



County Offices
Newland
Lincoln
LN1 1YL

9 March 2022

LGPS Local Pension Board

A meeting of the LGPS Local Pension Board will be held on **Thursday, 17 March 2022 at 2.00 pm in the Council Chamber, County Offices, Newland, Lincoln LN1 1YL** for the transaction of the business set out on the attached Agenda.

MEMBERS OF THE BOARD

Independent Chair (non-voting): Roger Buttery

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

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

AGENDA

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Interest	
3	Minutes of the previous meeting held on 6 January 2022	5 - 10
4	Pension Fund Update Report <i>(To receive a report by Jo Ray (Head of Pensions) which updates the Board on the fund for the quarter ending 31 December 2021 and any other current issues)</i>	11 - 20
5	Responsible Investment Update <i>(To receive a presentation by Claire Machej (Accounting, Investment and Governance Manager) which provides the Board with an update on responsible investment activity during the third quarter of the financial year 2020/21)</i>	21 - 68
6	Pensions Administration Report <i>(To receive a report by Yunus Gajra (Assistant Director for Finance, Administration and Governance, West Yorkshire Pension Fund) which offers the Board the quarterly report of the Fund's administrator, West Yorkshire Pension Fund)</i>	69 - 88
7	Employer Monthly Submissions Update <i>(To receive a report by Claire Machej (Accounting, Investment and Governance Manager) which provides the Board with up-to-date information on Employer Monthly Submissions for the third quarter of the financial year 2021/22, July to September inclusive)</i>	89 - 94
8	Temporary Bank Accounts <i>(To receive a report by Yunus Gajra (Assistant Director for Finance, Administration and Governance, West Yorkshire Pension Fund) which updates the Board on the number of temporary bank accounts created by WYPF to hold monies due to beneficiaries of the scheme)</i>	95 - 100
9	The McCloud Ruling - Effects on the Local Government Pension Scheme <i>(To receive a report by Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund) which updates the Board on the work undertaken in anticipation of regulation resulting from the McCloud Ruling)</i>	101 - 104
10	Lincolnshire Pension Fund Policies Review <i>(To receive a report by Jo Ray (Head of Pensions) which updates the Board on any changes to the main policies of the Pension Fund for consideration)</i>	105 - 142

- 11 Lincolnshire Pension Fund – Business Plan 2022/23** 143 - 160
(To receive a report by Jo Ray (Head of Pensions) which updates the Board on the Lincolnshire Pension Fund Business Plan for 2022/23)
- 12 Annual Report and Accounts 2021/22 Review of Accounting Arrangements and Accounting Policies and the External Audit Audit Strategy Memorandum** 161 - 198
(To receive a report by Claire Machej (Accounting, Investment and Governance Manager) which updates the Board on the changes to the Code of Practice on Local Authority Accounting, amendments to the Accounts and Audit Regulations 2015, the review of the Council's Accounting Policies for the Pension Fund and provides the External Auditors Audit Strategy memorandum report)
- 13 Training Needs** 199 - 204
(To receive a report by Claire Machej (Accounting, Investment and Governance Manager) which provides Board Members the opportunity to discuss any training attended since the last Board meeting and provide feedback to other Board Members on its content)
- 14 Work Programme** 205 - 206
(To receive a report by Claire Machej (Accounting, Investment and Governance manager) which invites the Board to consider its work programme for the coming meetings)
- 15 CONSIDERATION OF EXEMPT INFORMATION**
In accordance with Section 100 (A)(4) of the Local Government Act 1972, agenda item 16 has not been circulated to the press and public on the grounds that it is considered to contain exempt information as defined in paragraph 3 of Schedule 12A of the Local Government Act 1972, as amended. The press and public may be excluded from the meeting for the consideration of this item of business.
- 16 AVC Provider Review** 207 - 226
(To receive a report by Jo Ray (Head of Pensions) which invites the Board to consider a review of AVC providers)

Published on Wednesday, 9 March 2022

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing [Agenda for LGPS Local Pension Board on Thursday, 17th March, 2022, 2.00 pm \(moderngov.co.uk\)](https://www.moderngov.co.uk/agenda/2022/03/17/lincolnshire-pension-board)

Should you have any queries on the arrangements for this meeting, please contact Rob Close via telephone 07387 133753 or alternatively via email at robert.close@lincolnshire.gov.uk

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LGPS LOCAL PENSION BOARD 6 JANUARY 2022

PRESENT:

Independent Chair: Roger Buttery

Employer Representatives: Councillor M A Whittington and Gerry Tawton

Scheme Member Representatives: Kim Cammack and David Vickers

Officers in attendance:-

Robert Close (Democratic Services Officer), Andrew Crookham (Executive Director Resources), Michelle Grady (Assistant Director – Finance), Claire Machej (Accounting, Investment and Governance Manager) and Jo Ray (Head of Pensions)

Also in attendance:-

Lisa Darvill (Client Relationship Manager, West Yorkshire Pension Fund), Ammie McHugh (Employer Relations Manager, West Yorkshire Pension Fund), Matthew Mott (Governance and Business Development Manager, West Yorkshire Pension Fund) and Yunus Gajra (Assistant Director for Finance, Administration and Governance, West Yorkshire Pension Fund)

30 APOLOGIES FOR ABSENCE

No apologies for absence were reported.

31 DECLARATIONS OF INTEREST

Mr Gerry Tawton and Councillor M Whittington declared that their wives were deferred members of the Pension Fund.

32 MINUTES OF THE PREVIOUS MEETING HELD ON 14 OCTOBER 2021

During consideration of the minutes from the previous meeting held 14 October 2021, the following updates was received.

- In relation to minute 19, the Executive Director – Resources explained that he had received correspondence that a meeting had been held with the LGPS Scheme Advisory Board which confirmed that Prudential were committed to issuing an action plan to resolve service issues. The Head of Pensions noted that Prudential had until 31 March 2022 to issue benefit statements to scheme members.

- In relation to minute 21, the Assistant Director for Finance, Administration and Governance (WYPF) explained that a facility was being explored to identify the number of scheme members who had accessed their benefit statement online.

RESOLVED

That the minutes of the meeting held on 14 October 2021 be approved as a correct record.

33 PENSION FUND UPDATE REPORT

A report was submitted to the Board on various Pension Fund matters for the quarter ending 30 September 2021. These matters included: The Pensions Regulator (TPR) checklist dashboard and code of practice, breaches register update, risk register update, asset pooling update and a budget and business plan update.

In response to questions, the following comments were made:

- Two members of the Pension Committee currently had outstanding TPR toolkit training. Once completed, the B12 indicator would be changed to green.
- The Pension Fund budget is an annual budget, it is not profiled over the financial year. It is reported half yearly to highlight any large variances to the Board.
- The refund from West Yorkshire Pension Fund (WYPF) was lower than originally expected as the initial expectation was only an estimate.

RESOLVED

That the Pension Fund update report be noted.

34 RESPONSIBLE INVESTMENT UPDATE

A report was submitted to the Board which gave an update on Responsible Investment (RI) activity during the second quarter of the financial year 2021/22. These matters included an update on the work undertaken by the Local Authority Pension Fund Forum (LAPFF), border to coast pensions partnership activity, Robeco activity and voting activity.

In response to questions, the following comments were made:

- The utilisation of Robeco was considered to offer extra depths to access all parts of the market. Furthermore, additional detail of Border to Coast's votes against management could be provided upon request.

RESOLVED

That the report be noted.

35 PENSIONS ADMINISTRATION REPORT

The Assistant Director for Finance, Administration and Governance (WYPF) reported on the Fund's key performance and benchmarking for the period 1 July 2021 to 30 September 2021. These matters included performance and benchmarking, scheme information, member and employer contact, internal disputes resolution procedures, administration update, current technical issues, web registrations, shared service budget and award nominations.

In response to questions, the following comments were made:

- It was advised that ill health appeals typically took a considerably longer time to administer due to the number of parties involved in the process to establish complete information. Furthermore, Pension Fund Officers met monthly with the WYPF technical team to monitor current internal dispute resolution procedures.
- Recommendations for death grant disputes were provided by the WYPF Service Centre Manager and Pensioner Services Manager, following information being received from all interested parties, before a final decision being made by the Fund's Head of Pensions.
- The only communications WYPF had received from The Pension Regulation (TPR) regarding Prudential were that they were monitoring the situation, in addition to the Financial Conduct Authority (FCA) being notified. Concerns had been escalated to the LGPS Scheme Advisory Board.
- There are a limited number of AVC providers; however, alternative providers may be identified through an overall AVC review being undertaken by Barnett Waddingham.
- Pensioners who still wanted to receive a paper P60 would be able to after advising WYPF.
- Exercises were undertaken to approach frozen pension scheme members to explain options for refunds, however when reaching a five-year period, deposit accounts were created to protect members' tax liabilities.
- The pension saving statements contained complex information and WYPF previously advised members to seek independent financial advice. However, WYPF are considering the feasibility of appointing an independent provider to support members, or providing a list of potential providers.

RESOLVED

That the report be noted.

36 WEST YORKSHIRE PENSION FUND PRESENTATION - WORKING WITH EMPLOYERS

The Board received a presentation by the Employer Relations Manager (WYPF), including detail of the employer relations team and activity, employer training, scheme leavers, pre-retirement courses and employer engagement forum.

In response to questions, the following comments were made:

- Training delivered to employers was focused on effective pension submission operation and employers who struggled to deliver were supported through regular engagement.

RESOLVED

That the report be noted.

37 DATA QUALITY REPORT

A report by the Assistant Director for Finance, Administration and Governance (WYPF) updated the Board on data issues and a data improvement plan.

In response to questions, the following comments were made:

- Having a dedicated staff resource to manually update scheme members' records to ensure data accuracy was not considered the best approach. WYPF were exploring a piece of dedicated software that could pick out key words when scanned.
- Missing annual allowance calculations was a field enabling ABS' to be calculated for the next year. Furthermore, when leavers' calculations were processed those fields were populated. The significant increase in missing annual allowance calculation was a result of process timing.

RESOLVED

That the report be noted.

38 EMPLOYER MONTHLY SUBMISSIONS UPDATE

This paper provided the Board with up-to-date information on Employer Monthly Submissions for the second quarter of the financial year 2021/22 (July to September inclusive).

RESOLVED

That the report on the employer monthly submissions for the second quarter of the financial year 2020/21 be noted.

39 ANNUAL REPORT AND ACCOUNTS 2020/21: THE EXTERNAL AUDITORS AUDIT COMPLETION REPORT

Consideration was given to a report to the Board on the 2020/21 financial statements Audit Completion Report from Mazars, the Funds External Auditor.

In response to questions, the following comments were made:

- AVC information from Prudential wasn't submitted in time to be included in the final version of the accounts, a representation was therefore provided by management to the external auditor. That data was promised to be submitted before the end of December, but was still outstanding. The Fund continued to pursue Prudential.
- Most public sector audits saw delays in the last financial year. It is hoped that the new audit procurement process will address some of these weaknesses.
- As a Fund, there was no penalty for a late submission. There is a proposal from government to delay the audit sign off date for next financial year to the end of November.

RESOLVED

That the report be noted

40 TRAINING NEEDS

The Board considered the standard report on its training needs.

Members of the Board reported attendance at a one-hour webinar session with Hyman Robertson covering administrative changes and challenges, the pension fundamentals day two event, Room 151 events, and XPS Pension Group session on transfers out. The Head of Pensions offered to circulate the link to Room 151 to all Board Members for their information.

RESOLVED

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

41 WORK PROGRAMME

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

Members of the Board requested the following items to be built into the Board's Work Programme:

- A report on how the McCloud pension judgement was being implemented by West Yorkshire Pension Fund, including numbers of affected scheme members in Lincolnshire.
- A presentation from the External Auditor on their work, its timing, and their reporting processes.
- An exploration into the effectiveness of the LGPS Pensions Board. The Head of Pensions suggested that this would form part of the wider governance review.

RESOLVED

That the report on the work programme be approved.

The meeting closed at 4.26 pm



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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Pension Fund Update Report

Summary:

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

The report covers:

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

Recommendation(s):

That the Board consider and note the report.

Background

1. TPR Checklist Dashboard and Code of Practice

- 1.1 To assist in the governance of the Lincolnshire Fund, it assesses itself against the requirements of the Pension Regulator's (TPR's) code of practice 14 for public service pension schemes, as set out in a check list attached at appendix C. This is presented to the Committee and Board at each quarterly meeting, and any non-compliant or incomplete areas are addressed. This is seen as best practice in open and transparent governance.
- 1.2 There have been no changes since the last quarter's report. The areas that are not fully completed and/or compliant are listed below.

B12 – Knowledge and Understanding – Have the pension board members completed the Pension Regulator's toolkit for training on the Code of Practice number 14?

Amber – As set out in the Fund's Training policy, it is a mandatory requirement that all PC members complete this in addition to the PB members and provide copies of the completion

certificate to the Head of Pensions. 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 all the new Committee members. As set out in the training policy, members do have a six month window to complete this mandatory training, which should therefore have been completed by November. At the time of writing this report, two certificates had not been received.

F1 – Maintaining Accurate Member Data – Do member records record the information required as defined in the Record Keeping Regulations and is it accurate?

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

F5 - Maintaining Accurate Member Data – Are records kept of decisions made by the Pension Board, outside of meetings as required by the Record Keeping Regulations?

Grey – not relevant as we do not expect there to be decisions outside of the PB. This will be monitored.

H7 - Maintaining Contributions – Is basic scheme information provided to all new and prospective members within the required timescales?

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

K7 – Scheme Advisory Board Guidance - Members of a Local Pension Board should undertake a personal training needs analysis and put in place a personalised training plan.

Remaining Amber - Annual Training Plan of Committee shared with PB and all PB members invited to attend.

2. Breaches Reporting - update

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

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

- 2.2 Further to the concerns previously raised about the Fund's AVC provider, Prudential, a review has been undertaken by Barnett Waddingham, the Fund's Benefits Consultant, and is covered in paper 15 on the agenda.

3. Risk Register Update

- 3.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Committee to be approved.
- 3.2 There have been no changes in risk level on the register since the last meeting, and there are currently no red risks.

4. Asset Pooling Update

- 4.1 The situation with Ukraine and Russia has brought to the fore discussions about geopolitical risk, with partner funds wanting a greater understanding of how that is factored into investment decisions by Border to Coast and their external managers. Border to Coast held a meeting with Funds on 2 March to discuss this and have been working with Funds to ensure they have a clear understanding of the direct and indirect exposure to assets impacted by the current situation, with regular updates being provided.

Sub Funds

- 4.2 Border to Coast launched a Listed Alternatives sub-fund on 31 January, to compliment the suite of alternative offerings already available. Lincolnshire has not invested with Border to Coast yet in the alternatives range, as this mandate is currently managed by Morgan Stanley. Discussions are continuing between the Fund, Morgan Stanley and Border to Coast to ensure that the alternatives exposure is managed in the most appropriate way to meet the Fund's requirements. Further information will be brought to the Committee at its June meeting.
- 4.3 Work has continued on the development of the real estate funds, with the next expected transition for Lincolnshire expected to be into the Core Global Property fund, due to be launched later in 2022. It is expected that the new Head of Property will be appointed in March.
- 4.4 Since the last Committee meeting, Border to Coast has held a number of workshops and meetings with officers and advisors covering quarterly external and internal funds, property, alternatives, carbon metrics and Responsible Investment.

Joint Committee Meetings

- 4.5 The latest Joint Committee meeting was held on 8 March. Minutes of the Joint Committee meeting held on 23 November, and the agenda items for the latest meeting were shared with Committee and Board members. Below are the agenda items for the meeting and the minutes will be circulated with the next JC agenda:

- Ratification of Decision Taken at 23 November Meeting (due to it not being quorate)
- Schedule of Future Meetings
- Annual Elections
- Joint Committee Budget
- 2021 Partner Fund Satisfaction Survey

- Market Review
- Shareholder Governance Review (exempt paper)
- Emerging Market Equity Alpha Launch (exempt paper)
- CEO Report
- Investment Review Quarter Ended 31 December 2021 (exempt report)
- Verbal Update on Emerging Matters (exempt item)

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

4.7 The next Joint Committee is being held on 14 June 2022, this is the Annual Meeting and there will also be a Responsible Investment Workshop held that day.

Shareholder Matters

4.8 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.

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

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

- to approve the Strategic Plan 2022-25 and supporting budgets for 2022-23.

Conclusion

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

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	TPR Checklist Dashboard
Appendix B	Breaches Register

Background Papers

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

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.

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The Pension Regulator's and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

No	Completed	Compliant	No	Completed	Compliant	No	Completed	Compliant	No	Completed	Compliant	No	Completed	Compliant
Reporting Duties			C4	G	G	Maintaining Accurate Member Data			Providing Information to Members and Others			I8	G	G
A1	G	G	C5	G	G	F1	A	A	H1	G	G	I9	G	G
A2	G	G	C6	G	G	F2	G	G	H2	G	G	Reporting Breaches		
A3	G	G	C7	G	G	F3	G	G	H3	G	G	J1	G	G
A4	G	G	C8	G	G	F4	G	G	H4	G	G	J2	G	G
Knowledge & Understanding			C9	G	G	F5			H5	G	G	J3	G	G
B1	G	G	C10	G	G	F6	G	G	H6	G	G	Scheme Advisory Board Requirements		
B2	G	G	C11	G	G	F7	G	G	H7	G	A	K1	G	G
B3	G	G	Publishing Scheme Information			F8	G	G	H8	G	G	K2	G	G
B4	G	G	D1	G	G	F9	G	G	H9	G	G	K3	G	G
B5	G	G	D2	G	G	F10	G	G	H10	G	G	K4	G	G
B6	G	G	D3	G	G	F11	G	G	H11	G	G	K5	G	G
B7	G	G	D4	G	G	Maintaining Contributions			H12	G	G	K6	G	G
B8	G	G	Risk and Internal Controls			G1	G	G	H13	G	G	K7	A	A
B9	G	G	E1	G	G	G2	G	G	Internal Dispute Resolution			K8	G	G
B10	G	G	E2	G	G	G3	G	G	I1	G	G	K9	G	G
B11	G	G	E3	G	G	G4	G	G	I2	G	G	K10	G	G
B12	A	A	E4	G	G	G5	G	G	I3	G	G	K11	G	G
Conflicts of Interest			E5	G	G	G6	G	G	I4	G	G	K12	G	G
C1	G	G	E6	G	G	G7	G	G	I5	G	G	K13	G	G
C2	G	G	E7	G	G	G8	G	G	I6	G	G	K14	G	G
C3	G	G	E8	G	G	G9	G	G	I7	G	G	K15	G	G

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Lincolnshire Pension Board Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions
March 21	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
May 21	Administration - AVC's	Prudential - issues with new IT systems causing late payments of pensions	Retirees are unable to make decisions on their pensions due to late information and transfer of AVC pots from Prudential	Some explanation provided but not regular in updates. Additional resources appointed. Latest information is that it is expected to be BAU by the end of June (initially April).	Reported 24/5	TPR noted and require update following end of June	Update breach details following end of June.
June 21	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers

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
			– e.g. retirements				Review of process
Sept 21	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
Dec 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



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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Responsible Investment Update Report

Summary:

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

Recommendation(s):

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

Background

- 1.1 This report provides a summary of various Responsible Investment (RI) activities that have been undertaken on behalf of the Fund during the quarter, and updates the Board on any new initiatives relating to good stewardship. This includes work by Local Authority Pension Fund Forum (LAPFF), Border to Coast Pensions Partnership (BCPP), Robeco, who are appointed by Border to Coast to provide voting and engagement services and Legal and General Investment Managers. The report also provides an update on the net zero metrics work which is underway with Border to Coast, and on the Fund's Stewardship Code submission to the Financial Reporting Council.

2.0 Local Authority Pension Fund Forum Membership

- 2.1 The Fund participates in the Local Authority Pension Fund Forum. LAPFF acts to promote the highest standards of corporate governance to protect the long-term value of local authority pension fund assets. The Forums current engagement themes include: climate risk, social risk, governance risk and reliable accounting risk. They also act through liaising with others and by responding to consultations.

Outcomes Achieved through LAPFF Company Engagement

2.2 The latest LAPFF engagement report can be found on their website at www.lapffforum.org. Some highlights from their work during the quarter include:

- LAPFF undertook engagements covering: climate change, human rights, governance, employment standards, social risk audit practices and environmental risk. This included engagements with:
 - Mining companies on all environmental, social, and governance (ESG) areas. During the quarter LAPFF received ESG updates from Vale, Rio Tinto and Anglo American, on areas such as climate planning and health and safety.
 - Arcelor Mittal, National Grid and Lyondell Basell on the Climate Action 100+ benchmark initiative and with BP on the company's energy transition plan and whether a 'Say on Climate' is planned for their 2022 AGM.
 - Barrett Developments, as the property sector is a major contributor to carbon emissions, from buildings once in use, and also from building materials and the building process itself. A meeting was held on progress towards net zero homes and for their operations.
- Over the last couple of years, LAPFF has engaged intensively with mining companies on their human rights practices. The engagement has focused on the participation of affected stakeholders in mining company activities and decision-making. Based on these engagements LAPFF aim to produce a report on its views regarding mining companies and human rights.
- Collaborative engagements included: co-signing a letter to FTSE All-Share companies asking them to set out their strategy to manage the transition to net zero and provide an annual provision for shareholders to vote on their plans. LAPFF also joined a group of international investors to call for action to cut methane emissions in the US.
- Policy Engagement included: LAPFF support for the All-Party Parliamentary Group (APPG) for local authority pension funds' Just Transition Inquiry. The group's inquiry has looked at the role investors can play in ensuring the transition to net zero considers the social implications for employees, consumers, communities and supply chains.

2.3 Further details on their work during the quarter can be found in the quarterly engagement report. Members of the Board should contact the author of this report if they would like further information on the Forum's activities.

3.0 Border to Coast Pensions Partnership Activity

3.1 Border to Coast is the pooling company chosen by Lincolnshire Pension Fund. Border to Coast is 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.

3.2 Their approach to RI and stewardship is set out in their RI Policy and Corporate Governance and Voting Guidelines. These documents can be viewed on the Border to Coast website ([Border to Coast Sustainability](#)). They also publish a quarterly stewardship newsletter detailing the activity they have undertaken during the quarter. A copy of the report for the latest quarter can be found at on their website ([Quarterly Stewardship Report Q4 2021](#)). Highlights from their work during the quarter include:

- Publication of Border to Coast's 2022 Responsible Investment Policy and Corporate Governance and Voting Guidelines. These policies were approved by the Pensions Committee at the meeting in December.
- Border to Coast joined the global Net Zero Asset Managers Initiative. The initiative seeks to mobilise action from the asset management industry to drive the transition to net zero. In addition to this, in November they joined 22 other investors to co-sign a letter to the 'Big 4' audit firms (PwC, Deloitte, EY and KPMG) supporting net-zero aligned audits.
- An industry update, covering COP26 Climate Summit and the UK Government Roadmap to Sustainable Investing.
- High level information on voting activity for the quarter across all Border to Coast funds.
- Engagement activity, which included 723 engagements carried out by: external managers appointed by Border to Coast; Robeco, as the Pool's engagement and voting manager; internal portfolio managers and by LAPFF.
- Collaboration activity, which covered: cybersecurity, collaborations with Climate Action 100+ on their March 2022 assessment, Workforce Disclosure Initiative on the development of workforce-related reporting and Transition Pathway Initiative on the TPU energy sector report.

3.3 Border to Coast produce quarterly ESG reports for their equity sub-funds. These are included on this agenda as part of the Investment Management Report at Item 14.

4.0 Robeco Activity

4.1 In addition to the direct RI work undertaken by Border to Coast they have appointed Robeco to provide voting and engagement services. A copy of their quarterly activity report can be found on the Border to Coast website ([Robeco Quarterly Engagement Report Q4 2021](#)).

4.2 During the quarter Robeco have voted at 131 AGM's, the percentage of meetings where they have at least one vote against management is 44%. During the quarter they have engaged with companies on 108 occasions on topics including: corporate governance, environmental and social. This quarter also saw the launch of Robeco's new 'Acceleration to Paris' engagement theme.

5.0 Legal and General Investment Management Activity

5.1 Legal and General Investment Management (LGIM) manage 15% of the Fund's portfolio, which is invested in the Future World Fund (global equities). The Future World Fund invests systematically in a globally diversified portfolio of quoted company shares; the index is designed to favour investment in companies which exhibit characteristics that have historically led to higher returns or lower risk than the market as a whole, and companies which are less carbon-intensive or earn green revenues. LGIM also builds ESG factors and responsible investing into all its investment activity. More information on this can be found on their website: [LGIM Responsible Investing](#).

5.2 On a quarterly basis they publish an ESG Impact Report ([LGIM Quarterly ESG Impact Report Q4 2021](#)) detailing their activity during the quarter, across all their investment products. The report covers their ESG activity, significant and summary voting activity, a global public policy update and information on engagement activity. During the quarter LGIM voted against management 1,274 times, and engaged with 233 companies on topics including climate change, remuneration and board composition.

6.0 Voting

6.1 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.

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

6.3 Please contact the author of this report if you wish to see further details on votes cast over the quarter.

7.0 Net Zero Reporting and Metrics

7.1 The Fund has been working with Border to Coast and the other partner funds to commission a suite of metrics which will measure net zero progress and contribute to future reporting requirements in this area (such as, Taskforce on Climate Related Financial Disclosure, TCFD reporting).

