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6 July 2022

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 14 July 2022** in the **Council Chamber, County Offices, Newland, Lincoln LN1 1YL** at **10.00 am** for the transaction of business set out on the attached Agenda.

Yours sincerely

Debbie Barnes OBE
Chief Executive

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

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

Co-Opted Members

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

PENSIONS COMMITTEE AGENDA
THURSDAY, 14 JULY 2022

Democratic Services Officer Contact Details

Name:	**Tom Crofts**
Direct Dial	**07769 368547**
E Mail Address	thomas.crofts@lincolnshire.gov.uk

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

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

Contact details set out above.

Please note: This meeting will be broadcast live on the internet and access can be sought by accessing Agenda for Pensions Committee on Thursday, 14th July, 2022, 10.00 am (moderngov.co.uk)

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

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Lincolnshire
COUNTY COUNCIL
Working for a better future

PENSIONS COMMITTEE
9 JUNE 2022

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors P E Coupland (Vice-Chairman), M G Allan, S R Parkin, T J N Smith and Dr M E Thompson

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

Roger Buttery, Peter Jones, Gerry Tawton and David Vickers attended the meeting as observers.

Officers in attendance:- Claire Machej (Accounting, Investment and Governance Manager), Jo Ray (Head of Pensions) and Thomas Crofts

37 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Griggs and Mrs Newton.

38 DECLARATIONS OF MEMBERS' INTERESTS

Steve Larter (Small Scheduled Bodies Representative) declared an interest as an active and deferred member of the Pension Fund.

Councillor R Waller (District Council Representative) declared an interest as his daughter and her partner were a member of the Pension Fund.

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

Councillor M G Allan declared an interest as a member of the Pension Fund.

39 MINUTES OF THE PREVIOUS MEETING HELD ON 17 MARCH 2022

RESOLVED:

That the minutes of the meeting held on 17 March 2022 be approved as a correct record and signed by Chairman.

40 CONSIDERATION OF EXEMPT INFORMATION

RESOLVED:

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

41 MANAGER PRESENTATION - MORGAN STANLEY DIVERSIFIED ALTERNATIVES

Consideration was given to the exempt report, which introduced a presentation from Morgan Stanley.

The Committee raised a number of questions which were answered by the Officers present.

RESOLVED:

That the exempt report and presentation be noted.

42 MANAGER PRESENTATION - BORDER TO COAST PENSIONS PARTNERSHIP

Consideration was given to the exempt report, which introduced a presentation from Border to Coast Pensions Partnership.

The Committee raised a number of questions which were answered by the Officers present.

RESOLVED:

That the exempt report and presentation be noted.

The meeting closed at 12.45 pm

Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**Independent Advisor's Report**

Summary:

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

Recommendation(s):

That the Committee note the report.

Background

Investment Commentary – July 2022

"Stagflation". What is it?
Can the UK – and the rest of the World - avoid it?

What is it?

Stagflation is the combination of little or no economic growth (i.e. in the actual volume of goods and services produced) and high price inflation. It has not been seen in the UK for the best part of 50 years. It is dangerous because any action by a Central Bank (e.g. the Bank of England) to rein in inflation by raising interest rates is likely to exacerbate the weakness in the real economy. Central Bankers around the globe are only too well aware of the pitfalls that could attend an unwise action by them. Raising interest rates too quickly could easily send an economy into a downwards spiral. Equally no or inadequate action on interest rates risks embedding inflation into the expectations of consumers – and especially the labour force – and lead to pressure for higher wages. Unemployment in most countries is at multi year lows and job vacancies at multi year highs.

It is important to note – as Christine Lagarde, the Chairman of the European Central Bank keeps reminding us – that raising interest rates in Europe has only a limited effect on some prices. In particular higher interest rates will have virtually no effect on energy prices, which reflect global supply and demand. On the other hand, such raises may well influence local discretionary expenditure – such as eating out, holidays, durable goods purchases etc. Committee members will only be only too well aware that sharply higher prices can have a devastating effect on the finances of the less well off, who have little or no spare resources to compensate.

In summary, Central Banks will need the “wisdom of Solomon” or a substantial amount of “good luck” to successfully negotiate the challenges ahead.

How likely is stagflation?

The views of economists naturally vary. Making any forecast just now is difficult, such is the amount of uncertainty generated globally by Covid, the supply chain problems, the war in Ukraine and its associated energy crisis and the critical situation in China.

Growth around the world in the first half of 2022 was virtually zero, for seemingly temporary reasons. And inflation rates were very high – around 9% in the USA and in the UK - and rather lower but still too high elsewhere. Inflation rates are expected to fall, possibly sharply, in 2023.

Some economic recovery is expected in the remainder of 2022, perhaps to 3% or 4%. Is this plausible? In the USA and UK, the respective Central Banks have already started raising interest rates. Fed Funds rate (the US equivalent of our Base Rate) is already 1.75%. It is expected to rise to over 3% by the end of 2022. Base rate in the UK is currently 1.25% and could be say 2% by year end. The effect of these sharp increases on consumers and businesses is uncertain.

Markets

Stock markets have, not surprisingly, been erratic against such a scenario as set out above. The underlying assumption of institutional investors seems to be that the Central Banks will successfully negotiate the perils that could lie ahead. And thus that inflation will be brought under some measure of control without inducing a recession, i.e. a contraction in economic output.

At the time of writing, the US equity market has fallen a significant amount since its highs in January 2022. The broadly based S&P index is down about 20% whilst its “high tech” equivalent has fallen about 25%. The main UK index is down only 10%. Markets remain very thin and poorly traded – leading to volatile price movements day to day. These are the circumstances that engender sharp price rises or sharp price falls, as events unfold. The last few days have witnessed some buyers coming back to the markets. Institutional cash flows remain positive and the cash has to be invested somewhere – even in uncertain times.

Bond markets have seen substantial price falls this year, leading to income yields that are more attractive than for several years. US Treasury 10 year bonds offer over 3% per annum, and the UK gilt equivalent around 2.5%. Many corporate bonds, fearful of a recession taking hold, have had a torrid time, such that their yields now offer reasonable returns in relation to their risks. Bonds generally, therefore, now seem to offer returns, which may be attractive, compared to equities – circumstances that have not prevailed for some time.

Conclusion

I am sceptical that global Central Banks can successfully negotiate the pitfalls posed by "stagflation". To that extent, I am cautious about the still high levels of equity markets. That said, volumes of trading in markets are so low that vicious price movements, in either direction, are likely in the months ahead. The arguments are thus finely balanced.

Peter Jones
30 June 2022

Consultation

a) Risks and Impact Analysis

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

Background Papers

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

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

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Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**Report by the Independent Chair of the Lincolnshire Local Pension Board**

Summary:

The purpose of this report is:

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

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

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

Recommendation(s):

The Pensions Committee is requested to note the report.

Background

1.0 <u>OUTCOMES FROM THE PENSION BOARD MEETING ON 17 MARCH 2022</u>

1.1 The PB met on the 17 March and the main focus was on the following issues:
a) Data Quality Report
b) Update on Annual Benefit Statements
c) Internal Audit
d) Update on Prudential AVCs
e) The McCloud Ruling

1.2 **Data Quality Report –** the PB received a further update from WYPF on the data scores for the Lincolnshire Pension Fund as reported to the Pensions Regulator. There had been an increase in the Scheme Specific score from 84% to 86%. Much of the missing data is historic and therefore currently it is not reported in the data fields.

Market investigations were being undertaken to identify optical reader software to enable the data to be identified, extracted, and added into the correct fields in the administration system. The PB will continue to monitor the position because the Pensions Regulator expects an improvement in data quality for all public sector schemes.

2.3 **Annual Benefit Statements –** the PB had previously been advised that of those scheme members eligible to receive a benefit statement, 99.9% had been produced electronically for deferred members, and 98.7% for active members. However, the PB expressed concern at the apparent low number of members who had accessed the statements.

WYPF reported that their software supplier, Civica, had confirmed their capacity to deliver a function enabling identification of scheme members accessing annual benefit statements, so that the Administration Team, Pensions Committee and PB can monitor how many members have viewed their statements.

2.4 **Internal Audit of Lincolnshire and West Yorkshire Pension Funds –** Bradford City Council's Internal Audit Team had undertaken three further reviews of the pensions service.

The first was **Scheme contributions** where the audit opinion was GOOD. There were two recommendations which management accepted and are being actioned.

The second was **Mitigation of pension scams** where the audit opinion was EXCELLENT. There were no recommendations for improvement.

The third was **New pensions and lump sums – death benefits** where the audit opinion was EXCELLENT. Again, there were no recommendations for improvement.

Taking in to account the internal reviews undertaken earlier in the year, the overall conclusion was that the PB can continue to place assurance on the work of the pensions administration function undertaken by the WYPF.

2.5 **Update on Prudential AVCs –** the Pensions Committee has been informed previously about members and schemes reporting long delays in the divesting of AVC pots invested with Prudential. There were also delays in Prudential posting contributions to members' individual AVC pots. The problems began when Prudential migrated to a new IT platform. Almost all LGPS funds appear to have been affected by these delays including the WYPF and therefore Lincolnshire.

In December 2021, Prudential attended the LGPS Scheme Advisory Board (SAB) meeting and reported on the action being taken to rectify the problems. Prudential confirmed that it had reported itself to the Pensions Regulator after failing to meet its statutory deadlines. Prudential advised the SAB that its performance in certain areas was improving.

Both the Regulator and the Financial Conduct Authority are aware of the problems and have had meetings with Prudential. The latest experience from WYPF is that member retirements are being dealt with on a timelier basis. In addition, the annual members' statements for 2020/2021 have been issued to Lincolnshire members.

Although the service is returning to normal, communication from Prudential remains poor. Following an external review of AVC providers, it was agreed to retain Prudential. A copy of a letter from Prudential dated the 29th April is attached at appendix A to this report.

2.6 **The McCloud Ruling – effects on the LGPS -** A presentation was submitted to the Board by the Governance and Business Development Manager (WYPF) on the changes to the LGPS scheme benefits following the release of the McCloud ruling. These matters included an overview of what the McCloud ruling was, the implication of the McCloud ruling, the proposals made as a result, the current protections for LGPS members, the LGPS proposed remedy, the cost cap mechanism and shared service administration.

The McCloud ruling affects members who were in service on 31st March 2012 and also have service after 31st March 2014 (without a break of more than five years) and provides an underpin based on the best of final salary or CARE benefits. Practitioners have many concerns, including the need to include the varying of benefits in annual benefit statements (ABS) following a government directive to include it on the ABS. The proposed remedy will be applied retrospectively from 1st April 2014 and the remedy period ends at 31st March 2022. Administrators will have until 31 October 2023 to ensure compliance.

Conclusion

3.0 <u>ASSURANCES GAINED BY THE BOARD</u>

3.1 The PB has concerns about the progress on the data scores and cannot provide full assurance on this aspect.

3.2 Although WYPF achieved excellent performance in the production of the annual benefit statements, the PB has a concern that many members have not accessed them.

3.3 The PB was pleased that the Bradford Internal Audit Team continue to place reliance on the work of the pensions administration function undertaken by the WYPF.

3.4 The services from Prudential have been a cause for concern, but it is pleasing to see some improvement in services to members.

3.5 The McCloud ruling will place enormous pressure and cost on the WYPF Administration Team for what appears to be very little gain by members.

Roger Buttery
Independent Chairman

June 2022

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	Prudential letter April 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.

Pru
part of M&G plc

Jo Donnelly
Head of Pensions
Local Government Association
18 Smith Square
Westminster
London
SW1P 3HZ

29th April 2022

Dear Jo

M&G plc administration delays for Local Government AVCs

Further to our meetings and discussions in relation to administration performance for Local Government AVC schemes, I have provided some explanations below on this specific areas we have discussed.

Acknowledgement of delays

In reference to our recent conversations and feedback received from you, M&G acknowledge that the service provided to Local Government AVC pension schemes and members has not been meeting expectations and requirements. M&G apologises that the service has not been what members would expect and is committed to the improvement of service to Administering Authorities, employers and scheme members.

Description of problems

In late 2020 M&G migrated to an established administration platform. The platform is designed to offer M&G corporate pension customers and members greater digital capability and online access to their policies.

The approach to processing of contributions paid by employers was enhanced to introduce more controls. Historically, M&G have provided manual assistance to ensure contribution listings and payments were processed quickly (for instance where the payment and contribution listing amounts did not agree).

The enhanced system controls require the contribution listings and payments to agree. As this was not always the case, there were delays in the processing of contributions while discrepancies were addressed.

Contributions are a key dependency for all other administration processes. As a result of the processing delays, there was a collateral effect on the rest of the service that was initially experienced through increased call waiting times and delays in the processing of quotes and claims.

At the same time, as a result of the pandemic, there were restrictions in place that required colleagues to work from home. This had the effect of reducing operational efficiency which would not have been case if colleagues had been co-located.

Actions taken to improve service

As the administration delays and extended call waiting times became apparent, M&G have been operating a Service Recovery Operation. This has facilitated:

- Recruitment of additional staff into the administration and voice functions
- Dedicated staff working with employer payroll teams to resolve file disparities
- Provision of an escalation route for urgent claims and complaints
- A fast-track complaint resolution process
- Upskilling completed in Annuities and Pensions servicing
- Embedding of improved training processes
- Enhanced contingency plans being put in place from both a people and system perspective

Where there have been delays in the processing of benefits and contributions, M&G have ensured that no member has suffered financial detriment as a result of a delay caused by M&G. M&G assess each case on its own merit paying the member compensation, where appropriate.

Expected timescales for resumption of normal service

<u>Call waiting times</u>

- Staffing in our Voice teams was increased by c.50% since the deterioration in performance and the impacts of both Covid and system migration. Continued recruitment and up skilling continues on a monthly basis to deliver both further and future improvements in performance
- Telephone call abandonment rates and call wait times improved significantly through the second half of 2021 and early 2022. Unfortunately, more recently, the abandonment rate and call waiting times have increased. A recovery plan has been put in place to improve performance.

M&G aim to have abandon rate of less than 5% with a call wait time of less than 2 minutes.

<u>Customer Journeys (including Bereavements, Claims, New Business, Servicing)</u>

M&G is now processing the large majority of core transactions (e.g. retirement claims, transfers, bereavements, contribution changes, fund switches and new member applications) within normal service levels.

Performance is measured on an end to end journey basis. This means that all activities are joined together and the customer journey time is calculated from the first point of contact to the point of closure where no other activity is required to deliver the customer outcome.

The target is for more than 95% of work to be completed within a set number of days depending on the specific work required. For example we aim to have all claims and bereavements processed within 5 working days of receiving all of the relevant documentation.

For the quarter to December 2021, for Local Government AVCs in England and Wales, 90.2% of work was completed within this target. M&G continue to focus on improving performance to this target.

Annual Benefit Statements and Scheme Revisions

As a consequence of the servicing delays outlined above, the production of the 2020 / 2021 annual scheme revision information and Annual Benefit Statements has been delayed. The majority of schemes received their annual benefit statements within the regulatory deadline. M&G is in contact with any schemes where information is yet to be issued. Detailed planning for the distribution of 2021/22 year scheme revision information and Annual Benefit Statements is underway and expected turnaround times will be confirmed to individual Administering Authorities.

Scheme members can check the value of their AVC account through the online service. Members can login or register for the service at www.pru.co.uk/login

Existing AVC members can access additional support for any general enquiries through the AVC support team which is available Monday – Friday 8.30 - 6pm on 0800 6000 343. Secure messages can also be sent once you have registered for M&G online service.

