside of the asset pool:				
Invesco (Global Equities ex. UK)	503,027	22.8	2,258	0.1
Morgan Stanley (Alternative Investments)	318,790	14.5	366,252	13.6
Morgan Stanley (Private Equity)	17,755	0.8	13,132	0.5
PIMCO (Multi-Asset Credit)	-	-	89,436	3.0
Internally Managed (Property Unit Trusts)	175,601	8.0	182,326	6.7
Internally Managed (Infrastructure)	48,386	2.2	52,405	1.9
Internally Managed (Other Property)	24,169	1.1	21,328	0.8
Internally Managed (UK Equity)	1	-	-	-
Internally Managed (Cash managed by LCC Treasury Management Team)	-	-	50,000	1.8
Unallocated Cash	4,195	0.2	21,864	0.8
Total	**2,201,946**	**100.0**	**2,713,656**	**100.0**

The following table sets out where there is a concentration of investments which exceeds 5% of the total value of the net assets of the scheme (excluding holdings in Government Securities).

Fund Manager	31 March 2020 £000	%	31 March 2021 £000	%
Blackrock 1-5yr Corporate Bond Fund	149,016	6.7	-	-
Border to Coast (Global Equity Alpha)	344,976	15.5	711,480	26.0
Border to Coast (Listed UK Equity)	-	-	442,899	16.2
Border to Coast (Investment Grade Credit)	180,327	8.1	195,898	7.2
Legal and General (Future World Fund)	-	-	410,865	15.0
Legal & General (Passive UK Equities)	350,106	15.8	-	-
Morgan Stanley Alternative Investments	306,633	14.0	359,893	13.0

Note 12C. Stock Lending

During 2020/21 the Fund cancelled its stock lending programme with the Fund's custodian, Northern Trust. There was no stock on loan at 31 March 2021. During the year stock-lending commissions are remitted to the Fund via the custodian. Income received from stock lending activities, before costs, was £0.071m for the year ending 31 March 2021 (£0.079m at 31 March

2020) and is included within the 'Investment Income' set out at Note 11 Investment Income. For the period the stock is on loan, the voting rights of the loaned stock pass to the borrower.

Note 13. Analysis of Derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the Fund. The use of any derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. The Fund's alternative investment manager uses forward foreign exchange contracts to reduce exposure to fluctuations in foreign currency exchange rates.

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to one month	None					
Over one month	GBP	1,329	AUS	2,383	12	
	GBP	11,053	CAD	19,124	26	
	GBP	11,322	EUR	13,204	59	
	GBP	292,090	USD	405,937		(2,062)
Total					98	(2,062)
Net Forward Currency Contracts at 31 March 2021						(1,964)
Prior Year Comparative						
Open forward currency contracts at 31 March 2020					9,600	(1,264)
Net Forward Currency Contracts at 31 March 2020						8,336

Profit (Loss) of Forward Currency Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of normal trading of the Fund's managers who manage multi-currency portfolios. For 2020/21 this was a profit of £29.687m (£18,145m loss in 2019/20).

Note 14. Fair Value – Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level One – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level Two – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level Three – where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

The basis of the valuation of each class of investment asset is set out below.

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level One			
Quoted equities and pooled fund investments	Published bid market price ruling on the final day of the accounting period.	Not required	Not required
Quoted fixed income bonds and unit trusts	Quoted market value based on current yields.	Not required	Not required
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required	Not required
Level Two			
Unquoted equity investments	Average of broker prices.	Evaluated price feeds	Not required
Unquoted fixed income bonds and unit trusts	Average of broker prices.	Evaluated price feeds	Not required
Unquoted pooled fund investments	Average of broker prices.	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Pooled property funds and hedge funds where regular trading takes place	Closing bid price where bid and offer process are published. Closing single process where single price published.	NAV-based pricing set on a forward pricing basis	Not required
Level Three			
Pooled property funds and hedge funds where regular trading does not take place	Valued by investment managers on a fair value basis each year using PRAG guidance.	NAV-based pricing set on a forward pricing basis.	Valuations are affected by any changes to the value of the financial instrument being hedged against.

Other unquoted and private equities (inc. alternatives, infrastructure and private equity)	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	EBITDA multiple; Revenue multiple; Discount for lack of marketability; and Control premium.	Valuations could be affected by changes to expected cashflows, or by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	Estimated value of the pension fund's share of net assets held by the pool, based on relative percentage of shares held and voting rights.	Current estimates of future dividend income.	Valuation could be affected by future trading income, post-balance sheet events, or changes to expected cashflows.

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level three investments are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

	Potential variation in fair value (+/-)	Value at 31 March 2021 £000	Potential value on increase £000	Potential value on decrease £000
Alternatives – Hedge Funds	6%	72,871	77,243	68,499
Alternatives – Unquoted Holdings	10%	201,446	221,591	181,301
Infrastructure	16%	50,397	58,461	42,333
Other Property	18%	6,878	8,116	5,640
Private Equity	22%	12,405	15,134	9,676

Note 14A. Fair Value Hierarchy

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2021 Observable Fair Value	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss:				
Equities	-			-
Pooled Investment Vehicles:				
Managed by Border to Coast Pool		1,350,277		1,350,277
Unitised Insurance Policies	564,378			564,378
Unit Trusts		179,603		179,603
Other Managed Funds	60,112	127,969	343,997	532,078
Derivatives: Forward Foreign Exchange				-
Cash	26,269			26,269
	650,759	1,657,849	343,997	2,652,605
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		(1,964)		(1,964)
		(1,964)		(1,964)
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
			1,182	1,182
Net Investment Assets	650,759	1,655,885	345,179	2,651,823

Values at 31 March 2020 (re-analysed) Observable Fair Value	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss:				
Equities	495,761			495,761
Pooled Investment Vehicles:				
Managed by Border to Coast Pool		525,304		525,304
Unitised Insurance Policies	584,719			584,719
Unit Trusts			175,602	175,602
Other Managed Funds	40,805	5,267	338,636	384,708
Derivatives: Forward Foreign Exchange		8,335		8,335
Cash	20,226			20,226
	1,141,511	538,906	514,238	2,194,655

Values at 31 March 2020 (re-analysed) Observable Fair Value	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		-		-
		-		-
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			833	833
			833	833
Net Investment Assets	1,141,511	538,906	515,071	2,195,488

14B Transfer between levels in the Fair Value Hierarchy

Property Unit Trusts

As at 31 March 2020 the valuations provided by independent valuers for the Funds four UK Commercial Property Funds and the European Growth Fund were subject to a 'material valuation uncertainty' qualification as set out in VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these valuations than would normally be the case. As a consequence of this these assets were moved from level 2 to level 3 in the fair value hierarchy. During September 2020 the 'material valuation uncertainty clause' was removed by the valuers of these Funds, as observable market evidence became available. Therefore the fair value level for these assets has been reassessed and these assets have been transferred from level 3 to level 2.

As all transfers between levels are recognised from the month in which they occur, these assets have been transferred from level 3 to level 2 at the end of September 2020.

14C Reconciliation of Fair Value Measurements within Level 3

Period 2020/21	Market value at 31 March 2020	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2010
	£000	£000	£000	£000	£000	£000	£000	£000
Property Unit Trusts **	175,602	-	(171,668)	544	(662)	(3,816)	-	-
Other Property **	15,170	-	(13,483)	6,265	(897)	(148)	(29)	6,878
Infrastructure	46,347	-	-	4,163	(1,308)	1,201	(6)	50,397
Private Equity	16,559	-	-	708	(7,007)	(1,499)	3,644	12,405
Alternatives	260,560	-	-	54,101	(33,401)	(11,014)	4,071	274,317
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	-	-	349	-	-	-	1,182
Total	**515,071**	**-**	**(185,151)**	**66,130**	**(43,275)**	**(15,276)**	**7,680**	**341,743**

Period 2019/20	Market value at 31 March 2019	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2020
	£000	£000	£000	£000	£000	£000	£000	£000
Property Unit Trusts ***	-	175,602	-	-	-	-	-	175,602
Other Property ***	4,207	13,174	-	153	(1,495)	(1,082)	213	15,170
Infrastructure	44,437	-	-	2,848	(3,346)	2,397	11	46,347
Private Equity	22,962	-	-	356	(7,469)	(5,376)	6,086	16,559
Alternatives	217,697	-	-	58,796	(47,626)	28,938	2,755	260,560
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	-	-	-	-	-	-	833
Total	**290,136**	**188,776**	**-**	**62,153**	**(59,936)**	**24,877**	**9,065**	**515,071**

** Unrealised and realised gains and losses are recognised in the profit and losses on disposal and change in market values line of the Fund account.*

*** The Funds four UK Commercial Property Funds and the European Growth Fund transferred from level 3 to level 2 at the end of September 2020 when the 'material valuation uncertainty clause' was removed by the valuers of these Funds.*

**** The Funds four UK Commercial Property Funds and the European Growth Fund transferred from level 2 to level 3 at the end of March 2020 when a 'material valuation uncertainty clause' was placed on the valuation of these Funds.*

Note 15. Financial Instruments

Note 15A. Classification of Financial Instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2021			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£000	£000	£000	£000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Equities	-			
Pooled Investment Vehicles:				
Managed by Border to Coast	1,350,277			
Unitised Insurance Policies	564,378			
Unit Trusts	179,603			
Other Managed Funds	532,078			
Derivatives: Forward Foreign Exchange	-			
Cash	26,269	96,522		
Other Investment Balances		2,204		
Sundry Debtors		431		
	2,652,605	**98,977**	**-**	**1,182**
Financial Liabilities				
Derivatives: Forward Foreign Exchange	(1,964)			
Other Investment Balances			(10,465)	
Sundry Creditors			(2,510)	
	(1,964)	**-**	**(12,975)**	**-**
Grand Total	**2,650,641**	**98,977**	**(12,975)**	**1,182**

	31 March 2020			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£000	£000	£000	£000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				833
Equities	495,761			
Pooled Investment Vehicles:				
Managed by Border to Coast	525,304			
Unitised Insurance Policies	584,719			
Unit Trusts	175,601			
Other Managed Funds	384,709			
Derivatives: Forward Foreign Exchange	8,335			
Cash	20,226	16,783		
Other Investment Balances		3,723		
Sundry Debtors		866		
	2,194,655	21,372	-	833
Financial Liabilities				
Derivatives: Forward Foreign Exchange				
Other Investment Balances			(145)	
Sundry Creditors			(2,950)	
	-	-	(3,095)	-
Grand Total	2,194,655	21,372	(3,095)	833

15B Net Gains and Losses on Financial Instruments

	2019/20 £000	2020/21 £000
Financial Assets		
Fair Value through Profit and Loss	(141,022)	485,656
Total	(141,022)	481,558

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

Note 16. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the whole fund portfolio and to maximise the opportunity for gains across the Fund. This is achieved through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies have been established to identify and analyse the risks faced by the pension fund's operations. These are reviewed regularly to reflect changes in activity and market conditions.

a) Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix. . The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

Other Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of

capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument.

The Fund's investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in market price are reasonably possible for 2020/21; assuming that all other variables, in particular foreign exchange rates and interest rates remain the same:

Asset Type	Potential Market Movements (+/-)
UK Equities	17.0%
Overseas Equities	17.0%
Bonds	5.0%
Property	18.0%
Alternatives – Hedge Funds	6.0%
Alternatives - Other	10.0%
Multi Asset Credit	10.0%
Infrastructure	16.0%
Private Equity	22.0%

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits would have been as follows (the prior year comparative is shown below):

Asset Type	Value at 31 March 2021 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	442,899	17%	518,192	367,606
Overseas Equities	1,122,345	17%	1,313,144	931,546
Bonds	349,411	5%	366,882	331,940
Property	199,549	18%	235,468	163,630
Alternatives – Hedge Funds	79,521	6%	84,292	74,750
Alternatives - Other	280,372	10%	308,409	252,335
Multi Asset Credit	89,436	10%	98,380	80,492
Infrastructure	50,397	16%	58,461	42,333
Private Equity	12,406	22%	15,135	9,677
Total	2,626,336		2,993,872	2,250,604

Asset Type	Value at 31 March 2020 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	695,082	30%	903,607	486,557
Overseas Equities	495,761	33%	659,362	332,160
Bonds	414,941	16%	481,332	348,550
Property	190,771	19%	227,017	154,525
Infrastructure	46,347	17%	54,226	38,468
Private Equity	16,559	24%	20,533	12,585
Alternatives	306,633	10%	377,296	275,970
Total	**2,166,094**		**2,683,373**	**1,648,815**

Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A Fund Manager and experience and suggests that a movement of less than +/- 100 bases points (+/- 1%) in interest rates from one year to the next is likely.