7.2 Net zero reporting and metrics is a developing area, there are a number of frameworks and methodologies which currently exist for measuring this and carbon emissions. The primary focus of this work is to select industry standard metrics which can be measured and compared consistently over time and across the sector. The key principles for selecting metrics are:

- Primary objective of measuring greenhouse gas (GHG) reductions in the real economy;
- Set clear, science-based targets at the portfolio and asset class level;
- Clear and easily applied methodologies based on publicly available information;
- Meet mandatory requirements e.g. Taskforce on Climate Related Financial Disclosure reporting, DLUHC/DWP consultations, FCA regulations;
- Reliable, verifiable and objective;
- Achievable;
- Consistent over time;
- Practical to implement;
- Based on industry standard guidance to enable peer group comparison; and

- Stakeholders should be able to easily assess whether they are aligned with the goals of the Paris Agreement.
- 7.3 The partner funds and Border to Coast have identified the key areas where net zero metrics will be applied. These include:
- Green house gas (GHG) emissions / GHG intensity;
 - Percentage of Asset Under Management (AUM) in 'Climate Solutions';
 - Percentage of AUM in 'Green Revenues';
 - Percentage of AUM in fossil fuel reserves;
 - Transition pathway alignment: percentage of AUM in net zero aligned assets;
 - Low carbon transition score;
 - Temperature alignment; and
 - Sectoral decarbonisation pathways.
- 7.4 The Fund will use this data to meet any future net zero / climate reporting requirements and will expect all material managers to provide the data required to assess these key metrics.

8.0 Stewardship Code Submission and Feedback

- 8.1 The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. The Code comprises a set of 'apply and explain' Principles for asset managers and asset owners, and a separate set of Principles for service providers. The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy. The Code has 12 principles under the headings:
- Purpose and governance;
 - Investment approach;
 - Engagement; and
 - Exercising rights and responsibilities.
- 8.2 To become a signatory to the Code, organisations must submit, to the FRC, a Stewardship Report demonstrating how they have applied the Code's Principles in the previous 12 months. The report may cover any 12-month period beginning after 1 January 2020. The FRC will assess the report and if it meets their reporting expectations, the organisation will be listed as a signatory to the Code. Once listed, organisations must annually report to remain signatories.
- 8.3 The Fund prepared and submitted a Stewardship Code Report for 2020/21 (attached at Appendix C). Feedback from the Financial Reporting Council (FRC) on the submission is due in March 2022. A verbal update will be provided to the Board at the meeting on 17 March.

Conclusion

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

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Border to Coast Global Equity Alpha Voting Activity
Appendix B	Border to Coast UK Listed Equity Voting Activity
Appendix C	Lincolnshire Pension Fund Stewardship Code Submission 2020/21

Background Papers

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

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

Proxy Voting Report

Period: October 01, 2021 - December 31, 2021

Votes Cast	126	Number of meetings	16
For	109	With management	103
Withhold	0	Against management	19
Abstain	3	Other	4
Against	14		
Other	0		
Total	126	Total	126

In 50% of meetings we have cast one or more votes against management recommendation.

General Highlights

ESG & Compensation

Executive compensation has repeatedly been a topic of discussion among investors and companies. Shareholders, through voting and engagement, have an immense influence on executive remuneration matters, and are pushing companies to focus on long-term value creation and sustainable growth.

The trend we have seen over the recent years, is for investors to push companies to incorporate Environmental, Social, and Governance (ESG) metrics into their Short-term (STI) and Long-term (LTI) incentive plans. This trend is based on the idea that companies that promote sustainable business practices, and link executive pay to ESG metrics, are more likely to outperform those that do not. A study conducted by the Sustainable Insight Capital Management (SICM) and the Carbon Disclosure Project (CDP), showed that companies that are industry leaders with respect to climate, are generating superior profitability, cash flow stability and dividend growth for investors. But that hypothesis is not always confirmed, since there have been cases where shareholders experienced a significant hit due to ESG-related issues. The main challenge nowadays is for companies to determine the key sustainable metrics that are highly related to their sustainable business strategy, and how these should be linked to pay incentives.

One side of this challenge is that not all companies today are in a position to instantly change their business strategy and implement initiatives that are solely based on sustainable thinking. Nevertheless, executives and boards in those companies should recognize that sustainability will be one of the main drivers that will lead to a shift in the way their businesses operate over the next years. As such, they should find a way to implement small changes today while they work towards bolder transformations in the future. Compensation committees are too focused on trying to incorporate metrics in their remuneration schemes that are mostly related to mitigating ESG risk. Instead, they should aim to link executive bonuses to strategic opportunities related to sustainability that would create value. Metrics that reward executives' efforts to improve future performance by adopting sustainable practices, are welcomed by investors.

There is no one-size-fits-all solution on how to link executive compensation to sustainability and at the same time drive performance and successfully manage all stakeholders. That is why companies should look for those ESG metrics that are material for their industry. For example, a food company could link executive compensation to metrics that show the percentage revenue growth from the sales of healthy products. This metric would align executives with the societal goal of reducing junk food consumption to reduce dietary-related illnesses such as diabetes and obesity. A car manufacturer, on the other hand, might link compensation to the company's strategic shift to the sales of electric vehicles. Lastly, a financial services firm might reward its executives for successfully shifting the focus in capital allocation from fossil fuels, like coal, to sustainable projects and other sources of renewable energy.

Investors have increasingly supported the link of executive remuneration to sustainability. Over the last years many companies worldwide have adopted, based on their industry, ESG-related goals in their compensation packages. However, companies should clearly define those metrics that have a meaningful impact in their business strategy, by conducting a materiality assessment. The outcome of this assessment should be transparently disclosed, and the metrics used in the compensation scheme should have a measurable impact on stakeholders and a financial materiality for shareholders.

Addressing issues like climate change or social injustice might not have been the main priorities of management teams or supervisory boards a few years ago. However, the world we live in is rapidly changing, and as companies are part of our society, they need to find a way to address those issues too. Linking executives' pay to various sustainability metrics can be a useful tool and a good starting point that would help address multiple ESG opportunities and risks. In our voting approach we assess remuneration plans on incentive structure, transparency and total height. ESG components are an important part of the analysis on structure. If companies include relevant and adequate ESG metrics that are relevant to their business, the assessment gets a better result. Robeco also conducts an engagement program on executive remuneration, one key point of this engagement is to move companies to include the most relevant sustainability aspects in the variable pay for executive management.

Market Highlights

Corporate Governance Update: United Kingdom

The United Kingdom (UK) is known for being at the forefront of corporate governance and shareholder rights. The Companies Act provides shareholders, even those with relatively small positions, various instruments to ensure they can voice their opinion and draw the attention of the board of directors. Through the strong facilitation of the right to ask questions, submit proposals or present statements during the general meeting of listed companies, equity investors can share their views and act as a driver for specific courses of corporate action. The legal and regulatory framework in the UK lays out a strong fundamental environment for shareholder stewardship, which has been on the rise globally. Moreover, the country offers particular fertile conditions for shareholder activism to flourish, as it is in the midst of structural change, organising a post-Brexit economy, tackling a pandemic and mitigating climate change.

In recent years, the UK's Financial Reporting Council (FRC), has also raised the bar when it comes to approving signatories to their updated Stewardship Code. Stewardship codes set market expectations of how investors should behave themselves in relation to their investee companies and set a high standard of reporting on such activities. This year we have seen over one third of applications, including some major institutional investors, be rejected by the FRC after careful consideration.

The FRC recently published its annual review of corporate governance reporting in which they discuss the quality of disclosures against the UK Corporate Governance Code, setting out expectations of companies' reporting practices for 2022. The review focused on reporting around compliance with the code, the impact and outcomes of engagements, remuneration, and diversity and succession planning. Generally, the FRC recommends companies to enhance disclosure around their review processes, the link between their policies and strategy and around their interactions with stakeholders, using clear and consistent explanations supported by real life examples.

As reporting is key for shareholders to assess a company's performance and impact on all types of material matters, we fully agree with and support the recommendations of the FRC. The need for improvement around the coherence between a company's succession planning, diversity policies and strategy is also brought to light by the Parker Review, another great UK example of corporate governance leadership. This initiative is designed to address and improve racial and ethnic diversity in organisations. The Parker Review not only recommends a target for FTSE100 companies to include at least one director of colour as of January 1st 2022, it also takes a more holistic approach to diversity and inclusivity. For example, the Parker Review recommends companies to establish or revisit diversity and human capital policies in light of the corporate strategy and openly endorse the importance of diversity by leadership.

The UK continues to take a leading role in terms of spirit and legislative developments regarding corporate governance and shareholder rights. As a responsible investor, we will continue to closely monitor all (legislative) developments in areas of investment stewardship and corporate governance, to make sure we align with best practices.

Voting Highlights

Microsoft Corporation - 11/30/2021 - United States

Proposal : Shareholder proposals focusing on Social topics

Microsoft Corporation is a U.S. based multinational corporation that develops, licenses, and supports software, services, devices, and solutions worldwide.

In this year's proxy season, we saw many big tech companies' shareholders submitting resolutions focusing on human rights, social justice, employment rights, and gender/racial equality. As expected, this trend continued at Microsoft's AGM, with a total of five shareholder proposals (SHP) covering all kinds of social aspects.

One shareholder proposal asked the company to report on median pay gaps across race and gender. This proposal raised the importance of ensuring equal work for equal pay, no matter the gender or the racial background. Despite some progress being made in closing the gender pay gap, recent research shows that men and women in tech companies are still not getting paid equally. Similarly, the research also found that there is a high racial pay inequity in the tech industry. Though we recognise that the company is fairly disclosing the steps it's taking to promote pay equality, we also consider it highly important for companies to take further action to resolve the issue, thus we supported this proposal. The proposal reached a 40.04% support from shareholders, stressing the importance of the topic.

Another social oriented SHP with a focus on employment rights, asked the company to release a transparency report assessing the effectiveness of the company's workplace sexual harassment policies. Over the last few years, and with the rise of the #MeToo movement, there has been an increased focus on incidents of discrimination and sexual harassment, especially in tech companies. We acknowledge the importance of the issue to employees and that it entails reputational risks that can harm shareholder value. Thus, we decided to support the resolution, contributing to the majority of shareholders that voted FOR (approximately 78%).

Disclaimer

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Proxy Voting Report

Period: October 01, 2021 - December 31, 2021

Votes Cast	208	Number of meetings	17
For	196	With management	195
Withhold	0	Against management	13
Abstain	1		
Against	11		
Other	0		
Total	208	Total	208

In 47% of meetings we have cast one or more votes against management recommendation.

General Highlights

ESG & Compensation

Executive compensation has repeatedly been a topic of discussion among investors and companies. Shareholders, through voting and engagement, have an immense influence on executive remuneration matters, and are pushing companies to focus on long-term value creation and sustainable growth.

The trend we have seen over the recent years, is for investors to push companies to incorporate Environmental, Social, and Governance (ESG) metrics into their Short-term (STI) and Long-term (LTI) incentive plans. This trend is based on the idea that companies that promote sustainable business practices, and link executive pay to ESG metrics, are more likely to outperform those that do not. A study conducted by the Sustainable Insight Capital Management (SICM) and the Carbon Disclosure Project (CDP), showed that companies that are industry leaders with respect to climate, are generating superior profitability, cash flow stability and dividend growth for investors. But that hypothesis is not always confirmed, since there have been cases where shareholders experienced a significant hit due to ESG-related issues. The main challenge nowadays is for companies to determine the key sustainable metrics that are highly related to their sustainable business strategy, and how these should be linked to pay incentives.

One side of this challenge is that not all companies today are in a position to instantly change their business strategy and implement initiatives that are solely based on sustainable thinking. Nevertheless, executives and boards in those companies should recognise that sustainability will be one of the main drivers that will lead to a shift in the way their businesses operate over the next years. As such, they should find a way to implement small changes today while they work towards bolder transformations in the future. Compensation committees are too focused on trying to incorporate metrics in their remuneration schemes that are mostly related to mitigating ESG risk. Instead, they should aim to link executive bonuses to strategic opportunities related to sustainability that would create value. Metrics that reward executives' efforts to improve future performance by adopting sustainable practices, are welcomed by investors.

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The UK continues to take a leading role in terms of spirit and legislative developments regarding corporate governance and shareholder rights. As a responsible investor, we will continue to closely monitor all (legislative) developments in areas of investment stewardship and corporate governance, to make sure we align with best practices.

Voting Highlights

BHP Group Plc - 10/14/2021 - United Kingdom

Proposal : Approval of the Climate Transition Action Plan and a Shareholder Proposal Regarding Disclosure Concerning Coal, Oil, Gas and Assets.

BHP Group engages in the natural resources business in Australia, Europe, China, Japan, India, South Korea, rest of Asia, North America, South America, and internationally. It operates through Petroleum, Copper, Iron Ore, and Coal segments.

This year's Annual General Meeting (AGM) of the BHP Group included some controversial proposals including a Say on Climate and several shareholder proposals. Especially interesting was the split in vote recommendations between the influential proxy advisors ISS and Glass Lewis, who disagreed on the credibility of BHP's climate plan. Despite the fact that BHP's Climate Transition Action Plan provides thorough discussion of its climate-related considerations and Capex spending, we have concerns regarding the level of ambition of the emissions reduction targets and their alignment with the goals of the Paris Agreement. In particular, the plan has limitations on how it will achieve, in full scope, its emissions reduction targets on scope 3 emissions. Besides that, the plan references the use of offsets to meet all of its targets while it remains uncertain of the quality and amount offsets that will be used. Therefore, we have decided not to support the company's Say on Climate at this point in time.

The shareholder proposal regarding disclosure concerning coal, oil, and gas assets, requested the company to disclose how its Capex will be managed consistently with a net zero by 2050 scenario. Generally, we support proposals that increase disclosure and transparency around sustainability and material ESG issues. While we are supportive of the spirit of this resolution, we judge it to be too demanding. The resolution was requesting information that cannot be determined with any level of accuracy and therefore adding little value to existing disclosures. We believe that voting against management's transition plan is a more effective way to encourage the company to enhance its decarbonisation strategy and the investments needed to implement it. For these reasons we also decided to not support the shareholder proposal in its current form.

The combined results for BHP's Australian and United Kingdom AGMs led to the adoption of the Climate Transition Action Plan by around 85% of the votes cast being in favor. The shareholder proposal regarding disclosure concerning coal, oil, and gas assets received only 14.2% support. Despite the adoption of the Climate Transition Action Plan in its current form, we hope the relatively low approval rate (compared to other Say on Climates) signals the company to further develop their decarbonisation strategy, something we will surely continue to closely monitor.

Royal Dutch Shell Plc - 12/10/2021 - United Kingdom

Proposal: Adoption of new articles

Royal Dutch Shell plc operates as an energy and petrochemical company worldwide. The company operates through Integrated Gas, Upstream, Oil Products, Chemicals segments.

On November 15th Shell announced that it would change its share structure to establish a single line of shares, move its headquarters to London, and change their tax residence from the Netherlands to the United Kingdom. Shell explained that the unification of structure would make the company more agile in terms of M&A, disposals and their strategy in relation to the climate transition.

Shell's move triggered some debate around the Dutch dividend withholding tax and any impact on the appealed district court case vs Milieu defensie. Both are discussions of which the outcomes are not yet certain. We had several discussions with Shell on the various options for unification. Robeco attended the EGM via a video call and re-emphasised the expectations that the company further accelerate their climate strategy. On balance we believed that unification would enable Shell to better execute its strategy, and will benefit its shareholders. Therefore, we supported the proposal, which received over 99 percent support during the special meeting.

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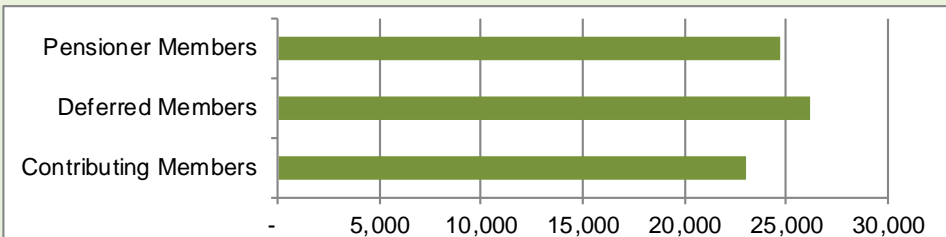
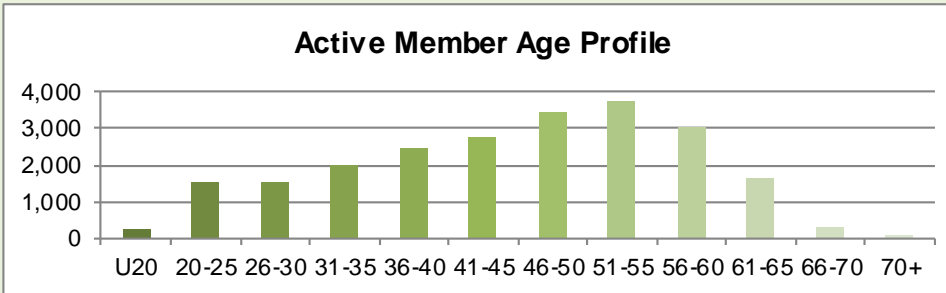


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LINCOLNSHIRE COUNTY COUNCIL PENSION FUND

STEWARDSHIP CODE 2020/21

“Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society”

Background and Context

Fund Facts (as at 31 March 2021)																																			
Membership 73,944	 <table border="1"> <caption>Membership Counts</caption> <thead> <tr> <th>Category</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Pensioner Members</td> <td>25,000</td> </tr> <tr> <td>Deferred Members</td> <td>26,500</td> </tr> <tr> <td>Contributing Members</td> <td>22,500</td> </tr> </tbody> </table>  <table border="1"> <caption>Active Member Age Profile</caption> <thead> <tr> <th>Age Range</th> <th>Count</th> </tr> </thead> <tbody> <tr><td>U20</td><td>200</td></tr> <tr><td>20-25</td><td>1,500</td></tr> <tr><td>26-30</td><td>1,500</td></tr> <tr><td>31-35</td><td>2,000</td></tr> <tr><td>36-40</td><td>2,500</td></tr> <tr><td>41-45</td><td>2,800</td></tr> <tr><td>46-50</td><td>3,500</td></tr> <tr><td>51-55</td><td>3,800</td></tr> <tr><td>56-60</td><td>3,000</td></tr> <tr><td>61-65</td><td>1,800</td></tr> <tr><td>66-70</td><td>500</td></tr> <tr><td>70+</td><td>200</td></tr> </tbody> </table>	Category	Count	Pensioner Members	25,000	Deferred Members	26,500	Contributing Members	22,500	Age Range	Count	U20	200	20-25	1,500	26-30	1,500	31-35	2,000	36-40	2,500	41-45	2,800	46-50	3,500	51-55	3,800	56-60	3,000	61-65	1,800	66-70	500	70+	200
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70+	200																																		
Employers 249	<p>Contributing employers, either in Lincolnshire, or providing services to these employers, include: local councils, internal drainage boards, academies and admitted bodies.</p>																																		
Invested Assets £2.7bn	 <ul style="list-style-type: none"> UK Equities (15.0%) Global Equities (40.0%) Property (10.5%) Diversified Alternatives (21.0%) Fixed Income (12.5%) Cash (1.0%)  <ul style="list-style-type: none"> Border to Coast Pensions Partnership (49.8%) Unitised Insurance Policies (20.8%) Other Managers (26.8%) 																																		

Lincolnshire Pension Fund

Lincolnshire Pension Fund (the "Fund") is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme established by an Act of Parliament and governed by the Public Services Pensions Act 2013 (PSPA 2013). It is a contributory defined benefit scheme to provide pensions and other related benefits for all eligible employees of local government and other participating employers. The LGPS is a multi-employer scheme which is open to new membership. The LGPS operates on a 'funded' basis, this means that contributions from employees and employers are paid into a fund which is invested, and from which pensions are paid.

Scheme regulations are set on a national basis, but individual Funds are managed by designated administering authorities at a local level. The LGPS, unlike private pension schemes, does not have Trustees but has a Committee made up of elected Councillors and other interested parties, representing other employers in the Fund and scheme members. The Fund's Pensions Committee performs similar duties to Trustees, under the administering authority of Lincolnshire County Council, and is the decision-making body responsible for the investments and the administration of benefits under the scheme.

The Fund has oversight and scrutiny from a Local Pension Board, established under the PSPA 2013. The Board's role is to assist the Committee in securing good governance and administration of benefits for the scheme members and employers.

The purpose of the Fund is to provide pensions and other associated benefits to Lincolnshire's LGPS members when they fall due. In order to do this, it seeks to achieve sustainable, risk-adjusted performance of its investments over the long-term. More information on the Fund can be found in its [Annual Report and Accounts](#).

Fund Governance Structure

Lincolnshire County Council, as Administering Authority for the Fund, has delegated the investment arrangements of the Pension Fund to the Pensions Committee (the "Committee"), who decide on the investment policy most suitable to meet the liabilities of the Fund. Terms of Reference for the Committee are set out in the [Council's Constitution](#) (on page 48).

The Committee is made up of County Councillors, and employer and scheme member representatives as detailed in the table below. This ensures that both employers, who bear the financial risk of the Fund, and scheme members who will be, or are, receiving benefits from the scheme, are involved in the decision-making process. All members of the Committee have full voting rights.

Body/category of bodies represented:	Membership
Lincolnshire County Council (elected Councillors)	8
District Council Representative (West Lindsey District Council)	1
Small Scheduled Body Representative (Witham Internal Drainage Boards)	1
Scheme Member Representative (Unison)	1
Total:	11

The Committee meet quarterly to have oversight and challenge across all areas of the Fund. In addition to this, a further two meetings are held for manager presentations and there are two training meetings each year.

The Committee has a fiduciary duty to its employers and members, and is required to take account of financially material considerations, whatever their source, this includes environmental, social and governance considerations, including climate change. It recognises the vital role of being a responsible asset owner in order to meet its requirements to be a long-term sustainable investor.

In order to effectively carry out their role, the Committee obtain professional advice as and when required, from suitably qualified persons, including external advisers, investment managers and officers of the Council. The Fund's principle professional advisors are summarised in the table below:

Investment Consultant:	Hymans Robertson
Independent Advisor:	Peter Jones
Main Asset Managers (managing over 5% of assets):	Border to Coast Pension Partnership (Border to Coast) Legal and General Investment Management BlackRock Investment Management Morgan Stanley
Voting and Engagement Advisor:	Local Authority Pension Fund Forum (LAPFF)

Internally, the Committee is supported by Officers of the Council including the Executive Director of Resources (S151 Officer to the Fund), Assistant Director – Finance, Head of Legal Services (Monitoring Officer), Head of Pensions, and Accounting, Investment and Governance Manager. The key officers involved in the day-to-day management of the Fund, are set out below, with relevant qualifications and experience:

Name and title	Relevant Qualifications	Years Relevant Experience
Jo Ray – Head of Pensions	IMC	22
Claire Machej – Accounting, Investment and Governance Manager	CPFA (studying IMC)	3

Additionally, the County Council established a Local Pension Board (the "Board") under Regulations 105 to 109 of the Local Government Pension Scheme Regulations 2013 (as amended) which operates independently of the Pension Fund Committee. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager, as set out in the Board's [Terms of Reference](#). Such assistance is to:

- a) Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme, and;
- b) Ensure the effective and efficient governance and administration of the Scheme.

The Board consists of four voting members; two representing Scheme Members and two representing Scheme Employers, and an Independent Chairman.

Pooling – Border to Coast Pensions Partnership

To meet the government's requirement to pool assets, the Fund joined Border to Coast Pensions Partnership ('Border to Coast') with 11 other like-minded Funds. Border to Coast was created in 2018 as a wholly owned private limited company registered in England and Wales, authorised and regulated by the Financial Conduct Authority (FCA) as an alternative investment fund manager (AIFM).

It is the Fund's intention to invest its assets via Border to Coast as and when suitable sub-funds become available. To date, the Fund has transitioned assets into three Border to Coast sub-funds: Global Equity Alpha, UK Listed Equity and Investment Grade Credit. This represented 49.8% of the Fund assets as at 31 March 2021. As Border to Coast will, overtime, be the main asset manager for the Fund's investments, a strong oversight and governance structure has been created.

The governance structure has been developed to allow Border to Coast to function efficiently and for Funds to control and hold it to account. Each member Fund has two roles with Border to Coast: that of shareholder and owner of the Company (at Lincolnshire this role is carried out by the Executive Director of Resources, the S151 Officer for the Council), and as an investor in the products managed by Border to Coast, which is the responsibility of the Pensions Committee. Oversight of the Company is undertaken through a Joint Committee, made up of the Chairs of the Partner Fund Pensions Committees. On a day-to-day basis, Fund Officers and Border to Coast work together to develop policies, sub-funds and provide continuous

feedback to the Border to Coast. The roles and responsibilities of Border to Coast, the Fund and its other stakeholders can be found in the Border to Coast [Governance Charter](#).

Employers and Scheme Members

The Fund, as a participant in the LGPS, is a defined benefit scheme. The Lincolnshire scheme has around 74,000 members who will or do receive benefits from the scheme. The Fund also has 249 active employers contributing to the scheme at 31 March 2021.

As a defined benefit scheme, the benefits received by members are set out in statute, as are contribution rates for active members. Employers within the scheme bear the financial risk and are responsible for making up any funding shortfall that arises. Contribution rates for employers are calculated at the triennial valuation, alongside the overall funding position.

The Fund regularly engages with both employers and members to ensure they are aware of developments which may have an impact on them.

Funding Strategy Statement and Investment Strategy Statement

Within LGPS regulations, the Fund is required to have and publish a Funding Strategy Statement and an Investment Strategy Statement.

Funding Strategy Statement (FSS)

This document is prepared in collaboration with the Fund's actuary, and after consultation with the Fund's employers and investment adviser it is approved by the Pensions Committee. It sets out the process for the setting of employer contribution rates. The FSS is reviewed in detail at least every three years as part of the triennial valuation process.

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

- 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;
- 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.

Investment Strategy Statement (ISS)

This document sets out the primary objective of the Fund, which is to provide pension benefits for members and their dependents, as and when they fall due. It states how 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.

The ISS sets out the agreed investment beliefs, responsible investment beliefs, investment strategy, the approach to risk and how it will pool investments.

Round Up of the Year

The Covid-19 pandemic had a significant effect on markets during 2020, on how the team worked and how we communicated with others. However, as an open defined benefit scheme, our focus is on the long term and the Funds investment strategy and approach were unchanged by the pandemic. During the year meetings with the Committee and Board moved to be held virtually, as did meetings with Border to Coast, Fund managers and other partners.