The Pensions Regulator

M&G have continued to inform The Pensions Regulator about service performance and delays.

Yours sincerely

Alastair Hogg
Head of Corporate Pensions

Lincolnshire COUNTY COUNCIL *Working for a better future*

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

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**Pension Fund Update Report**

Summary:

This report updates the Committee on Fund matters for the quarter ending 31 March 2022 and any other current issues.

The report covers:

1. Funding and Performance Update
2. TPR Checklist Dashboard and Code of Practice
3. Breaches Register Update
4. Risk Register Update
5. Asset Pooling Update
6. Internal Audits
7. PLSA Research Report
8. Conference and Training Attendance

Recommendation(s):

That the Committee consider and note the report.

Background

1. Funding and Performance Update

1.1 Over the period covered by this report, the value of the Fund's invested assets fell by £33.9m (-1.1%) to £3,031.1m on 31 March 2022.

Asset Allocation

1.2 Appendix A shows the Fund's distribution as at 31 March. At an asset class level, property is below its lower tolerance and cash is above its upper tolerance. Commitments made to residential property funds in 2020 and 2021 are beginning to be drawn down, however the property allocation will still be underweight once these are fully drawn.

1.3 The underweight property position will increase further due to the closure of the Aviva UK Commercial Property Fund, which started returning money to unit holders in January 2022 with further distributions expected over the coming months as assets are sold. To reduce the cash drag on performance ahead of the investment into the Border to Coast Global Property Fund, due to launch in late 2022, an additional investment has been made to increase the existing holding in the Aberdeen European Property Growth Fund. This will show in the next quarter's distribution.

1.4 The higher than benchmark cash position will be used to fund expected drawdowns in property and infrastructure investments.

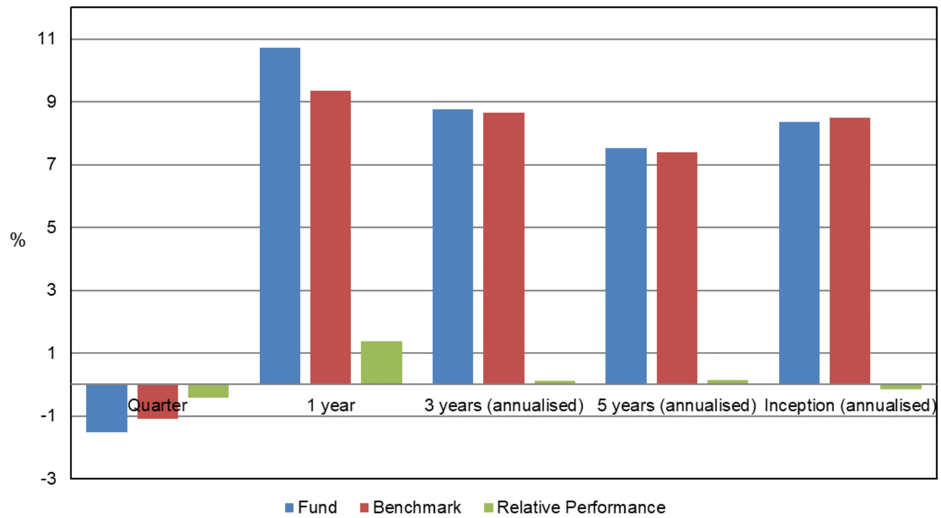
1.5 The Fund's overall position relative to its benchmark is set out in the table below.

Asset Class	Q1 2022 £m	Q4 2021 £m	Asset Allocation %	Strategic Asset Allocation %	Difference %
UK Equities	477.8	475.0	15.8	15.0	0.8
Global Equities	1,207.3	1,256.0	39.7	40.0	(0.3)
Alternatives	671.2	660.5	22.1	21.5	0.6
Property	220.0	241.2	7.3	10.0	(2.7)
Fixed Interest	355.2	378.0	11.8	12.5	(0.7)
Cash	99.6	54.3	3.3	1.0	2.3
Total *	**3,031.1**	**3,065.0**	**100.0**	**100.0**	

(* Excludes transactional cash and Border to Coast shareholding)

Fund Performance

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



	Fund %	Benchmark %	Relative Performance %
Quarter	(1.51)	(1.10)	(0.41)
1 year	10.72	9.35	1.37
3 years*	8.76	8.65	0.11
5 years*	7.53	7.39	0.14
Inception**	8.35	8.50	(0.15)

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

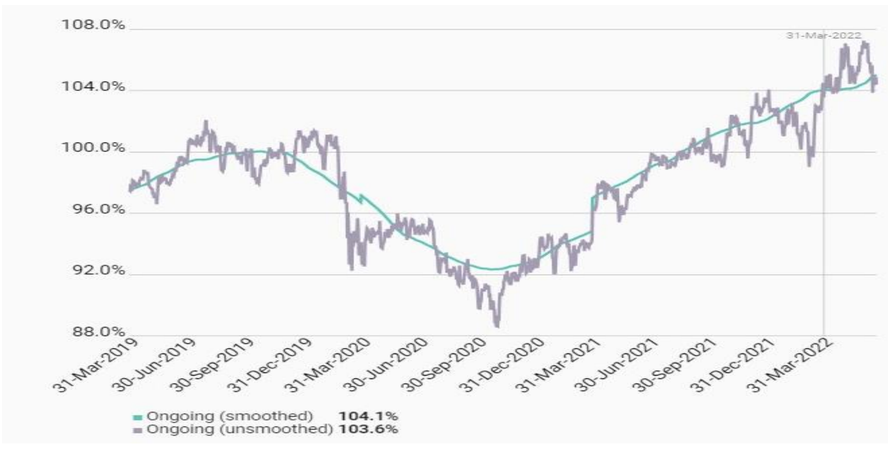
1.7 Over the quarter, the Fund produced a negative return of -1.51% (as measured by Northern Trust), underperforming the benchmark by -0.41%. The Fund was ahead of the benchmark over the one, three and five year periods, but slightly underperformed since inception. Details of managers' performance are covered in the Investment Performance report later in the agenda.

1.8 Appendix B shows the market returns over the three and twelve months to 31 March 2022.

Funding Level

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

1.10 At the last formal valuation, reworked under the methodology of Barnet Waddingham, the funding level was 97.5%, with assets and liabilities measured at £2.33bn and £2.39bn respectively. Since the valuation date, the funding level has increased by 6.6% to 104.1%. The graph below shows the volatility of the changes over the period since then, both on a smoothed and unsmoothed basis.



1.11 Over the period 31 March 2019 to 31 March 2022 the deficit, in real money, has fallen from £60m to a surplus of £116m. The biggest impactor is the investment gain, although this has been partially offset by the change in inflation over the period. Since the valuation, contributions and transfers have been greater than the accrual of new benefits. The table below shows the analysis of the change in deficit.

2. TPR Checklist Dashboard and Code of Practice

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

2.2 There 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, one certificate 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.

3. Breaches Reporting - update

3.1 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 10, updating the Committee on all monthly employer contribution breaches over quarter.

4. Risk Register Update

4.1 The risk register annual review is at agenda item 12 on the agenda, so no update is provided here.

5. Asset Pooling Update

Sub Funds

5.1 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. The new Head of Property, Alistair Smith, joined the company in May.

5.2 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, sustainable/green bonds and Responsible Investment.

Joint Committee Meetings

5.3 The latest Joint Committee meeting was held on 20 June. Minutes of the Joint Committee meeting held on 8 March, 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:

- Update on Elections at Each Fund
- Elections and Nominations 2022 (JC Chairman and Vice-Chairman, and company NED)
- Joint Committee Budget
- Market Review
- Governance Review (exempt paper)
- Summary of External Equity Fund's Annual Reviews (exempt report)
- Emerging Market Allocation in Global Equity Alpha – proposed changes to structure (exempt paper)
- CEO Report (exempt paper)
- Performance Report (exempt report)
- Verbal Update on Emerging Matters (exempt item)

5.4 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.

5.5 The next Joint Committee is being held on Thursday 29 September 2022, ahead of the Border to Coast Annual Conference in Leeds, to which all Committee members are invited.

Shareholder Matters

5.6 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. A review of this document is currently underway, with the latest progress set out in the June Joint Committee papers.

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

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

- to approve the total remuneration of the Chief Executive Officer
- to approve the total remuneration of the Deputy Chief Executive Officer

6. Internal Audits

6.1 There have been two audits carried out by the LCC Internal Audit Team and the scope and conclusions are shown below.

6.2 **Pensions Administration**
Scope – to provide assurance over the adequacy of Pension Administration arrangements helps to inform the Head of Internal Audit's annual opinion of the Council's control environment. In order to maximise efficiencies and to avoid duplication, the internal audit team take assurance on relevant work conducted by Bradford MDC, who undertake the internal audit service for WYPF.

The areas reviewed and the outcomes given were:

- Transfers In = Excellent
- New Pensions & Lump Sums- Death Benefits = Excellent
- Local Government Scheme Contributions = Good
- Life Existence = Good
- Purchase of Additional Pension = (Draft report Good)

- Annual benefit statement = Excellent

Conclusion – LCC Internal audit continue to place assurance on the robust nature of the audits completed by Bradford MDC. They are pleased to see that the audits continue to have positive assurance levels to date and that actions are implemented promptly. They will liaise with the Bradford MDC team to confirm that management actions are fully implemented within agreed timescales. They are happy to place reliance on this assurance over Pension Administration and plan to maintain their relationship with Bradford MDC. They will share future information and assurances to help support one another's audit work.

Overall assurance given – Green – no issues

6.3 **Key Control Testing**

Scope - Key Control testing is undertaken on a periodic basis to:

- enable the Head of Internal Audit to form an opinion on the Council's financial control environment
- inform External Audit's control evaluation
- support the risk based reviews completed on these systems, as transactions are sampled across the year.

Key controls and a sample of transactions were reviewed in the following areas:

- reconciliations, existence and valuation of investment

Conclusion - The review found that processes are well controlled and continue to work well. We have therefore provided a high assurance opinion.

The testing confirmed the following robust controls to be in place and working effectively:

- Monthly reconciliation of pension fund valuations with independent review
- Review of valuation discrepancies or those valuations outside set parameters. These are supported by clear documentation of the investigation outcome
- Maintenance of comprehensive internal valuation records which correspond to third party records held from individual Fund Managers and the Pension Fund Custodian
- Monthly valuation updates to the Pensions Committee and Pension Board, with more frequent updates when required due to market uncertainty

Audit identified no findings or service improvements as part of this review.

Overall assurance given – High Assurance

7. PLSA Research Report

7.1 As you will be aware, the Fund is a member of the PLSA (Pensions and Lifetime Savings Association), who represent pension schemes that together provide a retirement income to more than 30 million savers in the UK and invest more than £1.3 trillion in the UK and abroad. They work closely with the LGPS Funds and stakeholders to influence Government policies and collaboratively find solutions to the many issues that we share.

7.2 The PLSA Policy Board guides and decides on public policy positions. Its remit and representation stretches across all aspects of policy work on pensions and lifetime savings and its goal is to shape the policy agenda for all aspects of retirement income.

7.3 To assist the work of the Policy Board, there are four Committees aligned to the current regulatory regime, those being Defined Benefit, Defined Contribution, Local Authority and Master Trusts. I am pleased to report that the Head of Pensions was recently appointed to be a member of the Local Authority Policy Committee.

7.4 PLSA have recently released their LGPS research project 'LGPS: Today's Challenges, Tomorrow's Opportunities', intended to provide PLSA members and those with an interest in the LGPS, additional information to aid and inform ongoing debates about the scheme's purpose and on how to prioritise the opportunities available. It also aims to suggest practical next steps to some of the challenges highlighted. The full report can be found at https://www.plsa.co.uk/Policy-and-Research/Document-library/The-Local-Government-Pension-Scheme-todays-challenges-tomorrows-opportunities, and the Executive Summary is attached at appendix E.

7.5 The research covered four themes:

- The LGPS Regulatory and Operating Environment
- LGPS Employers
- LGPS and Scheme Members
- Operational Sustainability – Systems and People

7.6 The document highlights the key issues impacting all Funds, to a greater or lesser extent, and proposes recommendations for solutions. LPF will continue to work with the PLSA, all stakeholders and other Funds to ensure the long term sustainability of the LGPS.

8. Conference and Training Attendance

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

8.2 There has been one main LGPS Conference since the last meeting, which was the PLSA Local Authority Conference held in the Cotswolds in June. Cllr Mike Thompson, Cllr Mark Whittington and the Head of Pensions attended the event, and conference highlights provided by Hymans Robertson are attached at appendix F for your information.

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

Conclusion

9. The Fund has maintained its recovery from the falls last year and is 104.1% funded as at the end of March, with an overall value of £3,031.1m.

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	Distribution of Investments
Appendix B	Market Returns
Appendix C	TPR Checklist Dashboard
Appendix D	Breaches Register
Appendix E	PLSA LGPS Research Project Executive Summary
Appendix F	Hymans Robertson LGA Conference Highlights

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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DISTRIBUTION OF INVESTMENTS

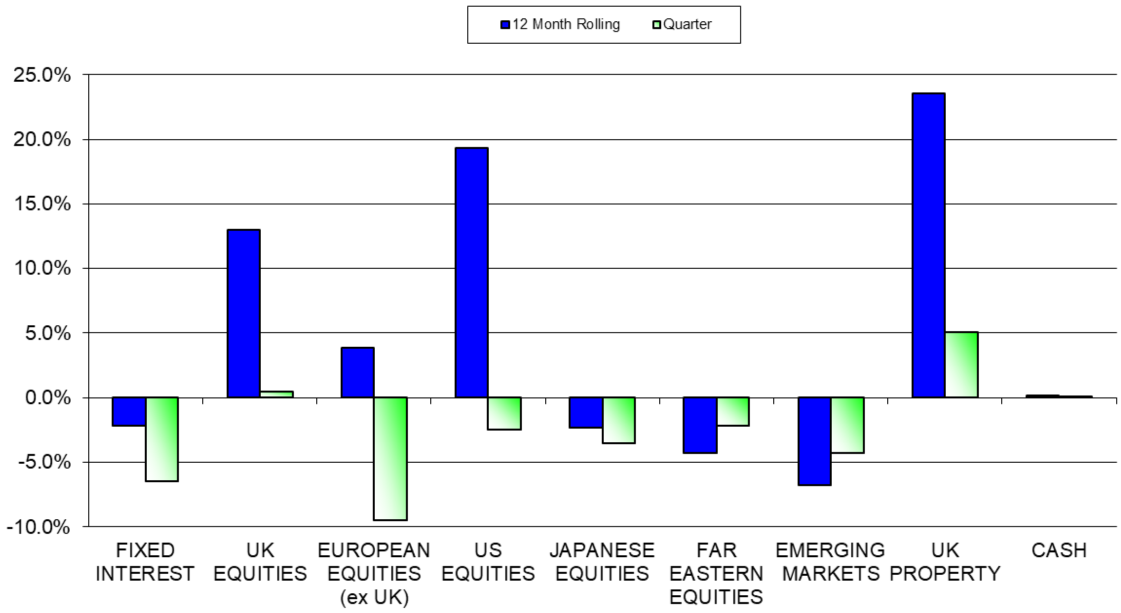
INVESTMENT	31 March 2022			31 December 2021			COMPARATIVE STRATEGIC BENCHMARK	
	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	VALUE £	% OF INV CATEGORY	% OF TOTAL FUND	%	TOLERANCE
UK EQUITIES								
Border to Coast UK Listed Equity	477,826,728	28.4%	15.8%	474,978,162	27.4%	15.5%	15.0%	+/- 2.0%
TOTAL UK EQUITIES	**477,826,728**		**15.8%**	**474,978,162**		**15.5%**	**15.0%**	
GLOBAL EQUITIES								
LGIM Future World	464,045,667	27.5%	15.3%	480,528,646	27.8%	15.7%	15.0%	+/- 2.0%
Border to Coast Global Equity Alpha	743,227,519	44.1%	24.4%	775,443,509	44.8%	25.3%	25.0%	+/- 2.5%
TOTAL GLOBAL EQUITIES	**1,207,273,186**		**39.7%**	**1,255,972,155**		**41.0%**	**40.0%**	
TOTAL EQUITIES	**1,685,099,914**	**100.0%**	**55.5%**	**1,730,950,317**	**100.0%**	**56.5%**	**55.0%**	
ALTERNATIVES *	**671,182,711**		**22.1%**	**660,515,736**		**21.5%**	**21.5%**	**+/- 3.0%**
PROPERTY	**219,991,013**		**7.3%**	**241,170,659**		**7.9%**	**10.0%**	**+/- 1.5%**
FIXED INTEREST								
Blackrock	150,282,408	42.3%	5.0%	160,475,047	42.4%	5.2%	5.0%	+/- 1.0%
Border to Coast Investment Grade Credit	204,926,962	57.7%	6.8%	217,564,437	57.6%	7.1%	7.5%	+/- 1.0%
TOTAL FIXED INTEREST	**355,209,370**	**100.0%**	**11.8%**	**378,039,484**	**100.0%**	**12.3%**	**12.5%**	**+/- 1.5%**
TOTAL INVESTED CASH	**99,605,039**		**3.3%**	**54,273,935**		**1.8%**	**1.0%**	**+ 0.5%**
TOTAL INVESTED ASSETS	**3,031,088,047**		**100%**	**3,064,950,131**		**100%**	**100.0%**	