Interest rate risk - sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. . This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets Exposed to Interest Rate Risk	Value at 31 March 2021 £000	Percentage Movement on 1% change in interest Rates	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	97,725	-	97,725	97,725
Cash balances	25,066	-	25,066	25,066
Bonds	349,411	3,494	352,905	345,917
Total	**472,202**	**3,494**	**475,696**	**468,708**

Assets Exposed to Interest Rate Risk	Value at 31 March 2020 £000	Percentage Movement on 1% change in interest Rates	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	23,939	-	23,939	23,939
Cash balances	13,071	-	13,071	13,071
Bonds	414,941	4,149	419,090	410,792
Total	**451,951**	**4,149**	**456,100**	**447,802**

Income Exposed to Interest Rate Risk	Interest Receivable 2020/21 £000	Percentage Movement on 1% change in interest Rates %	Value on Increase £000	Value on Decrease £000
Cash deposits, cash and cash equivalents	87	1	88	86
Bonds	-	-	-	-
Total	**87**	**1**	**88**	**86**

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

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

Following analysis of historical data and in consultation with an investment manager, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 8%, as measured by one standard deviation (10% in 2019/20). An 8% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net asset available to pay benefits as follows:

Currency risk – sensitivity analysis

Assets Exposed to Currency Risk	Value at 31 March 2021 £000	Percentage Market Movement £000	Value on Increase £000	Value on Decrease £000
Overseas Equities	-	-	-	-
Overseas Alternatives	333,719	26,698	360,417	307,021
Overseas Infrastructure	6,859	549	7,408	6,310
Overseas Private Equity	12,406	992	13,398	11,414
Overseas Property	13,654	1,092	14,746	12,562
Total	**366,638**	**29,331**	**395,969**	**337,307**

Assets Exposed to Currency Risk	Value at 31 March 2020 £000	Percentage Market Movement £000	Value on Increase £000	Value on Decrease £000
Overseas Equities	495,761	49,576	545,337	446,185
Pooled Investments:				
Overseas Property	14,579	1,458	16,037	13,121
Overseas Infrastructure	4,121	412	4,533	3,709
Overseas Private Equity	16,559	1,656	18,215	14,903
Total	**531,020**	**53,102**	**584,122**	**477,918**

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this are investment assets and cash deposits. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund is additionally exposed to credit risk through securities lending (see Note 12C) and its daily treasury activities. Credit risk may also occur if an employing body not supported by central government does not pay its contributions promptly, or defaults on its obligations.

The securities lending programme is run by the Fund's custodian, Northern Trust, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon type of transaction. This level is assessed daily to ensure it takes account of market movements. To further mitigate risk, Northern Trust provide an indemnity to cover borrower default, overnight market risks, fails on return of loaned securities and entitlements to securities on loan. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 25% of eligible assets can be on loan at any one time. During 2020/21 the Fund terminated its securities lending programme. At 31 March 2021 no securities were out on loan.

The Pension Fund's bank account is held at Barclays, which holds an 'A' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices. At 31 March 2021 the balance at Barclays was £74.066m (£12.071m at 31 March 2020).

The Pension Fund closely monitors employer contributions each month. All contributions from employers due to the Fund for March 2021 where received by the Fund in April 2021. The Fund's current policy for all new employers into the scheme is to obtain a guarantee that will ensure all pension obligations are covered in the event of that employer facing financial difficulties.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed assets (equities and bonds), instruments that can be liquidated at short notice, normally three working days. As at 31 March 202, these assets totalled £1,914.655m (£1,605.784m as at 31 March 2020), with a further £122.791m held in cash (£37.010m as at 31 March 2020).

Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

Note 17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation is due to take place as at 31 March 2022

Description of Funding Policy

In summary, the key funding policy is as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 71% likelihood that the Fund will achieve the funding target over 20 years.

Actuary's Statement

The last full triennial valuation of the Lincolnshire Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 27 March 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The market value of the Fund's assets as at 31 March 2019 was £2,353m.
- The Fund had a funding level of 93% i.e. the value of assets for valuation purposes was 93% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £183m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- Plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 18.6% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in Appendix 3 of the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2019 are summarised below:

Financial Assumptions	Assumptions used for the 2019 Valuation
Market Date	31 March 2019
CPI inflation	2.3% p.a.
Long-term salary increases	2.6% p.a.
Discount rate	4.0% p.a.

Demographic Assumptions	Assumptions used for the 2019 Valuation
Post-retirement mortality:	
Base tables	Based on Club Vita analysis
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements:	
Males	0.5% p.a.
Females	0.25% p.a.

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2019 valuation report.

Updated position since the 2019 valuation

Update to funding basis and assumptions

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

With effect from 1 January 2021, the salary growth assumption was reviewed and salaries are now assumed to increase at CPI plus 1.0% p.a. with no additional promotional salary scale. The derivation of CPI is discussed below.

We have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the Bank of England implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. We have included in the discount rate assumption an explicit prudence allowance of 0.8%. This incorporates an allowance for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap).

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

The update to the CPI assumption mentioned above leads to a small increase in the value of liabilities. The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current

funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

Assets

Returns over the year to 31 March 2021 have been strong, helping to offset the significant fall in asset values at the end of the previous year. As at 31 March 2021, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

Overall position

On balance, we estimate that the funding position (allowing for the revised funding basis) has improved compared to the funding position as at 31 March 2019.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equites due to actual and potential reductions and suspensions of dividends.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

The Fund can continue to monitor the funding level using LGPS Monitor on a regular basis.

Barry McKay FFA

Partner, Barnett Waddingham LLP

14 May 2021

Note 18. Actuarial Present Value of Promised Retirement Benefit

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the pension fund liabilities on an IAS19 basis every year. Below is the note prepared by the Fund's Actuary, Barnett Waddingham.

Pension Account Disclosure as at 31 March 2021 (prepare in accordance with IAS26)

Introduction

We have been instructed by Lincolnshire County Council, the administering authority to the Lincolnshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2021. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

These figures are prepared in accordance with our understanding of IAS26. In calculating the disclosed numbers we have adopted methods and assumptions that are consistent with IAS19. This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings.

An allowance was made for the potential impact of the McCloud and Sargeant judgement in the results provided to the Fund at the last accounting date and therefore is already included in the starting position for this report. This allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

Valuation Data

Data Sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Lincolnshire County Council:

- The results of the valuation as at 31 March 2019 which was carried out for funding purposes and the results of the 31 March 2020 IAS26 report which was prepared for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2021;
- Fund investment returns for the period to 28 February 2021 and estimated returns based on a net asset statement as at 31 March 2021;
- Details of any new early retirements for the period to 31 March 2021 that have been paid out on an unreduced basis, which are not anticipated in the normal service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Fund Membership Statistics

The table below summarises the membership data, as at 31 March 2019.

Member Data Summary	Number	Salaries/Pensions £000	Average Age
Active Members	22,755	355,509	51
Deferred Members	32,184	29,729	51
Pensioners	21,576	75,310	69

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2021.

We have been notified of 40 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £178,500.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2021 is estimated to be 22.54%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Lincolnshire Pension Fund as at 31 March 2021 is as follows:

Asset Breakdown	31 March 2021 £000	31 March 2021 %
Equities	1,960,020	72
Bonds	376,330	14
Property	285,890	10
Cash	111,144	4
	2,733,384	100

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2021 may be different from that shown due to estimation techniques.

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Actuarial methods and assumptions

Valuation approach

To assess the value of the Fund's liabilities at 31 March 2021, we have rolled forward the value of Fund's liabilities calculated for the funding valuation as at 31 March 2019, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2021 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. We have allowed for actual pension increase experience for the period from 2019-2021. This assumes that pension increases are in line with the annual pension increases set by HM Treasury Revaluation Order.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes".

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016.

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2019, except for the CMI projection model. The post retirement mortality tables have been constructed based on Club Vita analysis. These base tables are projected using the CMI_2020 Model, with a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0, an initial addition parameter of 0.5% p.a. for males and 0.25% p.a. for females, and a 2020 weighting of 25%.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2020, which was released in March 2021. This update has been made in light of the coronavirus pandemic and reflects the latest information available from the CMI. The new CMI_2020 Model introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. Our view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data, however, the overall outlook for best-estimate future mortality improvements looks less positive as a result of the pandemic. Therefore we have updated to use the CMI_2020 Model with a 2020 weight parameter of 25%. At the last accounting date, the CMI_2018 Model was adopted. The effect on the assumed life expectancies is demonstrated in the table below.

Life Expectancy from age 65 years	31 March 2021 (after CMI 2020 update)	31 March 2021 (before CMI 2020 update)	31 March 2021
Retiring Today			
Males	21.1	21.5	21.4
Females	23.6	23.8	23.7
Retiring in 20 years			
Males	22.0	22.5	22.4
Females	25.0	25.2	25.2

We have also assumed that:

- Members will exchange half of their commutable pension in respect of pre-April 2008 service and 75% of their commutable pension in respect of their post 2008 service, for cash at retirement. For every £1 of pension that members commute, they will receive a cash payment of £12 as set out in the Regulations;
- Members retire following the retirement age pattern assumption used for the purpose of the 2016 LGPS cost cap valuation; and
- 1% of active members will take up the option to pay 50% of contributions for 50% of benefits.

Financial assumptions

The financial assumptions used to calculate the results in the Appendices are as follows:

Assumptions as at:	31 March 2021 % p.a.	31 March 2020 % p.a.
Discount Rate	2.0%	2.3%
Pension Increases	2.8%	1.9%
Salary Increases	3.1%	2.2%

These assumptions are set with reference to market conditions at 31 March 2021.

Our estimate of the Fund's past service liability duration is 20 years.

An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point.

The BoE implied inflation curve may suggest a higher rate of inflation, over longer terms, than actually expected by market participants due to a willingness to accept a lower return on investments to ensure inflation linked returns. To reflect this, we include an Inflation Risk Premium (IRP) adjustment such that our assumed level of future annual RPI increase is 0.25% p.a. lower than the SEIR calculated using the BoE inflation curve alone. This differs from the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.40% p.a. below RPI i.e. 2.80% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the Fund's liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority's proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue.

Salaries are assumed to increase at 0.3% p.a. above CPI. This is consistent with the salary increase assumption at the previous accounting date.

Results and disclosures

We estimate that the net liability as at 31 March 2021 is a liability of £1,524,223,000.

Net Pension Assets as at:	31 March 2021 £000	31 March 2020 £000
Present value of the defined benefit obligation	(4,257,607)	(3,340,000)
Fair value of Fund assets (bid value)	2,733,384	2,219,327
Net liability in balance sheet	(1,524,223)	(1,120,673)

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

Barry McKay FFA
Partner, Barnett Waddingham LLP
19 May 2021

Note 19. Current Assets

	31 March 2020 £000	31 March 2021 £000
Short Term Debtors		
Contributions due - Employers	4,782	4,575
Contributions due - Employees	1,431	1,387
Debtors relating to Members	116	127
VAT Debtor	152	194
Sundry Debtors	866	431
Total Short Term Debtors	**7,347**	**6,713**
Cash Balances	13,071	25,066
Cash Balances	**13,071**	**25,066**
Total Current Assets	**20,418**	**31,779**

Note 20. Current Liabilities

	31 March 2020 £000	31 March 2021 £000
Creditors		
Contributions – paid in advance	(122)	(45)
Creditors relating to Members	(798)	(475)
Sundry Creditors	(2,950)	(2,510)
Total Current Liabilities	**(3,870)**	**(3,030)**

Note 21. Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the date of publication AVC information for 2020/21 had not been received from Prudential plc. This information will be published in the final version of the accounts to be issued in September.

The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

Note 22. Related Party Transactions

Lincolnshire County Council

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the council incurred costs of £0.247m (£0.231m in 2019/20) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of members of the Pension Fund and contributed

£36.270m (£34.135m in 2019/20) to the Fund in 2020/21. All monies owing to and due from the Fund were paid in year.

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £18.931m (£13.016m in 2019/20) and interest of £0.090m (£0.127m in 2019/20) was earned over the year.

Pensions Committee

Each member of the Pension Fund Committee is required to declare their interests at each meeting and also is asked to sign an annual declaration disclosing any related party transactions. Three Committee members: Cllr P Key, A Antcliff (Employee Representative) and S Larter (Small Scheduled Bodies Representative) were contributing members of the Pension Fund during 2020/21. Cllr R Waller's daughter (District Council Representative) was a contributing member of the scheme during 2020/21. S Larter (Small Scheduled Bodies Representative) is also a deferred member of the scheme.

Border to Coast Pensions Partnership

Lincolnshire Pension Fund is a minority shareholder in Border to Coast Pensions Partnership. It holds a £1 A share which gives the Fund one vote. The Fund also holds £1.182m (£0.833m in 2019/20) of regulatory share capital (B shares). These are included within long term investments in the net asset statement. At 31 March 2021 the Fund had invested in three sub-funds managed by Border to Coast Pensions Partnership: Global Equity Alpha, UK Listed Equities and Investment Grade Credit (details shown in Note 12). During 2020/21 the Fund paid Border to Coast £2.495m (£1.480m in 2019/20) to manage these assets and the company

Note 23. Key Management Personnel

The key management personnel of the Fund are the Executive Director of Resources, Assistant Director Finance, Head of Pensions and Accounting, Investment and Governance Manager. The Fund does not employ any staff directly. Lincolnshire County Council employs the staff involved in providing the duties of the Administering Authority for the Fund. The proportion of employee benefits earned by key management personnel relating to the Pension Fund are: £0.131m short term benefits (£0.130m in 2019/20) and £0.023m post-employment benefits (£0.021m in 2019/20).