Key stewardship activity undertaken across the year:

- Appointment of a climate change/ESG focused manager;
- Workshops with Border to Coast on Responsible Investment (RI) policies;
- Approving the Border to Coast RI policies and aligning our own policies;
- Addition of a standalone stewardship report as part of the quarterly suite of Committee reports; and
- Voting and engaging on key issues with a wide range of global companies, through our asset pool and LAPFF.

Areas for improvement in the stewardship activities undertaken by the Fund are highlighted in the action plan at appendix A.

PRINCIPLE 1: Purpose, investment beliefs, strategy & culture enable stewardship that creates long-term value for employers & beneficiaries leading to sustainable benefits for the economy, the environment and society

Activity:

The Fund's policies are the mechanism through which it expresses and implements its investment beliefs, strategy and culture. They provide the framework for effective governance and stewardship – both of Fund assets and of the Fund as a whole. The Fund considers that having investment beliefs clearly defined assists it to choose managers and other service providers whose approach is most closely aligned to our own. These beliefs were developed through facilitated decision-making which challenged Committee members to consider investment and RI beliefs, to develop a strategy for the long term benefit of the Funds employers and members.

The Fund formally reviews its Investment Strategy Statement and other policies annually in March to ensure that they remain fit for purpose (i.e. continue to reflect the Fund's purpose and investment beliefs as well as meeting regulatory requirements), and to provide an opportunity for the Committee to discuss and reflect on the current policy and consider if any changes are required. Details of the review of the policies in March 2020, in preparation for the year ended 31 March 2021, can be found at agenda item 11 in the [Committee Papers](#).

The Fund's Investment Strategy Statement was updated for the start of 2020/21 across a number of areas including the addition of the Committee's investment beliefs and responsible investment beliefs.

Outcome:

The Committee has agreed a set of investment beliefs that are detailed in our ISS, and have expanded **Belief 5** (Environmental, social and governance (ESG) issues are important to the long term success of the Fund) to create a set of Responsible Investment beliefs, to enable them to be held to account by scheme members and other stakeholders. These RI Beliefs are set out below with reasoning:

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.

PRINCIPLE 2: Signatories' governance, resources and incentives support stewardship

Activity:

As is detailed in the background, Fund governance is the responsibility of the Pensions Committee, as set out within statute. To assist the Committee in discharging their responsibilities quarterly meetings are held which provide various reports to enable them to have oversight and challenge across all areas of the Fund, including investments and responsible investment.

The Fund operates an external manager structure, with all assets managed by externally and with the Fund using expert professional services to support its stewardship activities:

- Border to Coast, who have a dedicated team working on RI matters for all pooled investments, from tendering and selecting managers, to ongoing monitoring once a manager is selected and supporting industry wide initiatives;
- Robeco, who are the pool's appointed voting and engagement specialist, again they provide stewardship services to the Fund for the investments held with Border to Coast; and
- The final source of support in this area for the Fund is provided by the Local Authority Pension Fund Forum (LAPFF). LAPFF is a sector wide group with membership from 81 local authority pension funds and six LGPS pooling companies. LAPFF acts for its members on engagement with companies, providing voting alerts, collaborating with others to increase the voice of shareholders and responds to consultations on behalf of its members.

The Fund has established annual RI processes which allow the Committee to have the opportunity to contribute to the direction of RI work for the Fund. Quarterly activity then allows the Committee oversight of activities undertaken. This starts in January with the review and approval of RI and Voting policies. The policies relate to all Fund investments and are aligned with Border to Coast policies to ensure consistent application to all Fund assets. The Committee also reviews key policy documents in March to ensure they reflect the current views of the Fund. The fund then reports RI activity to the Committee on a quarterly basis to highlight the stewardship activity undertaken over that period, to provide assurance and give them the opportunity to review and challenge the work undertaken on the Fund's behalf.

Outcome:

The Fund has a clearly defined and documented set of [RI policies](#) that it works to,

which are published and available to all stakeholders. They are aligned with Border to Coast's policies so that we are all working towards the same aims and objectives.

The introduction of a quarterly [Stewardship Report](#) has allowed members of the Committee greater opportunity to review stewardship activity and influence with the work of the Fund. This is a public report to allow the Fund's stakeholders to be aware of what we are doing.

The Fund operates with a small internal team covering all Fund matters from investments to administration to governance. It believes that the use of external experts in this field provides the best use of resources for the Fund. It also allows the Fund to have a greater impact, as by working with others the Fund has a larger profile when approaching the market and individual companies.

PRINCIPLE 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

Activity:

The make-up of the Pensions Committee is mainly County Councillors, who are elected to serve their constituents within Lincolnshire; however their role in managing the Pension Fund is to serve the beneficiaries and employers of the Fund.

All members of the Committee undertake initial training when they join the Committee. This training covers the [Code of Conduct and Conflicts of Interest Policy](#) and explains the role of the Committee to serve beneficiaries and employers. While making decisions for the Pensions Committee other political and county council considerations should be disregarded. This message is reinforced throughout the year at Committee meetings and as and when investment opportunities are discussed.

Outcome:

The Code of Conduct and Conflicts of Interest Policy is reviewed annually by the Committee and is published on the Fund's website.

The policy explains what a conflict of interest is and provides examples for Committee Members of potential conflicts. The policy stipulates that all potential conflicts of interest must be declared initially on appointment and then at each meeting of the Committee as matters arise in the normal course of business. The policy also explains how conflicts will be dealt with and resolved. The Fund also maintains a register which captures potential and actual conflicts.

Within the Conflicts of Interests Policy, Committee members are specifically required to have consideration of their stewardship responsibilities in managing the Pension

Fund.

There were two new members of the Committee during the year, and both undertook the training mentioned above.

There may be a conflict of interest when making investment decisions if an opportunity arose in the local area. The investment might be beneficial to the local electorate, but not for the Fund. To avoid any potential conflict of interest, the Fund does not have any strategic commitment to local investment, and no local investments have been made in the 2020/21 financial year.

PRINCIPLE 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

Activity:

The Fund conducts a full risk assessment of its activities which is reviewed annually by the Committee and Board, and is published as part of the Fund's Annual Report. The risk register includes the risk to the Fund's investments from market fluctuations, interest rates, currency, credit and failure by its investment managers or custodian. In addition, the Fund recognises the risk to investments from ESG factors including the impact of Climate Change that could materially impact long-term investment returns.

The Fund's foremost mitigation against market-wide and systemic risk is a well-diversified investment strategy. Therefore, it is important the Committee receives the appropriate training and that it commissions advice to be able to select from and monitor a wide variety of investments. The Fund has an appointed investment consultant for its strategic asset allocation, investment strategy and manager monitoring.

Part of the work undertaken by LAPFF is at a market-wide level. During the year LAPFF has focused its attention in this area on failure in the audit and accounting regime, where regulation is 'consumer' based, rather than offering protection to shareholders. The Forum have identified changes at the Financial Reporting Council (FRC) as key to creating a more stable, transparent and effective regulatory environment. They have engaged with the Financial Conduct Authority (FCA) on this matter.

Outcome:

The identification and management of risk is a key part of the discussions and monitoring that the Pension Fund undertakes on a quarterly basis as a minimum. Where the Committee is not satisfied that one of its investment managers has

sufficiently identified or responded to a particular risk this has been cause for it to decide to disinvest from a particular strategy, having taken the appropriate advice. This was evidenced in October 2020 when the Committee made a decision to terminate one of its managers, as they no longer believed that their strategy was appropriately managing all market risks.

LAPFF continues to support the recommendations for reform to the FRC proposed by the Kingman Review. As part of their ongoing engagement with companies, they encourage them to lead by example in how they respond to market and systemic risks.

PRINCIPLE 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities

Activity:

The Fund has a number of relevant policies that are reviewed as detailed below:

- The Investment Strategy Statement is reviewed annually or immediately after any significant change in investment policy, and contains the Fund's RI beliefs. See principle 1 above.
- The Responsible Investment Policy and Corporate and Voting Policy is reviewed annually. This is reviewed and approved by the Committee in January in advance of the start of the financial year. It is aligned with the Border to Coast policies to ensure consistency of our policies across all holdings.
- The Conflicts of Interest Policy is reviewed annually. See principle 3 above
- The Training Policy is reviewed annually and a training plan approved each year in July.
- The Risk Management Policy and Risk Register are approved annually and any changes to the risk register are reported to the Committee on a quarterly basis.

The Committee receive a quarterly report on stewardship activities undertaken by Border to Coast, Robeco and LAPFF, including voting activity.

Outcome:

Policies have been reviewed at least annually. This ensures that they are kept up to date and are regularly considered by the Committee, which ensures that the policies continue to reflect their views on the direction of the Fund.

The Pension Board, as part of its annual review of the risk register at its July 2020

meeting, made recommendations to the Committee's October 2020 meeting, through the Board's [quarterly report](#), to introduce two new risks to the risk register. The Committee considered these recommendations and approved the additions.

Work on RI and Stewardship policies starts in advance of their review and approval by the Committee in January. During the year Fund officers work with Border to Coast to identify what is important to each Fund and how this should shape the direction of the Pool and Fund RI policies. In addition to this, work is undertaken with the Joint Committee to identify their priorities. This information is important to ensure all Funds can support and will approve aligned RI policies. This streamlines the activities undertaken by Border to Coast.

PRINCIPLE 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

Activity:

Communication and feedback from scheme members and employers is undertaken in a variety of ways:

- Annual employers meeting;
- Scheme member newsletters;
- Consultation with employers on key policy documents;
- All Committee and Board Meetings are open to members of the public and papers are published and available for review;
- The Fund publishes an Annual Report containing up to date details of investments and stewardship;
- Key policy documents are published on the Pension Fund website;
- Contact details for the Fund are also published for any comments from scheme members or employers;
- Direct contact with scheme members and employers; and
- Direct representation, with full voting rights, on the Committee and Board of scheme members and employers other than the County Council.

Outcome:

The annual employer meeting was held virtually on 11 March 2021. One of the presentations covered Stewardship and Responsible Investment specifically covering the Lincolnshire Fund and activities undertaken during that year. These are

interactive meetings where all employers are able to question, challenge and input into the direction and activities of the Fund.

Over the year the Fund has responded to a number of requests from scheme employers on RI related matters proposals. An example of this is a letter received in December 2020 from the Chief Executive at North Kesteven District Council regarding the climate emergency and the actions taken by the Fund. A direct response was provided which also signposted the employer to existing information available on the website.

Membership of the Committee and Board includes employer and member representatives. Through the Committee and Board meetings held over the year, these representatives have had the opportunity to input into and comment on the fund's stewardship and investment approach.

The Fund is happy to engage with employers and scheme members on an ad hoc basis to provide additional information on Stewardship matters. Such responses are reflected on and used to consider the development of wider future communications.

PRINCIPLE 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

Activity:

The Fund's responsible investment beliefs and approach to assessing investments are included within the Investment Strategy Statement. This core policy document explains how the Fund seeks to systematically integrate stewardship and investment to fulfil its responsibilities. The Committee believe that, as long-term investors, integrating environmental, social and corporate governance considerations into the investment management process improves risk adjusted returns and creates long term sustainable investments.

To support this, prior to 2020, the Committee developed a set of RI Investment beliefs, as set out in principle one. As part of this process the Committee undertook an in-depth consideration of its ESG beliefs, receiving training and completing a comprehensive survey to develop these principles.

The Fund invests in a wide variety of asset classes across a number of investment managers, but predominately with Border to Coast who currently manage, all actively managed equities and bonds. The Fund has worked with Border to Coast and other partner funds to formulate the company's approach to responsible investment and to ensure that it is aligned to the policies of the partner funds (including Lincolnshire). The Fund's RI Policy states that when analysing potential investments (across all funds, asset classes and geographies), they expect investment managers to consider

ESG factors, including climate change, as an integral part of the investment decision-making process. Of particular relevance are factors which could cause environmental and reputational risk ultimately leading to a reduction in long-term value.

All managers were contacted in February 2021 to ask whether they intended to sign up to the new Stewardship Code, if so then when, how they will be reporting this to us and what will be included in that report. Those that were not planning to sign up were asked to explain why.

The Fund considers the ESG credentials, policies and procedures as part of the appointment process for all prospective managers with the aim of ensuring that ESG is well established in the managers appointed.

The monitoring of appointed managers by Border to Coast includes assessing stewardship and ESG integration into the investment process and on-going management of the investments held in accordance with the approved policies. The Committee requires that all asset managers report on stewardship and ESG matters on a regular basis, and be responsive to any queries. The Fund monitors the asset manager's stewardship activities, including their involvement in collaborative engagement activities, such as supporting the Transition Pathway Initiative, and Climate Action 100+.

The Fund monitors Border to Coast to ensure that it is fully integrated through: quarterly reporting, quarterly meetings and annual report. In addition partner funds are heavily involved in the development of new funds having sight of the appointment process for managers and the due diligence undertaken.

Outcome:

Border to Coast's work during the year included improving their process of ESG integration and investment stewardship alongside training for the Border to Coast Board, the Joint Committee and Partner Fund pension committees and officers on a range of RI and stewardship-related topics. More detail can be found in their [RI Stewardship Report](#) for 2020/21.

Following the termination of a manager in October 2020, we worked closely with our Investment Consultant to appoint a new manager with strong RI credentials, to better reflect the Committees RI beliefs. This resulted in the appointment of Legal and General Investment Management, and an investment into their Future World Fund.

Below are some examples of the outcomes from Manager engagement with the companies in which they are invested on our behalf, showing how incorporating ESG factors into investment decisions and on-going monitoring can achieve positive benefits for the Fund and therefore its clients and beneficiaries:

Border to Coast – Engagement with Yorkshire Water (fixed income)

Reason for engagement: Following conclusions drawn from the performance assessment conducted by the Environment Agency ('EA') in 2019, Yorkshire Water was identified as an outlier within the water utilities sector in the UK and was among the lowest scoring. This, coupled with the increasing pressures that ever-changing weather patterns bring as a result of climate change, means that through investments in such companies, portfolios are potentially exposed in the medium to long term to the impacts of climate risk.

Objectives: To better understand the reason for the company's weak performance within the water utilities sector in pollution, leakage and meter rates, and determine whether its current strategy is strong enough to ensure improvement in its management of climate risk.

Scope and process: Engagement has been driven by information discovery of Yorkshire Water's specific climate-related risk exposure to understand the relative investment position and to encourage change and influence improvements in pollution, leakage and meter rates, which were among some of the worst in the industry according to the EA's report. Research revealed that the unusually low performance from the company had been somewhat influenced by extreme weather during the EA's reporting year (2018). Cognisant of extreme weather events likely to occur over the coming years, Yorkshire Water appears to be investing significant amounts into data-driven systems and physical infrastructure that combat leakages and limit pollution. The company is also investing in bio-resource plants which will help it to increase self-generated renewable energy.

Outcome: The company is taking serious steps to significantly improve performance, which will ultimately strengthen credit ratings. Monitoring of the progress will continue and further investigation around pollution levels may be required.

LAPFF – Engagement with Barclays (listed equity)

Reason for engagement: Barclays this year faced a climate resolution for the first time. The resolution was supported and co-filed by a group of investors and investor groups who recognised that financial institutions play a large role in both the problem of and the solutions to the climate crisis. Barclays recognised it had to do more on climate but responded by issuing its own resolution with content it thought was achievable. The combination of the shareholder resolution and the company resolution created a dilemma for LAPFF.

Objectives: The Forum was keen to express support for both the shareholders and the company for moving in the right direction, but it was not immediately clear which resolution should have been supported.

Scope and process: LAPFF Chair, Cllr Doug McMurdo, engaged extensively with both Barclays and ShareAction, the non-governmental organisation representing the investor group in the negotiations with Barclays on the shareholder resolution. In the end, LAPFF believed that the two resolutions were very similar and were reconcilable, so the Forum supported both resolutions and maintained positive

relationships with both Barclays and ShareAction. LAPFF saw this engagement with Barclays as the beginning of investor engagement with financial institutions on climate.

Outcomes: The Forum, through its multi-stakeholder approach, was able to bring other investors and Barclays closer together on their visions for Barclay's climate approach. While implementation of the Barclays resolution still needs to be monitored, the Forum's role in facilitating dialogue between stakeholders was important in achieving a positive outcome in this engagement.

PRINCIPLE 8: Signatories monitor and hold to account managers and/or service providers

Activities:

The Fund monitors its investment managers and service providers, to hold them to account in the following ways:

- Asset managers provide monthly and quarterly performance reports which are received and reviewed by fund officers. Review here includes: compliance with investment management agreements.
- Quarterly investment performance is reported to the Pensions Committee, highlighting any concerns. Where a manager's performance raises concern more frequent information is shared with the Committee.
- Annual presentations to the Pensions Committee and a three year review period from all asset managers managing significant allocations in the fund, including an update of stewardship activities undertaken.
- Quarterly stewardship report to the Committee combining information from managers' quarterly stewardship and voting reports, highlighting engagement activities and where investment managers have voted against company recommendations. In addition this report updates the Committee on work undertaken by LAPFF on our behalf.
- Investment Consultant and Investment Advisor are monitored annually against an agreed set of objectives.
- Working with Border to Coast to provide an advisory service to monitor the engagement and voting activity of LGIM, as one of the Fund's investment managers.

In addition to the above, as a partner fund within Border to Coast, further work is undertaken on our behalf in monitoring service providers to the pool. This includes:

- Provision of responsible investment and engagement support across all pooled investments (for example review of carbon content within portfolios).
- Analysis of voting records on a monthly basis and reporting of any variances

to agreed policies by a third party voting advisor.

Objectives were set for the Independent Investment Advisor in their role supporting the Pensions Committee, in November 2019. As part of an annual review, the Investment Advisor was asked to report their performance against those objectives at the March 2021 meeting of the Pensions Committee. The Committee considered whether the objectives had been met and whether any improvements were required, or changes made to the objectives.

Work has been undertaken with Border to Coast to provide an advisory service on the investment with LGIM to ensure that they are meeting the requirements of the Fund's and Border to Coast's RI policies.

On a quarterly basis Border to Coast provide portfolios analysed against MSCI ESG Weighted Score and the MSCI ESG rating along with the ESG Rating Distribution (AAA to CCC). In its commentary, Border to Coast feature an investment each quarter to describe its nature, ESG rating risk, ESG impacts and direction of travel.

Outcomes:

The Committee were content that the service being delivered by the Independent Investment Advisor met their needs, and no changes to the objectives were required.

The advisory agreement with LGIM is expected to be signed and completed in 2021/22.

The Committee has a better understanding of the ESG risks within the portfolios, and how these are managed by Border to Coast and the underlying managers, and is able to challenge the rationale of any investments that it deems a high risk.

PRINCIPLE 9: Signatories engage with issuers to maintain or enhance the value of assets

Activity:

All investment management activity is delegated to external investment managers. The Fund's RI policy sets out its expectations of managers, as shown below:

- Assess their portfolios in relation to climate change risk where practicable.
- Incorporate climate considerations into the investment decision making process.
- Engage with companies in relation to business sustainability and disclosure of climate risk in line with the Financial Stability Board's Task Force on Climate

related Financial Disclosures (TCFD) recommendations.

- Encourage companies to adapt their business strategy in alignment with a low carbon economy.
- Support climate related resolutions at company meetings where they reflect our RI policy.
- Encourage companies to publish targets and report on steps taken to reduce greenhouse gas emissions.
- Use the Transition Pathway Initiative (TPI) toolkit to assess companies and inform company engagement and voting.
- Vote against company Chairs in high emitting sectors where the climate change policy does not meet minimum standards, and/or rated Level 0 or 1 by the TPI, where there is no evidence of a positive direction of travel.
- Co-file shareholder resolutions at company AGMs on climate risk disclosure after due diligence, that are deemed to be institutional quality shareholder resolutions consistent with our RI policies.
- Monitor and review their fund managers in relation to climate change approach and policies.
- Participate in collective initiatives collaborating with other investors including other pools and groups such as LAPFF.
- Engage with policy makers with regard to climate change through membership of the Institutional Investor Group on Climate Change (IIGCC).
- Report on the actions undertaken with regards to climate change on an annual basis.

Engagement activities are a regular feature of the monitoring of the Fund's investment managers by the Fund's officers, and by the Committee through the quarterly RI Update report.

Outcome:

Examples of stewardship activities that have been published and reported to the Committee are:

- During the quarter ended 31 December 2020, LAPFF undertook 172 engagements with 145 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](#), and one example is:
 - A Forum representative attended Legal and General Investment Management's annual stakeholder forum, an event to highlight upcoming issues for LGIM to consider in its voting and investing activities, to ensure that LAPFF's views were included.

- Border to Coast publish a [quarterly stewardship newsletter](#) detailing the activity undertaken on our behalf, and an example is:
 - Following the destruction by Rio Tinto of an aboriginal heritage site in 2020 and the implications for the wider mining sector, Border to Coast co-signed a letter along with other investors managing assets of over \$10 trillion. This sought assurances on the issue of indigenous community rights and a company's social license to operate. The letter was sent to the top 71 international mining companies and all other major companies that operate in Australia.

Fund Officers have also received and monitored activity from other managers, examples are:

- LGIM, who manage approximately 15% of the Fund's assets in their Future World Fund, provide an annual [active ownership report](#), highlighting their approach to active engagement and what they have done over the year.
- Invesco, who managed a large global equity portfolio until February 2021, provided their 2020 ESG Investment Stewardship Report, describing their engagement approach and a number of case studies.

PRINCIPLE 10: Signatories, where necessary, participate in collaborative engagement to influence issuers

Activity:

As explained above and in the Fund's RI policy, all investment management activity is delegated to external investment managers. As part of this delegation the Fund's investment managers are able to decide if collaboration with other investors will benefit the engagement activities they carry out of the Fund's behalf.

Furthermore through Lincolnshire's membership of the Border to Coast pool, the eleven partner funds have collectively pooled around £50bn of assets. Border to Coast are collaborating on RI activities through a unified RI policy and Corporate Governance and Voting guidelines which set the framework for the investment managers and enable them to utilise the combined weight of capital of the Border to Coast partner funds, to positively engage with the companies they invest with. Beyond the partner funds, Border to Coast collaborates with other investor groups to increase their influence.

In addition, the Fund's membership of LAPFF, representing over £300bn in assets under management, provides an effective means of collaboration. LAPFF itself is open to discussing any other forms of collective action with other investors and groups, expanding their reach.

Outcome:

The Fund monitors its investment managers' engagement activities through regular reports and discussions and welcomes instances where it sees its investment managers working with other investors. Examples include:

- Border to Coast coordinates quarterly Responsible Investment workshops with partner funds which work collaboratively to consider RI issues and coordinate responses to maximise the impact of the Partner Funds. At these workshops current RI issues and engagements are discussed and proposed responses to consultations and initiatives shared. There are opportunities to share resources to maximise the impact of partner funds and BCPP through a collaborative approach to our shared interests.
- Border to Coast, on behalf of the partner funds, is partnered with a number of organisations including LAPFF on a range of issues, Climate Action 100+, and the 30% Club which promotes board and senior management diversity, the Workforce Disclosure Initiative, the LGPS Scheme Advisory Board Code of Transparency, and the Institutional Investor Group on Climate Change.
- LAPFF participated in wider collaborations with the Church of England and Sarasin & Partners on the tailings dam safety initiative, which won the Principle for Responsible Investment's Project of the Year award during 2020. LAPFF visited Brazil to establish what progress has been made on reparations for the tailings dam failures and to assess what measures are in place to prevent future failures.
- LAPFF has been engaging with US-based investors on the Investors for Opioid & Pharmaceutical Accountability (IOPA) engagement, and LAPFF is a member of the Workforce Disclosure Initiative (WDI) and the CCLA 'Find it, Fix it, Prevent it' engagement to eradicate modern slavery.

PRINCIPLE 11: Signatories, where necessary, escalate stewardship activities to influence issuers**Activity:**

The Fund sets out in its RI Policy how it expects its investment managers to take the appropriate action when operating on its behalf engaging in stewardship activities, this includes actions to escalate their approach when appropriate.

Outcome:

The Fund monitors its investment managers' engagement activities through regular

reports and discussions and expects its investment managers to take the appropriate action when operating on its behalf engaging in stewardship activities, this includes actions to escalate their approach when appropriate. Examples include:

- LAPFF had tried repeatedly to meet with the Boeing board to discuss the company's approach to dealing with the 737 MAX disasters. The two jet crashes in Indonesia and Ethiopia, along with increasingly worrying findings of additional safety concerns with the aircraft, raised concerns about a range of risks for passengers, the company, and investors. The LAPFF Chair met with investor relations representatives to discuss the 737 MAX but felt a discussion with a board member about the company's strategic approach to dealing with the MAX disaster would be in order. However, the company refused to allow access to the board for such a discussion. Therefore, the Forum issued a voting alert to convey its concerns about the situation to its members and to recommend action to the company through voting. Further escalation measures are being discussed and considered in this case.
- Robeco, Border to Coast's voting and engagement provider, had been engaging with Alphabet Inc. about the various social issues that had surfaced showing that artificial intelligence's (AI's) ethical development and deployment couldn't be guaranteed unless concerns were appropriately addressed. As a leading technology company, Alphabet Inc. is exposed to financially material risks from its development and use of AI. Following persistent efforts to enter a constructive dialogue with the company, engagement remained challenging. In escalation, Robeco co-led the filing of a shareholder proposal at Alphabet's AGM asking for a human rights risk oversight committee to be established, comprised of independent directors with relevant experience. Some 16% of shareholders voted in favour of the resolution, which was a substantial part of the non-controlling shareholder votes. In response, Alphabet announced an update of its Audit Committee Charter, which now includes the review of major risk exposures around sustainability and civil and human rights. This is in line with the request to formalise board oversight and is a first step towards getting this in place on specific sustainability-related issues, such as human rights.
- When researching a particular proposed bond issuance from Wirecard, LGIM's proprietary ESG research tool raised red flags about the German fintech company's governance. The underlying logic for this particular issue gave rise to further worries because Wirecard planned to use the proceeds to repay some bank loans, suggesting that lenders wanted this exposure off their balance sheets. Wirecard's response to the accounting allegations was unsatisfactory, and in some respects even more concerning than the allegations themselves. As a result of LGIM's robust research and investment stewardship, none of LGIM's active bond funds invested in Wirecard. At Wirecard's 2019 AGM, LGIM voted against the discharge of all individual members of the management and supervisory boards, in a rare and significant step as part of their vote escalation policy. The company filed for insolvency on 25 June 2020 after admitting that €1.9 billion cash on its balance sheet did not exist. Its former CEO Markus Braun was arrested on suspicion of false accounting and market manipulation. Whilst the Fund does not hold bonds with LGIM, this provided reassurance on their ESG research tool and escalation process, which are used across the equity fund that we do hold.