* including Multi-Asset Credit and Infrastructure

APPENDIX A

APPENDIX B

CHANGES IN MARKET INDICES
MARKET RETURNS TO 31 MARCH 2022



INDEX RETURNS	12 Months to Mar 2022 %	Jan-Mar 2022 %
FIXED INTEREST	-2.1%	-6.5%
UK EQUITIES	13.0%	0.5%
EUROPEAN EQUITIES	3.9%	-9.5%
US EQUITIES	19.3%	-2.5%
JAPANESE EQUITIES	-2.3%	-3.5%
FAR EASTERN EQUITIES	-4.3%	-2.2%
EMERGING MARKETS	-6.8%	-4.3%
UK PROPERTY	23.6%	5.1%
CASH	0.1%	0.12%

Appendix C

The Pension Regulator’s and Scheme Advisory Board Compliance Checklist

Summary Results Dashboard

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

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

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

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

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

Appendix D

Lincolnshire Pension Board Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions
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 – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process
Sept 21	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers

Appendix D

Date	**Category (e.g. administration, contributions, funding, investment, criminal activity)**	**Description and cause of breach**	**Possible effect of breach and wider implications**	**Reaction of relevant parties to breach**	**Reported / Not reported (with justification if not reported and dates)**	**Outcome of report and/or investigations**	**Outstanding actions**
			– e.g. retirements				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
March 22	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

THE INSIGHT SHARING
PENSIONS AND LIFETIME SAVINGS ASSOCIATION

THE LOCAL GOVERNMENT PENSION SCHEME:
TODAY'S CHALLENGES, TOMORROW'S OPPORTUNITIES

EXECUTIVE SUMMARY

JUNE 2022

THE LOCAL GOVERNMENT PENSION SCHEME:
TODAY'S CHALLENGES, TOMORROW'S OPPORTUNITIES

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

1. The Local Government Pension Scheme (LGPS) is the largest defined benefit (DB) pension scheme in the UK, and one of the biggest in the world. Recent figures show that it has 6.9 million members, over 17,000 employers, and assets totalling over £332 billion.[1]

2. The LGPS is a statutory pension scheme delivering valuable benefits for people who provide public services, including many who perform roles of support and care in local communities, often for relatively low pay. The scheme offers high quality and efficient pension provision for local government employers but also for many other types of employers, which do not have direct ties to local authorities. At the time of publication, there are 86 funds in England and Wales (E&W), 11 funds in Scotland and one in Northern Ireland (NI).

3. The scheme has consistently demonstrated financial resilience and operational stability throughout regular periods of rapid change. It has successfully met numerous challenges over the decades with speed, accuracy and limited resources, and capitalised on its economies of scale and collaborative culture.

4. Latest valuation figures at time of publication show the LGPS to be in a strong financial position: the funding level in England and Wales at the 2019 triennial valuations was at 98%[2]; it was 102% for Scotland in 2017 (publication of the Scottish LGPS 2020 triennial valuations expected); and 112% for Northern Ireland in 2019.[3,4]

5. From this position of financial security and operational success, the LGPS membership of the Pensions and Lifetime Savings Association (PLSA) requested an in-depth piece of independent research, to better understand the opportunities available to continue to evolve and future-proof the scheme from any possible headwinds. This research report sets out our findings, areas where existing good practice can be fortified and where action can be taken to address the ever-increasing regulatory and environmental challenges facing the scheme.

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1 These figures were correct as of May 2022. Please see:
(a) SAB Scheme Annual Report 2020. Available at: https://lgpsboard.org/index.php/schemedata/scheme-annual-report
(b) SLGPS Annual Report 2019-20. Available at: http://scotlgpsab.webdigi.co.uk/docs/SABAnnualReport201920Final.pdf
(c) NILGOSC Annual Report & Accounts 2020-21. Available at: https://nilgosc.org.uk/wp-content/uploads/2021/11/NILGOSC-Annual-Report-2020-21.pdf
(d) NILGOSC Annual Report & Accounts 2019-20. Available at:https://nilgosc.org.uk/wp-content/uploads/2020/12/new_7786653__annual_report_and_accounts_2019-20_webcompressed.pdf
(e) Audit Scotland SLGPS 2018-19. Available at: https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_191217_local_government_finance_supp2.pdf

2 (a) Figures are from LGPS Annual Report 2020 (based on individual LGPS funds' statutory annual reports and audited financial statements). Available at: https://www.lgpsboard.org/index.php/schemedata/scheme-annual-report
(b) Figures from latest England and Wales triennial valuations, completed in March 2022, are forthcoming but not publicly available as of May 2022.

3 These figures were correct as of May 2022. Please see:
(a) Aon (2019) Report on the 31 March 2019 Actuarial Evaluation. Available at: https://nilgosc.org.uk/wp-content/uploads/2021/05/2019-Valuation-Report-for-LGPSNI.pdf
(b) Clarke & Scanlon (2019) Local Government Pension Scheme Scotland. GAD. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/852463/191113Section13ReportMain.pdf
(c) SAB Scheme Annual Report 2020. Available at: https://lgpsboard.org/index.php/schemedata/scheme-annual-report

4 E&W LGPS figure is based on an aggregate of local actuarial valuations, taken from individual funds' statutory annual reports and audited financial statements. Scottish LGPS figure is based on an aggregate of actuarial valuations and other data supplied to the GAD by individual funds.

6. This research project has been carried out independently but informed by dialogue from those who work within the LGPS. This work is intended to provide PLSA members and those with an interest in the LGPS, additional information to aid and inform debate about its operation and purpose. It also aims to suggest practical next steps to some of the challenges highlighted.

7. This research also builds on some of the experiences senior LGPS officers have on a day-to-day basis, including with implementation of regulatory change. Additionally, the observations and recommendations from the England and Wales Scheme Advisory Board's (SAB's) Good Governance Project, as well as from its Tier 3 Employers report[5], were found in aspects of this research as well, signalling evidence of a need to take action on various fronts.

8. The PLSA's membership was heavily engaged in this project from beginning to end. We conducted four in-depth workshops in July 2021 and had 98 respondents to the survey (issued in October 2021), with over 40 people offering to participate in additional qualitative work. The data collected is discussed under four themes: (1) The LGPS Regulatory and Operating Environment; (2) LGPS Employers; (3) LGPS and Scheme Members; and (4) Operational Sustainability – Systems and People.

5 Aon (2018) Tier 3 Employers in the LGPS. Available at: https://lgpsboard.org/index.php/tier-3-employers

THEME 1: THE LGPS REGULATORY AND OPERATING ENVIRONMENT

9. The LGPS operates within a government and regulatory landscape which is complex and the pace of regulatory change it has to react to and comply with has accelerated in the last few years. A wide range of bodies can bring different perspectives, which can of course have a positive impact on outcomes. However, the structure of the governance oversight of the LGPS results in it being hard to achieve a complete overview of its operation.

10. As different parts of the LGPS are required to report to a number of disparate bodies, each with their own distinct objectives, this obscures an overall view of the scheme, its purpose, operational requirements, and resource limitations.

11. Moreover, there is not one entity that has responsibility to consistently and visibly champion the LGPS at higher levels of government discussions and this can lead to the needs of the LGPS being de-prioritised, missed or misunderstood, on both pensions policy issues, as well as on macro policy issues that have knock-on effects for the LGPS – an example of this being education policy and the decision to integrate academies into the LGPS in England.

12. The complex and multiple layers of LGPS's oversight sometimes also drives conflicting or ambiguous LGPS guidance, as well as an unclear hierarchy of authority between the various external governance bodies; this adds to the regulatory challenges. As a result, LGPS funds are taking increasingly individualised approaches based on local interpretations of guidance. This mode of operation is resource intensive and diminishes opportunities for synergies across funds. There is also a risk that interpretations of guidance or treatment of member benefits may be challenged, with wider consequences for the scheme.

13. The PLSA believes that deliberate and purposeful action should be taken to address the challenges resulting from these complex governance arrangements: (a) there should be a significant push to ensure the existing framework works in a more joined-up and coherent way and (b) there should be an examination of the benefits of a more centralised approach, that could involve new responsibilities for an existing body or creating a new body with greater powers. (Without a single entity, the LGPS's needs will continue to be deprioritised in macro government discussions – outcomes that have tangible impacts to the day-to-day running of the LGPS, which will be explored in Theme 2: LGPS Employers.)

14. The PLSA also recommends developing a common standard on governance and a "levelling up" of practice, with a focus on the type and quality of outcomes administering authorities should aim to achieve. A blueprint for this form of standard can be found in the Financial Reporting Council (FRC)'s Stewardship Code.[6] A common standard of this type would be additive and beneficial to the existing sharing of best practice and to the wide-spread collaboration already in place. The England and Wales SAB's Good Governance Project has also produced recommendations on how to provide this common standard.[7]

6 FRC UK Stewardship Code. Available at: https://www.frc.org.uk/investors/uk-stewardship-code
7 SAB Secretariat (2021) Annex to Letter to Luke Hall MP. Available at: https://www.lgpsboard.org/images/Other/Annex_to_Good_Governance_letter_110221.pdf

TOPIC	OPPORTUNITIES	WHO SHOULD TAKE THIS FORWARD
Theme 1: The LGPS Regulatory & Operating Environment	**Recommendation 1:** The PLSA recommends deliberate and purposeful action is taken to address the challenges of the complex and disparate nature of the governance and regulatory landscape in the following two ways: (a) there should be a significant push to ensure the existing framework works in a more joined-up and coherent way; (b) there should be an examination of the benefits of a more centralised approach that could involve creating a new body or giving an existing body greater powers. It will be important as well that the devolved administrations are a part of the above discussions and actions suggested, so that a consistent approach across the entirety of the UK can be taken where possible and appropriate.	England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; The Pensions Regulator (TPR); FCA; DLUHC; Scottish Government; Northern Ireland's DfC; Chartered Institute of Public Finance and Accountancy (CIPFA); Funds
	Recommendation 2: It may be beneficial for the Department for Levelling Up, Housing and Communities (DLUHC to have more active outreach across the LGPS in England and Wales, across all fund sizes, perhaps even through the PLSA, so that more effort is put into ensuring that smaller funds' views are taken into consideration in policy-making.	DLUHC, PLSA
	Recommendation 3: As there is currently no entity looking at the whole of the LGPS, drafting a strategic "regulatory map" would highlight to external stakeholders the complexities in which the LGPS operates. It would showcase the need for: (a) a significant push to ensure the existing framework works in a more joined-up and coherent way; and (b) there should be an examination of the benefits of a more centralised approach that could involve creating a new body or giving an existing body greater powers. This draft map from the PLSA would help Funds to clearly understand what applies to them, and would help ensure that the LGPS voice is represented and weighted accordingly in central government decisions that affect the sustainability of the LGPS and its day-to-day running directly.	PLSA, Funds
	Recommendation 4: It may be necessary to offer standardised and mandatory training courses, which could make use of CIPFA guidance and recommendations from the E&W SAB Good Governance project.[8]	Funds; England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; TPR

8 SAB Secretariat (2021), Letter to Luke Hall MP. Available here: https://www.lgpsboard.org/images/Other/Annex_to_Good_Governance_letter_110221.pdf

	Recommendation 5: As funds are all at varying stages of development and progress on different operational and governance issues, the PLSA also recommends developing a common standard on governance and a "levelling up" of practice, with a focus on the type and quality of outcomes administering authorities should aim to achieve. A blueprint for this form of standard can be found in the FRC's Stewardship Code.[9] A common standard of this type would be additive and beneficial to the existing sharing of best practice and to the wide-spread collaboration already in place. The England and Wales SAB's Good Governance Project has also produced recommendations on how to provide this common standard.[10]	DLUHC; Scottish Government; England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; TPR

THEME 2: LGPS EMPLOYERS

15. Overall, the relationship between funds and employers is a very positive one. However, the consequences of public sector reforms since the 1980s – that encouraged the outsourcing of local authority services – combined with central government policy decisions over which the LGPS has very little influence, leave many LGPS funds to bridge large gaps in employers' knowledge and understanding about their responsibilities to the scheme and to its savers.

16. Additionally, for some types of employers, the LGPS is increasingly unaffordable, raising questions over which employers should be part of the scheme. However, it is important to note that affordability for employers is less of an issue for the LGPS funds in Scotland or Northern Ireland, where there are a lower number of employer entrants; these funds are also typically better funded than their counterparts in England and Wales. There is also currently comparatively less demand from the charitable sector for admission to the LGPS in Scotland. In contrast, the LGPS funds in England have seen substantial growth in individual employers, as a consequence of the academisation of schools.

17. Issues around employer affordability are driven by both the terms of entry and the terms of exit. Ensuring employers understand their obligations to the Fund at the point of entry is very important. Contractual negotiations sometimes commence without the view of key bodies, including the LGPS fund, being fully considered. As a result, organisations can join unprepared to meet their scheme contribution rate and do not always have full awareness of the commitments and actions required to administer its obligations to members. Early engagement and clear communication of responsibilities to prospective employers before they join, as well as during their time in the scheme, including implications for outsourcing services, are paramount.

9 FRC UK Stewardship Code. Available here: https://www.frc.org.uk/investors/uk-stewardship-code
10 SAB Secretariat (2021), Letter to Luke Hall MP. Available here: https://www.lgpsboard.org/images/Other/Annex_to_Good_Governance_letter_110221.pdf

18. Funds have to react to a wide range of Government policy decisions that impact the LGPS. For instance, the creation of academy schools, while relevant only to England as LGPS employers, are an example of this; they have also been the biggest driver behind the tremendous growth in employers in England. Other, largely hidden complexities include the ability of local authority run schools to appoint their own payroll provider, which can reduce the timeliness and quality of data being submitted to LGPS funds.