Note 24. Contingent Liabilities and Contractual Commitments

At 31 March 2021 the fund had outstanding capital commitments (investments) to twenty investment vehicles, amounting to £58.989m (£35.035m as at 31 March 2020). These commitments relate to outstanding call payments due on unquoted limited partnerships making investments in private equity, property or infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over the lifetime of the funds.

Note 25. Contingent Assets

Eight admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2020/21 (or 2019/20).

Glossary of Terms

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

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

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

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

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

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

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

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

CIPFA – Chartered Institute of Public Finance & Accountancy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Audit Opinion

Additional Information Available

Additional information regarding the Pension Fund and the scheme is available by going to the shared service website www.wypf.org.uk

The following documents are included in this report, and can also be found by selecting Policy Statements on the home page, and then Lincolnshire Policies, on the WYPF shared website.

Funding Strategy Statement

This document is prepared in collaboration with the Fund's actuary and sets out the Fund's approach to funding its liabilities. It is reviewed in detail every three years as part of the triennial valuation process.

Investment Strategy Statement

This document describes the key issues that govern the investment of the Pension Fund, including the approach to risk, the approach to pooling and the approach to environmental, social and governance (ESG) factors.

Communications Policy

This document details the methods of communication that the Pension Fund uses to comply with relevant legislation and to ensure that individuals and employers receive accurate and timely information about their pension arrangements.

Governance Compliance Statement

This document details how the Pension Fund is governed, and sets out where it complies with best practice guidance as published by the Ministry of Housing, Communities and Local Government.

Pensions Administration Strategy

This document details how the Pension Fund is administered within the shared service. It outlines the processes and procedures to allow the Funds and employers to work together in a cost-effective way to administer the LGPS, whilst maintaining an excellent level of service to members.

Funding Strategy Statement

Contents

Introduction

What is this document?

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

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

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

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

What is the Lincolnshire Pension Fund?

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

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

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

Why does the Fund need a Funding Strategy Statement?

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

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

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

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and

- prudence in the funding basis.

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

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

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

How does the Fund and this FSS affect me?

This depends on who you are:

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

What does the FSS aim to do?

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

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

How do I find my way around this document?

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

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

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

In Section 5 we outline Section 13 reporting requirements.

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

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

B. who is responsible for what,

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

D. some more details about the actuarial calculations required,

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

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

Basic Funding issues

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

How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.
- The Fund appointed a new fund actuary with effect from 1 January 2021. For employers commencing participation in the Fund on or after 1 January 2021, the calculated contribution rate will be set to meet a funding target over the time horizon as set out in table 3.3. The funding target is set based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach.

What is each employer's contribution rate?

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

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

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay or a monetary amount in each year.

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

What different types of employer participate in the Fund?

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

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

The LGPS Regulations define various types of employer as follows:

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

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

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

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

How does the calculated contribution rate vary for different employers?

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

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

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

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

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

How is a funding level calculated?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

When will the next actuarial valuation be?

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

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

Calculating contributions for individual Employers

General comments

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

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

These and associated issues are covered in this Section.

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

The effect of paying lower contributions

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

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

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

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

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

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

The different approaches used for different employers

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

Type of employer	Scheduled Bodies				Community Admission Bodies		Designating Bodies	Transferee Admission Bodies*
Likelihood of achieving target – Note (e)	70%	80%	80%	80%	80%	80%	75%	To be set on an employer by employer basis depending upon strength of covenant
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None	None	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations						Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations	Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	n/a	Note (g)	Note (h)		n/a	Notes (h) & (i)
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).				Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Can be ceased subject to passing of resolution. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation - see Note (j) and 3.4 for small scheduled bodies pool.	Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the Contractor exit basis, unless the admission agreement is terminated early by the Contractor in which case the low risk exit basis would apply. Awarding Authority will be liable for future deficits and contributions arising. See Note (j) for further details.

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

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

In the circumstances where:

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

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

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

Note (b) (Stabilisation)

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

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

The current stabilisation mechanism applies if:

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

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

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

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

Stabilisation rules and eligibility may also be reviewed at any time in the event of changes to scheme benefits. Changes in scheme benefits may arise because of changes in regulations or other events that have a material impact.

Note (c) (Maximum time horizon)

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

Note (d) (Secondary rate)

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

Note (e) (Likelihood of achieving funding target)

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

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

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

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

Note (f) (Regular Reviews)

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

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

Note (g) (New Academy conversions)

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

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

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

The Fund appointed a new fund actuary with effect from 1 January 2021. The above policies are still effective for new academy conversions. As before, for new academies converting on or after 1 January 2021, the calculated contribution rate will be set to meet a funding target over the time horizon as set out in table 3.3. The funding target is set based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach. Further details will be included in the new academy report provided.

Note (h) (New Admission Bodies)

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

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

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

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

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

Note (i) (New Transferee Admission Bodies)

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

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

The Fund may consider modifications to this approach on request with the agreement of all parties and having taken appropriate advice.

For staff transfers on or after **1 September 2020**, the Administering Authority requires that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the Awarding Authority. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the Awarding Authority and the contactor. The fixed rate will normally be set equal to the existing total contribution rate in payment (expressed as a percentage of pay p.a.) for the Awarding Authority upon the contract start date, subject to a minimum rate equal to the Awarding Authority's primary rate when assessed on a likelihood of achieving funding target of 75%. The fixed rate that will be paid is at the discretion of the Awarding Authority and Contractor.

The Fund appointed a new fund actuary with effect from 1 January 2021. The above policy in relation to staff transfers and a fixed rate contribution agreement are still effective. The fixed rate will continue to normally be set equal to the existing total contribution rate in payment (expressed as a percentage of pay p.a.) for the Awarding Authority upon the contract start date, subject to a minimum rate equal to the Awarding Authority's primary rate. The minimum rate will be calculated to meet the funding target based on a single set of

financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach. Further details will be included in the employer report provided.

Upon cessation the Contractor's assets and liabilities will transfer back to the Awarding Authority with no crystallisation of any deficit or surplus.

In order to avoid the Administering Authority becoming involved in any disputes relating to risk sharing and to protect the other participating employers, the Fund will not be party to any risk sharing agreement between any Awarding Authority and Contractor. Accordingly, any such arrangements will not be detailed in the admission agreement and the admission body will be required to follow the principles of the agreement as if no such risk sharing was in place and as if they were any other employer within the Lincolnshire Pension Fund.

It is at the sole discretion of the Administering Authority as to whether any risk sharing agreement is recognised in the certified employer contribution rate. If the risk arrangement is not recognised, then it will then be up to the Awarding Authority and the Contractor to put in place separate steps to allow the risk sharing to be implemented (e.g. via the contract payments). Accordingly, the Contractor will be required to pay the certified employer contribution rate to the Fund and any other contributions required e.g. early retirement strain costs, regardless of risk sharing arrangement in place.

Note (j) (Admission Bodies Ceasing)

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

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

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising as a result of the Admission Body's employer contributions, any representations (such as risk sharing agreements or guarantees) and any other relevant factors. If a risk-sharing agreement has been put in place no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach

to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the Actuary will add a 1% loading to calculated liabilities for "gilts exit" cessations. On the grounds of consistency, simplicity and pragmatism, there would be no adjustment to a cessation value where the obligations are being passed on elsewhere.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation, and there will be other Fund administration expenses associated with the cessation which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

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

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

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

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

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

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

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis, and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and Secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the "gilts exit basis" and seek immediate payment of

any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

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

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

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

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

Disputes

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

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

Pooled contributions

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

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

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

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a

stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

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

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

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

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

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

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

Small Scheduled Bodies Pool

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

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

It should also be noted that if an employer who is in the Small Scheduled Body Pool is considering ceasing from the Fund, the leaving employer's required exit debit to the Fund will be calculated on the ongoing funding position of the pool at the date of the leaving employer's cessation date. An exit credit would not be payable in circumstances where a funding surplus exists (as this has been calculated on the ongoing basis and in respect of the pool which remains an entity within the Fund) and any ceasing employer would still be

obligated to pay any unpaid contributions or early retirement strains after the cessation date, where applicable.

Additional flexibility in return for added security

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

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

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

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

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

Non ill health early retirement costs

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

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

Ill health early retirement costs

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

External Ill health insurance

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

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that employer's total outlay (pension contribution plus insurance premium) is unchanged, and

- there is no need for monitoring of allowances.

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

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

Employers with no remaining active members

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

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

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period.

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

Employer flexibilities

In light of the Scheme Advisory Board's guide to employer flexibilities, the Fund has set out its policies relating to the following regulations:

- Regulation 64A: Revisions to scheme employer contributions between valuations
- Regulation 64B: Spreading of exit payments
- Regulation 64: Deferred debt arrangements.

These policies can be found on the shared website at www.wypf.org.uk.

Policies on bulk transfers

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

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

Funding strategy and links to investment strategy

What is the Fund's investment strategy?

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

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

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

The same investment strategy is currently followed for all employers.

What is the link between funding strategy and investment strategy?

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

Therefore, the funding and investment strategies are inextricably linked.

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

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

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

Does the Fund monitor its overall funding position?

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

Statutory reporting and comparison to other LGPS Funds

Purpose

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

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

Solvency

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

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

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

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

Long Term Cost Efficiency

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

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

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

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

Relative considerations include:

1. the implied deficit recovery period; and

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

Absolute considerations include:

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

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

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

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

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

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

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

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

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

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

A2 Does the Administering Authority consult anyone on the FSS?

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

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

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

A3 How is the FSS published?

The FSS is made available through the following routes:

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

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

A copy sent to the Pension Board;

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

Copies made available on request.

A4 How often is the FSS reviewed?

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

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

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

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

A5 How does the FSS fit into other Fund documents?

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

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

Appendix B – Responsibilities of key parties

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

B1 The Administering Authority should:-

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

B2 The Individual Employer should:-

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

B3 The Fund Actuary should:-

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

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

B4 Other parties:-

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

Appendix C – Key risks and controls

C1 Types of risk

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

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

C2 Financial risks

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

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

C3 Demographic risks

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

Risk	Summary of Control Mechanisms
	to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

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

C5 Governance risks

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

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

Appendix D – The calculation of Employer contributions

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

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

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

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

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

Employer contributions are normally made up of two elements:

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

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

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

D2 How is the Primary contribution rate calculated?

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

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

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

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

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

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

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

D3 How is the Secondary contribution rate calculated?

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

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

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

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

D4 What affects a given employer's valuation results?

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

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

9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or

10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

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

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

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

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

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

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

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

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

Appendix E – Actuarial assumptions

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

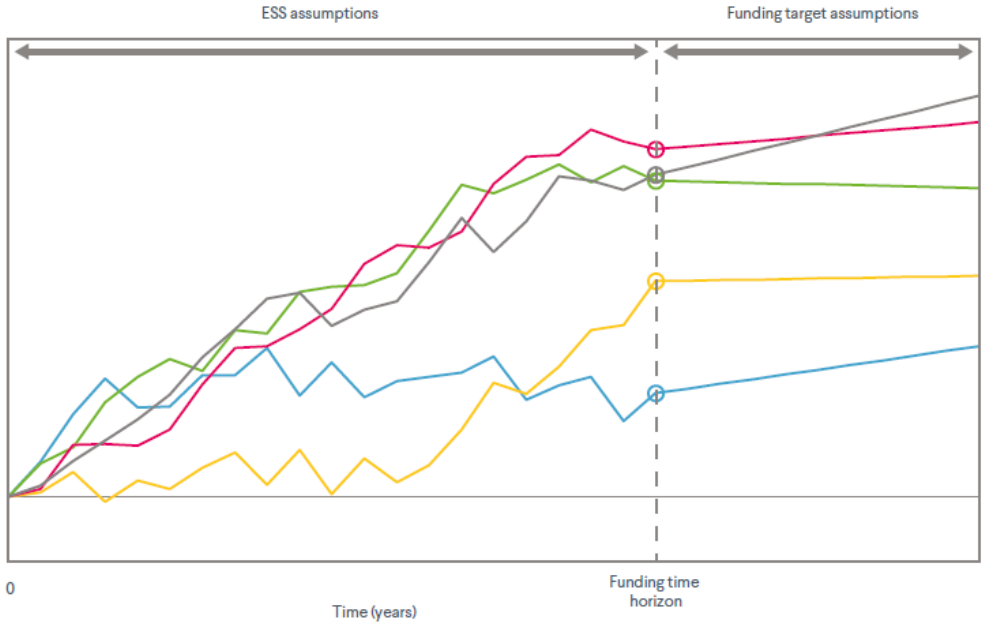
These are expectations of future experience used to place a value on future benefit payments ("the liabilities") and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions).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

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

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

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

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



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

E2 What assumptions are used in the ESS?

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

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

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

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

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

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

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

Funding basis	Ongoing participation basis	Contractor exit basis	Low risk exit basis

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

E4 What other assumptions apply?