PRINCIPLE 12: Signatories actively exercise their rights and responsibilities

Activity:

Exercising rights and responsibilities is fundamental to improving investment outcomes. Rights exist primarily through shareholdings but can be derived through other means. When making an investment, the associated rights and responsibilities are clearly understood by the Fund and its investment managers from the outset.

As an indirect asset owner the Fund requires external managers to make best use of these rights so that its responsibilities are fulfilled to the greatest effect. As mentioned in previous principles, external managers are required to report on how they have actively exercised their rights and responsibilities.

The Border to Coast voting policy is reviewed each year in light of developing corporate governance standards and evolving best practice. This review is led by Border to Coast with the eleven partner funds being heavily involved. The policy is also reviewed by Robeco, using the International Corporate Governance Network Global Principles, the UK Stewardship Code and the UN Principles for Responsible Investment as benchmarks.

As the Fund has aligned its policy to that of Border to Coast, the approaches are identical.

The Fund's [Corporate Governance and Voting Guidelines](#) sets out how it expects managers to approach supporting or opposing company management, depending upon the circumstances.

Voting records where votes are cast against management, and additional wider voting activity provided by Border to Coast on the Fund's investments, is included in the quarterly RI Update Report to the Committee.

Outcome:

A number of changes were made to the Corporate Governance and Voting policy as a result of the review in 2020. They include:

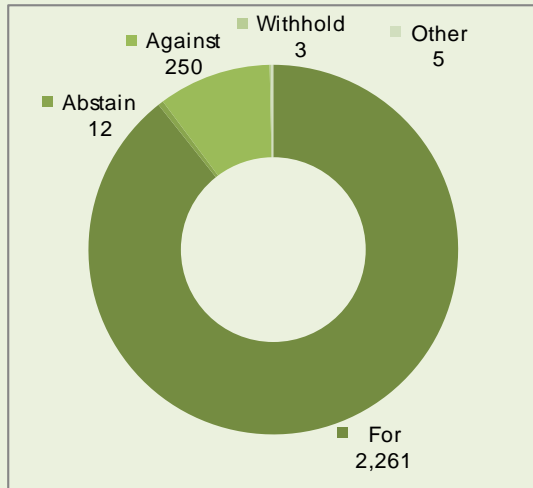
- voting against the Chair if the company is a high carbon emitter and the Transition Pathway Initiative score is zero or one;
- expanding the types of shareholder proposals that could be supported; and
- voting against all political donations.

Details of all the changes are available in the November 2020 [meeting papers](#) of the Joint Committee.

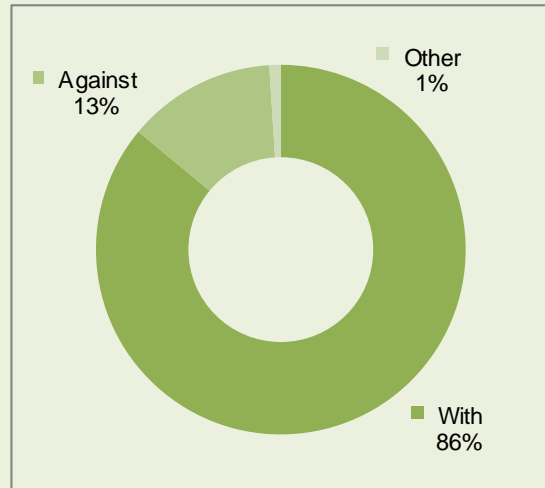
Examples of some manager's voting records for 2020/21 are shown below:

Votes cast for Border to Coast's Global Equity Alpha Fund (177 meetings)

Votes Cast

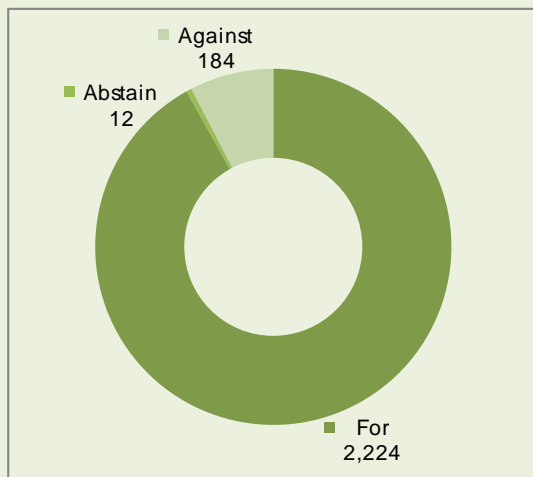


With or Against Management

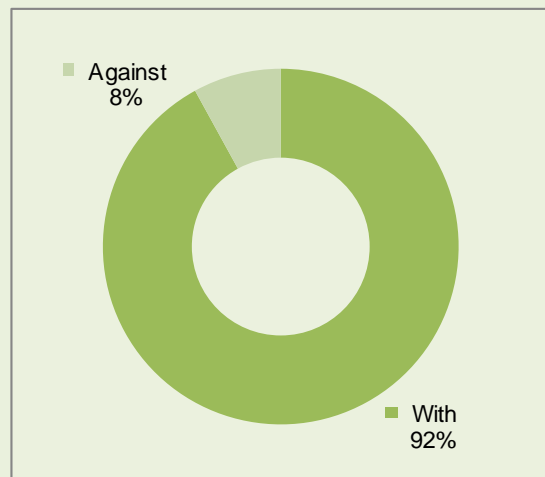


Votes cast for Border to Coast's UK Listed Equity Fund (149 meetings)

Votes Cast



With or Against Management



Appendix A – Action Plan

Principle:	Action:	Target Date
PRINCIPLE 1: Purpose, investment beliefs, strategy & culture enable stewardship that creates long-term value for employers & beneficiaries leading to sustainable benefits for the economy, the environment and society	Annual policy reviews – revisit Investment Beliefs and RI Beliefs to ensure they still reflect current views of the Committee.	February 2022
	Following elections in May 2021, undertake training with new Committee members to ensure beliefs and culture are understood and embedded.	July 2021
	Consideration of stewardship implications in Investment Strategy Review.	September 2021
PRINCIPLE 2: Signatories' governance, resources and incentives support stewardship	Continue quarterly report and enhance where opportunities arise.	On-going
	Provide more training to the Committee to better understand current issues and to clarify the Fund's strategy – e.g. net zero.	On-going
	Undertake a structure review of the internal team to provide additional resource for stewardship monitoring.	By March 2022
PRINCIPLE 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first	Annual review of policy.	March 2022
	Provide any new members with training on conflicts as part of their induction training.	As required
PRINCIPLE 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	Continue working with Border to Coast and LAPFF.	On-going
	To identify any opportunities for further collaborative work with other organisations.	On-going
	The Fund will further develop its risk assessment of the impact of Climate Change on its investments and plans to undertake an assessment with its investment managers of the impact of Climate Change on its investments	On-going

Principle:	Action:	Target Date
PRINCIPLE 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities	To sign up to an advisory agreement with Border to Coast to assist in monitoring the stewardship activity of LGIM.	June 2021
	To include stewardship within the overall external governance review of the Fund.	Awaiting Good Governance Review Outcome
PRINCIPLE 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	Include more information on stewardship in the Member Newsletter and request direct feedback.	October 2021
	Employer meeting will provide an update on stewardship.	March 2022
PRINCIPLE 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities	The Fund plans to continue to work with Investment Managers to make improvements in asset classes that are less developed in this area, for example: Morgan Stanley on Alternatives.	On-going
	The Fund will continue to work with the managers identified as not signing up to the new Stewardship Code to understand and validate their reasons, and will monitor the progress of those that are planning to sign up.	On-going
PRINCIPLE 8: Signatories monitor and hold to account managers and/or service providers	To sign up to an advisory agreement with Border to Coast to assist in monitoring the stewardship activity of LGIM.	June 2021
	Increase information required from other managers (non-Border to Coast) to provide enhanced monitoring.	On-going

Principle:	Action:	Target Date
PRINCIPLE 9: Signatories engage with issuers to maintain or enhance the value of assets	Expand the quarterly RI Update report to include more examples of engagement to provide more information to the Committee and Board, to assist them to challenge activity undertaken on our behalf.	On-going
	Work with B2C and Morgan Stanley, the Fund's main alternatives manager, to expand the coverage of engagement across other asset classes.	On-going
PRINCIPLE 10: Signatories, where necessary, participate in collaborative engagement to influence issuers	Continue to work closely with B2C and LAPFF to ensure that any collaboration is effective.	On-going
PRINCIPLE 11: Signatories, where necessary, escalate stewardship activities to influence issuers	Clarify escalation expectations in the RI Policy.	January 2022
	Continue to challenge managers and request reporting of escalations, to ensure that they are fulfilling their responsibilities.	On-going
PRINCIPLE 12: Signatories actively exercise their rights and responsibilities	It is more challenging for assets other than equities. There has been very little opportunity to exert influence over company management or the managers of investments held directly by the Fund. The main barrier is lack of scale. However for assets managed by Border to Coast this is expected to become more of an opportunity as the range of asset classes and the value of investments managed by the company increases.	On-going

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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Pensions Administration Report

Summary:

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

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

Recommendation(s):

That the Board note the report.

Background

1.0 Performance and Benchmarking

- 1.1 WYPF uses workflow processes developed internally to organise their daily work with target dates and performance measures built into the system. The performance measures ensure tasks are prioritised on a daily basis, however Team Managers have the flexibility to re-schedule work should time pressure demand.
- 1.2 The table below shows the performance against key areas of work for the period 1 October 2021 to 31 December 2021.

KPI's for the period 01.10.21 to 31.12.21						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
AVC In-house (General)	30	20	30	85	100	1.3
Change of Address	217	10	205	85	94.47	1.77
Change of Bank Details	84	10	83	85	98.81	2.62
Death Grant Nomination Form Received	426	20	379	85	88.97	6.77
Death Grant to Set Up	37	5	35	85	94.59	2.57
Death In Retirement	136	5	118	85	86.76	3.93
Death In Service	7	5	7	85	100	4
Death on Deferred	18	5	16	85	88.89	2.67
Deferred Benefits Into Payment Actual	216	5	215	90	99.54	1
Deferred Benefits Into Payment Quote	227	35	215	85	94.71	12.97
Deferred Benefits Set Up on Leaving	539	20	391	85	72.54	23.87
Divorce Quote	41	20	37	85	90.24	11.73
Divorce Settlement Pension Sharing order Implemented	1	80	1	100	100	1
Enquiry	4	5	4	85	100	1.25
Estimates for Deferred Benefits into Payment	8	10	8	90	100	2.38
General Payroll Changes	85	10	84	85	98.82	1.13
Initial Letter Death in Service	7	5	7	85	100	1
Initial letter Death in Retirement	136	5	128	85	94.12	1.37
Initial letter Death on Deferred	18	5	18	85	100	2.42
Interfund Linking In Actual	52	35	34	85	65.38	29.25
Interfund Linking In Quote	93	35	40	85	43.01	45.18

WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
Interfund Out Actual	104	35	40	85	38.46	103.02
Interfund Out Quote	104	35	92	85	88.46	13.05
Monthly Posting	811	10	773	95	95.31	1.63
NI adjustment to Pension at State Pension Age	Next payroll	20	16	85	100	18.06
Payment of Spouses _Child Benefits	84	5	79	90	94.05	3.32
Pension Estimate	191	10	153	90	80.64	6.02
Phone Call Received	844	3	822	95	97.39	1
Refund Actual	140	10	138	95	98.57	1
Refund Quote	283	35	280	85	98.94	1.78
Retirement Actual	209	3	205	90	98.09	1
Spouse Potential	9	20	9	85	100	8.44
Transfer In Actual	18	35	16	85	88.89	13.5
Transfer In Quote	31	35	31	85	100	2.45
Transfer Out Payment	11	35	11	85	100	11.82
Transfer Out Quote	145	20	127	85	87.59	9.21
Update Member Details	719	20	719	100	100	1

Comment – The KPI for Deferred Benefits Set Up on Leaving was not met this quarter as this area of work was lower priority and other areas of work such as paying benefits on time was prioritised. The backlog is now being done in overtime and this is being reviewed by the Team Managers on a weekly basis.

Comment – The KPI's for the Interfund area of work has not been met this quarter due to the focus on other areas. A recruitment campaign to recruit additional Senior Pensions Officers is currently underway which will be followed by recruitment of Pensions Officers to address workload issues.

Comment - The KPI for Pension Estimate has not been met this quarter due to the high volume of pension estimate requests across all funds.

2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	23,953	25,726	683	25,514	2,581
Percentage of Membership	30.42	32.67	0.87	32.40	3.28
Change from Last Quarter	+787	+355	-31	+278	+81

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	292	1,687	1,704	2,120	2,688	2,916	3,415	3,888	3,127	1,740	309	67	23,953

2.3 Employer Activity - During 1 October 2021 to 31 December 2021

New Academies and Education Trusts	0
New Town and Parish Council	1
New Admission Bodies	0
Total of New Employer	1
Employers Exited	1
Total Numbers of employers	274

3.0 Member and Employer Contact

3.1 Over the quarter October to December we received **2** online customer responses.

Over the quarter October to December **161** Lincolnshire member's sample survey letters were sent out and **21 (13.1%)** returned:

Overall Customer Satisfaction Score:

October to December 2020	January to March 2021	April to June 2021	July to September 2021	October to December 2021
82.1%	86.8%	81.7%	96.9%	91.5%

Appendix A – Customer Surveys

3.2 Employer Training

Over the quarter 1 October 2021 to 31 December 2021 we held the following webcasts which were attended by employers across all four Funds that WYPF administer:

- Overview of the LGPS
- Managing absences in the LGPS
- Understanding pay protection in the LGPS
- Final pay 'the deep dive'
- Additional Pension Contributions (APC's)
- Understanding employer costs

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 by the Pension Fund Manager. Stage 2 appeals are considered by WYPF.

Stage 1 appeals against the fund

There are no appeals currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
03/08/2021	Appeal against the decision of who the recipients of a death grant should be.	Request acknowledged – 04/08/2021. IDRP report received from Member Services Manager – 09/08/2021. Details of case referred to Jo Ray as regards possible compensation for maladministration – 30/09/2021. Appeal turned down – 13/10/2021.	13/10/2021

Stage 1 appeals against scheme employers

One appeal is currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
02/12/2020	Appeal against being refused an ill health pension.	Referred to Serco as the scheme employer. 2nd medical review being arranged. Serco confirmed that this issue has now been concluded with the 2 nd medical opinion and a ill health pension has now been awarded – 22/11/2021.	22/11/2021
28/04/2021	Appeal against being refused an ill health pension.	Referred to Lincoln College as the scheme employer. Advised by Lincoln College, that after further liaison with the member and their Union Rep. that the appeal had been withdrawn.	Appeal withdrawn
07/06/2021	Appeal against being refused an ill health pension.	Referred to LCC as the scheme employer. 2 nd medical appeal being arranged. Last e-mail to LCC – 11/11/2021. LCC responded 24/12/2021 to say they are expecting a further medical report to be received soon.	

Stage 2 appeals

One appeal is currently outstanding.

Date application received	Reason for appeal	Current position/outcome	Date decision letter sent
07/06/2021	Appeal against transfer out being allowed to proceed.	IDRP acknowledged – 25/06/2021. Decision letter drafted – 21/09/2021.	04/10/2021
08/06/2021	Appeal against decision re ill health retirement.	No action taken until 29/09/2021. Wrote to scheme employer to obtain further personal information that is needed – 06/10/2021. Holding letter sent – 08/12/2021.	

4.2 Ombudsman

There are no appeals currently outstanding.

Date application received	Details of complaint	Current position/outcome	Date completed
03/10/2021	Request from TPO referred to scheme employer regarding ill health appeal.	LCC (as scheme employer) responded to confirm that they were now requesting a further medical opinion to deal with the appeal.	20/10/2021

5.0 Administration Update

5.1 Prudential

The Scheme Advisory Board (SAB) met on 13 December 2021 and the agenda included delegation from the Prudential. In response to concerns expressed by the Board on behalf of scheme stakeholders about the performance and level of communication, the delegation from the Prudential explained that migration to a new platform coupled with the disruption of normal working methods caused by the Covid emergency had resulted in a performance level below acceptable standards.

The Prudential also confirmed at the meeting that they had reported themselves to TPR after failing to meet its statutory deadlines.

The Board was assured that performance in key areas such as servicing updates and client customer support has improved and will continue to do so as new working methods and training of new staff unfolds. The Prudential agreed to work with the Secretariat to formulate a communication for scheme stakeholders.

TPR and the Financial Conduct Authority (FCA) have had meetings with the Prudential and a TPR spokesperson said “We are aware of the issue and understand the impact these problems can have. Providers of personal pensions, such as Prudential are principally regulated by the FCA. We have monitored the issues reported by Prudential savers and will continue to work with the FCA as appropriate”.

Lincolnshire pension Fund had 360 retirements in the period 1 October 2021 to 31 December 2021 and 8 members had AVCs for which we have received the payment from Prudential.

5.2 Employer Work

During this period WYPF worked on 2 new Academies/Prime location schools and 9 new admission bodies.

5.3 Staffing

Finance – there are currently 5 vacancies in Finance, 3 Senior Finance Officers and 2 Finance Officers. Recruitment for these posts is currently ongoing and the closing date for applications is 14/02/2022.

Service Centre – There are currently 10 vacancies in the Service Centre, 2 Senior Pensions Officer posts and 8 Pensions Officer posts. 4 of the Pensions Officer posts became vacant

when staff were promoted to Senior Pensions Officers. Recruitment for the Pensions Officer posts is currently at interview stage and the recruitment for the senior posts will commence shortly.

5.4 Audits undertaken by Bradford Councils Internal Audit:

a) **Scheme contributions**

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

The audit review has determined that most of the risks examined were found to be effectively managed. The control environment is largely as expected but would benefit from some enhancement to support the achievement of key business objectives.

Internal Audit made **2** recommendations for improvement which Managers are currently looking at implementing.

b) **Mitigation of pension scams**

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.

However, it is noted that there is room for further improvement and development as WYPF have not yet signed up to make the pledge to combat pension scams.

Consideration should be given as to whether this is something WYPF would pursue moving forwards and whether the merits of doing so outweigh any further resources required.

Internal Audit made **no** recommendations for improvement.

WYPF are currently working on signing up to the pledge and are looking at where we already meet the pledge and where improvements need to be made.

c) **New pensions and lump sums – death benefits**

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.

6.0 **Current Technical Issues**

See Appendix B

7.0 **Web Registrations**

The number of members registered for online member web are:

Status	July 21 to September 21	% of membership	October 21 to December 21	% of membership
Active	7,757	33.48%	8,072	33.70%
Deferred	5,774	22.76%	6,166	23.97%
Pensioner	5,205	20.40%	6,285	24.63%

Shared service Budget

8.1 Cost per member

The latest 2021/22 projected cost per member of £14.31 means a reduction of £0.81 against a budget of £15.12.

Lincolnshire LGPS	CLIENT NO	ADJ MEMBER No DEC 2021	2021/22 FORECAST PD09 DEC £000	COST PER MEMBER
Lincolnshire LGPS	8	77,975	£1,115,928	£14.31

9.0 Awards

WYPF has been shortlisted by **Pensions Age Awards 2022** under the following categories:

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

Winners will be announced at a ceremony in London on 23 February 2022.

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 Surveys
Appendix B	Current Technical Issues

Background Papers

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

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

Customer Survey Results - Lincolnshire Members (1st October to 31st December 2021)

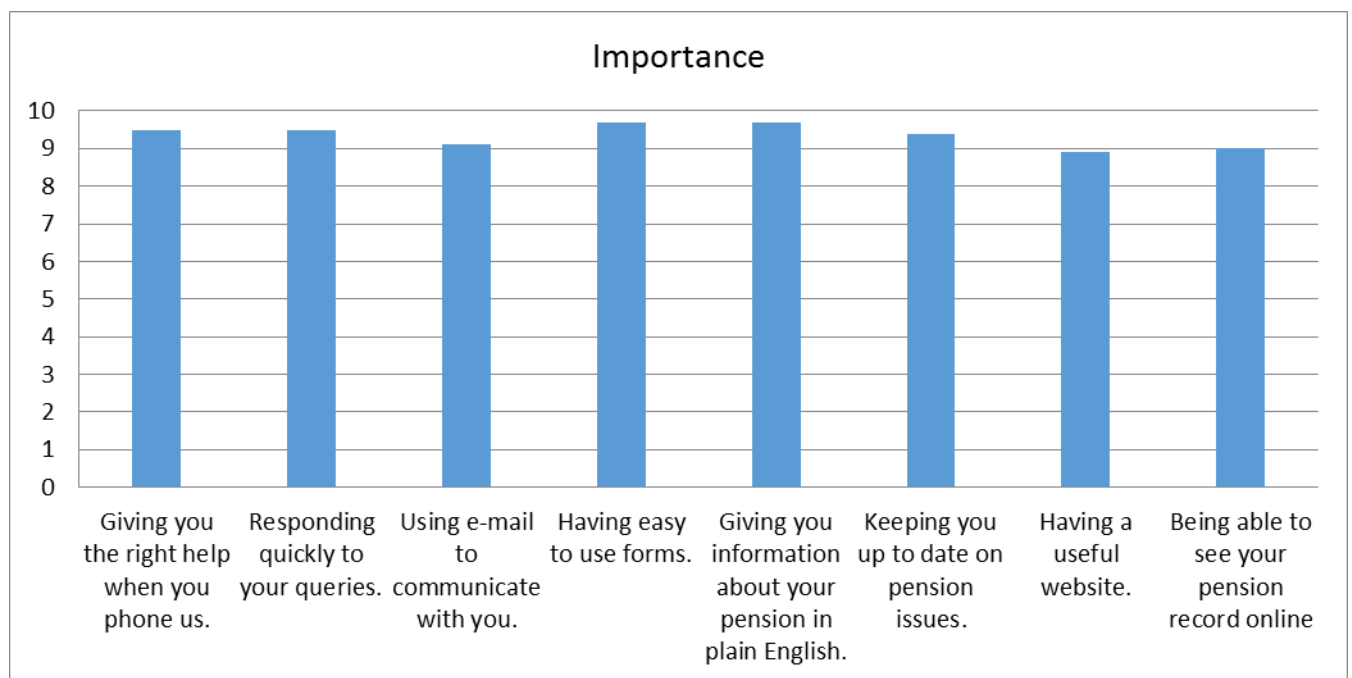
Over the quarter October to December we received **2** online customer responses.

Over the quarter October to December **161** Lincolnshire member's sample survey letters were sent out and **21 (13.1%)** returned:

Overall Customer Satisfaction Score;

October to December 2020	January to March 2021	April to June 2021	July to September 2021	October to December 2021
82.1%	86.8%	81.7%	96.9%	91.5%

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



Sample of positive comments:

Member Number	Comments
8135576	Professional and Friendly service. well run company, plain speakers and professionals, great speedy service.
8137928	Simple and effective service. Thank you for your prompt response for my pension transferring to you.
8118723	Well informed, helpful and very efficient. Everyone seems well informed, you are not passed from person to person. The service is excellent. Well done.
8111793	Quick, efficient and very helpful. An excellent service, where all telephone communication was kindly and professional.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
None		

Current Technical Issues

New Local Government Minister

Kemi Badenoch was appointed Minister of State at the Department for Levelling Up, Housing and Communities (DLUHC) on 16 September 2021. Kemi is the Minister responsible for the LGPS, replacing Luke Hall who left the role in September 2021 following a Government reshuffle.

SF3 data published

On 27 October 2021, DLUHC published Local government pension scheme statistics (SF3 statistics) for England and Wales: 2020 to 2021. Highlights include:

- total expenditure of £13.4 billion
- total income of £17.2 billion, an increase of 7.5 per cent on 2019/20
- employer contributions increased by 32.46 per cent on 2019/20 to £10.2 billion
- employee contributions of £2.4 billion
- the market value of LGPS funds in England and Wales on 31 March 2021 was £332.7 billion, an increase of 22.14 per cent
- there were 6.1 million scheme members on 31 March 2021, 2.0 million active members, 1.8 million pensioners and 2.2 million deferred members
- there were 82,567 retirements in 2020/21, a decrease of 6.4 per cent compared with 2019/20.

HMT publishes consultation response on the cost control mechanism

On 4 October 2021, HM Treasury (HMT) published its response to the Public Service Pensions: cost control mechanism consultation.

The Government's response confirms it will proceed with all three proposed reforms:

- moving to a reformed scheme only design so that the mechanism only considers past and future service in the reformed schemes. Costs related to legacy schemes are excluded
- the cost corridor will be widened from two per cent to three per cent of pensionable pay
- introducing an economic check so that a breach of the mechanism will only be implemented if it still would have occurred had the long-term economic assumptions been considered.

The Government is aiming to implement all three proposals in time for the 2020 valuations. It will work with the DLUHC and LGPS stakeholders to consider:

- the most appropriate way to implement the reformed scheme only design in the LGPS (including how to treat the underpin)
- whether it is desirable for the SAB process to be adapted in line with the principles of the economic check.

New webpage on how to avoid the Ombudsman

In October 2021, the Pensions Ombudsman (TPO) launched a new page on its website called 'How to avoid the Ombudsman'. It contains 'top tips', links to case studies, key determinations and new frequently asked questions.