19. It is important to note that while many LGPS funds are currently well-funded – many indeed in surplus on both their own and Government Actuary's Department's (GAD's) funding measures – this does not guarantee that future employer affordability and sustainability issues will not arise.

TOPIC	OPPORTUNITIES	WHO SHOULD TAKE THIS FORWARD
Theme 2: LGPS Employers	**Recommendation 1:** Given that the two most common reasons cited for not having the right staff to service relationships with employers is "not having enough staff" and "requirements are too complex", a two-pronged approach to address this issue may be needed. The PLSA recommends the following: (1) Review the PLSA's Talent Management Guide 2018 and share best practices on talent management resourcing), and; (2) Where possible, review and implement the recommendations under Theme 1: The LGPS Regulatory and Operating Environment, to ensure that there is a single view to help make regulatory requirements less complex and easier to navigate, in a way that addresses the LGPS's needs.	England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; TPR; FCA; DLUHC; Scottish Government; Northern Ireland's DfC; CIPFA; Funds
	Recommendation 2: The PLSA recommends that central government and devolved administrations actively involve local and administering authorities in policy decisions the scheme will be required to execute.	Funds; DLUHC; Scottish Government; Northern Ireland DfC; England & Wales, Scottish and Northern Ireland Scheme Advisory Boards
	Recommendation 3: The PLSA recommends a review of employer engagement best practice is commissioned. This will ensure that employers' knowledge of their responsibilities (legal, administrative and funding) across the scheme are improved. This will also help improve awareness before employers officially join the scheme and also during their ongoing participation.	England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; TPR; Funds; Employers (including HR departments)

	Recommendation 4: Funds should be proactive in providing information and assistance to existing and prospective employers. This should help to mitigate the potential for participating employers and outsourced providers failing to understand their responsibilities and risks.	England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; TPR; Funds; Employers (including HR departments)
	Recommendation 5: We believe Funds should have something more aligned to TPR's notifiable events framework or an information sharing protocol to trigger and facilitate appropriate dialogue in a timely manner, when appropriate.	England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; TPR; Funds; Employers (including HR departments)
	Recommendation 6: The PLSA recommends commissioning additional work to explore and share best practice in both assessing employer risk early on and helping to manage both the risk and exit where appropriate (including through exit valuations), building on what is already available. Emphasis on consistency to approach and options whenever possible across the UK may be helpful to both funds and employers. It was reported to the PLSA that there is already much good practice and information, but which best practice guides to use is not always very clear. Any work in this area would need to ensure not to duplicate work that has already happened in this space, such as that done by E&W's SAB. While employer affordability and exit challenges are not generally an issue in Scotland, it will be important to ensure that the Advisory Boards for Scotland and Northern Ireland are involved, to ensure best practice across the LGPS is captured.	England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; PLSA
	Recommendation 7: The PLSA also recommends that the benefits of staying within the LGPS be actively and regularly explained to employers as well.	Funds, Employers (including HR departments)
	Recommendation 8: As there continues to be a debate about the type of employers which should participate over the long-term in the LGPS, the PLSA recommends that further work is commissioned to answer this question. We note ongoing work by DLUHC to consider changes for HE/FE sector.	Funds, England & Wales, Scottish and Northern Ireland Scheme Advisory Boards

THEME 3: LGPS AND SCHEME MEMBERS

20. The approach to engagement with scheme members across Funds appears to be variable and inconsistent, however, our workshops and interviews captured a wider movement within the LGPS towards wanting to "prioritise savers", including to protect savers from scams, the importance of reminding employers of their responsibilities to scheme members, and to provide greater support in communication of benefits and types of communication offered.

21. A significant proportion of the LGPS membership are lower paid workers who contribute to the provision of essential local community support and national public services. The scheme acts as a vital financial safety net for these workers – an objective which is sometimes lost in political and policy debates, with an assumption that all public sector workers, across all public sector pension schemes, will have adequate retirement income. However, data on membership profile is not yet collected in a systematic and consistent way to help maintain and grow an understanding of how best to support LGPS savers.

TOPIC	OPPORTUNITIES	WHO SHOULD TAKE THIS FORWARD
Theme 3: LGPS and Scheme Members	**Recommendation 1:** The PLSA recommends the LGPS engages further with the use of its Retirement Living Standards in its communications with its members, to help savers better understand what they should try to do now to have an adequate income in retirement.	Funds
	Recommendation 2: The PLSA recommends commissioning an independent piece of work to obtain a robust and granular understanding of the LGPS membership profiles, as a first step towards having a greater understanding of their needs, and for LGPS savers' voices to be represented at a more macro level on regulatory, policy and political discussions relating to pensions. This may help to reveal what further official data may need to be collected from central and local government entities in England, Wales, Scotland and Northern Ireland.	PLSA; England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; Funds
	Recommendation 3: The PLSA will seek to understand what communication tools Money and Pensions Service (MaPS) already employs with savers that could possibly be deployed for the needs of the LGPS. The PLSA should explore what role employee groups, such as trade unions, could play in helping savers understand pensions.	PLSA, MaPS, Funds

THEME 4: OPERATIONAL SUSTAINABILITY – SYSTEMS AND PEOPLE

22. The LGPS is not consistently well understood by those within administering authorities who do not work directly in the delivery of the LGPS. This can obstruct appropriate resource allocation and operational investment needed to fund strategic developments and operational requirements of the LGPS.

23. Investing in operational resilience – assessing resilience, risk/impact and drivers/mitigants – is key to enhanced long-term understanding of sustainability and is something the LGPS should as a whole commit to doing.

24. LGPS funds' staff retention issues remain prevalent. Competition for talent remains fierce over pay – a situation made worse by effects of the pandemic on the job market. Given hybrid working is now the normal standard for most office jobs, many working in the LGPS outside of regional hubs or city centre locations can now also compete for roles that pay more than many administering authorities can typically offer.

25. Problems with retention and recruitment are exacerbated by increasing regulatory complexity. Project participants reported staff exiting in part because they did not want to be present for the McCloud Judgment implementation, leading to a wider insight into the lack of confidence by LGPS employees in the stabilisation of regulatory change, which is contributing to a retention and recruitment barrier, and thereby operational sustainability as well.

26. A nation-wide LGPS "rebrand"/campaign may be necessary to better articulate the benefits for existing and future LGPS employees. The LGPS may want to consider reforms which provide a standard framework which highlights the skills and knowledge requirements, the career progression available, and the positive, collegiate working environment captured by the research, all which could then be adapted at a more local level. This should in turn encourage more applicants to the LGPS at all levels, and to fill knowledge gaps within administering authorities on the important service LGPS pensions teams provide, which require skills that are often paid at higher wages in the private sector.

TOPIC	OPPORTUNITIES	WHO SHOULD TAKE THIS FORWARD
Theme 4: Operational Sustainability - Systems and People	**Recommendation 1:** The LGPS could ask IT suppliers for pensions administration to provide additional options and solutions to help funds to fulfil their wish to do more for, and to work more closely with, employers and scheme members. The push towards competition should encourage innovation. It will be important as well to continuously monitor whether existing systems can cope with the ever-changing and increasingly complex regulatory requirements of the LGPS.	Funds
	Recommendation 2: Given so many funds have reported increasing efforts to improve recruitment and retention in the last five years, the PLSA recommends a "best practice" case studies project be undertaken to share what has worked and what might not have worked as well.	Funds, PLSA

	Recommendation 3: Some funds are having difficulty recruiting people with the "new skills" that are now required (i.e., digital skills, regulatory expertise, cyber security). The PLSA recommends that the LGPS explores establishing a central support network that could help with recruitment across the country.	Funds
	Recommendation 4: We recommend that the PLSA takes this finding – that staff are resigning due to concerns over regulatory complexities – to DLUHC, Scottish Government, Northern Ireland's Department for Communities, TPR, and FCA to use in wider discussions about regulatory complexity and the negative impacts it has on funds, to ask them to consider more joined-up policy and regulatory work, and to streamline compliance issues where possible. It may be necessary to acquire new statistics on this to help make the case to decision-makers.	PLSA; Funds; DLUHC; Scottish Government; Northern Ireland DfC; TPR; FCA
	Recommendation 5: The PLSA recommends that some of the suggestions from its talent management guide be revisited, including, but not limited to the following: • There may be a need to create comparable national roles and pay bands across the LGPS funds, so that funds are able to recruit more efficiently and appropriately for the skills gaps on their teams. • Reframing the language used to describe a career in pensions may help to attract a broader group of candidates. For instance, describing a job within an organisation that manages a multibillion-pound fund might be more appealing to a larger range of individuals for certain posts. Additionally, the scale of LGPS membership in terms of the variety of employers and the type of work they do across a range of sectors should be explicitly championed in all job descriptions, to showcase the tapestry of roles and skills that make up the LGPS. • There is limited comparability in roles between LGPS funds and the wider administering authority. As such, HR is often not fully aware of the specialised skills required to perform well within pension administration, finance, and investment roles. It may be worth exploring whether common job roles or common job descriptions across the LGPS funds might assist in pay challenges as they relate to recruitment and retention. As many LGPS funds currently have difficulty competing on pay, it is crucial to emphasise the quality of pension provision and positive working environment they can offer. It is important to explain to potential applicants the flexibility, collegiate atmosphere and industry career pathways that are available to those who join LGPS funds.	England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; LGA; WLGA; COSLA; Funds; Administering Authorities

	Recommendation 6: The LGPS could have a collective, UK-wide outreach campaign to help bridge knowledge gaps within administering authorities, to provide a greater understanding of the specialised pensions skills needed within funds. A comparison to equivalent roles in the private sector may be helpful. Please see Recommendation 5 in Theme 4: Operational Sustainability.	England & Wales, Scottish and Northern Ireland Scheme Advisory Boards; LGA; WLGA; COSLA; Funds; Administering Authorities; HR departments
	Recommendation 7: Investing in operational resilience – assessing resilience, risk/impact and drivers/mitigants – is key to enhanced long-term understanding of sustainability of the LGPS. The PLSA recommends that funds take this forward to establish and encourage best practice. Establishing a team that specifically looks at operational resilience, that would factor in incoming regulatory requirements such as implementing McCloud, or for projects such as Dashboards, could be one way to do this.	Funds; England & Wales, Scottish and Northern Ireland Scheme Advisory Boards
	Recommendation 8: As some funds have difficulties consistently securing necessary resources, a clearer articulation from Government of the requirements and a longer run-up to milestones would aid funds in their planning and development of business cases to secure the necessary resources at local level.	DLUHC; Scottish Government; NI DfC; DWP; HMT; HMRC; FCA; TPR

CONCLUSIONS AND NEXT STEPS

28. The LGPS is the largest defined benefit (DB) pension scheme in the UK, and one of the biggest in the world. The long-term sustainability of the LGPS looks secure and opportunities to continue to grow and evolve the scheme to enhance its value to scheme members are plentiful. Sustaining its position of financial strength will be important, as is a willingness of various entities to work together to ensure that the LGPS's needs are considered in all relevant regulatory developments, which was explored under **Theme 1: The LGPS Regulatory and Operating Environment**.

29. **Theme 4: Operational Sustainability** is also key to the overall long-term sustainability of the LGPS. The administrative burden is however rising due to increasing levels of regulation, and as such, talent management remains a top priority, to ensure that the LGPS continues to have enough of the right skills and personnel to navigate through its complicated regulatory environment.

30. Promoting the value and purpose of the LGPS can play an important role in recruiting and retaining talent. As explored in **Theme 3: Scheme Members**, the LGPS provides benefits to people across the UK who provide essential services to local communities. This articulation of "purpose" could also help strengthen relationships with employers, as explored in **Theme 2: LGPS Employers**.

31. The PLSA will work with its members and other bodies involved in supporting the delivery of the LGPS, to build on this programme of work to continue to help future-proofing the LGPS.

THE INSIGHT SHARING PENSIONS AND LIFETIME SAVINGS ASSOCIATION

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Conference highlights

PLSA Local Authority Conference (Cotswolds) 13-15 June 2022

Catherine McFadyen
Head of LGPS Consulting

Steve Law
Partner

Susan Black
Head of Governance, Administration & Projects

The lovely June weather allowed delegates to shine a light on diverse topics such as the work of the SAB, PLSA's new research project, investing in inflationary times, climate risk, governance, administration, pooling and more.

Do get in touch if there is something here which you would like to discuss in more detail.

Conference welcome

Emma Douglas, Chair, PLSA

Emma welcomed everyone to the conference (in person) and introduced the conference theme of local government, global impact. She reminded everyone of the size of the LGPS - £300bn+ assets, 7 million members, 17,000 employers - and listed the many topics of interest to be covered over the next 2 days.

The England & Wales Scheme Advisory Board Annual Report 2021

John Bayliss, Government Actuary's Department; Joanne Donnelly, Local Government Association; Roger Phillips, England and Wales Scheme Advisory Board; Emma Douglas, Chair, PLSA

Cllr Phillips addressed the 2020/21 annual scheme report firstly by reminding everyone of the success in delivering the LGPS from home during the COVID pandemic.
Key statistics from annual report

- Assets £342bn (+24%)
- Net return on investment +21%
- Scheme maintained a positive cash-flow
- Membership grew by 1.1% - 6.23m members, including 1.8m pensioners
- Covid impacted life expectancy with a drop of 0.9 and 0.5 years (M&F) respectively according to the life expectancy index provided by Club Vita
- Management charges increased to £196m up 12.5% mainly reflecting the increase in assets

Cllr Philips asked that people take the annual report to committee and board to give perspective on the wider scheme. He shared frankly his disappointment in the delay on TCFD regs and missing the opportunity that COP 26 provided on this issue. He noted that the scheme is in the public eye and receiving FOI requests and we need the reporting mechanism to share the good narrative on that.

He also remarked

- that pooling is here to stay and we need to continue to make progress
- On levelling up, he thinks the LGPS need to meet that challenge and consider how, as the 8th largest scheme in the world, we use our weight when it comes to infrastructure
- On the 31 March 2022 funding valuations, we are in a good place as at 31 March 2022 but there are real concerns about rising inflation and also the national living wage implications for the scheme
- On Good Governance, his view is that it's vital to the reputation and integrity of the scheme. The department has allocated resource to progress guidance; he commends the funds who have already taken forward recommendations and strongly encourages others to do the same
- He also acknowledged the very real resource challenges that funds are facing, commenting that our economy currently has more jobs than people.

John Bayliss commented on the good health of the scheme from a Section 13 perspective.

Joanne Donnelly also addressed the report, highlighting the impact of increasing scheme maturity on cashflows, and her concerns that high inflation and increases in the cost of living may lead to member opt-outs. She emphasised the importance of strong communications about the value of the scheme and the role of TU/employee representatives in supporting that message.

The panel were asked a question about Guy Opperman's interview in the Times over the weekend where he spoke negatively about defined benefit schemes in the public sector. Joanne Kennedy responded that the remit for public sector pension costs sits with HMT, and they have not indicated any change of policy or readiness to fundamentally change the structure of public service pensions.

You ask – we deliver: Presenting our new LGPS project

Robert Branagh, PLSA Local Authority Committee; Rachel Brothwood, West Midlands Pension Fund; Euan Miller, Greater Manchester Pension Fund; Jo Quarterman, Norfolk Pension Fund; Tiffany Tsang, PLSA

This session launched PLSA research project – The LGPS - Today's challenges, Tomorrow's opportunities - explaining that the purpose of the report was to identify risks and opportunities and address them proactively. The project had been an interactive process incorporating the views of 60+ funds, and addressed 4 key themes, with both issues and recommendations.