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

a) Salary growth

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

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

This gives a single "blended" assumption of RPI less 0.7% p.a. This is a minor change from the previous valuation, which assumed a blended assumption of RPI less 0.6% per annum. . In addition, a promotional salary scale was applied which varied depending on the age of the member. The change has led to a very small increase in the funding target (all other things being equal).

The Fund appointed a new fund actuary with effect from 1 January 2021 at which point the salary growth assumption was reviewed. From 1 January 2021, salaries are assumed to increase at CPI plus 1.0% p.a. with no additional promotional salary scale. The derivation of CPI is discussed below.

b) Pension increases

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

At the 2019 valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

The RPI and CPI assumptions were later reviewed in light of the Chancellor's announcement on the reform of RPI in November 2020. From 1 January 2021, RPI inflation is assumed to be 0.4% p.a. lower than the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve. This adjustment accounts for both the shape of the curve in comparison to the Fund's liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns.

From 1 January 2021, CPI inflation is assumed to be 0.4% p.a. lower than the RPI assumption (i.e. 0.8% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority's proposal to change how RPI is

calculated to bring it in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

c) Life expectancy

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

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

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

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

d) General

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

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

Appendix F – Exit Credit Policy

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

Admitted bodies;

a) No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph c) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the Fund, and those admissions who joined the Fund after September 2020 and chose to become admitted through the Funds former standard admission route.

a) No exit credit will be payable to any admission body who participates in the Fund via the default pass through approach (effective from September 2020) as set out in this Funding Strategy Statement. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph c) below.

b) The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the Administering Authority) of the admission body ceasing participation in the Fund.

c) In the absence of this information or if there is any dispute from either party with regards to the interpretation of contractual or risk sharing agreements as outlined in c), the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the Administering Authority.

d) Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

e) If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies), the total assets of the employer and the size of any cessation surplus.

f) If an admitted body leaves on a gilts cessation basis (because no guarantor is in place), then any exit credit will normally be paid to the employer.

g) The decision of the Fund is final in interpreting how any arrangement described under c), e), f) and g) applies to the value of an exit credit payment.

Scheduled bodies and resolution bodies

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

General

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

employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined in Section 3.3). Equally, a shorter than usual funding time horizon or lower than usual likelihood of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

Appendix G – Glossary

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

	contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

Investment Strategy Statement

INVESTMENT STRATEGY STATEMENT

INTRODUCTION

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

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

The ISS, which was last approved by the Committee on 21 March 2019, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Fund is also required to maintain a Funding Strategy Statements ("FSS") in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended). The FSS, which was last approved by the Pensions Committee on 19 March 2020, complies with these Regulations.

INVESTMENT STRATEGY

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

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

Investment Beliefs

These beliefs form the foundation of discussions, and assist decisions, regarding the structure of the Fund and the strategic asset allocation. In addition, they are used to ensure that new members on the Pensions Committee understand previous investment decisions taken.

Belief 1:

The Fund should take no more investment risk than is necessary to have a reasonable chance of achieving its objectives, and only where the Committee believes it will be rewarded over the longer term.

It is recognised that investment risk is needed in the Fund to generate the required returns, however this needs to be considered on an on-going basis to ensure it is appropriate (i.e. not too high or too low) given the Fund's objectives

Belief 2:

Funding and investment strategy are linked; as the funding position improves, the level of investment risk should be reduced.

As the Fund moves closer to full funding (i.e. 100% assets to meet liabilities on an appropriately prudent assumption of investment return) then it is expected that the level of risk will be adjusted accordingly.

Belief 3:

Investing in illiquid assets provides opportunities for enhancing returns, and investing in alternative asset classes helps to diversify the Fund structure.

The Committee accepts that by "locking away" funds for longer periods of time, the Fund should expect to be compensated for the lack of liquidity in the form of higher expected returns. However it is understood that this is not suitable for all the assets in the Fund. The Fund's investments should be diversified by combining assets with different risk, return and liquidity characteristics, whilst maintaining realistic expectations about the potential for sources of return to become correlated under market stress. The Committee believes an appropriate portion of the Fund should be invested in non-core asset classes, i.e. alternative assets, to provide diversification and reduce overall volatility of returns.

Belief 4:

Passive and active management both have roles to play in the Fund's structure; passive to deliver low cost asset class exposure and active to add potential value, understanding that active managers' success should be measured over a reasonable timeframe.

The Committee believes that active managers can add a return premium over investment markets, over the longer term, but accept that this has a cost. Therefore this is balanced with allocations to passive management to produce market returns at a very low cost.

Belief 5:

Environmental, social and governance (ESG) issues are important to the long term success of the Fund.

The Committee believes that it should act as a responsible owner across all of its investments and that ESG issues and considerations have a financial impact on the long term performance of the Fund. The Fund works with managers and other organisations to understand the potential impact of the risks and opportunities relating to ESG matters.

Belief 6:

Although fees and costs matter, it is the expected return net of all fees and costs that should be the Committee's focus, however transparency and understanding of costs is important.

The cost of accessing different asset classes and different management styles must be understood to ensure that the Fund is obtaining value for money, however the expected net return is the most important consideration when assessing investment opportunities and monitoring investment performance. The Fund expects its managers to have signed up to the Cost Transparency Code, and it also participates in fee benchmarking to assess the fees being paid relative to other pension schemes.

Investment of money in a wide variety of investments

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

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

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

Asset class	Strategic allocation	Range	Maximum
Equity Assets	55%	+/- 7%	62%
UK equities	15%	+/- 2%	17%
Global equities	40%	+/- 5%	45%
Diversifying Growth Assets	31.5%	+/- 4.5%	36%
Diversified Alternatives (incl. infrastructure and	21%	+/- 3%	24%

multi asset credit)			
Property	10.5%	+/- 1.5%	12%
Protection Assets	13.5%	+/- 2%	15.5%
Fixed Income	12.5%	+/- 1.5%	14%
Cash	1%	+/- 0.5%	1.5%

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

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

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

The Pensions Committee regularly reviews the suitability of the asset allocation, following advice from the officers, investment consultant and independent advisor.

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

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

Asset class	Benchmark
Equity Assets	
UK Equities	FTSE All Share
Global Equities	MSCI All Countries World Index
Diversifying Growth Assets	
Alternatives	LIBOR 3 Months + 4%
Property	
Property Venture	7% Per Annum
Property Unit Trusts	UK IPD Monthly Index
Infrastructure	6% Per Annum
Multi Asset Credit	LIBOR +4%
Protection Assets	
UK Gilts	FTSE UK Gilts All Stocks Index

Corporate Bonds	iBoxx £ Non-Gilts Index
UK Index Linked	FTSE UK Gilts Index-Linked Over 5 Years Index
Cash	LIBOR 3 Months

The suitability of particular investments and types of investments

The actuarial valuation, at 31 March 2019, was prepared on the basis of an expected investment return of 4% p.a., based on a 71% likelihood of that return being achieved over the next 20 years, and assuming inflation (CPI) to be 2.3%. The Pensions Committee has set the investment objective of producing a long term return of 0.75% p.a. above the strategic benchmark.

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

The approach to risk

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

The principal risks affecting the Fund are set out below:

Risk	Description	Mitigants
Market	Value of an investment decreases as a result of changing market conditions.	Strategic asset allocation, with suitable diversification and appropriate ranges, determined on a triennial basis. The Committee has put in place rebalancing arrangements to ensure the Funds actual allocation does not deviate substantially from its target.
Performance	The Fund's investment managers fail to deliver returns in line with the underlying asset classes.	Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis.

		Investment Mangers present to the Committee on an annual basis.
Valuation	Valuations disclosed in the financial statements, particularly for unquoted investments, are not reflective of the value that could be achieved on disposal.	The valuation of investments is derived using a conservative valuation methodology and, where applicable, market observable data.
Liquidity	The Fund is not able to meet its financial obligations as they fall due or can do so only at an excessive cost.	The Fund maintains sufficient liquid funds at all times to ensure that it can meet its financial obligations.
Interest rate	A change in interest rates will result in a change in the valuation of the Fund's assets and liabilities.	The Fund regularly monitors its exposure to interest rates, and may consider hedging where appropriate.
Foreign exchange	An adverse movement in foreign exchange rates will impact on the value of the Fund's investments.	The Fund regularly monitors its foreign exchange exposure.
Demographic	Changes, such as increased longevity or ill-health retirement, will increase the value of the Fund's liabilities.	Demographic assumptions are conservative, regularly monitored, and reviewed on a triennial basis.
Regulatory	Changes to regulations and guidance may increase the cost of administering the Fund or increase the value of the Fund's liabilities.	The Fund ensures that it is aware of any actual or potential changes to regulations and guidance and will participate in consultations where appropriate.
Governance	The administering authority is unaware of changes to the Fund's membership which increases the value of its liabilities.	The Fund regularly monitors membership information and communicates with employers.

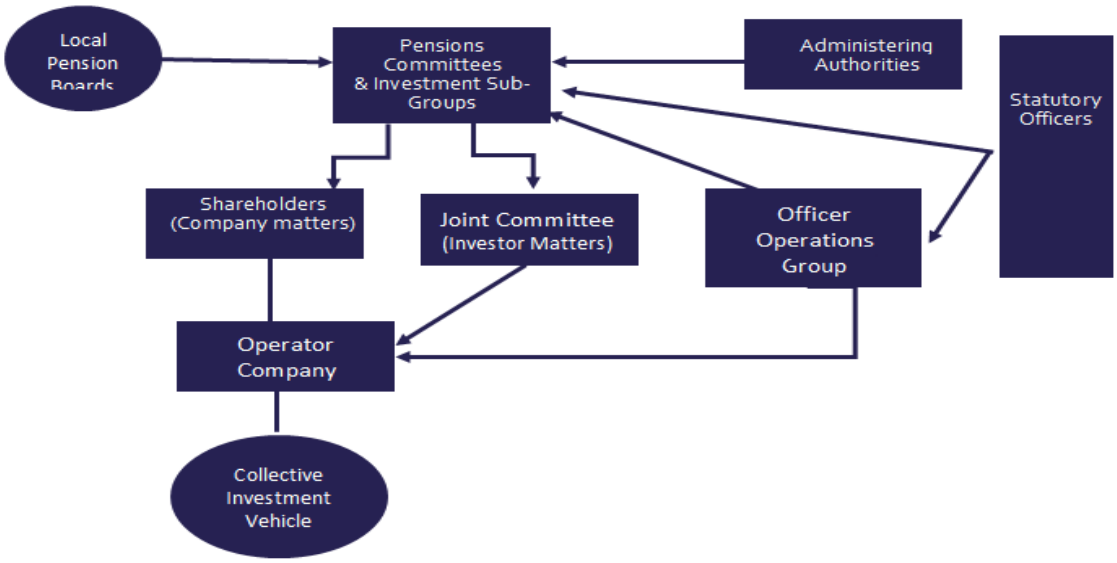
Investment Pooling

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

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

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

The governance structure of Border to Coast is set out in the diagram below:



The Fund holds Border to Coast to account through the following mechanisms:

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

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

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

A significant proportion of the Fund's investments are already made through Border to Coast, however where it is not practical or cost effective for assets to be transferred into the pool, they will continue to be managed at the Fund level. This is expected to predominantly include legacy unquoted investments such as limited partnerships. Whilst these assets may not to be transferred, once these investments mature the proceeds will be reinvested into Border to Coast sub-funds. At the current time it is estimated that c. 70% of the Fund's assets will be invested in Border to Coast, subject to it having suitable management arrangements in place.

The Fund will perform an annual review of assets that are held outside of the pool, to ensure that it continues to demonstrate value for money. As required, the Fund will submit reports on the progress of asset transfers to the Scheme Advisory Board, in line with the guidance.

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

The Fund considers itself to be a responsible investor, taking ESG matters very seriously and monitoring the investment managers' approach to ESG.

Responsible Investment Beliefs

These beliefs form the foundation of discussions, and assist decisions, regarding the structure of the Fund and the strategic asset allocation. In addition, they are used to ensure that new members on the Pensions Committee understand previous investment decisions taken.

Belief 1:

Companies with a responsible ESG policy are expected to outperform companies without an ESG policy, over the longer term.

The Committee believes that companies that have well developed ESG policies will generally provide better long term performance than those companies that have not considered ESG factors in their business.

Belief 2:

The Committee considers that company engagement, rather than disinvestment, would be the better approach to fulfilling their responsible investment objectives. However, should a company not respond to engagement, disinvestment would be a consideration. Disinvestment on a whole sector basis is not within the Committee's beliefs.

Disinvestment is a blunt tool that is not believed to provide the best outcomes over the medium to long term. The Fund will, through its managers and other organisations, engage with companies to bring change, but will consider company disinvestment if engagement fails.

Belief 3:

Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes.

The Committee believes that climate change risk and the transition to a low carbon economy should be factored into asset allocation decisions and also investment decisions by managers to reduce the long term financial risk, but also to take advantage of the opportunities that may be available.