TPO also published a guidance note on communicating with pension scheme members. The note sets out simple steps that can be taken to resolve pension disputes and complaints without the need for TPO to be involved.

Autumn budget 2021

On 27 October 2021 the Government announced its Autumn 2021 budget and spending review.

Of particular interest to the LGPS is the publication of the Government's response to the Call for Evidence on pensions tax relief administration.

The Government's response announces that it will introduce a system to make top up payments directly to low-earning members using the net pay arrangements. This will broadly equalise the outcomes for all low earning pension savers. Unfortunately, the top up payment will not be automatic, members will need to claim the top up payment directly from HMRC.

Top-up payments to members will commence in 2025/26 regarding the 2024/25 tax year. The response claims an estimated 1.2 million individuals could benefit by an average of £53 a year.

Draft regulations for pensions dashboards

Chris Curry, Principal of the PDP, announced in October 2021 that draft regulations on pensions dashboards are expected to be published before the end of 2021 or early in 2022. This follows on from the enactment earlier this year of the Pension Schemes Act 2021. The draft regulations will provide more information about the data standards, what data will have to be supplied and how pension providers will need to provide it.

Finance (No.2) Bill 2021/22

On 2 November 2021, HM Treasury (HMT) formally introduced the Finance (No.2) Bill 2021/22 to Parliament. The Bill includes a number of provisions that may affect the administration of the LGPS.

Clause 9: Changes to annual allowance scheme pays deadlines

This clause changes deadlines associated with mandatory scheme pays. The period within which some members must give notice of their election will be extended. The deadline for administrators to provide information about annual allowance tax charges will also change.

Clause 10: Increase in normal minimum pension age

This clause introduces an increase in the normal minimum pension age (NMPA) to age 57 from 6 April 2028. The clause includes significant changes from the proposed policy that was consulted on between February and April 2021.

- Members of uniformed services pension schemes will be exempt from the increase to the NMPA.
- Members of registered pension schemes who had a right to take their entitlement to a benefit under their scheme before age 57 before 4 November 2021 will have a protected pension age. A protected pension age will only affect the age at which an LGPS member can take their pension if the responsible authority makes changes to the scheme rules to implement the protected pension age. We do not yet know whether the responsible authorities plan to make such changes.
- Members will continue to benefit from a protected pension age after completing either an individual or block transfer. The Bill will introduce transitional measures for members who had already started the process to transfer to a scheme in which they would have a right to take their benefit before NMPA, providing the transfer process started before 4 November 2021.
- Members who join the LGPS from 4 November 2021 will not meet the entitlement condition.

It is important to note that this Bill is currently in draft form. However, administering authorities may wish to consider making changes to their processes now to reduce the likelihood that they will have to re-visit transfer cases in the future. Those changes include:

- Requesting additional information when a member who joined the LGPS on or after 4 November 2021 completes a transfer of pension rights from another scheme. Administering authorities should ask the transferring scheme whether the member met the entitlement condition in their scheme, specifically:
 - did the member have an actual or prospective right under the pension scheme to any benefit from an age less than 57 immediately before 4 November 2021?
 - did the rules of the pension scheme on 11 February 2021 include provisions conferring such a right on some or all members of the scheme? And
 - did the member have such a right on 11 February 2021, or would they have had such a right if they had been a member on that date?

The effect of the answer to this question will depend on what changes are made to the LGPS regulations.

- When a member who joined the LGPS before 4 November 2021 transfers out, informing the receiving scheme that the member met the entitlement condition in the LGPS.
- When a member who joined the LGPS on or after 4 November 2021 transfers out, informing the receiving scheme that the member did not meet the entitlement

condition in the LGPS. You may need to supply additional information if the member's LGPS benefits include a transfer in that has been 'ringfenced' – see below.

- 'Ringfencing' benefits that a member who met the entitlement condition in their previous scheme transfers into the LGPS, if the member first joined the LGPS on or after 4 November 2021. You may wish to engage with your software suppliers to discuss how this can be achieved.

Clause 11: Tax impacts resulting from the McCloud remedy

The clause provides HMT with the power to make regulations to address tax impacts that arise as a result of implementing the McCloud remedy. Provisions made under this section may be retrospective and may be different for different member types. The changes will have effect from 6 April 2022 or later.

Legal challenge: McCloud costs and cost control mechanism

Unions have launched a judicial review against the Treasury concerning including McCloud remedy costs in the cost control mechanism. The FBU, GMB and BMA argue that the cost of rectifying the discrimination should not be met by scheme members.

The provisional results of the 2016 cost control mechanism showed that all public service schemes were cheaper than expected. This would have led to a reduction in contributions or improvements in benefits from April 2019 had the cost control process not been paused.

Updates from PASA

Recent updates from the Pensions Administration Standards Association (PASA):

- The PASA GMP working group published a briefing note on GMP reconciliation data and transition to a new administration provider on 9 November 2021. The briefing note addresses how data related to GMP reconciliation should be treated if you change administrators.
- PASA launched their new Data Management Controls Guidance on 11 November 2021. The guide aims to provide practical support for administrators in developing their own data management controls to ensure data remains in good shape.
- PASA announced ITM as their new expert partner for pensions dashboards. ITM will assist PASA in ensuring the administration industry's challenges and voices are heard as pensions dashboards are being developed.

Section 13 report

On 16 December 2021, DLUHC published GAD's report on the 2019 fund valuations. The report is required by section 13 of the Public Service Pensions Act 2013.

The Government Actuary's Department (GAD) found the scheme's financial position had strengthened since its previous review in 2016, on the back of buoyant investment returns between 2016 and 2019. Also, LGPS funds have made progress against the 2016 review recommendations.

The main findings are:

- Compliance - fund valuations were compliant with relevant regulations.
- Consistency - funds implemented GAD's 2016 recommendation to provide a standard dashboard to aid readers when comparing of results for different funds. However, differences in methodology and assumptions do mean that a like for like comparison s not straightforward.
- Solvency - the size of pension funds has grown considerably more than local authority budgets since 2016, so there's an increased risk of strain on employers from any future funding changes.
- Long-term cost efficiency - where relevant, funds had generally acted on GAD's 2016 recommendations on operating plans to close any deficit funding gaps. GAD highlighted four funds they are concerned about the level or trajectory of employer contributions and the implications for taxpayers.

Next steps

GAD's recommendations for funds or the Scheme Advisory Board to consider during the local valuations in 2022 include:

- improve consistency in the approach to assessing emerging and existing key issues, such as recent legal judgements and setting employer contributions for new academies
- ensuring deficit recovery plans can be demonstrated to be a continuation of the previous plan
- continue with ongoing improvements on transparency through an expanded valuation dashboard
- review the governance around asset transfer arrangements from local authorities.

DWP launch second review of State Pension age

The review was launched on 14 December 2021. It will consider if the State Pension age (SPa) rules are still appropriate based on the latest life expectancy data and other evidence.

The Pensions Act 2014 requires Government to regularly review SPa and for the latest review to be published by 7 May 2023.

Two independent reports will be commissioned as part of the review:

- the Government Actuary will provide a report assessing the appropriateness of SPa considering the latest life expectancy projections
- Baroness Neville-Rolfe will provide a report on other relevant factors including recent trends in life expectancy and other metrics.

Evidence from across the UK will be considered in the review.

Pension scams: new restrictions on transfers

On 17 December 2021, Jayne Wiberg emailed administering authorities to let them know we published version 2.0 of the non-club transfers out technical guide, alongside template letters. These can be accessed on the Administrator guides and documents pages of www.lgpsregs.org.

The guide is updated to reflect the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021('the regulations'). See Bulletin 216 for more information.

The regulations do not replace existing due diligence processes, which we recommend should be in line with the Pension Scams Industry Group's 'Combating Pension Scams: Code of Best Practice'. The regulations build on this.

The regulations apply to the payment of cash equivalent transfers for:

- deferred members who request a statement of entitlement on or after 30 November 2021 (main scheme benefits only)
- AVC members who elect for payment of a transfer on or after 30 November 2021
- pension credit members who elect for payment of a transfer on or after 30 November 2021 (main scheme and / or AVCs).

The regulations do not apply to the payment of cash transfer sums i.e. deferred refunds, nor to pensions on divorce transfers.

Although, the guide does not cover qualifying recognised overseas pension schemes (QROPS) or AVC transfers, the new regulations apply in a similar way to these as they apply to other transfers. The main differences are:

- for transfers to QROPS, members need to demonstrate a residency link to the country in which the QROPS is based, or, where the QROPS is an occupational pension scheme, either the residency link or employment link
- for AVC transfers, you must let the member know about the new regulations within one month of receiving the election to transfer.

We will be setting out more details about how the new regulations apply to QROPS and AVC transfers in due course.

To support administering authorities in applying the new regulations, we have revised our existing acknowledgement letter and created three new template letters, that you can also use for transfers to QROPS and transfers of AVCs.

Information to be provided to member upon initial enquiry (version 2.0)

The new regulations require administering authorities to notify deferred members applying for statements of entitlement on or after 30 November 2021, that the transfer can only proceed if there are no red flags present or the transfer is to a public service scheme, master trust or collective money purchase scheme. Administering authorities must notify the

member within one month of the application. We have updated this letter to include this information.

Information to be provided on payment request of AVCs or pension credits (version 1.0)

The new regulations require administering authorities to notify members who elect to transfer their pension credit benefits or AVCs on or after 30 November 2021, that the transfer can only proceed if there are no red flags present or the transfer is to a public service scheme, master trust or collective money purchase scheme. Administering authorities must notify the member within one month of the election. This letter sets out this information.

Information to be provided on transfer payment (version 1.0)

Once administering authorities have decided about whether the transfer can proceed taking into account the new regulations, they must notify the member. If administering authorities decide that the transfer can proceed, they must notify the member by no later than the date they write to the member confirming that they have paid the transfer. This letter provides this confirmation.

Refusal to transfer (version 1.0)

If administering authorities decide that there are red flags present so they must stop the transfer and notify the member within seven working days of their decision. This letter sets out what you need to tell the member if you decide to stop the transfer.

Action for administering authorities WYPF will review the guide and correspondence to ensure that our transfer out process is in line with the new regulations.

Pensions dashboards – A to Z industry guide

On 16 December 2021, the Pensions and Lifetime Savings Association published an A to Z industry guide containing decisions that are required to make the initial pensions dashboards a success. The guide looks at seven key areas covering:

- testing and managing savers' understanding
- integrated service provider technical connections with the digital architecture and dashboards
- GDPR compliance
- clarity on the liability regime
- the definition of view data to be returned
- clarity on the timeline
- regulation of data provision.

The guide is intended to help the people engaged with preparing for pensions dashboards, better understand the key issues to be assessed and resolved.

Action for administering authorities WYPF will review the guide and start preparing for pension dashboards.

Pensions dashboards – commercial dashboard providers

On 15 December 2021, the Pensions Dashboard Programme (PDP) announced that it has selected three potential dashboard providers to take part in initial development of the dashboards ecosystem: Aviva, Bud and Moneyhub.

In addition to the Money and Pensions Service's non-commercial dashboard, PDP will work with these companies to support the early work on design standards and technology.

Pensions dashboards – data matching guidance

On 7 December 2021, the Pensions Administration Standards Association (PASA) published initial guidance on the choice of data matching convention, schemes must make ahead of their compliance with the upcoming pensions dashboards legislation.

The guidance details how every pension scheme must choose how they wish to compare 'find requests' from dashboard users against the member records they hold. Choice of matching will depend on the accuracy of the personal data held by administering authorities, across all of their deferred and active member records.

The initial guidance does not completely resolve the matching challenges. Questions about liability and maybe matches remain outstanding. Though this is an important step in helping administering authorities prepare for dashboards.

Action for administering authorities WYPF will review the accuracy of the personal data values held for all active and deferred members, in due course.



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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Employer Monthly Submissions Update

Summary:

This paper provides the Board with up-to-date information on Employer Monthly Submissions for the third quarter of the financial year 2021/22 (October to December inclusive).

Recommendation(s):

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

Background

- 1.1 There are just under 275 employers within the Lincolnshire Pension Fund. All employers have a statutory responsibility, as set out within the Pensions Act 1995, to ensure that they pay over contributions due to the Fund on a timely basis. The date these are due is set out in the Fund's Administration Strategy, which all employers have signed up to, and has been set as the 19th of the month following their payroll. The Fund considers an employer a 'late payer' if either the cash and/or the data is received after this date.
- 1.2 The Fund has in place robust processes for monitoring the receipt of payments and data from employers. Within the Pensions Team, the Finance Technician is responsible for monitoring employer contributions monthly. Additional checks on the detailed data submissions and employer rates are undertaken by the West Yorkshire Finance Team. The pensions system itself also identifies errors, queries, or where further information is required from the employer (e.g. additional leavers' information).
- 1.3 After any late payment (including data submission) an email is sent to the employer reminding them of their responsibilities. In addition to emailing employers, both the Lincolnshire and West Yorkshire Pension Fund teams are in regular contact with employers and their payroll providers to prompt payments/data submissions and clarify any queries. Much work has been put into building a good relationship with employers and payroll providers, to assist in understanding the monthly process they need to complete and the data they are required to supply.

- 1.4 A summary of all late contributions or data submissions since April 2021 is set out in table one below. Appendix A sets out the employers who were late, and details when the outstanding payment or information was received.

Table One: Late contributions and data submissions to December 2021

Month	Payment of Contributions		Submission of Data		Payment of Contributions and Submission of Data		Data and Payments do not Match / Incorrect Rate	
April	1	0.4%	4	1.5%	0	0.0%	2	0.7%
May	4	1.5%	5	1.9%	0	0.0%	0	0.0%
June	3	1.1%	4	1.5%	1	0.4%	2	0.7%
July	2	0.7%	2	0.7%	1	0.4%	6	2.2%
August	2	0.7%	5	1.8%	0	0.0%	3	1.1%
September	3	1.1%	1	0.4%	2	0.7%	3	1.1%
October	0	0.0%	6	2.2%	0	0.0%	1	0.4%
November	0	0.0%	2	0.7%	1	0.4%	4	1.5%
December	0	0.0%	2	0.7%	0	0.0%	5	1.8%
Total	15		31		5		26	

- 1.5 The analysis shows the number of employers making a late payment of contributions or missing both payment of contributions and data is a relatively small percentage of the overall number of employers. A higher number of employers submitted their data returns late or submitted data that did not match the payment received. The third quarter of 2021/22 has seen good compliance from all employers, particularly with regards to payments. Across the three months only one payment was recorded as late, this was in November, and the employer also failed to submit data by the deadline. There seems to be no trend of any specific employers missing deadlines with regards to data submissions.
- 1.6 None of the breaches individually have been material and therefore have not been reported to the Pensions Regulator; however, they have been included en masse in the breaches register.
- 1.7 If any employer makes contribution payments or submits data late in three out of six months on a rolling basis, they will receive a fine, unless they are able to offer extenuating circumstances. Fines are currently set at a minimum of £136. Table two sets out the number of fines issued since April 2021. There were no fines issued in quarter 3.

Table Two: Late contributions fines to December 2021

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

Conclusion

- 2.1 This report provides quarterly monitoring information on the timeliness and accuracy of employer submissions to help the Board understand if there are any issues arising from late payments or data submissions and any further actions which are required to address employers not meeting their statutory responsibilities.
- 2.2 Employer submissions have increased in prominence as the number of employers within the scheme has increased. The Fund has responded to this by having a dedicated resource to monitor employer submissions and working closely with West Yorkshire and employers to reduce the numbers of late payers.

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Employers' late payments and/or data contributions - Quarter 3 2021/22 (October to December inclusive)

Background Papers

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

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

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Late Contributions and Payments October – December 2021

October 2021

Employer	Late Cash Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
MANOR LEAS INFANT ACADEMY	NO		YES	22/11/2021	NO		NO
HILLCREST EARLY YEARS ACADEMY	NO		YES	24/11/2021	NO		NO
BRANSTON JUNIOR ACADEMY	NO		YES	24/11/2021	NO		NO
BISHOP GROSSETESTE COLLEGE	NO		YES	17/12/2021	NO		NO
EASY CLEAN (BASTON PRIMARY)	NO		YES	27/11/2021	NO		NO
EASY CLEAN (LINCHFIELD)	NO		YES	27/11/2021	NO		NO
LINCOLNSHIRE POLICE CHIEF CONSTABLE	NO		NO		NO		YES
Total = 0		Total = 6		Total = 0		Total = 1	

November 2021

Employer	Late Cash Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
BRANSTON JUNIOR ACADEMY	NO		YES	05/01/2022			
THE GAINSBOROUGH ACADEMY	NO		YES	21/12/2021			
SKEGNESS TOWN COUNCIL	NO		NO		YES	21/12/2021	
PINCHBECK PARISH COUNCIL	NO		NO				YES
ST. LAWRENCE, HORNCastle	NO		NO				YES
ST. BERNARDS ACADEMY, LOUTH	NO		NO				YES
THOMAS COWLEY DONINGTON	NO		NO				YES
Total = 0		Total = 2		Total = 1		Total = 4	

December 2021

Employer	Late Cash Contributions	Date received	Late Data Submissions	Date received	Payment of Contributions & Submission of Data	Date received	Payment and Data Don't Match
GREENFIELDS ACADEMY	NO		YES	21/01/2022			
SANDON ACADEMY	NO		YES	21/01/2022			
ACTIVE LINCOLNSHIRE	NO		NO				YES
MANOR LEAS INFANT ACADEMY, LINCOLN	NO		NO				YES
SOUTH KESTIVEN DISTRICT COUNCIL	NO		NO				YES
ST BERNARDS ACADEMY, LOUTH	NO		NO				YES
ST LAWRENCE ACADEMY, HORNCastle	NO		NO				YES
Total = 0			Total = 2		Total = 0		Total = 5



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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Temporary Bank Accounts

Summary:

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

Yunus Gajra, Assistant Director (Finance, Administration and Governance) from WYPF, will update the Board.

Recommendation(s):

That the Board note the report.

Background

1.0 Background

- 1.1 For a number of years, WYPF have set up a number of temporary bank accounts with HSBC for deferred or pensioner beneficiaries who are entitled to a pension scheme benefit but for whom we have lost contact with or who will not claim their benefits.
- 1.2 Under the current scheme rules members who are entitled to a refund are required to claim the refund within 5 years of leaving. WYPF has a number of members who have not claimed the refund within the 5-year period. As a result, temporary deposit accounts have been set up for these members. Late claims will then be released from the account and paid to the claimant.
- 1.3 The payment into a temporary bank account means that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.
- 1.4 The Pensions Board have asked for information on the number of temporary accounts held and the amount of money held in these accounts.

STG1 - Pensioner/Beneficiary**Currently Opened**

No. of Deposit with Credit	
Balances	48
Total Credits	£47,847.82

Opened Accounts

2021/22	3
2020/21	17
2019/20	27
2018/19	34
2017/18	66
2016/17	11
2015/16	4

Closed Accounts

2021/22	4
2020/21	15
2019/20	42
2018/19	22
2017/18	27
2016/17	4
2015/16	0

STG2 - Post 14 Refunds**Currently Opened**

No. of Deposit with Credit	
Balances	378
Total Credits	£51,371.37

Opened Accounts

2021/22	160
2020/21	169
2019/20	131

Closed Accounts

2021/22	20
2020/21	48
2019/20	14

2.0 Lost Contact Pensioners/Deferreds

- 2.1 The number of temporary deposit accounts held for this category of members has decreased to 48 from 49 which was reported at the last Pensions Board.

Total number: 48

Current amount held in accounts: £47,847.82

This is a reduction on the number of accounts previously held as some beneficiaries have been traced.

3.0 Post 2014 Preserved Refunds

- 3.1 The number of temporary deposit accounts held for this category of members has increased to 378 from 274:

Total number: 378

Current amount held in accounts: £51,371.37

This is an increase from the amount previously held of £34,483.48

- 3.2 This is an increase of 104 reported at the last Pensions Board, as expected as more and more members come up to their five-year deadline. However, the National Technical Group has contacted the Scheme Advisory Board to request a change in the LGPS Regulations 2013 to remove the requirement for a refund to be paid within five years. A response is still awaited.
- 3.3 A detailed breakdown of the number of accounts opened and closed is shown at Appendix A.

4.0 Members not claiming benefits

- 4.1 A number of temporary bank accounts relate to members not claiming their benefits for reasons unknown. This could be because any pension may impact on DWP benefits they may be claiming, the pension is too small or they do not believe the pension is genuine.
- 4.2 If persistent attempts to contact the beneficiary fails then a personal visit usually resolves the issue and the count is closed and balances are paid to the beneficiary. However, personal visits are currently on hold due to the pandemic.

5.0 Tracing

- 5.1 At least on an annual basis WYPF review the bank accounts and carry out further traces to see if the member can be located. This can be through the National Fraud Initiative, using a tracing agency or other means such as death notifications, member contacting us etc.
- 5.2 On-line tracing agencies used include Experian, Locta and Trace IQ. Where pensions are a reasonable amount (the cost is deductible from the benefits payable) then individual tracing agents are used.

6.1 Conclusion

- 6.1 Payments into a temporary bank account are made when all tracing options are exhausted and means that the Fund has discharged its liability and the member is not faced with an unauthorised tax charge if they were to claim their benefits late.
- 6.2 The accounts are regularly monitored and closed where members are located or confirmation received that they have died.

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Deposit Account Summary

Background Papers

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

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

		STG1 - Pensioners			STG1 - Pensioners		
	Date Opened	Closed Date	Cumulative Total		Date Opened	Closed Date	Cumulative Total

1	26/05/20	Open	404.60
2	07/06/18	Open	417.04
3	04/12/20	Open	4,016.24
4	17/03/21	Open	373.54
5	23/05/16	Open	1,142.36
6	27/11/20	Open	4,726.56
7	30/06/21	Open	277.48
8	30/06/21	Open	315.97
9	23/11/18	Open	2,338.82
10	26/11/18	Open	787.62
11	28/03/19	Open	3,497.57
12	23/07/20	Open	593.91
13	02/07/20	Open	82.37
14	16/09/19	Open	539.88
15	09/01/18	Open	33.96
16	09/01/18	Open	25.42
17	14/02/19	Open	31.85
18	06/02/20	Open	9,782.82
19	06/02/20	Open	2,266.77
20	10/02/20	Open	115.18
21	06/02/20	Open	141.55
22	06/02/20	Open	678.04
23	26/06/19	Open	341.07
24	19/06/20	Open	1,723.74
25	04/12/20	Open	1,298.68
26	19/06/20	Open	102.46
27	19/06/20	Open	86.19
28	05/06/20	Open	111.81
29	09/08/19	Open	190.06
30	09/08/19	Open	145.56
31	26/11/15	Open	904.48
32	19/06/20	Open	156.12
33	09/05/17	Open	161.33
34	22/01/20	Open	212.15
35	27/02/18	Open	135.37
36	16/09/20	Open	19.65

37	14/11/17	Open	69.99
38	29/08/19	Open	70.38
39	07/06/17	Open	63.53
40	06/09/19	Open	1,702.32
41	10/02/20	Open	5.88
42	23/09/19	Open	2,767.52
43	28/03/19	Open	449.47
44	15/07/19	Open	2,131.42
45	16/09/20	Open	413.17
46	02/11/16	Open	688.84
47	22/10/20	Open	460.55
48	10/02/20	Open	846.53

£47,847.82

Appendix A

STG1 - Pensioner/Beneficiary - Closed											
1	15/12/17	09/01/18	0.00	46	02/08/18	30/04/19	0.00	91	07/06/17	09/08/17	0.00
2	24/12/15	02/11/18	0.00	47	09/01/18	12/11/19	0.00	92	15/03/18	29/11/18	0.00
3	08/06/17	03/07/17	0.00	48	09/01/18	28/10/19	0.00	93	16/01/18	06/05/21	0.00
4	08/06/17	28/07/17	0.00	49	20/12/17	09/09/19	0.00	94	07/06/17	28/07/17	0.00
5	07/09/18	02/11/18	0.00	50	23/02/18	27/10/21	0.00	95	08/06/17	16/06/17	0.00
6	07/09/18	09/09/19	0.00	51	07/06/17	11/12/17	0.00	96	26/05/17	17/09/17	0.00
7	02/08/18	12/09/18	0.00	52	10/01/17	05/03/18	0.00	97	08/06/17	18/05/18	0.00
8	11/12/17	25/10/19	0.00	53	06/02/20	06/02/20	0.00	98	08/06/17	29/01/18	0.00
9	15/11/16	24/06/20	0.00	54	14/02/20	14/02/20	0.00	99	08/06/17	11/04/18	0.00
10	17/10/19	09/12/19	0.00	55	07/06/17	05/09/19	0.00	100	21/07/17	03/06/19	0.00
11	08/06/17	24/11/17	0.00	56	10/02/20	04/05/21	0.00	101	10/05/18	16/04/20	0.00
12	28/07/17	31/07/17	0.00	57	02/08/18	31/08/18	0.00	102	12/02/19	14/02/19	0.00
13	23/01/19	25/04/19	0.00	58	06/06/17	12/02/21	0.00	103	10/11/21	10/12/21	0.00
14	10/01/18	22/11/18	0.00	59	06/06/17	12/02/21	0.00	104	08/06/17	15/05/18	0.00
15	09/05/16	25/05/16	0.00	60	06/06/17	12/02/21	0.00	105	16/01/18	13/02/18	0.00
16	09/03/16	24/08/16	0.00	61	06/06/17	12/02/21	0.00	106	05/07/19	09/09/19	0.00
17	20/12/17	25/07/18	0.00	62	06/06/17	12/02/21	0.00	107	28/03/17	05/09/19	0.00
18	02/01/19	14/08/19	0.00	63	06/06/17	12/02/21	0.00	108	04/04/17	05/09/19	0.00
19	23/02/18	10/05/18	0.00	64	06/06/17	12/02/21	0.00	109	07/06/17	07/11/17	0.00
20	13/03/19	09/09/19	0.00	65	06/06/17	12/02/21	0.00	110	07/06/17	07/11/17	0.00
21	22/12/16	09/08/17	0.00	66	30/01/20	15/12/20	0.00	111	13/12/17	25/11/19	0.00
22	09/11/17	27/02/18	0.00	67	30/01/20	18/01/21	0.00	112	31/08/18	23/01/20	0.00
23	08/01/16	12/07/16	0.00	68	08/06/17	05/09/17	0.00	113	06/09/17	09/09/19	0.00
24	16/01/18	13/11/18	0.00	69	08/06/17	25/10/17	0.00	114	10/05/18	30/01/20	0.00
25	08/06/17	04/08/17	0.00	70	06/06/17	12/02/21	0.00	115	10/05/18	30/01/20	0.00
26	12/04/19	29/10/19	0.00	71	08/06/17	24/10/17	0.00				
27	02/08/18	07/02/19	0.00	72	07/06/17	13/12/17	0.00				
28	15/11/17	26/11/18	0.00	73	24/10/17	01/02/18	0.00				
29	08/06/17	25/10/19	0.00	74	01/05/19	14/10/19	0.00				
30	24/10/17	29/01/18	0.00	75	02/08/18	24/09/18	0.00				
31	02/08/18	23/01/19	0.00	76	02/08/18	30/05/19	0.00				
32	23/01/19	26/02/19	0.00	77	10/06/20	12/01/21	0.00				
33	02/08/18	08/10/19	0.00	78	15/04/19	29/04/19	0.00				
34	23/11/18	09/09/19	0.00	79	13/04/16	06/03/17	0.00				
35	15/01/19	12/11/19	0.00	80	23/07/20	12/02/21	0.00				
36	15/01/19	28/10/19	0.00	81	10/05/17	28/07/17	0.00				
37	09/11/17	07/02/20	0.00	82	18/07/18	25/09/18	0.00				
38	06/01/17	09/09/19	0.00	83	08/11/18	08/10/19	0.00				
39	06/01/17	11/12/19	0.00	84	10/05/18	18/02/19	0.00				
40	09/01/18	06/12/19	0.00	85	30/05/18	23/12/19	0.00				
41	23/02/18	22/05/18	0.00	86	18/04/19	09/03/20	0.00				
42	15/12/17	25/10/19	0.00	87	08/11/18	08/10/19	0.00				
43	13/04/16	09/09/19	0.00	88	08/11/18	08/10/19	0.00				
44	14/02/19	05/08/19	0.00	89	07/06/17	28/09/17	0.00				
45	16/01/18	14/03/18	0.00	90	23/05/17	25/09/18	0.00				



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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	The McCloud Ruling – Effects on the Local Government Pension Scheme

Summary:

In July 2020 the government released a long awaited consultation for applying a remedy to address the age discrimination inherent in the transitional protections that were adopted by the public service pension schemes from 2014.