- Regulatory & operational environment (Robert)
- Issues identified were no single champion, oversight by many different bodies, unclear hierarchy of regulation, and localisation in the application of change leading to increased risk
- LGPS employers (Euan)
- Issues identified were the proliferation of employers and that it is increasingly challenging for employers to adhere to requirements set by funds. Prospective employers don't always understand their responsibilities and their potential costs and risks before entry to the scheme
- 88% of respondents had seen employers want to leave for affordability reasons
- Employers can at times fail to fully appreciate the value of the scheme to them as employers

- LGPS scheme members (Jo)
- Jo noted that the scheme is terribly complex for members and that we need to use all channels and all tools available to maximise member understanding and engagement
- Operational sustainability (Rachel)
- Rachel referred again to the difficult recruitment and retention environment, and focused on a need for greater investment and innovation from system providers to improve efficiency and productivity.

Investing for a new regime

Jamie Dannhauser & Jos North, Ruffer; Matt Hopson, Tri-Borough/Westminster City Council; Tiffany Tsang, PLSA

- Jamie provided a macro-overview of a new "regime" of higher and more volatile inflation, suggesting we will need to take a different approach to how we built portfolios. Jamie discussed the 1970's and high inflation rates addressed by US Fed Chair, Volcker and the hawkish central banks to the current climate, calling out a potential lack of political will to take harsh action
- Jamie argued that the most pressing concern for markets is not inflation but recession, possibly arising in 12-18 months. In the short term it is right to focus on the risk of recession, but keep an eye on the longer term risk that policy makers move too quickly when things are positive rather than keeping the brakes on inflation
- Jos suggested that the environment is changing with a new set of risks to consider when building a robust portfolio by:
    1. Finding inflation protection in your portfolio because system is more inflationary prone.
    2. Using unconventional offsets
    3. Being active – in a more volatile world, need to make quicker decisions and move portfolio around more. Opportunities will be more short term
- Matt considered the impact of inflation risk on the LGPS, discussing the potential that prolonged inflation could mean a jump in liabilities post-CARE. He spoke about looking to diversity real assets in the portfolio to provide inflation protection, with reference to ground rents, long lease, and infrastructure (conventional and renewable).
- In the panel discussion, one of the key themes was ensuring investment committees are set up to make fast decisions in response to changing markets – such as taking advantage of state sponsored climate opportunities.

Evaluating your fund's physical climate risk

Julie Delongchamp, Wellington; Marion Maloney, Environment Agency; Joe Dabrowski, PLSA

- Julie and Marion were encouraging funds to make sure the physical risks arising from climate change are incorporated into investment decision making.
- In a sobering session they noted that almost regardless of current plans to reduce carbon emissions, a 1.5 degree temperature rise is forecast by 2028. An average surface temperature rise of this amount will lead to much higher rises in Asia (2 degree plus), and physical events are already manifesting in some areas.
- Most of the investments in response to climate risk are in climate solutions to reduce emissions, rather than adaptations to living at a higher temperature.
- They provided a simple framework for considering these risks, and then also highlighted opportunities in some sectors. For example, substantial capital deployment is needed to meet physical adaption challenges including building resilience in infrastructure, drainage, flood defence, dredging, water efficiency, and cooling.

- They finished by emphasising that while we must reduce emissions, funds' investment decisions should consider physical risks, opportunities and adaptations to warmer climate.

Complying with TCFD for pensions requirements in the LGPS

Tom Harrington, Greater Manchester Pension Fund (GMPF), Nick Stone, Pinsent Masons, Joe Dabrowski, PLSA

- DLUHC planning to produce comment in the Autumn consultation addressing how the LGPS will approach TCFD (Taskforce for Climate Related Financial Disclosures). The intention is to mirror much of the DWP regulation in place for private sector, although it's anticipated that all LGPS funds will be included regardless of size, and that a slightly different approach will be taken to level of knowledge and understanding of committees compared to trustees.
- Tom provided some insight on how GMPF approaches TCFD and highlighted some of the implementation challenges. GMPF have been providing voluntary TCFD disclosures for five years and are supportive of mandatory climate risk disclosure.
- He noted some of the challenges and opportunities in this area which include choosing metrics, handling LGPS pooled and non-pooled assets, re-baselining targets as asset allocations change, communications, data quality, scopes, the challenges of achieving the same level of data for all asset classes, timeline for implementation (need notice) and the need for consistency across regulators.
- Nick brought his legal perspective, based on implementing TCFD in the private sector. The regime is now in place within private sector with more (smaller) schemes coming into scope soon. He highlighted that TCFD does not tell you where to invest, but instead guides decisions to be better informed and to embed climate considerations within your investment management and governance.
- He noted that metrics, targets and data availability are all current challenges. Private sector guidance suggests that you are not expected to have all the data but are obliged to try, explain what is missing and perform gap analysis.
- On communications, he noted the report needs a plain English summary and that the whole report needs to be accessible for members.

The life-changing magic of tidying up…. Governance

Susan Black, Hymans Robertson; Geoff Cleak, Bath & NE Somerset Council; Joe Dabrowski, PLSA

- On joining the LGPS community Susan had two observations on governance:
  1. The basics were all there and the recommendations were about evolution rather than revolution;
  2. This was an evolution which was being led by the LGPS rather than imposed upon them.
- Inspired by international tidying guru Marie Kondo, 6 rules to tidy up governance were proposed by Susan and Geoff:
  1. Commit yourself to improving governance
  2. Imagine the future with effective governance
  3. Finish the tasks you have before you start others
  4. Set out an order to tidy
  5. Stick to the order
  6. Does it spark joy?

- Susan discussed the commitment already made in the Good Governance Project and some of the steps identified which allow us to imagine a future with effective governance. Examples include having a robust conflict management policy, an enhanced governance compliance statement, an effective representation policy for members and employers, and a plan for training.
- Geoff explored the Avon experience of steps 3 to 5, emphasising the need to stick to a plan, recognise and pull together existing best practice, and bring the committee and board along with you (for example combining training sessions). Avon sought Hymans Robertson guidance and assessment of their preparedness for anticipated regulation: confirmation that they were in excellent shape certainly sparked joy!
- As with all good tidying jobs, Avon recognise that there is always more to do to Keep The LGPS Tidy.

Debate: Is the Local Government Pension Scheme sustainable?

Emma Douglas, Chair, PLSA; James Waterfield, Debate Mate; Robert Branagh, PLSA Local Authority Committee; Euan Miller, Greater Manchester Pension Fund

- DebateMate is a charity looking to improve social mobility by encouraging young adults in deprived areas to take part in developing debating skills
- In this session, two teams of three (2 young adults and an LGPS expert) debated whether the LGPS is sustainable
- The debate consisted of opening arguments, facts and observations by the experts, challenging questions from the audience, and closing arguments
- The opposition argued the cost of the scheme as well as its complexity mean at least in its current form it is not sustainable
- The proposition argued the benefits provided are very good value for money (for both members and employer), provide a lifeline in retirement to what are often the lowest paid public servants, and eschewed the tax-payer backed nature of the scheme
- Ultimately, the audience vote agreed the LGPS is sustainable.

What to expect when you're implementing: The McCloud judgement

John Bayliss, Government Actuary's Department; Lorraine Bennett, Local Government Association; Heather Chambers, Tyne and Wear Pension Fund; Melanie Durrant, Barnet Waddingham; Joe Dabrowski, PLSA

- Lorraine provided an overview of the scheme reforms giving rise to the McCloud judgement. DLUHC are responsible for setting the LGPS regulations and we anticipate regulations will take effect from 2023 but with retrospective effect.
- John discussed the analysis of those impacted by McCloud and the anticipated increase in costs to the scheme. Following GAD's Section 13 Review, they are working with actuarial colleagues to ensure McCloud is treated consistently in 2022 England and Wales valuations.
- John also discussed the cost cap mechanism: GAD expect less chance of a cost cap breach from the 2020 analysis, although numbers are still being worked on.
- Heather discussed the challenges of implementing McCloud. In particular funds need to engage with employers to obtain historic data which is a challenge as data may not be available. There is a need for guidance to deal with cases where there are data gaps. In addition to data challenges there are resource concerns given the volume of calculation work needed to apply the McCloud remedy retrospectively. Funds have made plans to automate and also to secure additional resources, however these have been hampered by the labour market.
- Melanie discussed impacts on the current England and Wales valuations. The ongoing 2022 valuations can make a clearer estimate of the McCloud impacts.

- The panel discussion related to member communications, and the need to reassure members and to manage expectations. Clear communications will be needed and the LGA plan to provide materials when regulations are available.

Driving the pensions dashboards for the LGPS

Richard Smith, PLSA; Chris Curry, Money and Pensions Service (MPS); John Burns PLSA Local Authority Committee; Rachel Brothwood, West Midlands Pension Fund

- Richard provided a background to the dashboard initiative, explaining the interactions between the funds and central digital architecture. He also covered the ways in which members can access the system and how data is made available to them. The call to action was to visit moneyhub.com and use the products menu to see how an example dashboard might work.
- Chris covered a delivery update. The programme is still using the same plan as set in October 2020 and keeping pace. Currently it is in develop and test phase, expecting to move to staged onboarding next year which will be a key learning phase before wider onboarding. Testing to the architecture was successfully completed and next year schemes will begin to connect.
- Important next stages will include receipt of DWP Regulations and the Design Standards which MPS will be responsible for. The Design Standards, which will be out for consultation in July, will set out how funds will connect and will be of real technical value. Chris emphasised that this whole project is for consumer benefit and so consumer research and user testing are constantly part of the programme.
- There is also work to consider any risks associated with dashboard, such as scams. Chris encouraged delegates to register for the programme newsletter and check out the website.
- LGPS funds face two key administration challenges – data improvement and connection to the dashboard.
- Funds will need to procure an integrated service provider and be aware that detailed technical specifications will be needed. The complexity of data flows should not be underestimated and neither should the challenge of data cleansing.
- Benefits of the dashboard include free national engagement and publicity tool! Member queries should be a welcome opportunity to improve data quality.

The future of LGPS asset pooling

Teresa Clay, Department for Levelling Up, Housing & Communities (DLUHC); Sian Kunert, East Sussex Pension Fund; Mike O'Donnell, London CIV; Tiffany Tsang, PLSA

- Teresa looked at where the LGPS is now, five years into a fifteen year programme, with most assets pooled, in a transition plan or passively invested. There have been substantial benefits including creating capacity, developing expertise on areas such as responsible investment, and reducing cost. She also highlighted the significant investment in UK and global infrastructure, and the increased diversification of assets which also reduces risk.
- There is a need to consult on the wider ambition not just to keep up with private pension schemes but to make sure the LGPS fully punches above its weight, and this is the backdrop to the DLUHC proposals being consulted in the autumn:

1 Requirements on management and reporting of climate risks largely in line with the TCFD regime in place within the private sector

2 Accelerated progress on transition of assets into the pools is desirable. There is consideration being given to a timetable for public market assets.

3 Strengthened requirement on training and expertise, including the requirement to have a policy on training, and transparency in annual reports on what training has actually been undertaken

4 Further transparency in annual reports in relation to pooling and investment strategies, as a recent review by DLUHC suggested little comment on progress with implementation of pooling

5 New scheme level reporting to include improved metrics on pooling progress and climate risks

6 Setting direction for greater scale and collaboration. For example, ideas on how to achieve aggregation at low cost are welcome.

- Mike believes that good progress has been made with pooling but that we need to go further faster. He is looking forward to a brave new Framework from DLUHC and wants to see the SAB lead the charge. Mike believes that there needs to be more consolidation and collaboration at fund and pool level.
- Sian recognised that pooling has been a difficult journey, however a lot has been achieved with benefits now being seen. Sian cautioned the need to remember that every fund and every pool is different. Pool sub-funds have been designed to meet the needs of the particular funds, and keeping flexibility in structure is desirable.

Opinions, attitudes and values – what is changing, and what is staying the same

Ben Page, Ipsos Mori; Emma Douglas, Chair PLSA

- A good explanation of research and polling, where Ben called out some basic lessons around the difference between our perception of change, the reality of change, and our woeful ability to predict the future
- Emma asked if we are at the 'hinge of change' given the political, financial and technical headlines we see, but Ben's advice was that we are too close to events to tell. One reassuring lesson was that since 2014 the same percentage of people have thought their county has been heading in the wrong direction, and that our country's systemic nostalgic bias means that we are really just yearning for a past that did not exist anyway, so bring on the future!

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

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**Responsible Investment Update Report**

Summary:

This paper provides the Committee with an update on Responsible Investment activity during the final quarter of the financial year 2021/22 (January to March inclusive).

Recommendation(s):

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

Background

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

2.0 <u>Local Authority Pension Fund Forum – RI Activity</u>

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 Forum's 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.lapfforum.org. Some highlights from their work during the quarter include:

- LAPFF undertook engagements covering: climate change, human rights, governance, employment standards, environmental risk, audit practices and finance and accounting. This included engagements with:

  - Mining companies on all environmental, social, and governance (ESG) areas. During the quarter LAPFF met Freeport McMoran, areas covered included the importance of Indigenous community consent and relations, and corporate governance matters following Board changes at the company.

  - Occupied Palestinian Territories (OPT) Engagement – LAPFF continues to ask companies to undertake human rights impact assessments on their operations in the Occupied Palestinian Territories.

  - Companies on environmental matters, including: Chipotle about conducting a full value chain water risk assessment; LyondellBasell (chemicals company) about climate change and decarbonisation; and Arcelor Mittal about climate change.

- The war in Ukraine has highlighted that in addition to climate change problems oil and gas also carry problems with the security of supply, the ethics of supply and the volatility of prices. These matters will be built into future LAPFF engagements with oil and gas companies.

- Collaborative investor meetings during the quarter included: the Asia Collaborative Engagement Platform for Energy Transition, here LAPFF meets with other investors to progress collaborative engagement with banks and energy companies in Asia on climate and energy transition. LAPFF also joined the Investor Alliance on Human Rights (IAHR) this quarter to connect with other investors globally to engage with companies on human rights issues.

- LAPFF has been involved in a number of collaborative investor initiatives during the quarter. Including: joining other investors in writing to the US Securities and Exchange Commission (SEC) on climate disclosure and supporting a collaborative letter to French auditors about disclosure on material climate-related risks.

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

2.4 Elections to the LAPFF executive committee are held every year ahead of the LAPFF AGM in October. The request for nominations will be made in August with a deadline for submission at the beginning of September. Details of the process and nomination form for the year ahead will be shared with Committee members when received, so any member wishing to join the LAPFF executive committee can submit a nomination.

3.0 Border to Coast Pensions Partnership – RI 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, carrying out engagement and litigation.

3.2 Their approach to RI and stewardship is set out in their Responsible Investment Policy, Corporate Governance and Voting Guidelines and Climate Change Policy. These documents can be viewed on the Border to Coast website. 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 Q1 2022). Highlights from their work during the quarter include:

- An overview of the quarters RI activity including: the launch of the Listed Alternatives sub-fund which includes exposure to renewable energy, digital infrastructure and specialist healthcare; the announcement that Border to Coast became a signatory to the UK Stewardship Code; and they were recognised with a Good Governance Award at the annual LAPF Investment Awards.