Belief 4:

The Committee should focus on meeting its financial obligations to pay benefits to members. Financial considerations should therefore carry more weight than non-financial considerations.

The main objective of the Pension Fund is to ensure that it is able to pay benefits to its members as and when they fall due. Therefore financial considerations will be at the forefront of any investment or asset allocation decisions.

Belief 5:

The Fund's active investment managers should embed the consideration of ESG factors into their investment process and decision making.

The Committee believes that the consideration of ESG factors when making investment decisions should not be an add-on but should be embedded into the whole investment selection process. Any active managers appointed by the Fund will be expected to evidence this.

Belief 6:

The Fund should collaborate with other investors if it could have a positive impact, and also engage with them and investment managers to better understand ESG risks.

The Committee believes that the Fund has a stronger voice when working with others, be it Border to Coast Pensions Partnership, Local Authority Pension Fund Forum (LAPFF) or any other organisations. The Fund will work with them and the investment managers to ensure that it understands the ESG risks and how best to address them.

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

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

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

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

As global investors, the Fund expects the principles of good stewardship to apply globally, whilst recognising the need for local market considerations in its application. The Fund is in the process of preparing its statement for the 2020 UK Stewardship code. This will be included within the ISS once it has been completed and approved by the Commitee and the Financial Reporting Council.

Compliance and monitoring

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

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

Communication Policy Statement

COMMUNICATION POLICY STATEMENT

Lincolnshire County Council, as administering authority for the Local Government Pension Scheme, is required by statute to publish a communications policy statement. The Fund communicates with over 270 employers and over 75,000 scheme members, in addition to a large number of other interested parties.

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

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

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

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

i. the provision of information and publicity about the Scheme to members, representatives of members and employing authorities (including non-Scheme Employers);
ii. the format, frequency and method of distributing such information or publicity; and
iii. the promotion of the Scheme to prospective members and their employing authorities.

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

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

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

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

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

Communications events - Scheme Members

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

	P60	1 per year	Mail
	Social media	Constant	Web
	Newsletter	1 per year	Mail

Communications events - Employers

Communication	Format	Frequency	Method of Distribution
Employers	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face Telephone E-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	As and when required	Face to face/virtual
	Update sessions	2 per year	Meeting/virtual
	Annual meeting	1 per year	Meeting/virtual
	Manuals/toolkits	Constant	Web/electronic document
	Social media	Constant	Web
	Workshops	5 per year	Face to face/virtual
	Introduction to Pensions	Bi-monthly	Face to face/virtual
	Training webinars	Constant	Web
	Online training video	Constant	Web

Governance Policy and Compliance Statement

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

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

GOVERNANCE POLICY STATEMENT

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

Pensions Committee

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

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

The 3 co-opted members comprise:

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

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

- Drawing upon appropriate professional advice, to set investment policies for the Fund, including the establishment and maintenance of a strategic benchmark for asset allocation, and approval of the Investment Strategy Statement.
- To review the performance of Border to Coast Pensions Partnership Limited and its sub-funds, legacy fund managers and associated professional service providers.

- To approve the annual Report and Statement of accounts of the fund.
- To consider any other matters relevant to the operation and management of the fund.
- As necessary and appropriate issue instructions to the Council's representative as shareholder of Border to Coast Pensions Partnership Limited on matters affecting the exercise of the Council's rights as shareholder in the company.
- To respond to any relevant consultations impacting upon the benefit provisions of the Local Government Pension Scheme.

In fulfilling its functions the Committee shall have regard to the advice of the Lincolnshire Local Pension Board established in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 and shall receive and consider recommendations from the Border to Coast Pensions Partnership Joint Committee.

The Pensions Committee has four regular quarterly meetings, two manager monitoring meetings and two training meetings each year. In addition, one or more special meetings may be held as required.

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

Executive Director – Resources

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

- authorise payment of statutory pensions and allowances,
- undertake or arrange for all necessary transactions associated with the management of the assets of the Pension Fund, and
- agree appropriate means of securing external representation on the Pensions Committee, in consultation with relevant external bodies.

Lincolnshire Pension Board

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

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

The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti-fraud and corruption policy operated by the administering authority, which operate to include all of the functions of the Council and its advisers).

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

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

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

The Lincolnshire Pension Board consists of five members:

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

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

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

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

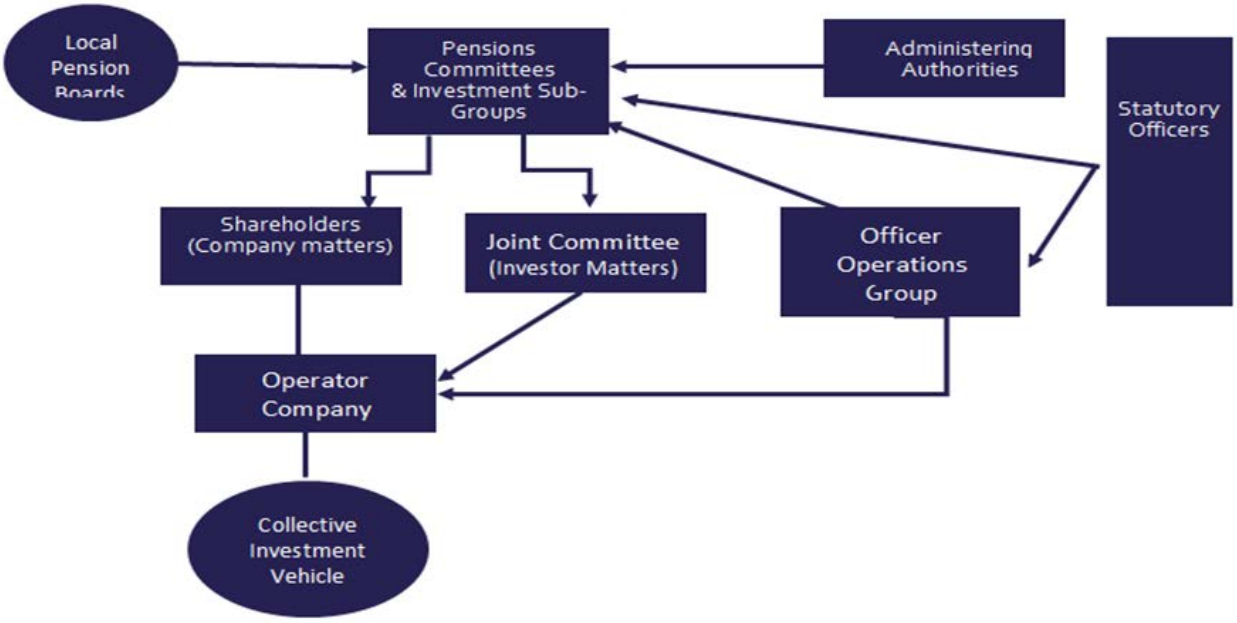
Any complaint or allegation of breach of due process brought to the attention of the Lincolnshire Pension Board shall be dealt with in accordance with the Fund's Breaches Reporting procedure and the Code of Practice as published by the Pensions Regulator.

Any questions about the governance of the Lincolnshire Local Government Pension Fund should be addressed to Jo Ray, Head of Pensions (email: jo.ray@lincolnshire.gov.uk or telephone 01522 553656).

Asset Pooling Governance

In response to the change in regulations, LGPS Funds have to pool the investment of their assets. Lincolnshire Pension Fund is a Partner Fund in the Border to Coast Pensions Partnership Limited (Border to Coast), one of the eight asset pools created.

The diagram below shows the governance structure for Border to Coast.



The Fund holds Border to Coast to account through the following mechanisms:

- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of Border to Coast (LCC S151 Officer).
- A representative on the Joint Committee who will monitor and oversee the investment operations of Border to Coast (Pensions Committee Chairman).
- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group (Head of Pensions and S151 Officer).

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

GOVERNANCE COMPLIANCE STATEMENT

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

	the opportunity to be represented within the main or secondary committee structure. These include :- • Employing authorities (including non-scheme employers, e.g. admitted bodies); • Scheme members (including deferred and pensioner scheme members), • Where appropriate, Independent professional observers, and • Expert advisors (on an ad hoc basis)		voting rights, of which 8 are County Council Councillors. Other members include one representing other local authorities (district councils) and one representing small scheduled bodies, currently from an Internal Drainage Board. Member related issues are dealt with by having a trade union representative on the Committee. Given the statutory guarantee that exists in respect of member benefits, this is felt to be sufficient representation. The Council will review this aspect periodically. The Committee have appointed an independent investment advisor who attends all Committees.
	b. That where lay members sit on the main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	All members of the Committee have full voting rights and equal access to information, training, etc.
C – Selection and Role of Lay Members	a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes	Nationally customised training is available to all members and this is supplemented by locally provided induction sessions for new members of the Committee. In addition, the Committee agrees an annual training plan with specific topics covered on set dates.

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

			opportunities are regularly brought to the attention of the Committee, either in monthly update letters or in reports taken to Committee.
F – Meetings - Frequency	**a. That an administering authority's main committee meet at least quarterly.**	Yes	**See Compliance Policy Statement above.**
	b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Relevant	**As discussed above, no such forum has been established as yet.**
	c. That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Relevant	**Three added members exist and have equal rights with all mainstream members in all respects.**
G – Access	**a. That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.**	Yes	**All members are treated equally in every respect.**
H – Scope	**a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.**	Partial	**The terms of reference of the Pensions Committee were changed a number of years ago to include benefit related matters which, up until that time, had been dealt with elsewhere within the**

			governance arrangements of the Council. A report on the administration of the scheme is taken to each quarterly committee meeting. At present the Council does not believe there is a strong argument in favour of appointing an independent professional observer on administration/governance issues in addition to the independent advisor already in place in respect of investment matters.
I - Publicity	a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes	The County Council publishes the many governance documents and communicates regularly with employers and scheme members.

Shared Service Pension Administration Strategy

Contents

Regulatory framework and purpose

1. The regulations

This strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations (LGPS) 2013.

In line with these regulations West Yorkshire Pension Fund (WYPF), Lincolnshire Pension Fund (LPF), Hounslow Pension Fund (HPF) and Barnet Pension Fund (BPF) employers have been consulted on the strategy, and a copy has been sent to the secretary of state.

1.1. Purpose

This strategy covers West Yorkshire Pension Fund, Lincolnshire Pension Fund, Hounslow Pension Fund and Barnet Pension Fund, administered under a collaboration agreement. Within this document the shared service administration, based in Bradford with a satellite office in Lincoln, will be referred to as 'the administrator'.

This strategy outlines the processes and procedures to allow WYPF, LPF, HPF, BPF and employers to work together in a cost- effective way to administer the LGPS whilst maintaining an excellent level of service to members. It recognises that working co-operatively and collaboratively will be key to achieving these aims.

Each of the funds that make up WYPF's shared service arrangement also manage and maintain separate stand-alone fund policies which are available under the relevant fund's 'policies' area on the shared service website. Where there is a conflict between the shared administration strategy and a fund's stand-alone policy the individual fund's policy will prevail.

2. Review of the strategy

This strategy will be reviewed as soon as reasonably possible following any changes to the regulations, processes or procedures that affect the strategy or on an annual basis if this occurs sooner.

Changes to this strategy will be made following consultation with employers and a copy of the updated strategy will be sent to the secretary of state.

The administrator will constantly seek to improve communications between itself and the employers.

Employers are welcome to discuss any aspect of this strategy with the administrator at any time and may make suggestions for improvement to the strategy.

3. Liaison and communication

3.1. Authorised contacts for employers

Each employer will nominate a contact to administer the three main areas of the LGPS:

- a strategic contact for valuation, scheme consultation, discretionary statements and IDRPs
- an administration contact for the day-to-day administration of the scheme, completing forms and responding to queries, and
- a finance contact for completion and submission of monthly postings and co-ordination of exception reports

If they wish, employers may also nominate additional contacts by completing an authorised user list. If a third-party organisation provides services for the employer they too can be added as an authorised contact.

All contacts will receive a login name and password that allows them to access the Civica employer portal for online administration and the combined remittance and monthly return.

When registering, each contact should complete a **Main contact registration** form and **Authorised user list** form, and sign the administrator's user agreement for the secure administration facility.

The three main contacts are responsible for ensuring that contacts are maintained by notifying the administrator when one leaves and registering new contacts where necessary.

3.2. Liaison and communication with employers

The administrator will provide the following contact information for employers and their members.

- A named Pension Fund Representative for regulatory or administration queries, training, advice and guidance
- A named Finance Business Partner to assist with the monthly returns process
- A dedicated contact centre for member queries

In addition to this, the administrator takes a multi-channel approach to communication with its employers.

Format of communication	Frequency	Method of distribution
Pension Fund Representatives	8.30am to 4.30pm Monday to Friday	Face-to-face/telephone/e-mail
Website	Constant	Web
Fact card	1 per year	Mail
Fact sheets	Constant	Web
Employer guide	Constant	Web/electronic document
Ad hoc training	As and when required	Face-to-face
Update sessions	Up to 2 per year	Meeting
Annual meeting	1 per year	Meeting
Manuals/toolkits	Constant	Web/electronic document
Pension Matters and *round-up*	12 per year and as and when required	Wordpress blog and gov.direct bulk mail
Social media	Constant	Web
Ad hoc meetings	As and when required	Face-to-face
Employer webcasts	1 per week	Cloud hosted live webinar

4. Employer duties and responsibilities

When carrying out their functions employers must have regard to the current version of this strategy.