The remedy is anticipated to be passed into law by April 2022 and is expected to be effective retrospectively to 1 April 2014. This report details work undertaken to date in anticipation of the regulations being made.

Recommendation(s):

That the Board note the report and presentation.

Background

- 1.1 In April 2014 a series of changes were made to the LGPS to reform the scheme's benefits structure. These changes were implemented as part of a wider project across Government to reform public service pensions, and put them on a more sustainable, affordable and fairer footing for the longer term.
- 1.2 In the LGPS these changes included:
 - Moving benefits from a final salary to a career average basis, and
 - Linking members normal pension age with their State Pension age (SPA).
- 1.3 Transitional protections for members nearing retirement were implemented to ensure older workers would not be any worse off as a result of the reforms.
- 1.4 In the McCloud and Sergeant court cases the Court of Appeal found these transition protections directly discriminated against younger members. As a result, the Ministry of Housing, Communities and Local Government (MHCLG), known now a Department for Levelling Up, Housing and Communities (DLUHC), have consulted on amendments to the

statutory underpin, to reflect the Courts findings, by extending the underpin to younger members.

2.0 DLUHC Consultation

- 2.1 DLUHC undertook a 12-week public consultation on proposals amending the LGPS to remove the unlawful age discrimination that arose from the protections associated with the introduction of the 2014 scheme reforms which were successfully challenged in the McCloud case.
- 2.3 The anticipated changes present a significant challenge to administering authorities and to employers, not least of which will be a data collection exercise to enable the final salary underpin to be calculated.
- 2.4 Benefits accruing from 1 April 2022 will be career average for all members. The new underpin will require 2008 scheme pay to be recorded for some members for the next 40 years or more.

3.0 WYPF Actions

- 3.1 The final regulations have not yet been made, however a Project Group was set up to prepare for the work involved with the McCloud exercise. This is now well underway as preparation is made to begin the next phase of the project, which is implementation.
- 3.2 In the LGPS, the Government is proposing to provide eligible younger members with a protection equal to the protection provided to older members when the scheme was changed in 2014. To enable us to do this we have been collecting extra data (hours worked and service breaks) from employers for all eligible members for the last 18 months. This data is needed from the date the LGPS changed on 1 April 2014 up to 31 March 2022 (or earlier if the member left active membership of the scheme or reached their 2008 Scheme Normal Pension Age before that date).
- 3.3 The proposal is to change the regulations retrospectively from 1 April 2014, and will mean members records and benefits already awarded to eligible members will need to be revisited. This will include members already protected who have left active membership, or reached their 2008 scheme Normal Pension Age (NPA), age 65, and 2014 scheme Normal Retirement Age (NRA), which is SPA, unprotected members who have retired, left with deferred benefits, died, transferred out, or trivially commuted their benefits. Transfers in from public sector schemes will also need to be recalculated.
- 3.4 Initial indications suggest we will require additional data for approximately 14,000 Lincolnshire Pension Fund members. Once we have received all the data, it is anticipated that over 6,000 member benefits, which have already been awarded, will have to be checked against the new underpin requirements.

Lincolnshire Pension Fund Membership	Number of Scheme Members (approx.)
Active scheme members	7,369

Deferred scheme members	2,841
Deaths	155
Pensioner scheme members	3,106
Pensioner Deferred scheme members	2
Transfers Out	220
Leaver Options Pending (awaiting leaver forms)	111
Total non-active records requiring underpin check	6,435

- 3.5 WYPF has been contacting employers over the last 18 months to share a data capture template to provide new or updated scheme member information. The template has been based on the DLUHC template and was developed by our software provider.
- 3.6 Communication with employers will continue past the 1 April 2022 and throughout the implementation period, with regular updates being placed on the WYPF and LCC websites for employers.

Conclusion

The McCloud Remedy will become a statutory obligation of the LGPS.

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 Matt Mott, who can be contacted on 07815 476877 or matt.mott@wypf.org.uk..

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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Lincolnshire Pension Fund Policies Review

Summary:

This report brings to the Board any changes to the main policies of the Pension Fund for consideration.

Recommendation(s):

That the Board consider the report.

Background

1. Under the various Local Government Pension Scheme Regulations, the Pensions Committee, as the Administering Authority of the Lincolnshire Pension Scheme, is required to produce and maintain a number of key policy documents. Policies are brought to the Board annually where there have been changes, and the last comprehensive review of all policies was March 2021. All policies will be reviewed at least every 5 years, to ensure they are still fit for purpose. This report presents any amendments to the policies for them to be considered by the Board.

Policies for Approval

2. The key policies to be reviewed are set out as Annexes to this report. There have been limited changes to the policies, but any significant changes will be brought to the Board's attention and explained during the meeting.

Appendix A – Investment Strategy Statement

3. The Investment Strategy Statement (ISS) sets out the Fund's approach to the investment of the Fund's assets, in accordance with the guidance issued by the Secretary of State.
4. There is one area that has been updated:
 - The strategic asset allocation benchmarks as SONIA replaced LIBOR for benchmarking cash.

5. There are two areas that will be updated once approval has been received and before the amended ISS is published:
- The Investment and Responsible Investment Beliefs will be amended to reflect the changes following the discussion at the training session on 17 February and taken to the Pensions Committee on 17 March at paper 10 for approval; and
 - The updated Stewardship Code Statement will be added once approval has been received from the FRC, which was not available at the time of writing this report. This is on the agenda within the Responsible Update Report at agenda item 5.

Appendix B – Communications Policy

6. The Communications Policy sets out how the Fund intends to communicate with members, prospective members and employers, including the format, frequency and method of distributing any information or publicity. The Lincolnshire Pension Fund works with West Yorkshire Pension Fund to deliver the administration service to the scheme members and employers.
7. Updates are:
- Amendments to number of employers and scheme members; and
 - Amendments to the range of communication formats and events offered.

8. Appendix C – Pensions Administration Strategy

The Pensions Administration Strategy sets out how the shared administration service will communicate and liaise with employers, what the responsibilities are of the administration service, the administering authority and the employers.

This policy is aligned to the shared service policy created in consultation with all shared service partners, but with some additional elements relating specifically to LPF.

9. The amendments to make it specific to LPF are:
- In the purpose at 1.1;
 - In the Early retirement costs at 5.6; and
 - In the Internal Dispute Resolution procedure at 6.5.
10. The other key policies of the Lincolnshire Fund have not had any changes at this time. They can all be found on the shared website at:
<https://www.wypf.org.uk/publications/policy-home/lpf-index/>.
A brief description of these policies is set out in the paragraphs below.

Governance Policy and Compliance Statement

11. The Governance Policy sets out the arrangements for the management of the Pension Fund, and the Compliance Statement sets out the extent to which this policy complies with best practice, on a comply or explain basis.

12. Within the compliance statement, the areas where the Fund is only partially compliant are detailed below:

- Principle A – Structure – (b) – the Committee does not include representatives for pensioner or deferred members.
- Principle B – Representation – (a) - the Committee does not include representatives for pensioner or deferred members.
- Principle E – Training/Facility Time/Expenses – (c) – the Committee has an annual training plan at Committee level, but not for individual members.
- Principle H – Scope – (a) – The Committee does not have an independent observer for administration and governance issues.

Breaches Reporting Procedure

13. The Pension Regulator's Code of Practice requires all LGPS Funds to have a published procedure as to how breaches of the code will be dealt with and reported. The procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoiding placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

Pension Fund Code of Conduct and Conflicts of Interest

14. The Pension Regulator's Code of Practice requires all LGPS Funds to have a published procedure as to how breaches of the code will be dealt with and reported. The procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lincolnshire Pension Fund. It aims to ensure individuals responsible can meet their legal obligations, avoiding placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

Funding Strategy Statement

15. The FSS sets out the Fund's approach to managing its solvency and is generally updated every three years, in line with the Triennial Valuation. It is the framework that guides the Fund Actuary and informs the employers. This will be updated as part of the 2022 Valuation process and will be brought to the Board in March 2023.

Stewardship Code Statement

16. This is brought to the Board within the Responsible Update Report at agenda item 5.

Conclusion

17. The key policies of the Fund are reviewed regularly and brought to the Board for consideration at least every five years, and more frequently where changes are made.

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	Investment Strategy Statement 2022
Appendix B	Communication Policy 2022
Appendix C	LPF Pensions Administration Strategy 2022

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.

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 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 Head of Pensions.

The ISS, which was last approved by the Committee on 18 March 2021, 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 18 March 2021, 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.

TO BE UPDATED ONCE NEW/AMENDED BELIEFS APPROVED

Belief 1:

The Fund should take no more investment risk than is necessary to have a reasonable chance of achieving its objectives, and only where the Committee believes it will be rewarded over the longer term.

It is recognised that investment risk is needed in the Fund to generate the required returns, however this needs to be considered on an on-going basis to ensure it is appropriate (i.e. not too high or too low) given the Fund's objectives

Belief 2:

Funding and investment strategy are linked; as the funding position improves, the level of investment risk should be reduced.

As the Fund moves closer to full funding (i.e. 100% assets to meet liabilities on an appropriately prudent assumption of investment return) then it is expected that the level of risk will be adjusted accordingly.

Belief 3:

Investing in illiquid assets provides opportunities for enhancing returns, and investing in alternative asset classes helps to diversify the Fund structure.

The Committee accepts that by "locking away" funds for longer periods of time, the Fund should expect to be compensated for the lack of liquidity in the form of higher expected returns. However it is understood that this is not suitable for all the assets in the Fund. The Fund's investments should be diversified by combining assets with different risk, return and liquidity characteristics, whilst maintaining realistic expectations about the potential for sources of return to become correlated under market stress. The Committee believes an appropriate portion of the Fund should be invested in non-core asset classes, i.e. alternative assets, to provide diversification and reduce overall volatility of returns.

Belief 4:

Passive and active management both have roles to play in the Fund's structure; passive to deliver low cost asset class exposure and active to add potential value, understanding that active managers' success should be measured over a reasonable timeframe.

The Committee believes that active managers can add a return premium over investment markets, over the longer term, but accept that this has a cost. Therefore this is balanced with allocations to passive management to produce market returns at a very low cost.

Belief 5:

Environmental, social and governance (ESG) issues are important to the long term success of the Fund.

The Committee believes that it should act as a responsible owner across all of its investments and that ESG issues and considerations have a financial impact on the long term performance of the Fund. The Fund works with managers and other organisations to understand the potential impact of the risks and opportunities relating to ESG matters.

Belief 6:

Although fees and costs matter, it is the expected return net of all fees and costs that should be the Committee's focus, however transparency and understanding of costs is important.

The cost of accessing different asset classes and different management styles must be understood to ensure that the Fund is obtaining value for money, however the expected net return is the most important consideration when assessing investment opportunities and monitoring investment performance. The Fund expects its managers to have signed up to the Cost Transparency Code, and it also participates in fee benchmarking to assess the fees being paid relative to other pension schemes.

Investment of money in a wide variety of investments

It is the Pensions Committee's policy to invest the assets of the Lincolnshire Pension Fund to spread the risk by ensuring a reasonable balance between different categories of investments. The Pensions Committee takes a long term approach to investment and invests in asset classes and individual investments that are expected to generate an attractive risk-adjusted return for the Pension Fund.

The Fund may invest in a wide range of investments including quoted and unquoted assets in Equities, Fixed Income, Property and Alternatives, either directly or through pooled investments. The Fund may also make use of derivatives, either directly or in pooled investments, for the purpose of efficient portfolio management or to hedge specific risks.

The Fund's approved strategic asset allocation is set out below. The table also includes the ranges within which the asset allocation may vary without reference to the Pensions Committee, and the maximum percentage of total Fund value that can be invested in these asset classes. The asset allocation is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments, whilst taking account of market risk and the nature of the Fund's liabilities. The current allocation may differ in the interim as assets are transferred to the sub funds within Border to Coast.

Asset class	Strategic allocation	Range	Maximum
Equity Assets	55%	+/- 7%	62%
UK equities	15%	+/- 2%	17%
Global equities	40%	+/- 5%	45%
Diversifying Growth Assets	31.5%	+/- 4.5%	36%
Diversified Alternatives (incl. infrastructure and multi asset credit)	21%	+/- 3%	24%
Property	10.5%	+/- 1.5%	12%
Protection Assets	13.5%	+/- 2%	15.5%
Fixed Income	12.5%	+/- 1.5%	14%
Cash	1%	+/- 0.5%	1.5%

The Regulations do not permit more than 5% of the Fund's value to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e). The investment policy of the Fund does not permit any employer-related investment, other than is necessary to meet the regulatory requirements with regards to pooling.

The Pensions Committee believes that the Fund's portfolio is adequately diversified, and has taken professional advice to this effect from their investment consultant and independent advisor.

The strategic asset allocation includes ranges for each asset class within which the asset allocation can vary. In the event that any asset class range is breached, the Pensions Committee will be informed and the Fund's officers will endeavour to bring the asset allocation back within the range within an appropriate period of time.

The Pensions Committee regularly reviews the suitability of the asset allocation, following advice from the officers, investment consultant and independent advisor.

It is intended that the Fund's investment strategy will be reviewed at least every three years, alongside 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	SONIA +0.1193% +4%
Property	
Property Venture	7% Per Annum
Property Unit Trusts	UK IPD Monthly Index
Infrastructure	6% Per Annum
Multi Asset Credit	SONIA +3.5%
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	SONIA -10bp (three month average)

The suitability of particular investments and types of investments

The actuarial valuation, undertaken by Hymans Robertson 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.	<p>Analysis of market performance and investment managers' performance relative to their index benchmark on a quarterly basis.</p> <p>Investment Mangers present to the Committee on an annual basis.</p>
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.

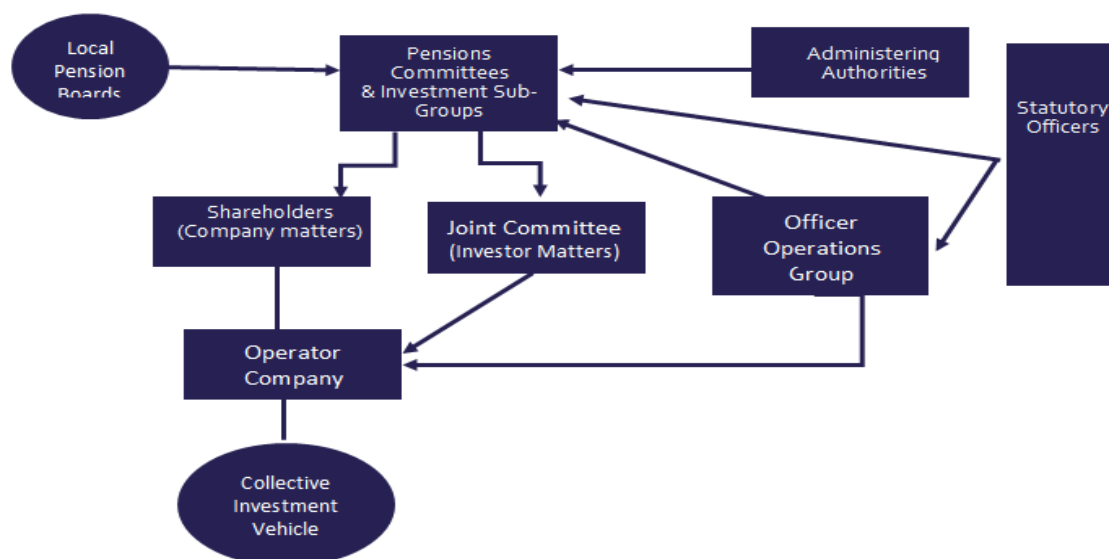
Investment Pooling

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**TO BE AMENDED FOLLOWING APPROVAL OF UPDATED BELIEFS**

These beliefs form the foundation of discussions, and assist decisions, regarding the structure of the Fund and the strategic asset allocation. In addition, they are used to ensure that new members on the Pensions Committee understand previous investment decisions taken.

Belief 1:

Companies with a responsible ESG policy are expected to outperform companies without an ESG policy, over the longer term.

The Committee believes that companies that have well developed ESG policies will generally provide better long term performance than those companies that have not considered ESG factors in their business.

Belief 2:

The Committee considers that company engagement, rather than disinvestment, would be the better approach to fulfilling their responsible investment objectives. However, should a company not respond to engagement, disinvestment would be a consideration. Disinvestment on a whole sector basis is not within the Committee's beliefs.

Disinvestment is a blunt tool that is not believed to provide the best outcomes over the medium to long term. The Fund will, through its managers and other organisations, engage with companies to bring change, but will consider company disinvestment if engagement fails.

Belief 3:

Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes.

The Committee believes that climate change risk and the transition to a low carbon economy should be factored into asset allocation decisions and also investment decisions by managers to reduce the long term financial risk, but also to take advantage of the opportunities that may be available.

Belief 4:

The Committee should focus on meeting its financial obligations to pay benefits to members. Financial considerations should therefore carry more weight than non-financial considerations.

The main objective of the Pension Fund is to ensure that it is able to pay benefits to its members as and when they fall due. Therefore financial considerations will be at the forefront of any investment or asset allocation decisions.

Belief 5:

The Fund's active investment managers should embed the consideration of ESG factors into their investment process and decision making.

The Committee believes that the consideration of ESG factors when making investment decisions should not be an add-on but should be embedded into the whole investment selection process. Any active managers appointed by the Fund will be expected to evidence this.

Belief 6:

The Fund should collaborate with other investors if it could have a positive impact, and also engage with them and investment managers to better understand ESG risks.

The Committee believes that the Fund has a stronger voice when working with others, be it Border to Coast Pensions Partnership, Local Authority Pension Fund Forum (LAPFF) or any other organisations. The Fund will work with them and the investment managers to ensure that it understands the ESG risks and how best to address them.

It is considered that the Pensions Committee represents the views of the Fund membership and, in addition, the views of the Local Pension Board are taken into account as part of their review of this document.

The exercise of rights attaching to investments (including voting rights)

The Fund has published its Responsible Investment Policy and Voting Guidelines on the shared website at www.wypf.org.uk.

Lincolnshire Pension Fund is fully committed to responsible investment (RI) to improve the long term value for shareholders. The Fund believes that well governed companies produce better and more sustainable returns than poorly governed companies. The Fund also believes that asset owners, either directly (where resources allow) or through their external managers and membership of collaborative shareholder engagement groups (such as LAPFF), should influence the Board/Directors of underperforming companies to improve the management and financial performance of those companies.

As global investors, the Fund expects the principles of good stewardship to apply globally, whilst recognising the need for local market considerations in its application. The Fund is in the process of preparing its statement for the 2020 UK Stewardship code. This will be included within the ISS once it has been completed and approved by the Committee and the Financial Reporting Council.

TO BE INCLUDED ONCE APPROVED BY FRC

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

COMMUNICATION POLICY

Lincolnshire County Council, as administering authority for the Local Government Pension Scheme, is required by statute to publish a communications policy statement. The Lincolnshire Pension Fund (LPF) communicates with over 270 employers and around 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 Department for Levelling Up, Housing and Communities. 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 active members and prospective members)			
	Newsletter	2/3 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual Pension Statement	1 per year	E-mail and mail if members opted out of electronic communications
	Website - www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print and web
	Member fact sheets	Constant	Web
	Introduction to LPF	On employer request	Virtual or in person
	Presentation – Your pension explained	On employer request	Virtual or in person
	Presentation – Pre-retirement	On employer request	Virtual or in person
	Pension surgeries/drop in's	On employer request	Virtual
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Scheme booklet	Constant	Web
	New member pack	On joining	Mail
	Social media (WYPF)	Constant	Web
	YouTube channel (WYPF)	Constant	Web
LGPS deferred members (including representatives of deferred members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications

Deferred Benefit Statement	1 per year	Email
Website - www.wypf.org.uk	Constant	Web
WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
Social media (WYPF)	Constant	Web
YouTube channel (WYPF)	Constant	Web

LGPS pensioner members (including representatives of retired members)

Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
Website - www.wypf.org.uk	Constant	Web
WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
Pension advice slip	As and when net pension changes by £5.00 or more	Web unless opted out of electronic communications
P60	1 per year	Web unless opted out of electronic communications
Social media (WYPF)	Constant	Web
YouTube channel (WYPF)	Constant	Web

Communications events - Employers

Communication	Format	Frequency	Method of distribution
Employer Pension Fund Representatives		8.30 to 4.30 Monday to Friday	Virtual / face-to-face / email / phone
Website – www.wypf.org.uk		Constant	Web
Fact card		1 per year	Web
Fact sheets		Constant	Web
Employer guide		Constant	Web/electronic document
Ad hoc training		When required	Face-to-face/virtual
Update sessions		Up to 2 per year	Meeting
Annual meeting		1 per year	Hybrid Meeting
Manuals/toolkits		Constant	Web/electronic document
Pension Matters and round-up		12 per year and when required	Wordpress blog and gov. delivery bulk email

Social media (WYPF)	Constant	Web
Ad hoc meetings	When required	Face-to-face
Workshops	Weekly	Virtual plus on demand recordings

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Pension Administration Strategy

Contents

1. Regulatory framework and purpose
2. Review of the strategy
3. Liaison and communication
4. Employer duties and responsibilities
5. Payments and charges
6. Administering authority duties and responsibilities
7. Unsatisfactory performance
8. Appendices
 - a. Authorised contacts form
 - b. Schedule of charges
 - c. Charging levels

Regulatory framework and purpose

1. The regulations

This strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations (LGPS) 2013.

The shared service, managed by West Yorkshire Pension Fund has produced a joint Pensions Administration Strategy document in line with these regulations covering the service for Lincolnshire Pension Fund (LPF), West Yorkshire Pension Fund (WYPF), Hounslow Pension Fund (HPF) and Barnett Pension Fund (BPF). As required, employers have been consulted on the strategy, and a copy has been sent to the secretary of state.

1.1. Purpose

This LPF strategy is based on the shared service strategy but has been made specific to LPF. 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 the shared service partners 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.

Where there is a conflict between the shared administration strategy and the 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 IDRs
- 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. Overall responsibility for pension administration remains with the employer regardless of the services they outsource and proactive contract management of third-party providers is expected.

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	Virtual meetings/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	Virtual meetings
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	Virtual meeting/face-to-face
Employer webcasts	1 per week	Virtual meeting

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
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	100% 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 Web form		Notified by the employer via monthly return, the administrator will process the	90% compliance or better

	Monthly returns (exception reports)	data within two weeks following monthly data submission, 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	100% 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 'notifiable events' as set out in 4.1.2 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

Employers are 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 must 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

Employers 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 however they 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

Employers 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. Awards of additional pension

Where an employer awards a member an additional pension all augmentation costs must be paid in full in one payment.

5.6. Early retirement costs

Employers should pay the full amount of the cost of any early retirements.

LPF employers must pay this within the payment term stated on the invoice. If employers have concerns about their ability to pay in that timeframe, they should contact the Head of Pensions at their earliest opportunity. Interest may be charged where early retirement costs are not paid in a timely manner, at a rate agreed with the Fund Actuary.

5.7. 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.

5.8. 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.

5.9. 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. Any pass through or pooled arrangements are considered at each valuation.

5.10 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
- 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 LPF.

An adjudicator will be nominated 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. For LPF, the decision maker in these stage one appeals is the Head of Pensions.