- An industry update providing details of: the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report on climate change; the release of the Taskforce on Nature-related Financial Disclosures (TNFD) framework; and the establishment of the International Sustainability Standards Board (ISSB), which was announced at COP26 in November 2021, and is seen as a major step to a single set of global ESG reporting standards.

- High level information on voting activity for the quarter across all Border to Coast funds. March saw the start of peak voting season, with Border to Coast voting at 121 meetings during the quarter, covering 1,398 agenda items.

- Engagement activity, which included 327 engagements, was 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.

3.3 Border to Coast produce quarterly ESG reports for their equity and fixed income sub-funds. These are included on this agenda as part of the Investment Management Report at Item 17.

4.0 Robeco – RI 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 Q1 2022).

4.2 During the quarter Robeco have voted at 121 AGM's, the percentage of meetings where they have at least one vote against management is 60%. During the quarter they have engaged with companies on 67 occasions on topics including: the environment, corporate governance and social matters. This quarters report looks at how Robeco assess companies displaying controversial behaviours in light of the Russia-Ukraine crisis, their new three-year palm oil engagement cycle, and lifecycle management of mining including the importance of integrating sustainability.

5.0 Legal and General Investment Management – RI 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 it’s 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 Q1 2022) 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 546 times, and engaged 158 with 126 companies on topics including climates 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 summary proxy voting reports, which are attached at appendix A (Global Equity Alpha) and B (UK Listed Equities). Full details of the votes cast during the period January to March 2022 can be found on the Border to Coast website: Integrated Full Details Voting Report Q1 2022.

7.0 Review of Legal and General Investment Management (LGIM) – Responsible Investments Oversight Report

7.1 The LGPS (Management and Investment of Funds) 2016 regulations state that the responsibility for stewardship remains with individual Pension Funds. However, as one of the benefits of asset pooling, the Fund is able to utilise the RI capacity at Border to Coast and has appointed them in an advisory capacity to provide oversight of the investment we have with LGIM. They have carried out a strategic review of the RI arrangements in place and during the quarter Border to Coast produced their first oversight report covering the responsible investment activity undertaken by LGIM.

7.2 The oversight review covered the following areas:

- Firm-level policies and resourcing;
- Investment process and research;
- Stewardship and collaboration; and
- Climate change.

The review encompassed completion of a bespoke questionnaire by LGIM and analysis of the responses and additional supporting documentation by the Border to Coast RI team. The Border to Coast RI team also held a 'deep-dive' meeting with members of the LGIM Investment Stewardship Team.

7.3 Overall this work concluded that LGIM's RI and stewardship activity is well resourced and engagement activity is structured, with clear objectives and milestones for companies to achieve. Stewardship and active ownership are important to LGIM, this is demonstrated through the substantial amount of information it makes publicly available. RI and stewardship can be difficult for passive managers because they are essentially forced to hold all companies in the index, however, with the launch of funds, such as the Future World Fund, LGIM are able to bring more pressure onto companies.

Conclusion

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

Consultation

a) Risks and Impact Analysis

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

Appendices

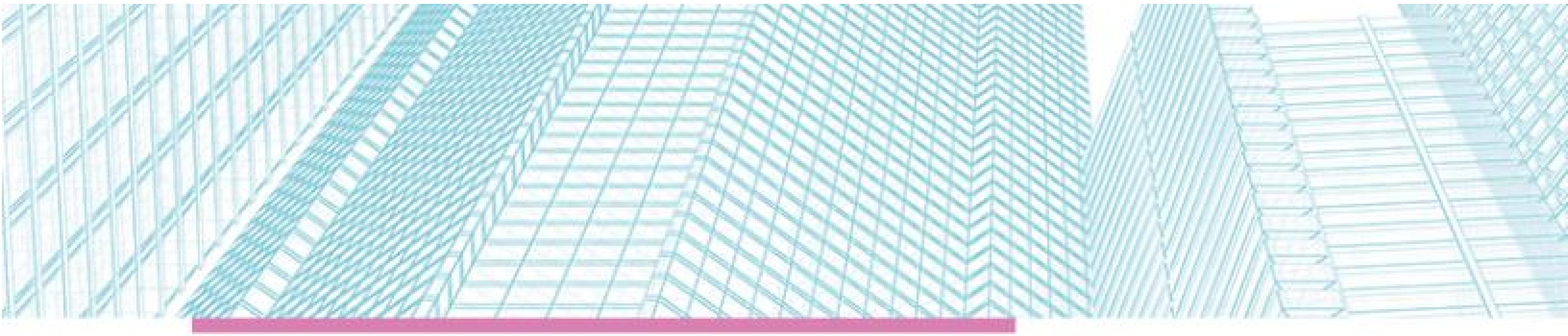
These are listed below and attached at the back of the report	
Appendix A	Border to Coast Global Equity Alpha Voting Activity
Appendix B	Border to Coast UK Listed Equity Voting Activity

Background Papers

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

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

Border to Coast Global Equity Alpha



Proxy Voting Report

Period: January 01, 2022 - March 31, 2022

Votes Cast	255	Number of meetings	17
For	230	With management	226
Withhold	0	Against management	28
Abstain	1	Other	1
Against	24		
Other	0		
Total	**255**	**Total**	**255**

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

General Highlights

ESG focus this Proxy Season
The Annual General Meeting (AGM) is a key moment for investors to exercise their stewardship duties by using voting rights. Even though most agenda items are related to governance topics, environmental and social topics get increasing attention at AGMs. Rubber stamping proposals is a thing of the past, and management can no longer expect high support rates for all their proposals.

Climate expectations have steadily developed beyond setting public long-term carbon reductions targets, to now include concrete plans on how to make progress in the short and medium-term. Additionally, 2022 will be the second year in which several companies will propose a so-called Say on Climate, a management proposal requesting shareholders' approval on the company's climate transition plan. Last year shareholders still had to get used to these proposals, which resulted in high degrees of shareholder support. We expect that this year shareholders will have further developed their voting approaches on Say on Climate and might take a stricter stance on these plans.

The Social (S) in ESG is also increasingly receiving the spotlight during AGMs. Investors become more aware of the relevance of human resource management, providing a fair workplace, and having diversity in oversight. As evidenced by the rise in shareholder proposals focusing on these issues and improvements in investors' stewardship policies e.g. by pushing for broader diversity on boards.

While investors' push for incorporation of ESG under variable pay is partially successful, often the chosen metrics are not that material, and it is unclear how performance is measured. The ESG metrics should be treated the same way as financial metrics in remuneration; they should be measurable, require management effort to achieve, and should be underpinned by a strategy. Like the rest of incentive pay, ESG in remuneration should also be pay for performance.

As well as the increased number of environmental and social topics making it on to agendas, governance remains a key topic. We are content to see that, after years of lagging other developed peers, Japan is raising its expectations for the percentage of independent directors. Similarly, initial positive steps are being taken by the Brazilian stock exchange and exchange commission in improving its proxy voting mechanisms for foreign investors.

All in all, this proxy season is prone to be an exciting one with a varied range of ESG issues likely to receive improved attention during this AGM season.

Voting Highlights

Costco Wholesale Corp - 01/20/2022 - United States
Proposal: Shareholder Proposals Regarding Adoption of Targets to Achieve Net-zero Emissions by 2050, and Report on Racial Justice and Food Equity.

Costco Wholesale Corporation, together with its subsidiaries, engages in the operation of membership warehouses in the United States, Puerto Rico, Canada, the United Kingdom, Mexico, Japan, Korea, Australia, Spain, France, Iceland, China, and Taiwan.

At the 2022 AGM of Costco Wholesale Corp, among the usual governance related agenda items, there were two shareholder proposals that received investors' attention. The two resolutions raised the equally important matters of climate change and racial justice, and they were well received by shareholders.

The first shareholder proposal requested the company to adopt short-, medium-, and long-term science-based Green House Gas (GHG) emissions reduction targets to achieve net-zero emissions by 2050. The resolution additionally asked the company to disclose these science-based targets to investors prior to the next AGM. We supported this resolution since a potential adoption of a plan would further encourage the development of GHG emissions reductions goals, and reporting would provide transparency on the company's plan. The resolution received almost 70% of support by shareholders, instigating the need for a comprehensive set of actions by the company.

The second shareholder proposal requested the company to report on its sustainability commitment in order to address structural racism, nutrition insecurity, and health disparities. The proponents stipulated the report may include systems Costco has in place to address racial justice and food equity concerns through product development, marketing, and distribution. This was the first year a resolution focusing on social justice was submitted at the company's AGM. We supported the resolution, since it aims to increase transparency and disclosure on important social and sustainability issues. Additionally, we recognise the importance of this report as it allows investors and the company to better understand the reputational and direct risks related to adverse effects of the company's operations on communities of color and food insecurity. The resolution received just over 17% support by the shareholders.

Walt Disney Co (The) - 03/09/2022 - United States
Proposal: Shareholder Proposal Regarding Median Gender and Racial Pay Equity Report.

The Walt Disney Company, together with its subsidiaries, operates as an entertainment company worldwide. It operates through two segments, Disney Media and Entertainment Distribution; and Disney Parks, Experiences and Products.

As it was expected, this year's proxy season saw an increased number of shareholder resolutions focusing on social topics. We saw this trend in the company's AGM, with three social shareholder proposals up to vote on the agenda. Whilst two of these resolutions were considered anti-social, since they were submitted by extreme right think tank proponents that usually aim to undermine progressive ESG resolutions, the 3rd resolution aimed to address the pay inequity issue.

The resolution requested the company to report on both median and adjusted pay gaps across race and gender, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. We supported the resolution since it aimed to increase disclosure and transparency on the company's compensation practices. Additionally, the resolution received almost a 60% support by the shareholders, showcasing that investors have truly shifted their focus on the social matters this proxy season.

Naver Co Ltd - 03/14/2022 - South Korea
Proposals: Financial Statements and Allocation of Profits/Dividends & Board Elections

NAVER Corporation, together with its subsidiaries, provides internet and online search portals, and mobile messenger platform services in South Korea, Japan, and internationally.

The company's 2022 AGM saw shareholders vote on a number of management proposals routinely encountered on Korean firm ballots. Two resolutions were of particular importance – the approval of the financial statements and allocation of profits, and the election of the audit committee chair. We voted against both proposals due to Naver's failure to include audited financial statements in its meeting disclosures.

Notably, submitting unaudited financials for approval is not uncommon for Korean companies. This is widely perceived as being prompted by a much-criticised particularity of the country's regulations, whereby the deadline for submitting the audited financials is set 7 days after the deadline for dispatching the meeting notice and circular. That said, we expect companies to disclose the audited financial statements ahead of the meeting so as to provide shareholders with meaningful, accurate and consistent financial information.

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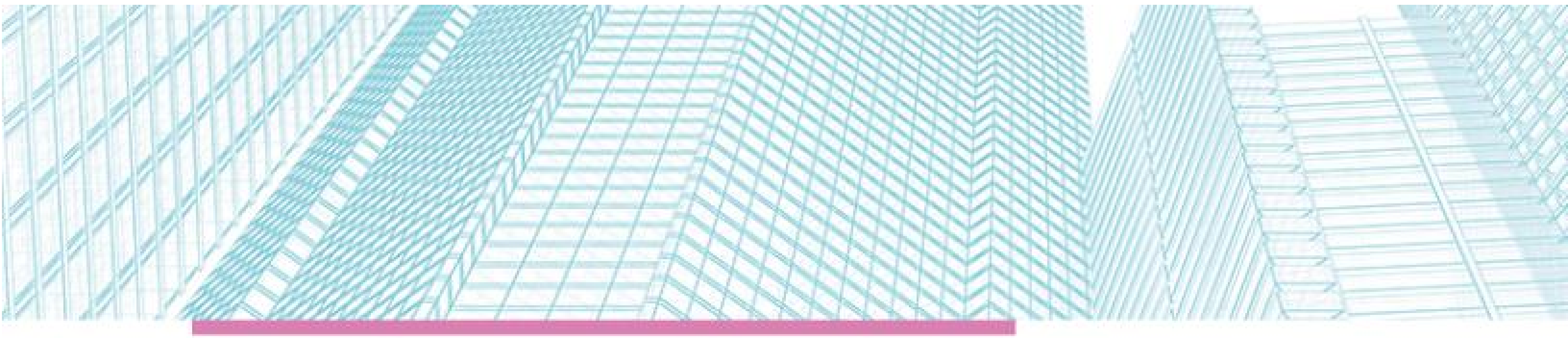
Border to Coast UK listed Equity Fund



Proxy Voting Report

Period: January 01, 2022 - March 31, 2022

Votes Cast	**196**	**Number of meetings**	**13**
For	178	With management	178
Withhold	0	Against management	18
Abstain	0		
Against	18		
Other	0		
Total	**196**	**Total**	**196**

In 53% of meetings we have cast one or more votes against management recommendation.

General Highlights

ESG focus this Proxy Season
The Annual General Meeting (AGM) is a key moment for investors to exercise their stewardship duties by using voting rights. Even though most agenda items are related to governance topics, environmental and social topics get increasing attention at AGMs. Rubber stamping proposals is a thing of the past, and management can no longer expect high support rates for all their proposals.

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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**Pensions Administration Report**

Summary:

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

Matt Mott, Governance and Business Development Manager from WYPF, will update the Committee on current administration issues.

Recommendation(s):

That the Committee note the report.

Background

1.0 Performance and Benchmarking

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

1.2 The table below shows the performance against key areas of work for the period 1 January 2022 to 31 March 2022.

KPI's for the period 01.01.22 to 31.03.22						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
AVC In-house (General)	25	20	23	85	92	5.48
Age 55 Increase to Pension	2	20	2	85	100	19
Change of Address	231	10	224	85	96.97	2.48
Change of Bank Details	82	10	80	85	97.56	2.91
Death Grant Nomination Form Received	222	20	103	85	46.4	24.05
Death Grant to Set Up	40	10	30	85	75	10.65
Death In Retirement	136	10	122	85	89.71	3.93
Death In Service	7	10	6	85	85.71	47
Death on Deferred	9	10	8	85	88.89	9
Deferred Benefits Into Payment Actual	178	5	178	90	100	1
Deferred Benefits Into Payment Quote	205	35	197	85	96.1	8.85
Deferred Benefits Set Up on Leaving	567	20	373	85	65.78	19.57
Divorce Quote	28	20	25	85	89.29	12.04
Divorce Settlement Pension Sharing order Implemented	2	80	2	100	100	1
Enquiry	3	5	3	85	100	1
Estimates for Deferred Benefits into Payment	1	10	1	90	100	3
General Payroll Changes	71	10	71	85	100	1
Initial Letter Death in Service	7	10	7	85	100	1
Initial letter Death in Retirement	136	10	133	85	97.79	1.46
Initial letter Death on Deferred	9	10	9	85	100	2.22
Interfund Linking In Actual	106	35	85	85	80.19	27.39
Interfund Linking In Quote	43	35	21	85	48.84	32.35

Interfund Out Actual	108	35	61	85	56.48	67.71
Interfund Out Quote	108	35	87	85	80.56	18.94
Monthly Posting	793	10	719	95	90.67	3.21
NI adjustment to Pension at State Pension Age	16	20	16	85	100	19.94
Payment of Spouses _Child Benefits	50	5	46	90	92	3.24
Pension Estimate	102	10	95	90	93.14	5.32
Pension Saving Statement	1	20	1	100	100	1
Phone Call Received	993	3	972	95	97.89	1
Refund Actual	149	10	145	95	97.32	1.56
Refund Quote	192	35	192	85	100	1
Retirement Actual	146	3	143	90	97.95	1
Spouse Potential	5	20	5	85	100	9
Transfer In Actual	20	35	19	85	95	4.1
Transfer In Quote	33	35	33	85	100	2.91
Transfer Out Payment	22	35	20	85	90.91	14
Transfer Out Quote	132	20	124	85	93.94	6.9
Update Member Details	595	20	595	100	100	1

Comment – The KPI for Death Grant Nomination Form Received was not met this quarter due to other priority work. The information from the form has been added to the member's record and in the event of the member's death this information would be included when processing survivor/dependant benefits.