4.1. Events for notification

4.1.1. Employers should be able to provide the following information in relation to their employees in the Fund

Event	Preferred method of notification	Other methods available	Target	Acceptable performance

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions were deducted	100% compliance of compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, the administrator will process the data within two weeks following monthly return submission	90% compliance or better
Change of hours, name, payroll number or job title	Monthly return (exception report)	Web form	Notified via monthly returns, the administrator will process the data within two weeks following monthly submission. For exception report output from the monthly return, change data response must be provided to the administrator within two weeks of receipt of the exception report. If the employer isn't using monthly return then information is due within six weeks of change event.	90% compliance or better
50/50 and main scheme elections	Monthly return		Notified by the employer via monthly return, the administrator will process the data within two weeks following monthly data submission.	90% compliance or better
Service breaks/absences	Web form		Within six weeks of the date of the absence commencing	90% compliance or better
Under three-month optouts	Monthly return		Notified by the employer via monthly return, the administrator will process the data within two weeks following monthly data submission.	90% compliance or better
Leavers	Monthly return		Notified by the employer via monthly	90% compliance or better

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
	Web form Monthly returns (exception reports)		return, the administrator will process the data within two weeks following monthly dta asubmission, else within six weeks of leaving. For exception reports, leaver forms must be provided within two months of receipt of the exception report.	
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy	90% compliance
Death in service notifications	Web form		Within three days of the date of notification	100% compliance

4.1.2. **Notifiable events**

Employers should also provide information on any circumstances which might affect their future participation in the Fund or their ability to make contributions to the Fund "notifiable events". These include the following:

- **A decision which will restrict the employer's active membership in the Fund in future**
  Examples include: ceasing to admit new members under an admission agreement; ceasing to designate a material proportion of posts for membership; setting up a wholly owned company whose staff will not all be eligible for Fund membership; outsourcing a service which will lead to a transfer of staff

- **Any restructuring or other event which could materially affect the employer's membership**
  Examples include: a Multi-Academy Trust re-structuring so there is change in constituent academies, the employer merging with another employer (regardless of whether or not that employer participates in the Fund), a material redundancy exercise, significant salary awards being granted, a material number of ill health retirements, large number of employees leaving voluntarily before retirement or the loss of a significant contract or income stream

- **A change in the employer's legal status or constitution which may jeopardise its participation in the Fund**
  Examples include the employer ceasing business (whether on insolvency, winding up, receivership or liquidation), loss of charitable status, loss of contracts or other change which means the employer no longer qualifies as an employer in the Fund

- **If the employer has been judged to have been involved in wrongful trading**

- **If any senior personnel, e.g. directors, owners or senior officers have been convicted for an offence involving dishonesty, particularly where related to the employer's business**

- **Where the employer has, or expects to be, in breach of its banking covenant**

- **Details of any improvement notice (or equivalent) served by the appropriate regulator, e.g. Education**

Funding and Skills Agency, Office for Students, Charity Commission, Regulator for Social Housing etc, or S114 notice for local authorities

Employers should provide this information in advance of the event occurring (where possible) or as soon as practicable thereafter.

4.2. Responsibilities

Employers are responsible for ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions. Organisations with third-party providers can't delegate responsibility for this even if day- to-day tasks are carried out by that provider.

The administrator is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. That responsibility rests with the employer.

Any over-payment as a result of inaccurate information being supplied by the employer shall be recovered from that employer.

In the event of the administrator being fined by The Pensions Regulator, this fine will be passed on to the relevant employer where that employer's actions or inaction caused the fine

Employers are responsible for keeping the Administering Authority informed of all events or decisions which might affect their participation in the Scheme, including the 'notifiabe events' as set out in 41.2 above. In such circumstances the Administering Authority may increase an employer's contribution as set out in the Funding Strategy statement. Any increase may be backdated where the employer has failed to provide information to the Administering Authority in a timely manner.

4.3. Discretionary powers

The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy to employees in respect of the key discretions as required by the regulations. A copy of these discretions should be sent to the administrator.

4.4. Member contribution bands

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member at least once a year in April or more frequently if required in their policy. The employer must also inform the member of the band that they have been allocated on joining the scheme and when they have been reallocated to a different band.

4.5. Internal dispute resolution procedure (IDRP)

Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making. Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.

5. Payments and charges

5.1. Payments by employing authorities

Employing authorities will make all payments required under the LGPS regulations, and any related legislations, promptly to the relevant pension fund and /or its additional voluntary contribution (AVC) providers (Prudential/Scottish Widows/Standard Life) as appropriate.

5.2. Paying contributions

Member and employer contributions can be paid over at any time and should be accompanied by a monthly postings submission must be paid to the relevant fund by the 19th day of the month following the month in which the deductions were made. The monthly posting submission should be uploaded to the administrator by the same deadline and the data should reconcile to the payment made to the relevant fund.

Where the 19th falls on a weekend or bank holiday, the due date becomes the last working day prior to the 19th.

5.3. AVC deductions

Employers will pay AVCs to the relevant provider within one week of them being deducted.

5.4. Late payment

The employer can be reported to The Pensions Regulator where contributions are received late in accordance with the regulator's code of practice. If a matching monthly posting submission is not provided with a contribution payment by the deadline this will also be recorded as a late payment because the relevant pension fund will not be able to correctly allocate the payment received.

5.5. Early retirement costs.

Employers should pay the full amount of the cost of any early retirements.

WYPF employers must pay this within the 30-day payment term stated on the invoice. Depending on the ability to pay, WYPF may agree to payment by monthly instalments over a maximum period of 12 months. Interest will be charged at Bank of England base rate plus 1% if this option is agreed.

LPF, BPF and HPF will invoice their respective funds' employers and will have their own payment terms that should be discussed with them if the need arises.

5.6. Interest on late payment

In accordance with the LGPS regulations, interest may be charged on any amount overdue from an employing authority by more than one month.

5.7. Employer contributions

Employers' contributions rates are not fixed and employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficiently funded to meet its liabilities.

5.8. Actuarial valuation

An actuarial valuation of the fund is undertaken every three years by the fund actuary. The actuary balances the fund's assets and liabilities in respect of each employer and assesses the appropriate contribution rate and any secondary payment, if appropriate, for each employer for the subsequent three years.

5.9. Administration charges

The cost of running the administrator is charged directly to the shared service partners; the actuary takes these costs into account in assessing employers' contribution rates.

6. Administering authority duties and responsibilities

When carrying out their functions the administrator will have regard to the current version of the strategy.

6.1. Scheme administration

The administrator will ensure that training sessions and annual meetings are held on a regular basis and actively seek to promote the Local Government Pension Scheme via the following events.

- Employer annual meeting
- Member annual meeting where appropriate
- Pre retirement courses
- New starters induction courses
- Employer training webcasts (replacing workshops)
- Bite size training videos

6.2. Responsibilities

The administrator will ensure the following functions are carried out.

6.2.1. Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point of access for information relating to the schemes being administered

6.2.2. Create a member record for all new starters admitted to the scheme

6.2.3. Collect and reconcile employer and employee contributions

6.2.4. Maintain and update members' records for any changes received by the administrator

6.2.5. At each actuarial valuation the administrator will forward the required data in respect of each member and provide statistical information over the valuation period to the relevant fund so that their actuary can determine the assets and liabilities for each employer

6.2.6. Each fund will communicate the results of the actuarial valuation to the relevant employers

6.2.7. Produce a benefit statement each year for every active, deferred and pension credit member

6.2.8. Provide estimate of retirement benefits on request by the employer

6.2.9. Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, members' options and statutory limits.

6.2.10. Comply with HMRC legislation

6.3. Decisions

The administrator will ensure that members are notified of any decisions made under the scheme regulations in relation to their benefits within 10 working days of the decision being made and will ensure the member is informed of their right of appeal.

6.4. Discretionary powers

The administering authorities with support from the administrator will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations.

6.5. Internal dispute resolution procedure (IDRP)

The administrator will deal with employer appeals at stage two of the IDRP for WYPF, HPF and LPF. A nominated officer of the London Borough of Barnet will undertake this role for BPF.

WYPF will nominate an adjudicator to deal with appeals at stage one and stage two of the IDRP where the appeal Is against a decision the administrator has made or is responsible for making.

6.6. Fund performance levels

The minimum performance targets are shown below.

Service	Days	Minimum target
1. New member records created	10	85%
2. Update personal records	10	85%
3. Posting monthly contributions to member records	10	95%
4. Calculate and action incoming transfer values	35	85%
5. Deferred benefit – payment of lumps sums	3	90%
6. Provide details of deferred benefit entitlement	10	85%
7. Refund of contributions – notification of entitlement	5	85%
8. Refund of contributions - payment	5	90%
9. Pay transfers out on receipt of acceptance	35	85%
10. Provide estimate of retirement benefits	10	75%
11. Retirement benefits – payment of lump sum	3	90%
12. Retirement benefits – calculation of pension/lump sum	10	85%
13. Calculation and payment of death benefits on receipt of all necessary information	5	90%
14. Make death grant payment to the member's nomination (provided all relevant information is received)	1 month	100%
15. Percentage of telephone calls answered within 20 seconds		90%
16. Annual benefit statements issued to deferred members by		31 May
17. Annual benefit statements issued to active members by		31 August
18. Make payment of pensions on the due date		100%
19. Issue P60s to pensioners within statutory deadlines		100%
20. Provide information on request in respect of pension share on divorce within legislative timescales		100%
21. Implement Pension Share Orders within legislative timescales		100%
22. Undertake annual reviews to establish continuing entitlement to pensions for children over the age of 17		100%

7. Unsatisfactory performance

7.1. Measuring performance

Both employer and administrator targets will be measured on a quarterly basis using the Civica document management system. Administrator performance levels will be published on a monthly basis to the shared service pension funds and fire authorities. Overall administrator performance will be published by the funds in their Report and Accounts.

7.2. Unsatisfactory performance

Where an employer materially fails to operate in accordance with the standards described in this strategy, and this leads to extra costs being incurred by the administering authority, the administering authority may issue a written notice to the employer requiring that these extra costs be met by the employer. A schedule of charges is detailed in Appendix B.

Appendix A – Main contact registration and authorised user list

Main contact registration form

West Yorkshire Pension Fund | Lincolnshire Pension Fund | London Borough of Hounslow | BARNET LONDON BOROUGH

Main contact registration form

Employer name and location code
Employer address

Important: please read the guidance note on **Managing your WYPF contacts** before you complete this form.

Strategic contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Administration contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Finance contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Contact at third-party payroll provider (if applicable and not listed above)

Name	Company name and address
Job title	
Phone	Specimen signature
Email	

Date signatures valid from	**Signed (by current authorised signatory)**

Authorised user list

West Yorkshire Pension Fund | Lincolnshire Pension Fund | London Borough of Hounslow | BARNET LONDON BOROUGH

authorised payroll user list oct 2018

Employer name

Authorised payroll user list

Please give the full name, phone number and email address of the additional people you authorise to submit information for you. We will give them a secure administration account.

Full name	Phone number	Email address
Date authorised users valid from		
Signed (by current authorised signatory)		

Appendix B – Schedule of charges

Performance areas	Reason for charge	Basis of charge
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III).
2. Contributions to be paid anytime but latest date by 19th of month (weekends and bank holidays on the last working day before 19th)	Due by 19th month – late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%.
3. Monthly return due anytime but latest by 19th month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Senior Pensions Officers level II).
4. Change in member detail	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to the administrator within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Pensions Officer level I).
5. Early leavers information	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I).

6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II).
7. Death in membership	Due within 3 working days of the notification – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III).
8. AVC deducted from pay to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I).
9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I).
10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify the administrator of change in authorised officers list.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at Pensions Officer level I).
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III).