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 users

Main contact registration form



Main contact registration form

Employer name and location code
Employer address

Important: please read the guidance note on **Managing your 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)
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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 19 th of month (weekends and bank holidays on the last working day before 19 th)	Due by 19 th of the 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 19 th of the month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19 th of the 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 19 th of the month (weekends and bank holidays on the last working day before 19 th).	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).
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: <ul style="list-style-type: none"> 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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Open Report on behalf of Andrew Crookham, Executive Director - Resources

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Lincolnshire Pension Fund – Business Plan 2022/23

Summary:

This paper brings the Lincolnshire Pension Fund Business Plan 2022/23 to the Board for consideration.

Recommendation(s):

That the Board note the Lincolnshire Pension Fund Business Plan 2022/23.

Background

1. This paper brings the Lincolnshire Pension Fund Business Plan covering the financial year 2022/2023 to the Board for consideration. The Business Plan is attached at Appendix A and the areas it covers are set out below.
 - 1.1 Introduction – a brief background to the Pension Fund and its management.
 - 1.2 Objectives – the overarching objectives of the Fund across the headings of governance, investments and funding, and administration and communication.
 - 1.3 Pension Fund Statistics – the funding position and cashflow of the Fund.
 - 1.4 Resources and Budget – the organisational structure of the Pensions Team and the budget for managing the Fund, covering administration costs, investment management expenses and oversight and governance costs.
 - 1.5 Key Tasks 2022/23 – the key tasks for the Pensions Team in the coming year, linked to the Fund's objectives, with a review of the tasks set in the Business Plan last year.
 - 1.6 Key Risks – the key risks that the Fund recognises across the themes of governance, investments and funding, and administration and communication, with the actions in place to mitigate or reduce the risks.
 - 1.7 Forward Plan 2022/23- the Committee and Board meetings and expected papers.

Conclusion

2. The Pension Fund's Business Plan for the year 2022/23 has been produced and is presented to the Board for consideration.

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Business Plan 2022/23

Background Papers

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

This report was written by Jo Ray, who can be contacted on 01522 553656 or jo.ray@lincolnshire.gov.uk.



Lincolnshire Pension Fund Business Plan 2022/23



INTRODUCTION

Lincolnshire County Council is the Administering Authority of the Lincolnshire Local Government Pension Scheme (LGPS).

Management of the Pension Fund is delegated to the Pensions Committee acting in the role of 'trustees' of the Pension Fund. The day to day running of the Fund has been delegated to the Executive Director of Resources and the Head of Pensions.

The Pensions Team has responsibility for all aspects of the Fund including governance, investments and accounting, and the oversight of the administration service that is managed in a shared service with West Yorkshire Pension Fund (WYPF).

The Business Plan is an important document which sets out the aims and objectives of the fund over the coming year, its core work and how the objectives will be achieved.

A report on the management of key risks is also included as part of the Business Plan.

OBJECTIVES

The Fund's overarching objectives are:

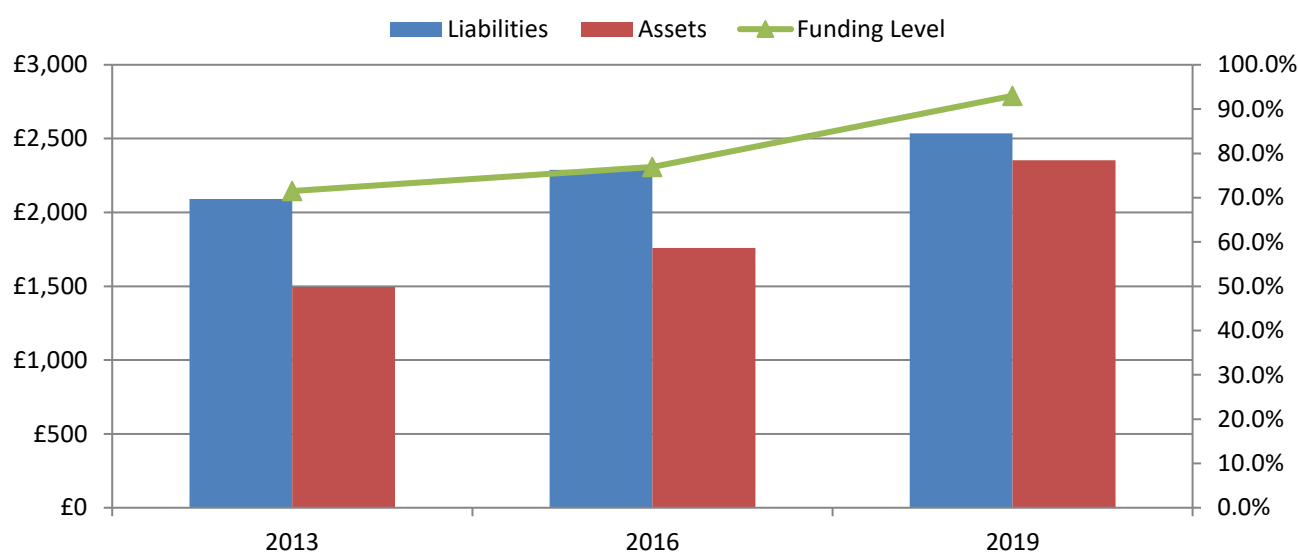
- **Governance:** To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise;
- **Investments and Funding:** To maximise returns from investments within reasonable risk parameters and with clear investment decisions based on a prudent long term funding priorities, given the preference to keep employer contribution rates reasonably stable where appropriate; and
- **Administration and Communications:** In partnership with WYPF, to deliver an effective and efficient Pensions Administration service to all stakeholders, to ensure that the Fund receives all income due and payments are made to the right people at the right time, and to provide clear, appropriate and timely communication and support to all stakeholders;

PENSION FUND STATISTICS

The Lincolnshire Pension Fund was valued at £3,085.0 million as at the 31 December 2021.

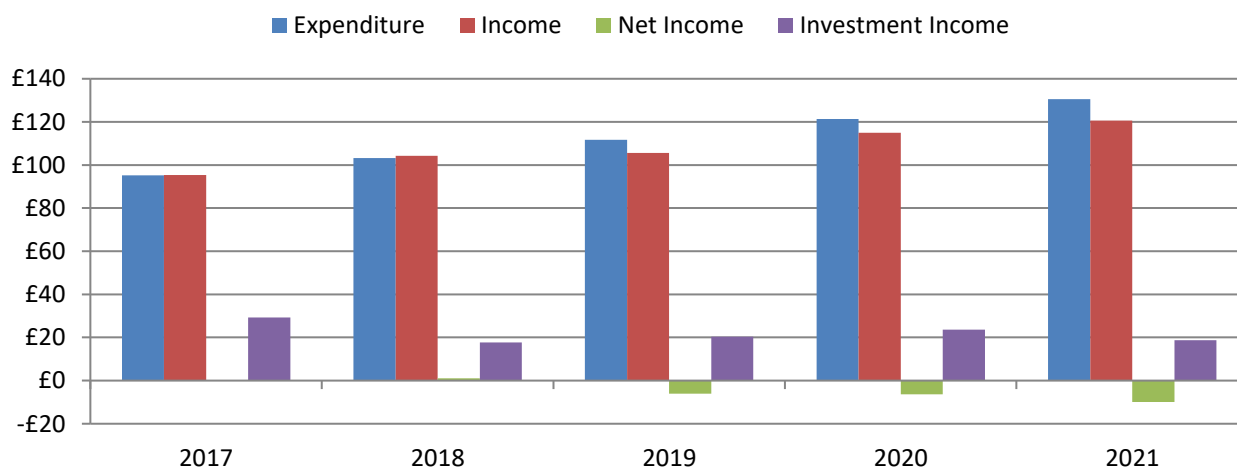
Actuarial valuations are carried out every three years, with the latest being as at 31 March 2019. The valuation provides a value for the liabilities and assets of the Fund and for each employer, to determine the overall funding level and to calculate individual employer contribution rates. The chart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

Progression of funding position:



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

Cashflow:

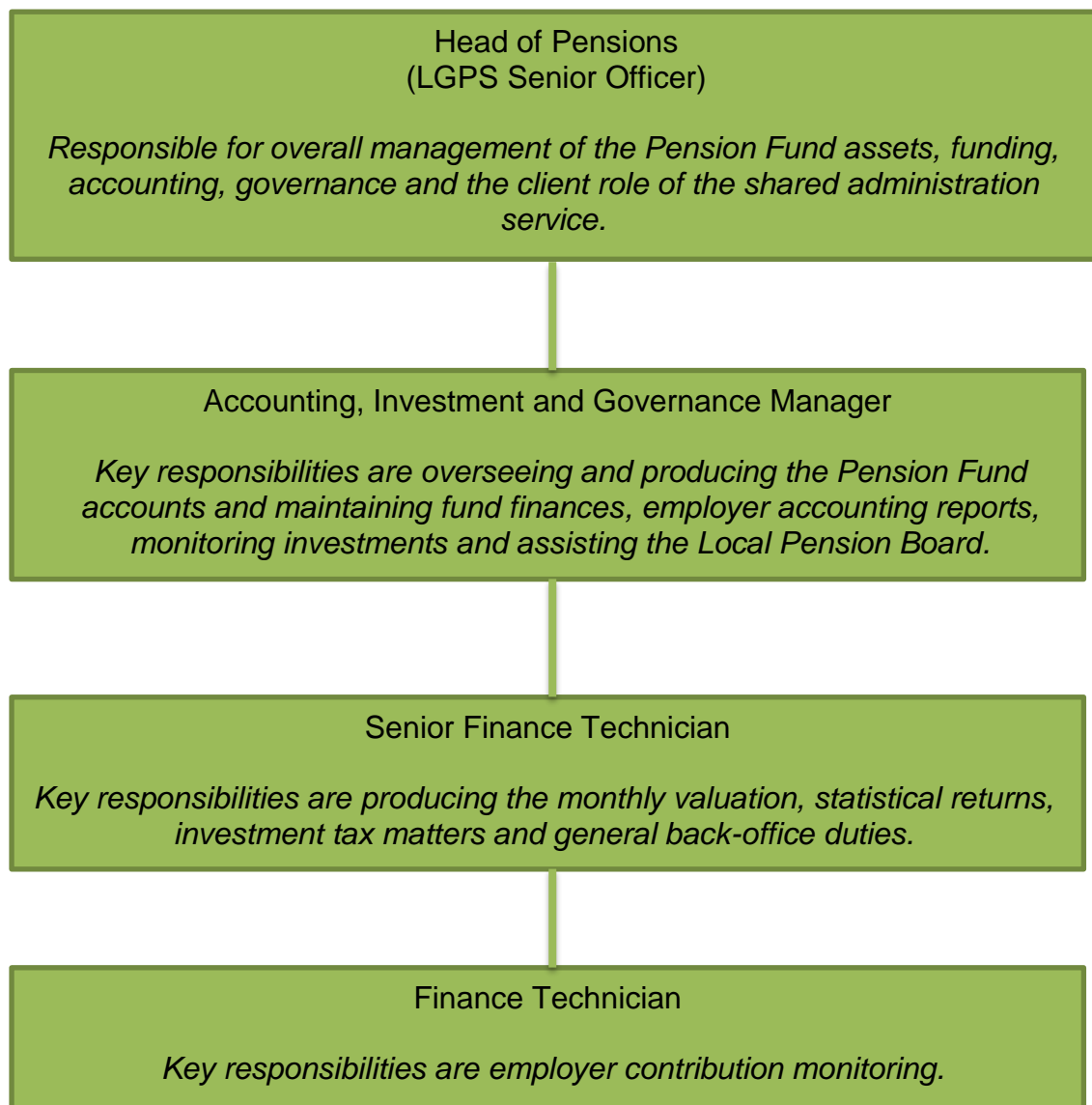


Axis - Left hand side - £m

NB: Expenditure includes all costs of managing the Fund

RESOURCES AND BUDGET

The organisational structure of the Pension Fund team is illustrated below:



The Fund also accesses other services within the Council, such as the expertise of the Treasury Manager who manages the cash the Fund holds, and Legal Services who provide advice, in addition to external providers such as the independent investment adviser, the actuary, the investment consultant, the external Investment Managers and any other specialist external advisers as required.

As mentioned previously, the administration function is provided by West Yorkshire Pension Fund in a shared service arrangement, with office space provided alongside the Pensions Team in Lincoln.

The estimated costs of operating the Lincolnshire Pension Fund for 2022/23 are shown below. They are split between Administration Costs, Investment Management Expenses and Oversight and Governance Costs.

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

	Budget 2022/23 £'000
<u>Administration Costs</u>	
- Charge from Shared Services Administrator	1,287
- Other	1
<u>Investment Management Expenses</u>	
- Management Fees	9,500
- Performance Related Fees	1,500
- Other Fees *	1,000
<u>Oversight and Governance Costs</u>	
- Contracted Services	450
- Recharge of Actuarial Services	-160
- Recharge from Administering Authority	258
- Border to Coast Governance Costs	315
- Other Costs	30
	14,181

* Other Fees include Custody Fees and Transaction Costs.

The staffing and structure review undertaken in 2021/22 identified a requirement for a new position in the team, which was approved by the Executive Director of Resources. The successful appointment to this new post will have budget implications on the recharge from the administering authority.

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

KEY TASKS 2022/23

The plan below highlights the key tasks of the Pension Scheme, linked to the objectives of the Fund. Much of the work will cross more than one objective stream.

Subject	Context	2021/22 Review	2022/23 Actions	Objective stream
Pensions Committee and Board meetings	The responsibility for the Pension Fund is delegated to the Pensions Committee, with the Pension Board providing an oversight role on the administration and governance of the Fund.	All Pension Committee and Board meetings held as expected.	Ensure all papers are prepared and presented in a clear and concise manner. Ensure that all relevant matters are reported to the Committee and /or Board. Induction and training for any new Committee members following the election or new Board members following the end of current terms of office.	Governance Investments and Funding Administration and Communications
Asset Pooling with Border to Coast	Border to Coast Pensions Partnership has been created to meet the Government's investment reform criteria. In accordance with regulations and statutory guidance, assets should transition to the management of Border to Coast as appropriate vehicles become available.	Investment made into the Multi Asset Credit sub-fund. All transitions undertaken successfully. Oversight meetings held at officer, S151 and Joint Committee levels. Continued development on the property funds and alternative options.	Continued partnership with Border to Coast to develop appropriate sub-funds for investment and ensuring appropriate oversight and governance of the company. Expected investment into Overseas Property sub-fund (Q3/4) and further development of the UK property and alternative options.	Governance Investments and Funding



Alternative Investments	The alternative investments are currently managed in a discretionary mandate by Morgan Stanley. Border to Coast offer a number of alternative funds covering private equity, private credit and infrastructure. A decision needs to be made on whether this should transition to Border to Coast.	n/a	Working with Morgan Stanley, Border to Coast and the Investment Consultant, and the Committee, to agree the optimal solution for the management of the Fund's alternative investments in the short to medium term.	Investments and Funding
Administration Service (including employer data quality)	A good performing administration service is key to our stakeholders and for ensuring the quality of information held is appropriate for calculating benefits and liabilities.	Strong KPI figures generally throughout the year and positive customer survey responses, as reported to Committee and Board each quarter.	Continued partnership and oversight of West Yorkshire Pension Fund (WYPF) in the delivery of the administration service and to improve the reporting on data quality and management information. Work to be undertaken to look at the options for the administration service as the shared service arrangement comes to the end of its term in March 2024. Benchmarking exercise to be carried out in Summer 2022.	Governance Administration and Communications



Annual Report and Accounting	The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors.	Delayed receipt of external audit opinion due to an issue with the Council's accounts meant Pension Fund accounts were published by 1 December without the opinion, but with an unqualified opinion was expected. The accounts opinion was received in mid-December.	A detailed project plan has been put in place, built on experience from previous years and updated for new requirements. On-going engagement with the external auditors to ensure all requirements can be met in a timely manner.	Governance
Responsible Investment (RI)	There is continued focus on how LGPS Funds can best address and manage RI issues such as environmental, social and governance matter (ESG).	The Committee and Board received additional information and training to understand RI requirements. A training session was held to revisit the Committee's Investment and RI beliefs. A Stewardship Code submission was made to the FRC in October 2021, under the new 2020 code. Work continued with external managers and Border to Coast to ensure that it is embedded across all investment decisions.	Continued information and training for the Committee and Board to understand RI. Working with external managers and Border to Coast to ensure that it is embedded across all investment decisions. Review Investment strategy following any changes to the Investment and RI beliefs. Consider a climate change policy and any net zero target.	Governance Investments and Funding



Investment Consultancy Services Tender	The contract with the Fund's Consultant expires in December 2021. The national framework for investment consultancy services will be used to call off in the summer.	The National Framework was used to call off and appoint an Investment Consultant. The Fund undertook a successful tender exercise and reappointed Hymans Robertson.	n/a	Governance Investments and Funding
Work by the Scheme Advisory Board (SAB)	The SAB have a number of projects underway to improve the management /governance of LGPS Funds.	Unfortunately the Good Governance project was delayed as a result of the pandemic. The Fund responded to any requests from SAB throughout the year.	Participate in projects were possible and respond to any actions required – e.g. Good Governance Review, data quality. Undertake a high-level governance review in Summer 2022 to identify potential gaps against the Good Governance proposed recommendations.	Administration and Communications
Employer Accounting	Employers within the Fund require pensions accounting information at various times of the year, for inclusion in their statutory accounts.	All employers received appropriate accounting reports as required.	Work with employers, the Actuary and WYPF to ensure employers understand their choices, accurate and timely data is sent to the Actuary and accounting reports are received and understood by employers.	Investments and Funding Administration and Communications

Staffing and Structure Review	The workloads and requirements of the team have expanded considerably over the last few years, therefore a review of the current staffing and structure is required to ensure it is fit for purpose.	A review of workloads across the team was undertaken to review the staffing levels and structure to ensure it is appropriately resourced to meet current and future requirements. A new post was agreed for a Principal Investment, Accounting and Governance Officer.	To successfully recruit to the Principal Investment, Accounting and Governance Officer post and integrate them into the team.	Governance Investments and Funding Administration and Communications
Triennial Valuation	The three yearly valuation of the Pension Fund's assets and liabilities is as of 31 March 2022. This will set the employer rates for the three years from to 1 April 2024.	n/a	Work with the Fund Actuary, Committee, Board, WYPF and employers to ensure good quality data is used for the triennial valuation, employer rates are stable and affordable and that the process is understood and communicated to all stakeholders. Produce an updated Funding Strategy Statement, after consultation with employers, for the statutory deadline of 31 March 2023.	Governance Investments and Funding Administration and Communications



KEY RISKS

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

Risk Theme	Key Action
Governance	
Statutory governance requirements not met.	Governance and Compliance statement and statutory policies reviewed annually. Monthly reporting to the Committee and Board. On-going training with Committee and Board.
Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.	Annual Training policy and plan approved. Induction and ad-hoc training provided. Minimum of twice-yearly training for Committee.
The introduction of asset pooling impacts on the Fund's ability to implement its investment strategy successfully or the Administering Authority is considered to not comply with the relevant statutory guidance.	Continued strong involvement in the work of Border to Coast at officer and at Pensions Committee Chairman level.
Failure to ensure that the Pension Board is effective in carrying out its role.	Induction and on-going training and work plan agreed. Minimum of twice-yearly training for Board members. Regular assessment of Board effectiveness.
Investments and Funding	
Insufficient funds to meet liabilities resulting in increased contributions required from employers or changing to a higher risk investment strategy	Prudent assumptions adopted by the Fund Actuary. Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Regularly review investment performance and funding levels.
Performance of the Fund's assets and managers not in line with expected returns.	Monitor, maintain and review the Investment Strategy Statement and Funding Strategy Statement. Clear Investment Management Agreements in place. Regularly review investment performance and funding levels. Consideration of Environmental, Social and Governance issues on the performance of



	the portfolio.
Transition of assets to Border to Coast into inappropriate vehicles.	Monitor, maintain and review the Investment Strategy Statement. Regular strategy reviews to monitor and review the transition timetable and expectations. Continued close working with Border to Coast to develop investment vehicles.
Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).	Regular discussion and reporting from managers and Border to Coast. Stewardship Code, RI Beliefs and appropriate RI policies in place and approved by Committee. Training and education of RI matters.
Political environment (locally or nationally) impact on investment opportunities, markets and legislative requirements.	Work closely with investment managers, other suppliers and advisers to understand potential impacts and responses. Regular training and communications with the Committee.
Administration and Communication	
Inability to deliver the administration service in accordance with the agreement.	Administration report and performance indicators reported quarterly and presented to Committee. Bi-monthly meetings with WYPF. Regular audits by both LCC and WYPF. Complaint reporting and reviews. Customer surveys undertaken.
Poor quality data resulting in error and misstatement.	Develop and implement a Data Improvement Plan. Maintain robust accounting records.
Cyber security breach resulting in personal data being accessed fraudulently.	Strong IT environment for administration system and web-based Portals. Reporting to Committee and Board.
Increase in variety and number of employers participating in the Scheme resulting in risk of non-compliance with obligations or reducing covenant strength.	Clear Admission Agreements in place. Guidance published and reviewed relating to the Scheme requirements. Proactive engagement with employers.
Employer breaches – data, contributions etc.	Administration strategy with Employers. Employer training and assistance offered. Monthly contribution monitoring.
People	
Loss of key staff and loss of knowledge and skills.	Diversified staff / team and succession plans in place. Building on Border to Coast and partner fund relationships.



FORWARD PLAN – 2022/2023 COMMITTEE AND BOARD MEETINGS

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

Date	Topics
Jun 2022 Committee papers	External Manager Presentations Border to Coast Morgan Stanley
Jul 2022 Committee papers	Independent Advisor Market Update Local Board Update Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Annual Property Report Risk Register Annual Review Annual Training Report Annual Report and Accounts Investment Management Report Valuation Assumptions Report
Jul 2022 Board papers	Fund Update Stewardship Update Pensions Administration Update TPR Data Scoring Employer Contributions Monitoring Risk Register Annual Review Annual Report and Accounts Valuation Assumptions Report Training Needs Workplan
Sep 2022 Committee papers	Independent Advisor Market Update Local Board Update Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Annual Fund Performance Report Audit Governance Report Investment Management Report 2022 Valuation Draft Results



Sep 2022 Board papers	Fund Update Stewardship Update Pensions Administration Update Temporary Bank Account Update Employer Contributions Monitoring Audit Governance Report Training Needs Workplan 2022 Valuation Draft Results
Oct 2022 Training	To be agreed
Dec 2022 Committee papers	Independent Advisor Market Update Local Board Update Fund Update Stewardship Update Pensions Administration Update Employer Contributions Monitoring Investment Management Report B2C RI policy and voting guidelines update and LPF alignment
Dec 2022 Board papers	Fund Update Stewardship Update Pensions Administration Update TPR Data Scoring Employer Contributions Monitoring Training Needs Workplan
Jan 2023 Committee papers	External Manager Presentations Border to Coast LGIM
Feb 2023 Training	To be agreed
Mar 2023 Committee papers	Independent Advisor Market Update Local Board Update Fund Update



	<p>Stewardship Update Pensions Administration Update Employer Contributions Monitoring Annual Policies Review Review and Approval of Accounting Policies Business Plan and Budget Review Investment Management Report Funding Strategy Statement and 2022 Valuation Report</p>
<p>Mar 2023 Board papers</p>	<p>Fund Update Stewardship Update Pensions Administration Update Temporary Bank Account Update Employer Contributions Monitoring Annual Policies Review Review of Accounting Policies Business Plan and Budget Review Funding Strategy Statement and 2022 Valuation Report Training Needs Workplan</p>

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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Annual Report and Accounts 2021-22: Review of Accounting Arrangements and Accounting Policies and the External Audit - Audit Strategy Memorandum

Summary:

This report summarises:

Changes to the Code of Practice on Local Authority Accounting which will be incorporated into the 2021/22 Statement of Accounts for Lincolnshire Pension Fund;

Amendments to the Accounts and Audit Regulations 2015 and impact this will have on the 2021/22 Statement of Accounts;

The review of the Council's Accounting Policies for the Pension Fund Statements; and

The External Auditors Audit Strategy Memorandum Report.

Recommendation(s):

That the Board:

1. Note the changes required to the Statement of Accounts from the Code of Practice 2021/22;
2. Note the changes to the Accounts and Audit Regulations 2015;
3. Approve the Statement of Accounting Policies (Appendix A) for use in preparing the Local Government Pension Scheme (LGPS) Pension Fund accounts for the financial year ending 31 March 2022; and
4. Note the External Auditors Audit Strategy Memorandum (Appendix B).

Background

- 1.1 The Pension Fund is required to prepare its Statement of Accounts in accordance with the Code of Practice in Local Authority Accounting in United Kingdom 2021/22 (the Code). This ensures the accounts are prepared using "proper accounting practice". We are also required to comply with the Accounts and Audit Regulations 2015 in preparing, submitting for audit and publishing the accounts.

Code of Practice on Local Authority Accounting for 2021/22

- 1.2 There are no changes to the Code of Practice for 2021/22 which will have an impact on the Pension Fund Accounts. The Chartered Institute of Public Finance and Accountancy (CIPFA) is currently consulting on a number of short-term changes to the Code of Practice to assist local authorities in preparing financial statements for 2021/22. These changes primarily relate to the valuation of property, plant and equipment assets and the deferral of the new standard on accounting for leases. The pension fund accounts are not impacted by these proposed changes.
- 1.3 There may be new or amended accounting standards which impact on the 2022/23 accounts. CIPFA is due to publish a bulletin which will interpret any changes in accounting standards for the public sector. Once this is available, impacts will be assessed, and disclosure made in the 2021/22 Accounts at Note 2 Accounting standards that have been issued but have not yet been adopted.