Comment – The KPI for Death Grant to Set Up was not met this quarter due to cases taking longer to process due to the high volume of work within the Team across all areas. A member of staff has now taken responsibility for this area of work and this should ensure that going forward cases are processed within the target days.

Comment – The KPI for Deferred Benefits Set Up on Leaving was not met this quarter due to staff working on historic cases (which will have already not met the KPI) to reduce outstanding numbers. We are also receiving continued high volumes to process which has been exacerbated as scheme employers provide data in preparation for the Triennial valuation. New staff appointed in April are being trained on this area of work and will provide extra resource. We are also currently developing automation in some areas of work that are completed in the Service Centre and this includes Deferred Benefits Set Up on leaving.

Comment – The KPI's for the Interfund area of work has not been met this quarter due to due to historic cases being processed for ABS production. Employers across all funds are currently sending in leaver notifications that have been outstanding in preparation for the Triennial Valuation. This has had an impact on the levels of work and has increased the numbers of linkings and interfunds out. New members of staff are also being trained in this area of work.

Comment – The KPI for Monthly Posting has not been met this quarter due to the current workloads within the Finance Team. The Team are currently helping Contact Centre answer phones due to the increase in calls we are receiving following the distribution of P60s and letters to pensioners regarding My Pension registration.

2.0 Scheme Information

2.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	24,359	25,687	550	26,108	2,559
Percentage of Membership	30.73	32.41	0.69	32.94	3.23
Change from Last Quarter	+406	-39	-133	+594	-22

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	274	1689	1739	2232	2702	2992	3409	3937	3194	1770	350	71	24,359

2.3 **Employer Activity - During 1 January 2022 to 31 March 2022**

New Academies and Education Trusts	1
New Town and Parish Council	0
New Admission Bodies	2
Total of New Employer	**3**
Employers Exited	1
Total Numbers of employers	**276**

3.0 Member and Employer Contact

3.1 Over the quarter January to March 2022 we received **1** online customer response.

Over the quarter January to March 2022, **151** Lincolnshire member's sample survey letters were sent out and **13 (8.7%)** returned:

Overall Customer Satisfaction Score:

January to March 2021	April to June 2021	July to September 2021	October to December 2021	January to March 2022
86.8%	81.7%	96.9%	91.5%	95.3%

Appendix A – Customer Surveys

3.2 Employer Training

Over the quarter 1 January 2022 to 31 March 2022 we held the following webinars which were attended by employers across all four Funds that WYPF administer:

- Walk through the online leaver form
- Valuation and the importance of your data
- Understanding CPP (CARE pay)
- Completing your March return: 'steps to success'
- Blocks & Quarantines P1 (Theory)
- Blocks & quarantines P2 (How to clear)
- Assumed Pensionable Pay

4.0 Internal Dispute Resolution Procedure (IDRP)

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.

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

One appeal is currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent

24/05/2022	Disagreement with pension estimate figures provided.	IDRP acknowledged – 26/05/2022.	

Stage 1 appeals against scheme employers

One appeal is currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
07/06/2021	Appeal against being refused an ill health pension.	Referred to LCC as the scheme employer. 2nd 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. Further e-mails have been sent between WYPF & LCC and they have confirmed another OHP will be reviewing the case on 16/02/2022. LCC have turned down the appeal and this is now being dealt with as a Stage 2 appeal.	24/02/2022
18/01/2022	Appeal against being refused an ill health pension.	Referred to LCC as the scheme employer – 27/01/2022. LCC turned down the appeal.	29/04/2022
04/03/2022	Appeal against being refused an ill health pension.	Referred to LCC as the scheme employer – 17/03/2022. Chased up with LCC – 17/05/2022. LCC had not received the documentation and this was resent – 26/05/2022.	

Stage 2 appeals

One appeal is currently outstanding.

Date application received	Reason for appeal	Current position/outcome	Date decision letter sent
08/06/2021	Appeal against decision re ill health retirement.	No action taken until 29/09/2021. Wrote to scheme employer to obtain	31/03/2022

		further personal information that is needed – 06/10/2021. Holding letter sent – 08/12/2021 Information received from PSPS. Decision was to refer the case back to the employer for reconsideration.	
11/03/2022	Appeal against decision re ill health retirement.	Authority form received from member – 30/03/2022. Information requested from scheme employer – 12/04/2022. Information received from scheme employer – 16/05/2022. Member e-mailed with further information in support of their appeal – 23/05/2022.	

4.2 Ombudsman

There are no appeals currently outstanding.

5.0 Administration Update

5.1 Employer Work

During this period WYPF worked on 2 new Academies/Prime location schools and 10 new admission bodies.

5.2 Staffing

Finance – There is currently 1 vacancy for a Senior Finance Officer and the closing date for applications was 22/05/2022. Once the shortlisting has been completed, applicants will be invited for interview. 5 new Finance Officers have been recruited and are currently being trained.

Service Centre – There are currently 13 vacancies in the Service Centre, 2 Senior Pensions Officer posts and 11 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.

5.3 Audits undertaken by Bradford Councils Internal Audit:

a) **Business continuity arrangements**

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 **5** recommendations for improvement which Managers are currently looking at implementing.

b) **Purchase of additional pension**

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	October 21 to December 21	% of membership	January 22 to March 22	% of membership
Active	8,072	33.70%	8,528	35.01%

Deferred	6,166	23.97%	6,421	25.00%
Pensioner	6,285	24.63%	8,813	33.76%

8.0 Shared service Budget

8.1 WYPF TOTAL COST OF SERVICES 2021/22 AND FORECAST FOR 2022/23

Shared service net expenditure for 2021/22 is £6.81m against a net budget of £7.10m, underspend of £0.29m. The main overspend and underspending areas are:

a. Overspend on computers of £0.15m, we have started charging for McClouds system costs. £0.16m of Civica system development cost was charged to 2021/22, from a total estimated cost of £1.60m. The remaining £1.44m will be charged in equal instalments to our accounts over the next 4 years (2022/23 to 2025/26).

a. Salaries £0.161m – vacancies and recruitment challenges.

b. Printing and stationery £0.13m – increased digital services, newsletters, ABS etc.

WYPF PENSION ADMIN SHARED SERVICES	2021/22 BUDGET (000)	2021/22 ACTUAL (000)	VAR BDGT-ACT (000)	2022/23 BUDGET (000)	2022/23 FORECAST (000) PD01	2022/23 COST PER MBR
Accommodation	£199	£203	-£4	£197	£186	£0.38
Actuary	£0	£0	£0	£0	£0	£0.00
CBMDC Support Services	£215	£210	£5	£228	£215	£0.44
Computer	£291	£439	-£148	£267	£252	£1.52
Contingency	£0	£0	£0	£0	£306	£0.63
Employees	£3,981	£3,820	£161	£4,327	£4,471	£9.22
Other Running Costs	£215	£180	£35	£206	£194	£0.40
Printing & stationery	£500	£371	£129	£317	£299	£0.62
Transaction Costs	£0	£0	£0	£0	£0	£0.00
WYPF Support Services	£1,696	£1,582	£114	£2,385	£2,165	£4.46
TOTAL EXPENDITURE	**£7,097**	**£6,805**	**£292**	**£7,927**	**£8,088**	**£17.67**
COUNT OF MEMBERS	**464,037**					**485,000**

CHARGE

Lincolnshire LGPS	MBR NO MAR22	2021/22 REVISED BUDGET	2021/22 ACTUAL	VAR BDGT-ACT PD12	2021/22 COST PER MBR	2022/23 BUDGET	MBR NO MAY22	2022/23 COST PER MBR	2022/23 FORECAST PD01
CHARGE ACTUAL / FORECAST	79,131	**£1,141,570**	**£1,122,078**	**£19,492**	14.18	**£1,398,245**	79,998	£17.67	**£1,413,565**

Recharge for 2021/22 was reduced as a result of underspend, marginally went up due to increased member number and the charge for McCloud.

MEMBER NUMBER

REPOTDATE	CLIENTID	CLIENTNAME	ACT	PEN	BEN	DEF	UND	FROZ	TOTMBRS
31/05/2022	8	Lincolnshire LGPS	25,024	23,616	2,531	25,690	591	2,546	79,998

9.0 Awards

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

- European Pension Fund of the Year
- Pension Fund Communication Award
- Pension Scheme Administrator of the Year

Winners will be announced at a ceremony in London on 7 July 2022.

Conclusion

10. 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.

Appendices

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

Consultation

a) 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 at matt.mott@wypf.org.uk

Customer Survey Results - Lincolnshire Members
(1st January to 31st March 2022)

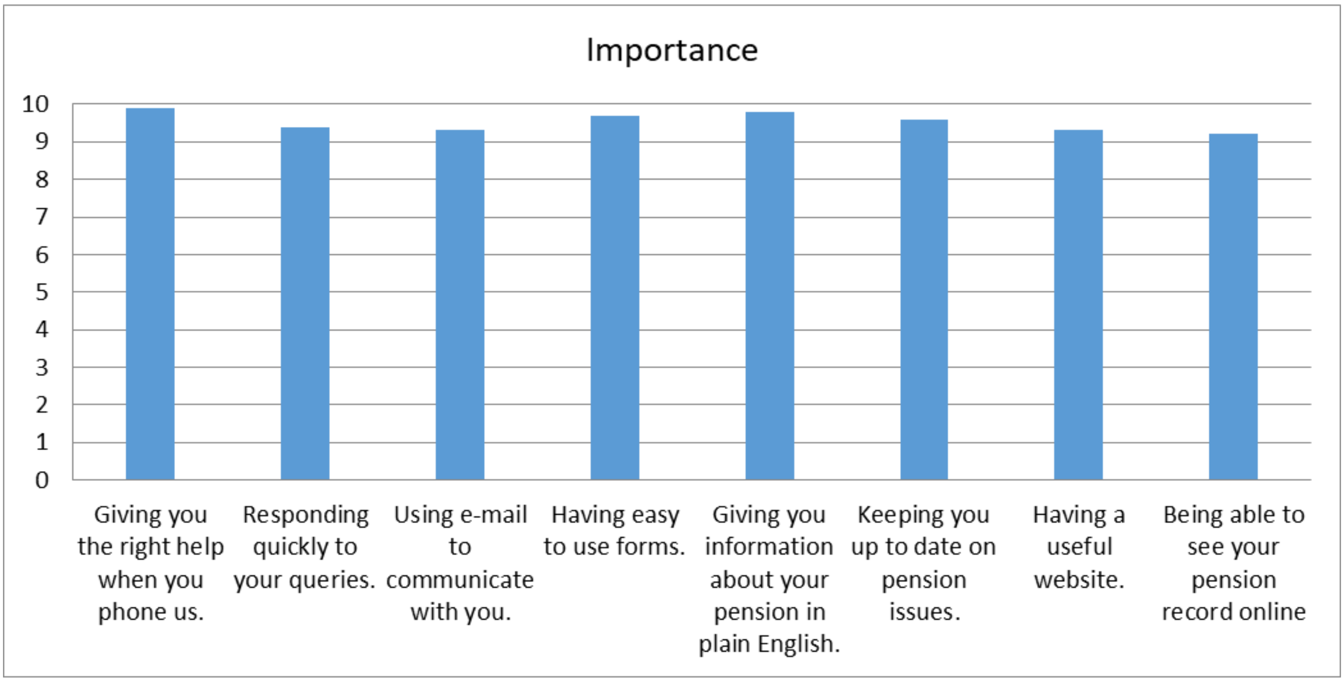
Over the quarter January to March we received **1** online customer response.

Over the quarter January to March **151** Lincolnshire member's sample survey letters were sent out and **13 (8.7%)** returned:

Overall Customer Satisfaction Score;

January to March 2021	April to June 2021	July to September 2021	October to December 2021	January to March 2022
86.8%	81.7%	96.9%	91.5%	95.3%

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



Sample of positive comments:

Member Number	Comments
8070898	Very good. I phoned with a query about my pension and spoke to someone who was very helpful and friendly. She answered my query straight away.
8139364	Satisfactory. Think email communication rather than postal would have made the process quicker.
8140601	Spot on. Kaele Pilcher was really helpful
8082146	Very nice, thank you. It's excellent again

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
None		

Current Technical Issues

Pension schemes newsletter 136

HMRC published Pension schemes newsletter 136 on 17 January 2022.

The newsletter gives several important updates on the Managing Pension Schemes service, such as:

- when the feature for migrating pension schemes will be made available on the service
- plans to allow administrators to import data directly from spreadsheets when compiling Accounting for Tax returns
- what administrators should be doing to start preparing to migrate their schemes to the service, and
- when administrators will no longer be able to compile and submit Accounting for Tax returns on the Pension Schemes Online service.

On 18 January 2022, Rachel Abbey forwarded an email covering these updates on behalf of HMRC to administering authorities.

The newsletter also includes articles:

- giving further information about the plans to increase the normal minimum pension age from 55 to 57 on 6 April 2028
- reminding scheme administrators dealing with overseas transfers to check that the receiving scheme meets the conditions to be a recognised overseas pension scheme, and
- on the proposed changes to the scheme pays reporting deadlines.

Action for administering authorities
WYPF will review the updates to the Managing Pension Schemes service and take any actions as appropriate.

TPR encourages schemes to report pension scams

On 18 January 2022, TPR published a press release about pension scams. TPR believe that too few schemes are reporting suspected pension scams.

Nicola Parish, TPR's Executive Director of Frontline Regulation, said:

> "We've seen little evidence that the pensions industry is reporting its suspicions and this lack of data makes it difficult to accurately determine the scale of the problem and put in place successful interventions."

See the Avoid pension scams page of TPR's website for information on how to report suspected scams.

PDP blog on supporting a market for dashboard providers

The Pensions Dashboards Programme (PDP) recently published a blog called 'Supporting a market for pensions dashboard providers'. The blog sets out PDP's aim to grow the dashboard provider market and the benefits of multiple dashboards. The blog also signposts potential dashboard providers to information and asks them to register their interest.

Research report on dashboards published

The Pensions Dashboard Programme (PDP) published a report from Ipsos Mori on 25 January 2022. The PDP had commissioned Ipsos Mori to undertake qualitative research on the attitudes of potential dashboard users, their circumstances, behaviours and views of the dashboard concept.

On the same day, Rita Patel, Lead Analyst for the PDP, published a blog summarising the report's main findings, which are:

- respondents reacted almost uniformly positively to the concept of dashboards
- respondents expect to see value information, both accrued and projected
- a find-only dashboard, which located pensions without displaying values, was of limited appeal
- a phased or partial service could negatively affect dashboards' reception
- dashboard users need to know what the service can and cannot do for them, as well as having clear signposting of government backing, in order to increase trust in its security.

DLUHC Levelling Up White Paper

On 2 February 2022, the Department for Levelling Up, Housing and Communities (DLUHC) published the Levelling Up White Paper. The paper includes the Government's intention to ask LGPS pension funds, working with the asset pools, to publish plans for increasing local investment, including setting an ambition of up to 5 percent of assets invested in projects which support local areas. We understand that 'local' refers to UK projects, rather than to projects local to a particular administering authority.