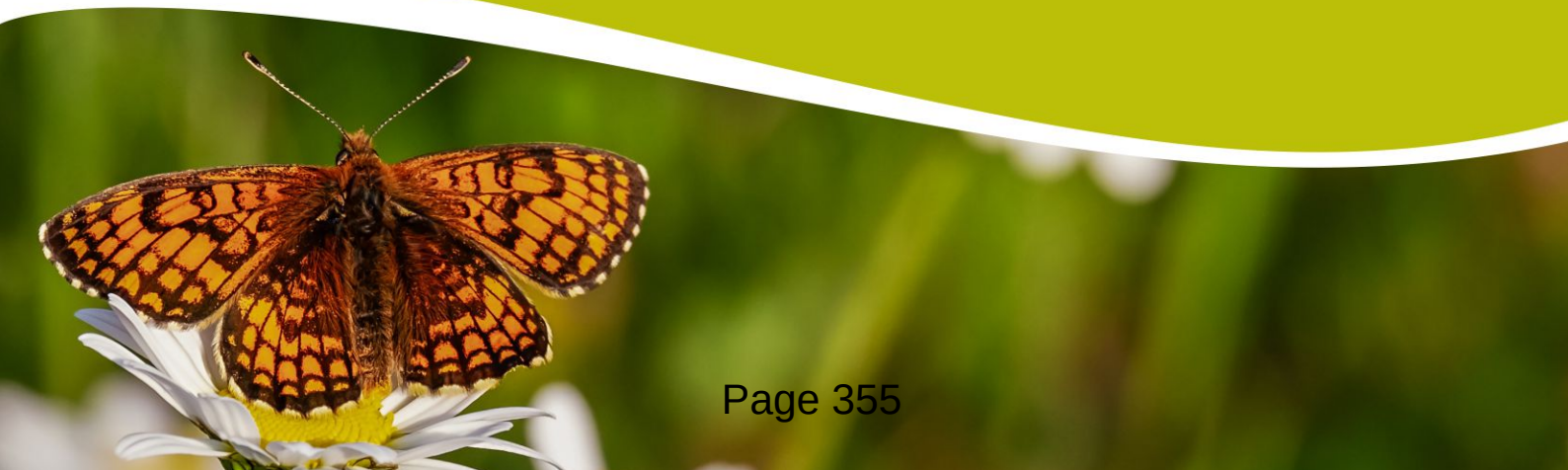
Performance areas	Reason for charge	Basis of charge
12. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the court order.	The charge is £350 + VAT for this work.
Miscellaneous items: • Benefit recalculation • Member file search and record prints • Supplementary information requests	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + VAT will be levied. Where the member has more than one known record, the charge is for each record.

Appendix C – Charging Levels

Charges will be made on half a day basis, but for less than a quarter day no charge will be made and for more than half a day a full-day charge will be made. Any part or all of these charges may be waived at head of service discretion.

Charge levels	I	II	III
Daily charge	£96	£136	£220
Half day charge	£48	£68	£110

- Level I – work at Pensions Officer level
- Level II – work at Senior Pensions Officer level
- Level III – work at Pensions Manager level



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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Pensions Committee**
Date:	**15 July 2021**
Subject:	**Annual Report on the Fund's Property and Infrastructure Investments**

Summary:

This report outlines the performances of the Fund's property and infrastructure investments for the year ended 31 March 2021.

Recommendation(s):

That the Committee note the report.

Background

1.0 Introduction

1.1 The Fund's investment exposure to property and infrastructure is achieved via holdings in pooled vehicles.

1.2 The Fund's long term strategic allocation of 10.5% to property is slightly higher than the average local authority pension fund, currently at 8.6%. The market value of holdings in property pooled vehicles at 31 March 2021 was £203.9m (7.5% of the Fund). Whilst the majority of exposure is to UK commercial property, to diversify the property allocation the Fund made commitments to a European commercial property, property venture funds and to two private residential housing funds.

1.3 The Fund also has a 2.5% strategic allocation to infrastructure. Again this is slightly higher than the average local authority pension fund, which is currently 1.7%. The market value of holdings in infrastructure pooled vehicles at 31 March 2021 was £51.5m (1.9% of the Fund).

1.4 The Fund's total property and infrastructure holdings as at 31 March 2021 are set out in table one over the page.

Table One: Market value of property and infrastructure holdings at 31 March 2021

Property Pooled Investment Vehicle	Market value of holdings at 31 March 2020 £m	Market value of holdings at 31 March 2021 £m
Balanced UK Property	175.5	179.6
Property Ventures	2.2	7.0
European Commercial Property	13.2	13.1
Infrastructure	47.8	49.8
Property/Infrastructure Cash	10.9	5.9
TOTAL PROPERTY AND INFRASTRUCTURE	**249.6**	**255.4**

1.5 The performance of the property and infrastructure holdings during 2020/21 was as follows:

- UK Commercial Property Unit Trusts return in the year saw an out performance of 3.06% against a benchmark of 2.46%;

- Other Property (including the European Property Fund, Property Venture and Private Residential Sector) saw a significant underperformance of -3.52% against the benchmark of 7.00%; and

- Infrastructure also saw an underperformance of 2.09% against a benchmark of 6.00%.

1.6 To give this some context against other elements of the market, property holdings produced indexed returns of 2.5% (IPD UK All Balanced Fund Index), over the twelve months to 31 March 2021, compared to UK equity returns of 26.7% (FTSE All Share) and UK index-linked bond returns of 2.3%.

1.7 Details of the individual property and infrastructure holdings and their performance are set out in the following sections of the reports.

2.0 BALANCED UK COMMERICAL PROPERTY

2.1 The UK Commercial Property holdings represent the majority of the Fund's property and infrastructure holdings (70.3% of holdings as at 31 March 2021). The pooled investment vehicles have been selected by officers to provide diversified exposure to the UK Commercial Property asset class with the intention of achieving broad market returns. A breakdown of holdings is set out in table two over the page. Officers are in regular contact with the various managers to monitor performance.

Table Two: Balanced UK Commercial Property holdings as at 31 March 2021

	Market value of holdings at 31 March 2021 £m
Aberdeen Standard – Trustee Investment Plan	65.3
Aviva Pooled Property Fund	49.9
Blackrock – UK Property Unit Trust	40.4
Royal London Exempt Unit Trust	24.0
Total Balanced UK Property	**179.6**

2.2 During the year income from the holdings was reinvested. No redemptions were made.

2.3 Table three below summaries the overall UK property sector in the Lincolnshire Portfolio verses the market index. **Appendix A** provides further details of the overall UK property sector and regional weightings of the individual pooled vehicles verses the index.

Table Three: Overall UK property sector asset weightings at 31 March 2021

Property Sector	Lincolnshire Fund %	IPD %	Difference %
Retail	17.8	19.3	-1.5
Offices	24.7	27.9	-3.2
Industrial	37.9	34.5	3.4
Other	19.6	18.3	1.3
Total	**100.0**	**100.0**	

2.4 Overall, the Fund's property allocation, when compared to an index of similar property funds, is overweight Offices in London and Industrials. The Fund is underweight Offices in the South East and the rest of the UK, and Standard Retail.

2.5 At an individual fund level:

- Aberdeen Standard is overweight industrials and cash. They are underweight other property and offices in the south east.

- Aviva has no allocation to shopping centres or offices in the rest of the UK and is underweight cash. It is significantly overweight in London offices.

- Blackrock is overweight other properties (which includes primary care and student accommodation). They are underweight in standard retail and offices in the south east.

- Royal London has no allocation to shopping centres or offices in the rest of the UK. They have an overweight position in offices in London and cash and underweight in offices in the south east. Property sizes are generally smaller when compared to the other managers.

Investment Performance

2.6 Table four below sets out the annualised performance of the Fund's current UK Commercial Property Investments over one, three, five and ten years. The IPD UK All Balanced Property Funds Index is used to compare the managers' performance. This index was developed for all the leading managers of balanced property funds. The returns reported are taken from the published performance data. The ten year annualised figure for Blackrock relates to the pooled fund and are not specifically to Lincolnshire Pension Fund.

Table Four: UK Commercial Property Investment returns to 31 March 2021

	2020/21 %	3 years Annualised %	5 years Annualised %	10 years Annualised %
Aberdeen Standard	3.5	0.6	2.4	5.3
Aviva	3.5	2.1	3.6	5.6
Blackrock	4.0	2.5	4.2	6.2
Royal London	-1.3	0.4	2.4	5.3
IPD UK PPFI All Balanced Median return	2.5	2.4	4.1	6.4

2.7 Aberdeen Standard was ahead of the benchmark in the last 12 months, but behind in all other periods. The positive return has come from both capital growth and income returns. The portfolio benefited from being underweight retail versus the benchmark and overweight higher-quality industrial assets. The Fund is continuing to reduce its retail exposure, in particular its shopping centre holdings, though sales and redevelopments.

2.8 The Aberdeen Standard Fund is one of the largest pooled funds in the UK and is well diversified across sectors and geographic regions. The fund aims to provide long term growth from a combination of income and capital growth by investing predominantly in prime quality UK properties. Typically the fund will invest in a mix of freehold and leasehold properties selected from across the retail, office and industrial sectors.

2.9 Aviva has outperformed the one year benchmark, delivering 3.5%, which was above the benchmark of 2.5%. The Fund's relative performance has steadily improved since September 2016 from a programme of strategic sales and repositioning. The Funds concentration of high-quality office and industrial assets in London and underweight exposure to the retail and leisure sectors have helped

performance over the last 12 months, as have void rates well below the benchmark.

2.10 At the beginning of 2021 a strategic review was undertaken to ensure investors' long-term interests could continue to be served by the Aviva Fund. This review, combined with forecast redemption levels, concluded that the Funds' ability to fully benefit from the economies of scale and the diversification of investments that collective investment schemes normally bring would soon be limited. Size is particularly important for funds that invest in property directly because the costs involved in acquiring, managing and disposing of properties are usually much higher than the costs associated with other asset types. With the reducing economies of scale, it was concluded that it would be in investors' interests to wind-up the Fund. Fund officers are working closely with the manager to ensure the best outcome for the Fund's investment in this property fund.

2.11 Blackrock was ahead of the benchmark in all periods except 10 years. This includes 4.0% against a benchmark of 2.5% for the last 12 months. This outperformance reflects the prime nature of the portfolio and the robust credit strength of the tenant base (a combination of strong existing income and new leasing), combined with the overweight allocation to industrial and healthcare sectors and the underweighting to office and retail.

2.12 The Fund believes it is well positioned for the move out of the pandemic, with its core investment strategies in other property (including: primary healthcare and student accommodation), multi-let industrials and logistics warehouse developments. The Fund is also well positioned from a risk metrics point of view, with lower vacancies, a lower concentration to top 10 tenants and a lower concentration to top 5 assets than the benchmark.

2.13 Royal London returns have underperformed against the benchmark in all periods. The Fund is in the fourth quartile over all time periods. The fund underperformed across all sectors except for the alternatives sector which was driven by a combination of higher income returns and stable capital returns. The most significant underperformance came from retail and office sectors. Both sectors have shown strong income returns, but these have been offset by weaker rental growth.

2.14 The Fund continues to focus on maintaining income levels and managing costs. The aim of the Fund is to maximise returns from an appropriately diversified portfolio consisting of retail, industrial and office properties. The strategy is to acquire properties of suitable quality for the Fund at times in market cycles when relative values are low, and to manage the properties actively and effectively until selected sales can be made to take advantage of buoyant conditions. It is intended that in most cases properties acquired for the Fund will be fully let and generating income from tenants of sound financial strength.

Outlook

2.15 It is likely that 2021 will be another challenging year for UK commercial property. Two factors will weigh on long-term prospects; Brexit and the long term effects from the pandemic. It is likely that the pandemic will lead to acceleration in changes to the UK commercial property market. Distribution warehouses and quality multi-let industrial estates are likely to remain highly sought after, while retail and office space will see a decline.

3.0 PROPERTY VENTURES

3.1 To diversify from the UK core property market, investments have been made in a number of different types of property funds aiming, over the long term, to exceed conventional market returns through specialist and active involvement in different parts of the property market. Table five, below, sets out details of the Funds held. These funds have limited lives of between seven and ten years (before extensions).

Table Five: Property Venture holdings as at 31 March 2021

	Undrawn Commitments 31 March 2021 £m	Market value of holdings at 31 March 2021 £m
RREEF – Property Ventures Fund III	0.0	0.1
Igloo Regeneration partnership	0.0	0.3
Franklin Templeton European Fund of Funds	0.3	0.1
Franklin Templeton Asian Fund of Funds	2.7	0.6
Hearthstone Residential Property Fund II	31.8	6.0
Total Property Ventures	**34.8**	**7.0**

RREEF Ventures III Unit Trust

3.2 The Committee approved the commitment of £10m in January 2006 and this has now been fully drawn down to fund a number of projects, most of which have now been realised. Unfortunately this investment was made before the financial crisis of 2008, and all property purchases were made in 2006 and 2007, ahead of the large fall in property asset values. The value of the Fund's units at 31 March 2021 was £0.07m. The Fund has disposed of all properties and is now in the final stages of wind-down. This involves the termination of all the fund structures and return of capital to investors. A distribution was paid in May 2020 and a final distribution is likely during July 2021.

3.3 Total distributions since inception to 31 March 2021 are £3.6m. The year end investment multiple (the value plus the distributions received, divided by the total capital committed) is 0.36.

Igloo Regeneration Partnership

3.4 The Committee approved the commitment of £10m in April 2006 to a partnership with a pipeline of early stage regeneration projects in the UK. The Fund focused on the regeneration and repositioning of ten key locations across the UK, delivering developments with market leading levels of high quality, sustainable design.

3.5 On 1 July 2017 the partnership entered into a 'wind up' period with assets being marketed for sale. By 31 March 2021 all assets had been sold and the fund hopes to make the last payment to investors by the end of the calendar year. As at 31 March 2021 the Pension Fund's investment value is £0.3m, having distributed £7.5m since inception, resulting in an investment multiple of 0.78.