Accounts and Audit Regulations 2015

- 1.4 The Accounts and Audit Regulations 2015 set out the requirements for local authorities, including Pension Funds, to prepare an annual statement of accounts, to publish such accounts and to have those accounts audited. The regulations also allow for the statement of accounts to be inspected by members of the public within certain time parameters.
- 1.5 The deadline for publishing draft and audited local authority accounts was initially amended for a two-year period, covering the 2020/21 and 2021/22 accounts. In December 2021, to address ongoing concerns, Government announced a number of measures to support the timely completion of local government audits and the ongoing stability of the local audit market. The proposals include extending the published/audited deadline to 30 November 2022 for the 2021/22 accounts, then reverting to 30 September for five years until 2027/28.
- 1.6 Therefore the deadlines for 2021/22 are:
 - Draft accounts to be published on, or before 1 August; and
 - Audited accounts to be published by 30 November.

Statement of Accounting Policies

- 1.7 An important section of the published Accounts is the statement of accounting policies. This summarises the rules and codes of practice used to prepare the accounts, together with any estimation techniques adopted. The accounting policies for Pension Fund have been reviewed and are attached at Appendix A.
- 1.8 There have not been any changes to the accounting policies proposed for use in preparing the 2021/22 accounts.

External Audit Strategy Memorandum

- 1.9 The external auditor, Mazars LLP, have prepared their audit strategy for the 2021/22 pension fund audit. The purpose of the strategy is to summarise, for those charged with governance, the audit approach, significant audit risks and areas of key judgements. The strategy covers:
- Engagement and responsibilities;
 - The audit engagement team;
 - Audit scope, approach and timeline;
 - Significant risks and other key judgement areas;
 - Fees for audit and other services;
 - Commitment to independence; and
 - Materiality and misstatements.
- 1.10 The external auditor has identified two significant risks for the pension fund audit, these are: management override of controls and valuation of investments within level 3 of the fair value hierarchy (that is, unquoted assets, such as, private equity and infrastructure). Their report explains how these risks will be targeted in their work on the financial statements.
- 1.11 John Pressley, Audit Manager from Mazars LLP, will take the Board through the audit strategy and explain how the work will be conducted and the key dates throughout the process.

Conclusion

- 2.1 The accounting requirements, disclosures and timescales, as required by the Code of Practice and the Audit and Accounts Regulations, will be incorporated into the Statement of Accounts for 2021/22.
- 2.2 The Statement of Accounts will be prepared using the Accounting Policies approved at this meeting.
- 2.3 The Board should note the external auditors Audit Strategy Memorandum and the work that will be completed in giving an opinion on the pension fund accounts for 2021/22.

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	Statement of Accounting Policies for LGPS Pension Fund financial statements 2021/22
Appendix B	Mazars LLP Audit Strategy Memorandum for Lincolnshire Pension Fund

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 2021/22	Executive Director of Resources

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

Lincolnshire Pension Fund Significant Accounting Policies 2021/22

Fund account – revenue recognition

a. Contributions income

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

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

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body.

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

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

b. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund. They are calculated in accordance with the LGPS Regulations 2013:

- Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
- Bulk transfers are accounted for in accordance with the terms of the transfer agreement.

c. Investment Income

i) Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

ii) Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

iv) Changes in the net market value of investments

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

Fund account – expense items

d. Benefits payable

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

e. Taxation

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

f. Management expenses

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

i) Administrative expenses

All staff costs of the pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

ii) Oversight and Governance

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

iii) Investment management expenses

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

Fees on investments where the cost is deducted at source have been included within investment expenses and an adjustment made to the change in market value of investments.

Fees for the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase and decrease as the value of the investments change.

In addition, the Fund has negotiated with Invesco Asset Management (for Global Equities – ex UK) and Morgan Stanley Investment Management Ltd (for Alternative Investments) that an element of their fee will be performance related.

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

Net assets statement

g. Financial assets

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. 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 Pension Fund Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

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

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

h. Foreign currency transactions

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

i. Derivatives

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

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

j. Cash and cash equivalents

Cash comprises of cash in hand, deposits and includes amounts held by external managers. All cash balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to minimum risk of changes in value.

k. Financial liabilities

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

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

l. Actuarial present value of promised retirement benefits

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

m. Additional voluntary contributions

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

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

n. Contingent assets and contingent liabilities

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

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

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

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Audit Strategy Memorandum

Lincolnshire Pension Fund

Year ending 31 March 2022

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This document is to be regarded as confidential to the Lincolnshire Pension Fund. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

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

24 February 2022

Dear Audit Committee Members

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Audit Strategy Memorandum – Year ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for the Lincolnshire Pension Fund for the year ending 31 March 2022. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 6 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

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reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;

sharing information to assist each of us to fulfil our respective responsibilities;

providing you with constructive observations arising from the audit process; and

ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Durham County Council Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0738 724 2052.

Yours faithfully

Signed: 

Cameron Waddell

Mazars LLP

Mazars LLP – The Corner, Bank Chambers, 26 Mosley Street, Newcastle upon Tyne, NE1 1DF

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01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Lincolnshire Pension Fund (the Fund) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit Committee, as Those Charged With Governance, of their responsibilities.

The Executive Director of Resources is responsible for the assessment of whether it is appropriate for the Pension Fund to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Executive Director of Resources's use of the going concern basis of accounting in the preparation of the financial statements.

Consistency statement

We are required to form and express an opinion on the consistency of the financial statements within the Pension Fund's annual report and the Pension Fund's financial statements included in the Statement of Accounts of Lincolnshire County Council.

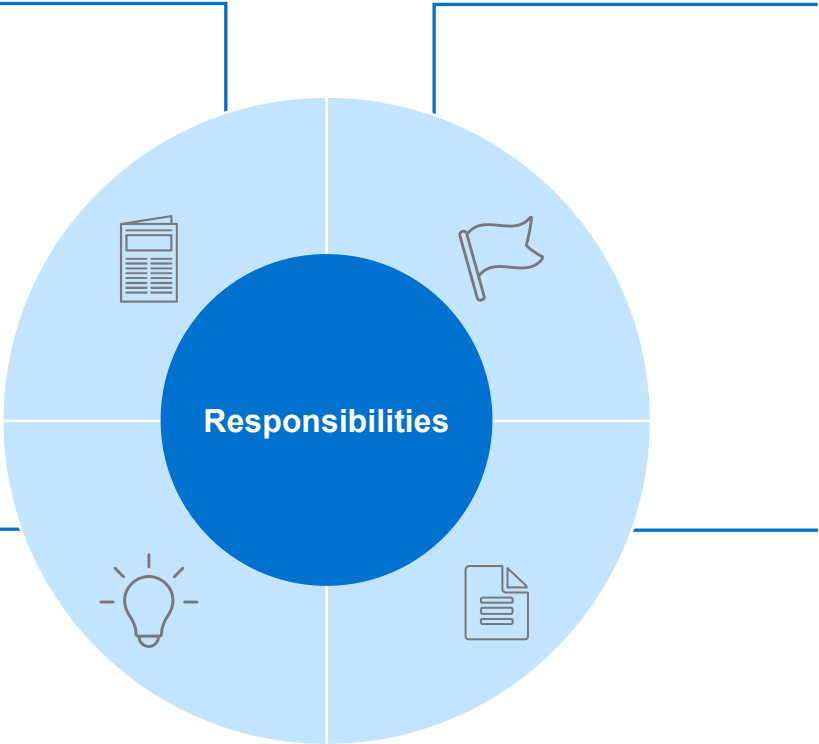
Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of Those Charged With Governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. This would include an objection made to the accounts of the Pension Fund included in the administering authority's financial statements. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom



02

Section 02:

Your audit engagement team

2. Your audit engagement team



Cameron Waddell
Engagement Partner

Email: cameron.waddell@mazars.co.uk
Telephone: 0781 375 2053.



John Pressley
Engagement Manager

Email: john.pressley@mazars.co.uk
Telephone: 0790 998 0880

03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 7.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



3. Audit scope, approach and timeline

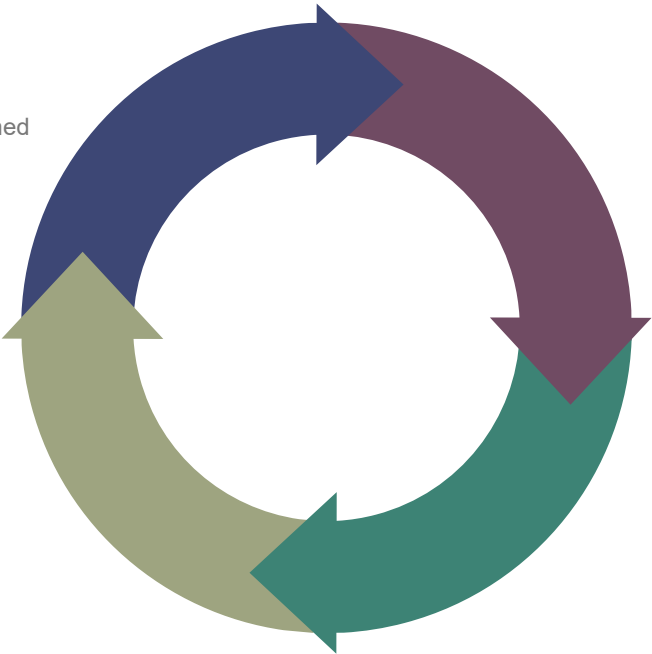
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Planning February

- Planning work and developing our understanding of the Pension Fund
- Initial opinion assessment
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion September

- Final review and disclosure checklist of financial statements
- ATS review of final financial statements
- Final partner review
- Agreeing the content of the letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the auditor's reports



Interim March

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork July - September

- Receiving and reviewing draft financial statements
- Accounting Technical Services (ATS) review of draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management’s and our experts

Management makes use of experts in specific areas when preparing the Pension Fund’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits.	Barnett Waddingham	None

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Pension Fund and our planned audit approach.

Items of account	Service organisation	Audit approach
The calculation and payment of pension benefits, assessment of funding levels based on existing pensioner data.	West Yorkshire Pensions, as the provider of pensions administration services to the Fund	We will review the controls operating at the Council over these transactions and carry out substantive testing of transactions occurring in the year.
Investment valuations and related disclosures Investment income and related disclosures	Investment Managers	Substantive testing of in year transactions and valuations applied to investments at the year end.
	Custodian	



04

Section 04:

Significant risks and other key judgement areas

Page 182

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

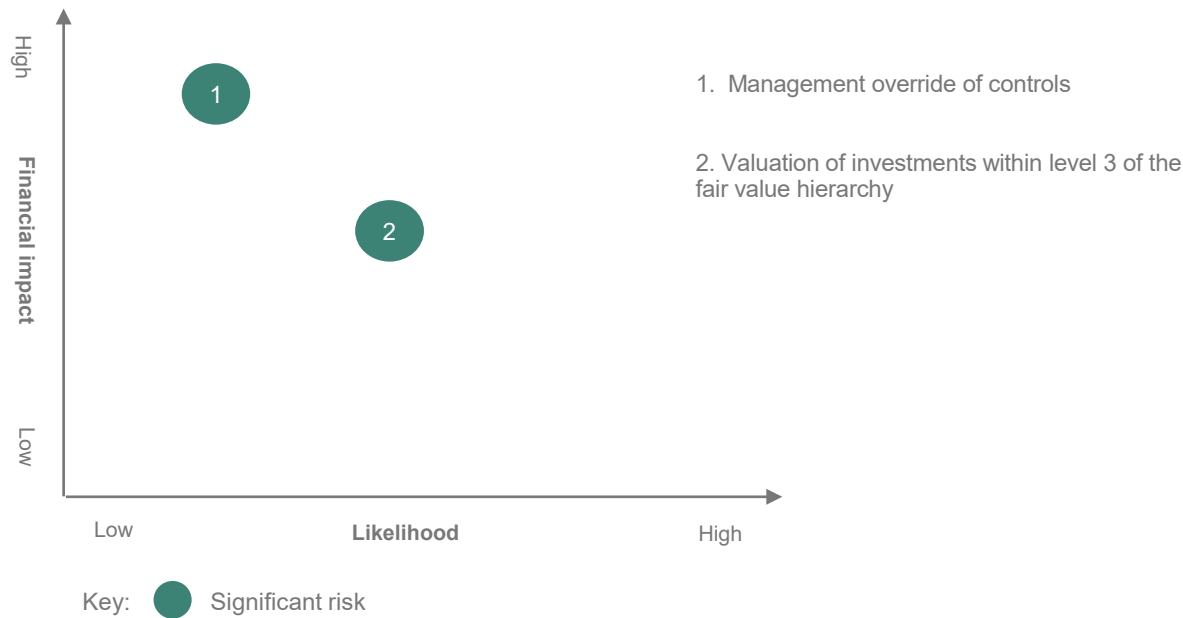
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Pension Fund. We have summarised our audit response to these risks on the following pages.



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk by performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Valuation of investments within level 3 of the fair value hierarchy</p> <p>At 31 March 2021 the Pension Fund held investments which were not quoted on an active market with a fair value of £377.9 million, accounting for 13.7 per cent of the Fund's net investment assets. This included: Alternatives (£306.5 million), Property (£6.9 million), Infrastructure (£50.8 million) and Private Equity (£13.7 million). Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances for 2021/22 due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>	○	●	●	<p>We plan to address this risk by completing the following additional procedures on a sample basis:</p> <ul style="list-style-type: none"> • agree holdings from fund manager reports to the global custodian's report; • agree valuations included in the Pension Fund's underlying financial systems to the most up-to date supporting documentation at the time of audit including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agree the investment manager valuations to audited accounts or other independent supporting documentation, where available; • where audited accounts are available, check that they are supported by an unmodified opinion; • review the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; and • where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.

Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. We have not identified any such judgements.



05

Section 05:

Fees for audit and other services

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5. Fees for audit and other services

Fees for work as the Pension Fund's appointed auditor

Area of work	2021/22 Proposed Fee	2020/21 Actual Fee
Code Audit Work		
Scale fee ¹	£18,750	£18,750
Fee variations	TBC	£6,000 ²
Audit related fees		
Pension assurance letters to employer auditors	TBC	£11,200 ³

¹ This scale fee was initially set by PSAA in 2018.

² The additional audit cost in 2020/21 relates to enhanced procedures required due to increased regulatory expectations, primarily related to the audit of level 3 investments. This work is required on an annual basis so an additional fee will be required until the scale fee reflects the audit time needed.

³ During the year we responded to requests received from employer body auditors to undertake a programme of work to provide assurance in respect of data held by the Fund, which is used by the actuary to calculate pension assets and liabilities for individual employers. It is expected that the Fund will recharge these fees to the relevant employers. This approach is in line with the PSAA Terms of Appointment, and the expectation within NAO's AGN01 General Guidance Supporting Local Audit.

Fees for non-PSAA work

We have not been separately engaged by the Pension Fund to carry out additional work.

06

Section 06:

Our commitment to independence

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6. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham in the first instance.

Prior to the provision of any non-audit services Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

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07

Section 07: **Materiality and misstatements**

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7. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £m
Overall materiality	29.3
Performance materiality	23.4
Trivial threshold for errors to be reported to the Audit Committee	0.8

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of asset values reported to the Pension Fund Committee as at 30 September 2021. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We consider that net assets available to pay benefits remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

7. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 1% of net assets. Based on asset values submitted to the Pension Fund Committee as at 30 September 2021 we anticipate the overall materiality for the year ending 31 March 2022 to be in the region of £29.3m (£27.4m in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £0.8m based on 3% of overall materiality. If you have any queries about this, please do not hesitate to raise these with Cameron Waddell.

Reporting to the Audit Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements.
- The planned scope and timing of the audit.
- Significant audit risks and areas of management judgement.

- Our commitment to independence.
- Responsibilities for preventing and detecting errors.
- Materiality and misstatements.
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control.
- Significant findings from the audit.
- Significant matters discussed with management.
- Our conclusions on the significant audit risks and areas of management judgement.
- Summary of misstatements.
- Management representation letter.
- Our proposed draft audit report.
- Independence.



Appendix: Key communication points

ISA (UK) 260 ‘Communication with Those Charged with Governance’, ISA (UK) 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none">• uncorrected misstatements and their effect on our audit opinion;• the effect of uncorrected misstatements related to prior periods;• a request that any uncorrected misstatement is corrected; and• in writing, corrected misstatements that are significant.	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none">• enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity;• any fraud that we have identified or information we have obtained that indicates that fraud may exist; and• a discussion of any other matters related to fraud.	Audit Completion Report and discussion at the Audit Committee. Audit planning and clearance meetings

Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report

Appendix: Key communication points

Required communication	Where addressed
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.	Audit Completion Report and Audit Committee meetings
Events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern include: <ul style="list-style-type: none"> whether the events or conditions constitute a material uncertainty; whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and the adequacy of related disclosures in the financial statements. 	Audit Completion Report
Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods	Audit Completion Report
Indication of whether all requested explanations and documents were provided by the entity	Audit Completion Report

Cameron Waddell

Mazars

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26 Mosley Street
Newcastle upon Tyne
NE1 1DF

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.



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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Training Needs

Summary:

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

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

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

Recommendation(s):

The Board are:

1. Requested to share information on any relevant events attended since the last Board meeting;
2. Note any conference and training feedback from the previous three months;
3. Consider if there is any further training required in future months; and
4. Asked to submit their training log for 2021/22 by the end of May 2022.

Background

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

1.3 For the Boards information attached are Hymans Robertson Conference Highlights from:

- Local Government Association Governance Conference (20-21 January 2022)

1.4 Annually Pension Board members are asked to complete a log of the training they have undertaken during the previous 12 months and to consider if they have any training needs they would like to be addressed in future training. The Board are asked to submit their training logs for the period 1 April 2021 to 31 March 2022 by the end of May 2022. Details of any training needs coming out of the training logs will be reported back to the Board at the July meeting.

Conclusion

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

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Hymans Robertson Conference Highlights: Local Government Association Conference (20-21 January 2022)

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.

Conference highlights

Local Government Association, Bournemouth (20-21 January 2022)



Robert Bilton
Partner & Actuary



Alan Johnson
Governance, Administration & Projects
Consultant

The annual LGPS Governance Conference took place in Bournemouth in a hybrid format, with around 50 in-person delegates. The conference, chaired by the Scheme Advisory Board's chairman Councillor Roger Phillips, covered a range of topics, including McCloud, divestment, cyber risk and the 2022 valuations.

Day 1 – Welcome from the LGPC chair

Cllr John Fuller OBE

- The combined assets of the LGPS top £300 billion, which presents an opportunity to do good, while taking appropriate risk.
- The LGPS has a role to play in the wider economy and it can show thought leadership in this area.
- The upcoming challenges this year are likely to be inflation, McCloud/Sergeant and Goodwin.
- It was acknowledged that investments are only a fraction of what funds need to cover, setting up the themes of the day – administration, governance, and compliance.

Pensions in the 21st Century

Charlotte O'Leary, Pensions for Purpose; Georgia Stewart, Tumelo; Facilitated by Jo Donnelly, SAB Secretariat

- The background to the session was that lobbyists are becoming more active. Funds need to understand the views of their members, so they can respond to lobbyists.
- The panellists discussed the need for greater engagement with members regarding investment choices and how Funds can use technology to gather information from their members on investment beliefs and concerns.
- Animal welfare, human rights and climate change were the biggest concerns for investors based on recent data analysis from the Tumelo software.
- There was acknowledgement that Funds have the ability to change the investment market and influence companies, and capturing this data can help facilitate that.

How your (SAB) levy is spent

Cllr Roger Phillips, Chair, SAB

- The SAB has traditionally had a strong and respected relationship with the Government, but there is room for improvement in this area at the moment.
- Cllr Phillips noted the balance of the relationship between Pools and Funds. He made a number of deliberate comments about the Funds being the owners of the pools, not partners.
- Specific emphasis was made of succession plans and staff development, identifying and managing conflicts of interest and supporting Boards and Committees through training and development of skills.
- There is a lot on the horizon – McCloud, TCFD, Exit Cap v2, Cost Cap 2016 & 2020, Single Code of Practice and the 2022 valuations.
- Concern about delays on TCFD in the LGPS and its implementation lagging behind the private sector. This doesn't reflect well on Local Government's focus in this important area.

Divest Now?

Rianna Gargiulo, Friends of the Earth; Jill Davys, London Borough of Sutton; Facilitated by Bob Holloway, SAB Secretariat

- Climate change risks make up 5 of the top 10 in the World Economic Forum's Risks Perception survey in 2021/22.
- Rianna argued that divesting completely from fossil fuels is the easiest and most effective way for LGPS funds to take direct action on climate change. Engagement isn't working and immediate action is needed given the urgency highlighted by recent climate change reports.
- Financially, Rianna presented that fossil fuel companies are valued based on extracting all resources in the ground, rather than what their carbon budget allows. This could lead to stranded assets.
- Jill made the case that engagement still has time and scope to run.
- Investors can engage with fossil fuel companies to encourage and promote change to greener energy. Disinvestment may result in another investor buying the asset who is less climate change conscious and relieves pressure on the company to change.

The Scheme member's view

Jon Richards, Assistant General Secretary, UNISON

- The working relationship with SAB was praised for allowing constructive and critical challenge.
- Jon appreciated how well Funds have handled the pandemic and remain committed to offering their services to members.
- The LGPS is starting from a good place – well funded, and taking ESG seriously (although "Social" is often forgotten when talking about ESG). Jon used the anecdote of recently completing the paperwork for his own pension and praised the LGPS as a model for good administration.
- A desire for all pools to have member representation was strongly noted.

Panel session – Valuation 2022

Jeff Houston, Chair; Barry McKay (Barnett Waddingham); Jonathan Teasdale (Aon); Rob Bilton (Hymans Robertson); Michelle Doman (Mercer)

- Asset returns have been strong since the last valuation, around 20-30% to 31 December 2021. While this is good news, higher inflation will increase the liabilities, offsetting some of these high returns.
- Life expectancy is expected to continue to increase, but the rate of increase might be slowing down.

- McCloud is likely to be explicitly allowed for at the 2022 valuation. There will be variation in the impact between employers, but generally, it is likely to be less than 1% of liabilities.
- While GAD have asked for consistency of assumptions and approach to allocating assets to academies, it was acknowledged that there still needs to be the ability to set these at Fund level, particularly the discount rate and longevity assumptions, to take account of local factors.
- Climate change risk should be considered by all Funds to some degree at the 2022 valuation.

Day 2 – Cyber security and scams

Alison Murray, Aon; Chris Emmerson, Aon

- Across all pension schemes (not just LGPS) the number of schemes impacted by a cyber incident has increased from 3% in 2019 to 7% in 2021. That would equate to around 7 LGPS funds being affected.
- The new draft Single Code of Practice is clear that funds need to have cyber risk on their risk register.
- A possible approach to cyber risk is to seek where the risk lies, put protections in place and then have a plan, with clear roles and responsibilities to solve a cyber risk event. Frequent review of the approach is also recommended.
- A major source of cyber risk is the number of data transactions which occur. Funds should have a sufficient understanding of the controls which are in place for third parties such as administration providers.
- Ensure Officers, Committee and Board members are not the weak link in your protection by offering comprehensive training.

McCloud and general outlook

Con Hargrave, Department of Levelling up, Housing and Communities

- A White Paper on levelling up is expected in the first couple weeks of February.
- The McCloud timetable has Regulations completed by the summer 2022 recess with final guidance published in winter 2022/23. It is likely that the remedy regulations will not come into force until October 2023 (instead of April 2023).
- It was noted that the aggregations window is likely to be re-opened as part of the McCloud remedy.
- Cost Control mechanism – the 2016 valuation is still being challenged due to inclusion of McCloud. There are discussions with SAB to explore how the SAB mechanism will be amended in light of the changes taking place in the HMT mechanism.
- On the horizon:
 - Investments: TCFD, next steps on pooling and banning of boycotts of foreign nations
 - Exit Pay reform: Government still committed, expect an LGPS consultation later in the year
 - Good Governance: DLUHC team expanding to look at this area
 - Other: Survivor benefit regulations (in light of recent legal challenges), Fair Deal and the 2019 consultations.

Legal Update

Kirsty Bartlett, Squire Patton Boggs

- The Single Code of Practice is expected to come into force in spring 2022. Funds will then have 12 months to complete their first Own Risk Assessment. It is unlikely to change much from the draft, so there is much which Funds can be doing to prepare, including 'gap' analysis.
- New legislation on transfers and scams from DWP in effect from November 2021. Places more responsibility on Committee and Board members with transfers to non-public sector schemes being more arduous for administering authorities to verify.

- There are red and amber flag criteria for administering authorities to follow. Where administrators do not have enough evidence to make a judgement, they need to refer members to the MaPS.
- If you are dealing with data outside the UK, ask questions and speak to a lawyer to avoid data protection issues!
- The current focus on simple Annual Benefit Statements for DC schemes may be applied to DB and the LGPS...

Stewardship code 2020

Claudia Chapman, FRC

- The FRC are asking LGPS funds to consider becoming signatories to the Stewardship code.
- There are 12 principles, but the key ones for LGPS Funds are
 - Purpose and culture
 - Governance, resources and incentives
 - Client and beneficiary needs
 - Monitoring managers and service providers
- They are looking for all assets under management to be covered by stewardship reporting for funds which are signatories.
- Where pools control a large part of the assets, the Fund should still prepare the stewardship report, but the pool should feed into this report.

Investment outlook

Stephen Lee, Ninety One Asset Management

- The main theme is around the need to normalise post-Covid, which may be painful.
- The recovery in 2021 was supported by loose monetary policy which may be tightened in 2022.
- UK inflation might reach 6-7% and then moderate in the second half of this year, and interest rates expected to increase to just over 1% sooner rather than later. UK growth expected to be slightly ahead of previous expectations.
- Growth in USA looks promising, but this is generally priced into the markets already.
- China tightened credit last year, but now loosening as it focuses on growth stabilisation. However, there is potential exposure to Omicron which would apply downward pressure.
- Enthusiasm for all things technology related is waning.

Closing remarks from the chair

- The chair summarised the morning's messages, thanked the organisers for their work and looked forward to next year's event, with more delegates hopefully attending in person.



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

Report to:	LGPS Local Pension Board
Date:	17 March 2022
Subject:	Work Programme

Summary:

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

Recommendation(s):

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

Background

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

Conclusion

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

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Work Programme

Background Papers

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

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

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