Franklin Templeton European Real Estate Fund of Funds – Luxembourg public limited company

3.6 The Committee approved the investment in October 2005 of €15m (£13.2m). The Fund of Funds made commitments to eleven underlying funds, including a portfolio of German nursing homes, a specialist French property investor, a UK real estate partnership, a pan European real estate fund and a German commercial property investor. During the year, the Fund continued the disposition of its investments. On a cumulative basis, 70.5% of the aggregated invested capital has been returned by the underlying real estate funds.

3.7 At 31 March 2021 the Fund's investment is valued at £0.1m, but the valuation of the underlying funds is as at a terminal valuation, and therefore very prudent. Since inception €8.8m (£7.0m) has been distributed, and the year end investment multiple was 0.61. As at 31 March 2021 since inception the internal rate of return (IRR) for the fund is -8.06%. Although the success of the individual investments within the fund has varied, performance overall has been substantially below target.

Franklin Templeton Asian Real Estate Fund of Funds – Luxembourg public limited company

3.8 The Committee approved the investment in October 2007 of $25m (£21.1m), with $3.7m (£3.0m) left to be drawn down as at 31 March 2021. The Fund has made a total of sixteen investments and by the end of March 2021 there is only one underlying investment fund with unrealised assets remaining in the fund.

3.9 The value of the Funds investment is £0.6m at 31 March 2021, but the valuation of the underlying funds is as at a terminal valuation, and therefore very prudent. Since inception $21.0m (£14.1m) has been distributed, and the year end investment multiple was 1.22, with an internal rate of return (IRR) of 0.19%. Although the success of the individual investments within the fund has varied,

overall the manager has been pleased with the portfolio assembled and the progress achieved to date.

Hearthstone Residential Fund 2

3.10 In July 2020 the Committee approved a commitment of £37m to the Hearthstone Residential Fund 2. The Fund aims to establish a portfolio of high quality privately rented houses and low rise apartment blocks, particularly suited to young professionals and families in areas of solid rental demand and good local infrastructure, but where there is a lack of suitable quality rented housing stock. The manager has developed strong relationships with a number of house builders and will build up the portfolio by purchasing units on new developments at an initial discount to the market value.

3.11 During 2020/21 the Fund has drawn down £6.2m. It is too early to report on performance of this Fund.

Allianz Home Equity Fund

3.12 In March 2021 the Committee approved a commitment of £30m to the Allianz Home Equity Fund. The Fund will invest in existing residential properties on a shared ownership basis, whereby an individual will own a minimum of 5% of the property and the fund will own the balance. The individual will pay market rent on the proportion of the property owned by the Fund, and they can gradually increase the proportion of the property they own over time. This is a new concept within the shared ownership model which removes the need for the involvement of a housing association. The pattern of returns is expected to be made up of rental income in the early years followed by capital redemptions in later years.

3.13 No drawdowns have been made by this fund.

4. EUROPEAN BALANCED PROPERTY FUND

Aberdeen Standard European Property Growth Fund – Unit Trust

4.1 To diversify the Fund's balanced property exposure, a commitment of €5m (£4.4m) was made in November 2002 to a new pooled investment vehicle created by Aberdeen Standard to invest in Continental European property. A further commitment of €10m (£8.8m) was approved in July 2005. The Fund mainly owns offices and distribution properties in the Eurozone, and to a limited degree in other European countries. The Fund continues to be focused on ensuring that the portfolio is well balanced between core markets, with a tactical exposure to recovery markets.

4.2 As at the 31 March 2021, this commitment had been fully drawn and the investment in the Fund was valued at £13.1m. Distributions of €6.7m (£5.3m) have been received.

5. INFRASTRUCTURE

5.1 In addition to the property allocations, the Fund has made a 2.5% strategic allocation to infrastructure. This is made up of commitments to three private finance initiative (PFI) funds with Innisfree, plus a further two new investments with Infracapital and Pantheon (see Table six over the page).

Table Six: Infrastructure holdings as at 31 March 2021

	Undrawn Commitments 31 March 2021 £m	Market value of holdings at 31 March 2021 £m
Innisfree PFI Continuation Fund II	0.5	8.3
Innisfree PFI Secondary Fund	1.4	16.8
Innisfree PFI Secondary Fund 2	0.7	8.7
Infracapital Greenfield Partners I	6.4	9.1
Pantheon Global Infrastructure III	8.1	6.9
Total Infrastructure	**17.1**	**49.8**

Innisfree Investments

5.2 The Fund has made commitments to funds managed by this specialist investor in PFI and similar projects, both in the UK and overseas. The investments offer prospective long term indexed returns in excess of those available from bonds. There is potential for improved returns from refinancing opportunities and contract variations.

Innisfree Continuation Fund II – partnership

5.3 The Committee approved a commitment of £8m to the Innisfree Continuation Fund II in January 2006. During 2015/16 the Pension Fund also purchased £0.5m from the investor commitment of BAE Systems Pension Fund.

5.4 Following this Fund's acquisition of assets from an earlier Innisfree primary fund in April 2006, plus a number of subsequent follow on investments and disposals the fund now has a total of £337m committed to 12 project investments, all of which are operational. Fund assets include: three hospitals, five education projects, three accommodation projects all in the UK and a Dutch high speed rail link. From inception, the Fund's portfolio of investments has generated returns that are higher than was anticipated in the base case acquisition model, and investors have received an average net yield of 8.9%, compared to the 7.5% forecast.

5.5 The investment is currently valued at £8.3m and has distributed £8.0m to 31 March 2021 (with a further £0.2m distributed in April 2021 relating to the six month period up to the end of March 2021). At 31 March 2021 the forecast long term gross internal rate of return (IRR) of the portfolio was 10.9%, compared to 8.75% in the acquisition base case.

Innisfree Secondary Fund (ISF) – partnership

5.6 The Committee approved a commitment of £15m to the Innisfree Secondary Fund in July 2007. During 2015/16 the Pension Fund also purchased £1.5m from the investor commitment of BAE Systems Pension Fund.

5.7 Secondary Funds are long term holders of PPP (public/private partnerships) and PFI projects which have typically reached their operating stage. Returns to investors are principally by way of cash generated by the projects during the remainder of their concession lives. ISF had its final closing on 30 June 2008, taking aggregate commitments to £600.5m, and now has 18 limited partners. As at 31 March 2021, the Fund had total commitments of £590.0m to 33 projects, and around 98% of investor commitments have been cash drawn. Projects include schools, hospitals, MOD buildings and infrastructure (roads – M6) in the UK, Canada and Sweden.

5.8 The investment is currently valued at £16.8m, having distributed £10.5m to 31 March 2021 (with a further £0.7m distributed in April 2021 relating to the six month period up to the end of March 2021). The portfolio of investments is forecast to provide a gross-to-fund long term nominal IRR of 11.2%, a long term nominal net investor IRR of 8.0% and a 10 year nominal average net yield of 8.5% before future optimisation.

Innisfree Secondary Fund 2 (ISF2) – partnership

5.9 The Committee approved a commitment of £10m to the Innisfree Secondary Fund 2 in January 2013. ISF2 had its final closing on 31 March 2013, taking aggregate commitments to £544m, with 12 limited partners. The Fund was 82.5% committed to investments and 82.5% of investor commitment had been cash drawn at 31 March 2021. The Fund is similar to ISF and is invested in projects including schools, hospitals, MOD buildings and infrastructure (Thameslink) in the UK, Canada and Sweden.

5.10 The investment is currently valued at £8.7m, with outstanding commitments of £0.7m, and having distributed £4.5m to 31 March 2021 (with a further £0.4m distributed in April 2021 relating to the six month period up to the end of March 2021). The portfolio of investments is forecast to provide a gross-to-fund long term nominal IRR of 10.4%, a long term nominal net investor IRR of 8.7% and a 10 year nominal average yield of 9.0% before future optimisation.

Other Infrastructure Investments

5.11 The Committee approved an increased commitment to infrastructure in January 2017. This set the strategic allocation to infrastructure at 2.5% of the fund. Following research and due diligence undertaken by Officers and the Investment Consultant it was agreed to commit £15m to Infracapital Greenfield Partners I in August 2017 and $21m (£16.9m) to Pantheon Global Infrastructure III in February 2018.

5.12 During the year, £3.6m was invested into these infrastructure schemes: £1.0m in Infracapital Greenfield Partners I and £2.6m in Pantheon Global Infrastructure III. No redemptions were made. It is too early to report on performance for these funds.

Infracapital Greenfield Partners I (IGP I)

5.13 The Committee approved a £15m commitment being made to Infracapital Greenfield Partners I in August 2017. This fund is targeting £1 billion in capital commitments to create a diversified portfolio of European greenfield economic infrastructure investments, in order to provide investors with capital appreciation and yield. It will focus on later stage development, construction and/or expansion of long-term infrastructure through projects and corporates. IGP I will target eight to fifteen investments, based on an equity investment in the range of £25m to £200m, including buy and build investments or roll out strategies. The fund has a 25 year term and is targeting a mid-teens gross IRR over the entire life of the Fund. There are two phases to the fund's life – an initial period where significant capital appreciation is expected, and an operating period during which high teens yield is expected to be delivered. Investors will have the opportunity to exit after the initial period, or (with more than 66.6% investor support) continue to the operating period.

5.14 This fund has currently made commitments of £998.m to nine schemes. The projects include: broadband infrastructure, bio, solar and wind energy, new train rolling stock and a portfolio of PPP assets. The pension fund's investment is currently valued at £9.1m, with outstanding commitments of £6.4m. It is too early to report on performance for this fund.

Pantheon Global Infrastructure III

5.15 The Committee approved a $21m (£16.9m) commitment to Pantheon Global Infrastructure III in February 2018. This is a fund-of-funds, targeting a capital raising of $1.2bn. The Fund's strategy is focused on a combination of secondary and co-investments in infrastructure opportunities. The Fund is targeting an equal allocation across midstream energy, power and utilities, transportation, social infrastructure and 'other' (including telecommunications). The fund is currently 68.4% committed.

5.16 The pension fund's investment is currently valued at £6.9m, with outstanding commitments of $11.2m (£8.1m). It is too early to report on performance for this fund.

6. BORDER TO COAST PROPERTY AND INFRASTRUCTURE SUB-FUNDS AND FUTURE INVESTMENTS

6.1 The intention is for Border to Coast to build a global and a UK property fund (holding direct real estate and some specialist/regional funds). Work on these sub-funds is underway, but given the complexity of unwinding existing property holdings, the cost of transacting in property and the illiquidity of these assets, the timeline for moving into these funds is long. Current estimates are that the global sub-fund will launch in 2022 and the UK property sub-fund will not be operational until 2023.

6.2 It is anticipated that the current UK commercial property funds will transfer into the Border to Coast UK property sub-fund and current European asset holdings into the global sub-fund. Training on the Fund's strategic asset allocation in September will consider if the Fund want to make a further commitment to the global sub-fund.

6.3 The Fund currently has a separate allocation to infrastructure, plus some additional infrastructure investments within the diversified alternatives mandate managed by Morgan Stanley. Future infrastructure investments will be made through Border to Coast once their full range of diversified alternatives funds is up and running. This is not likely to be before April 2022.

Conclusion

7.1 Overall, the Pension Fund's investment in property generated a return of 2.32%, which was behind the benchmark (as measured by Northern Trust) return of 2.82%, however, within this there is significant a significant variation in performance. Infrastructure generated a return of 2.09%, which was behind the benchmark of 6.0%.

7.2 The property allocation, at 7.5% is underweight its benchmark allocation of 10.5%, however, the commitments to the two new property investments will address this over the next couple of years. Infrastructure, at 1.9%, is also underweight its benchmark allocation, however, there is a further £17.1m in undrawn commitments.

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	UK Balanced Property Allocation - March 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.

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Appendix A

UK BALANCED PROPERTY ALLOCATION AT 31 MARCH 2021

March 2021	Retail %			Offices %			Industrial %	Other %		Total %
	Standard Retail	Shopping Centres	Retail Ware House	London	Rest SE	Rest UK	All	Other Prop.	Cash	
Aberdeen Standard	6.2%	4.4%	7.6%	11.6%	2.0%	3.1%	42.0%	7.6%	15.5%	100.0%
Aviva	4.9%	0.0%	13.5%	26.8%	10.9%	0.0%	35.8%	7.4%	0.7%	100.0%
Blackrock	3.2%	2.1%	11.2%	9.5%	6.5%	6.6%	34.2%	18.6%	8.1%	100.0%
Royal London	8.2%	0.0%	9.1%	20.0%	3.3%	0.0%	37.5%	9.0%	12.9%	100.0%
Weighted Average	5.4%	2.1%	10.2%	16.5%	5.7%	2.6%	37.9%	10.2%	9.4%	100.0%
IPD UK Pooled Property Fund Indices	7.6%	1.2%	10.5%	12.1%	10.2%	5.6%	34.5%	10.7%	7.6%	100.0%
Difference (absolute)	-2.2%	0.9%	-0.3%	4.4%	-4.5%	-3.0%	3.4%	-0.5%	1.8%	

SE = South East

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