We expect DLUHC to issue a consultation before the Parliamentary summer recess. We understand that consultation will also cover climate risk and reporting regulations and pooling guidance.

Change to DLUHC email addresses DLUHC email addresses have changed from @communities.gov.uk to @levellingup.gov.uk. The general contact address is now lgpensions@levellingup.gov.uk. There will be a period of transition during which both domains will work

HMRC Pension Schemes Newsletter 137

On 28 February 2022, HMRC published Pension Schemes Newsletter 137. The newsletter contains:

• an article on the impact of the McCloud remedy on members of unfunded public service pension schemes with fixed or enhanced protection, including those who lost that protection on joining a reformed scheme in 2015

• a request that you remind pension scheme members to tell HMRC in writing as soon as possible if they have lost their lifetime allowance protection

• an update on the Managing Pension Schemes service:

  - the feature for migrating pension schemes will be available from 11 April 2022
  - schemes must be enrolled on the Managing Pension Schemes service to be able to migrate
  - schemes must provide up to date information to migrate. You can find the information in Appendix A of Pension Schemes Newsletter 136

- an update on submitting Accounting for Tax returns on the Pensions Schemes online service.

HMRC will provide further guidance on the new features being added to the Managing Pension Schemes service on 11 April 2022.

Please email migration.mps@hmrc.gov.uk if you have any questions about or feedback on the Managing Pension Schemes service.

Finance Act 2022 receives Royal Assent

The Finance Act received Royal Assent on 24 February 2022. The provisions of the Act relevant to the LGPS are summarised below.

Clause 9: Annual allowance deadlines
Deadlines for electing for scheme pays and associated payment and reporting deadlines will be extended for certain members who are informed of a change in pension input amount for a past pension input period.

Clause 10: Normal minimum pension age
The normal minimum pension age will increase from 55 to 57 from 6 April 2028. This will not apply to members of uniformed services pension schemes. The Act provides for protected pension ages for members who meet the entitlement condition. We do not yet know whether DLUHC and SPPA intend to amend the LGPS regulations to introduce a protected pension age.

Clause 11: Power to change tax rules related to the McCloud remedy

The Act provides HM Treasury with the power to make regulations to address tax impacts that arise as a result of implementing the McCloud remedy. Different regulations may apply to different public service pension schemes. The regulations will have retrospective effect.

DWP Consultation on draft pensions dashboards regulations

DWP published a consultation on the draft Pensions Dashboards Regulations on 31 January 2022. The consultation will run for six weeks and close on 13 March 2022. We will be responding to the consultation on behalf of the LGPC and the LGA.

Pensions dashboards will allow individuals to see information about all their pensions, including the State Pension, in one place. These draft regulations set the requirements to be met to deliver this and will place a legal duty on pension providers to provide information to the dashboards.

The consultation proposes a staging deadline of the end of April 2024 for public service pension schemes, including the LGPS. This means that LGPS administering authorities will need to be able to connect to the digital architecture by this date and be ready to provide individuals' data to them via the dashboards.

Our response will express concern about LGPS administering authorities' ability to meet the staging deadline given the other pressures they face.

We expect the McCloud remedy regulations to come into force from 1 October 2023. LGPS administering authorities will already be under huge pressure at this time to revisit calculations in respect of leavers since 1 April 2014, including:

- recalculating member and survivor pensions, paying arrears and interest
- dealing with the resulting pension tax implications
- recalculating deferred benefits and concurrent calculations
- exchanging service information with other administering authorities for members who have transferred
- potentially re-visiting past trivial commutation payments, CETVs, death grants and Club transfers.

TPO New factsheets published

The Pensions Ombudsman (TPO) has published three new member factsheets this month:

Pension scams: what a member should do if they think they have been scammed and what TPO can do if they have a complaint about a scam.

Ill health pensions: general information about ill health pensions and how to make a complaint.

Death benefits: general information about death benefits and how to make a complaint. You can find these and other TPO publications on the Publications page of the TPO website.

If you would like to receive regular updates from TPO about publications and other news, please contact stakeholder@pensions-ombudsman.org.uk.

Employee contribution rates

The table below shows the pay ranges and corresponding employee contribution rates that apply to the LGPS in England and Wales from 1 April 2022.

Employee contribution bands England and Wales 2022/23

Band	Actual pensionable pay for an employment	Main section contribution rate for that employment	50/50 section contribution rate for that employment
1.	Up to £15,000	5.50%	2.75%
2.	£15,001 to £23,600	5.80%	2.90%
3.	£23,601 to £38,300	6.50%	3.25%
4.	£38,301 to £48,500	6.80%	3.40%
5.	£48,501 to £67,900	8.50%	4.25%
6.	£67,901 to £96,200	9.90%	4.95%
7.	£96,201 to £113,400	10.50%	5.25%
8.	£113,401 to £170,100	11.40%	5.70%
9.	£170,101 or more	12.50%	6.25%

Employers must determine the employee contribution rate for each employee from 1 April 2022 and inform payroll. The process for allocating contribution rates may have been automated on the payroll system. Employers must ignore any reduction in pensionable pay due to sickness, child related leave, reserve forces services leave or other absence from work when setting the employee contribution rate.

An employer may decide to change an employee's contribution rate during a Scheme year if their pay changes. You can read more about allocating an employee to a contribution rate each April and when their pay changes in section 10 of the HR guide and section 5.1 of the Payroll guide. You can find both guides on the Employer guides and documents page of www.lgpsregs.org.

Additional pension limit for 2022/23

Regulations 16(6) and 31(2) of the LGPS regulations 2013 state that the additional pension limit increases on 1 April each year as if it were a pension beginning on 1 April 2013 to which the Pensions (Increase) Act 1971 applied. The increase due on 1 April 2022 is the increase that applied on 12 April 2021 (as the 2022 increase does not take effect until 11 April 2022). The additional pension limit of £7,316 that applied in 2021/22 is increased by 0.5% to £7,352 from 1 April 2022.

Annual and lifetime allowance limits

The Chancellor of the Exchequer announced in the 2021 Budget that the lifetime allowance would remain at its current level of **£1,073,100** until April 2026. Freezing the lifetime allowance is provided for in the Finance Act 2021.

The standard annual allowance, defined in section 228 of the Finance Act 2004, is unchanged at **£40,000** for 2022/23. There are no changes in the tapered annual allowance provisions as set out in section 228ZA of the Finance Act 2004 for the 2022/23 year. These are shown in the table below.

Tapered annual allowance (AA) limits

	Definition	Limit in 2022/23
Threshold income	Broadly, taxable income	£200,000
Adjusted income	Threshold income plus pension input amount	£240,000
Minimum AA	If AA is tapered, the minimum AA that can apply	£4,000

Annual Revaluation Order

The full year increase to be applied at one second after midnight on 31 March 2022 to the career average pension earned up to 31 March 2022 is 3.1%. This is set out in The Public Service Pensions Revaluation Order 2022 [SI 2022/215]. You can view the Order on the Related legislation page of www.lgpsregs.org

Annual Pensions Increase

LGPS administering authorities must increase a qualifying pension from 11 April 2022. Employers who pay their own annual compensation benefits, which relate to historical awards of compensatory added years, must also increase qualifying pensions from 11 April 2022. The increase that applies to a pension that began (ie has a pensions increase date) before 12 April 2021 is **3.1%**. The percentage and part year percentage increases are detailed in The Pensions Increase (Review) Order 2022 [SI2022/333]. You can find the Order and the multiplier tables on the Related legislation page of www.lgpsregs.org

Retail Price Index (RPI) Increase

The annual increase that applies to any additional pension purchased under an Additional Regular Contributions contract that started between 1 April 2008 and 31 March 2012 is based on RPI in the previous September. The increase that applies on 11 April 2022 is **4.9%**.

Disclosure requirements for NMPA increase

We have received several questions about whether an administering authority must tell its members about the normal minimum pension age (NMPA) increase. In particular, whether regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 is triggered.

Section 10 of the Finance Act 2022 increases the NMPA from 55 to 57 from 6 April 2028. Some members are protected against the increase. We covered this in Bulletin 216 and Bulletin 220.

Regulation 8 of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 requires schemes to tell members about material alterations to basic scheme information. For example, this would apply where a change in relation to the scheme results in a material alteration to the rules on when benefits are payable.

In our view, the change to the NMPA has not triggered regulation 8. This is because the change has not changed the LGPS rules on when benefits are payable. The LGPS rules on when benefits become payable are not automatically linked to the NMPA. The relevant government department will need to change the LGPS rules to align with the NMPA at some point on or before 6 April 2028. It will also need to consider whether members who qualify for protection will be allowed to receive payment before 57. When the LGPS rules change, regulation 8 will then be triggered.

Though regulation 8 is not yet triggered, it may still be helpful to start pre-warning members now. The member website for England and Wales already includes this. We will shortly be updating the brief member guides.

PASA publishes fraud guidance on pre-employment vetting

The Pensions Administration Standards Association (PASA) published on 19 April 2022 fraud guidance on vetting new employees.

PASA has been made aware of cases of fraud undertaken or assisted by pension administration employees. In some cases, individuals deliberately gained employment with the intention of committing fraud. The guidance aims to counter this risk

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Lincolnshire COUNTY COUNCIL
Working for a better future

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

Report to:	**Pensions Committee**
Date:	**14 July 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 Committee 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.

Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**Employer Monthly Submissions Update**

Summary:

This paper provides the Committee with up-to-date information on Employer Monthly Submissions for the final quarter of the financial year 2021/22 (January to March inclusive).

Recommendation(s):

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

Background

1.1 There are 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 March 2022

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%*
January	1	0.4%	1	0.4%	0	0.0%	1	0.4%
February	0	0.0%	5	1.8%	1	0.4%	3	1.1%
March	3	1.1%	0	0.0%	0	0.0%	1	0.4%
Total	**19**		**37**		**6**		**31**	

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. The fourth quarter of 2021/22 has seen good compliance from all employers. The number of employers submitting data late in quarter four almost halved when compared to quarter three. 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 four.

Table Two: Late contributions fines to March 2022

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

Conclusion

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

2.2 Employer submissions have increased in prominence as the number of employers within the scheme has increased. The Fund has responded to this by having a dedicated resource to monitor employer submissions and working closely with West Yorkshire and employers to reduce the numbers of late payers.

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Employers late payments and/or data contributions - quarter 4 2021/22 (January to March inclusive)

Background Papers

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

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

Late Contributions and Payments January – March 2022

January 2022

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
BISHOP GROSSETESTE UNIVERSITY	YES	21/02/2022					
LITTLE GONERBY INFANT ACADEMY			YES	24/02/2022			
AMBERGATE SPORTS COLLEGE (CIT)							YES
	Total = 1		Total = 1		Total = 0		Total = 1

February 2022

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
CATERLINK (DRET)			YES	08/04/2022			
GLL			YES	19/04/2022			
GRANTHAM COLLEGE			YES	21/03/2022			
MANOR LEAS INFANT ACADEMY			YES	23/03/2022			
ST. BERNARDS ACADEMY			YES	29/03/2022			
SUTTON BRIDGE PARISH COUNCIL					YES	23/03/2022	
ST. LAWRENCE ACADEMY							YES
BISHOP GROSSETESTE UNIVERSITY							YES
WEST LINDSEY DISTRICT COUNCIL							YES
	Total = 0		Total = 5		Total = 1		Total = 3

March 2022

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
CAISTOR GRAMMAR ACADEMY	YES	03/05/2022					
EDWARDS & BLAKE	YES	20/04/2022					
TAYLOR SHAW (BRANSTON)	YES	20/04/2022					
PINCHBECK EAST CofE PRIMARY ACADEMY	NO						YES
	Total = 3		Total = 0		Total = 0		Total = 1

Agenda Item 11

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

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**2022 Triennial Valuation Assumptions**

Summary:

This report sets out the proposed approach for setting the assumptions that the Fund's Actuary, Barnett Waddingham, will use for the 2022 Triennial Valuation.

Recommendation(s):

That the Committee consider and approve the Actuaries proposed approach for setting the assumptions for the 2022 Triennial Valuation.

Background

1. The LGPS Regulations require that a valuation of the Fund's assets and liabilities be undertaken every three years by the Fund's appointed Actuary. This is known as the Triennial Valuation and the output provides a funding level percentage (value of assets compared to value of liabilities) and sets the contribution rates (both primary and secondary) that each Fund employer is required to pay for the next three years.

2. The Committee received presentations and training on the Valuation process from the Fund's Actuary on 17 February 2022. This covered:

   - What is a valuation?
   - What are we trying to achieve?
   - Special considerations for 2022
   - What has the Fund been working on?
   - Looking back
   - Looking ahead
   - What does this mean for 2022?

3. The Actuary will present the paper attached at appendix A to the Committee to enable them to consider and approve the process of setting the assumptions for the valuation. The paper covers the valuation methodology, the financial and statistical assumptions and the projected funding position.

4. The paper uses illustrative assumptions based on current market conditions up to 30 May, so the assumptions are therefore subject to change. The final assumptions will reflect the average market position from the period 1 January 2022 to 30 June 2022. The final assumptions will be agreed with the administering authority and will be consistent with the Funding Strategy Statement (FSS). The FSS, detailing how contributions are set and the overall funding strategy, will be brought in draft to a later meeting of the Committee, before being circulated to all Fund employers for consultation and then to the March 2023 Committee meeting for final approval.

5. The Committee are asked to approve the proposed process for setting assumptions, as set out in the attached report, for use in the 2022 Valuation process.

6. The Actuary will present the draft Fund 2022 Valuation report to the Committee's September meeting. Individual employer reports and contribution rates will be calculated and sent to all employers in November. The statutory deadline for completing the Valuation process and approving the FSS is 31 March 2023.

Conclusion

7. The Triennial Valuation process is a statutory requirement to provide a funding level for the Pension Fund and contribution rates for the employers to pay over the following three years. Officers work very closely with the Fund Actuary throughout the process of completing the valuation, calculating the employer rates and preparing the FSS.

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	Barnett Waddingham Valuation Assumptions Setting Process

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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BARNETT WADDINGHAM
beyond the expected

Lincolnshire Pension Fund

Actuarial valuation as at 31 March 2022

Proposed assumptions

Barnett Waddingham LLP

16 June 2022

BARNETT WADDINGHAM
beyond the expected

Contents

Executive Summary

The purpose of this paper is to set out our proposed approach to the 2022 valuation for the Lincolnshire Pension Fund (the Fund) and provide illustrative assumptions based on current market conditions up to 30 May 2022. The assumptions are therefore subject to change. The final assumptions will reflect the average market position over the period from 1 January 2022 to 30 June 2022. The final assumptions used will be agreed with the administering authority and will be consistent with the Fund's Funding Strategy Statement.

Methodology

-Best estimate assumptions with prudence included in discount rate

-Six month smoothing around the valuation date

Inflation

-Market implied RPI inflation less inflation risk premium

-Change in assumed gap between RPI and CPI inflation from 2030

-Long term inflation expectations now higher than at 2019

-Expected impact: increase in the value of liabilities

Discount rate

-Based on long term investment strategy with an allowance for prudence

-Linked to CPI inflation

-Dividend yields have fallen since 2019 but inflation has increased

-Expected impact: decrease in the value of liabilities

Longevity

-Longevity analysis to be carried out

-Allowance for Covid-19 in future improvements

-Expected impact: small decrease in the value of liabilities

Regulatory uncertainties

-Allowance for McCloud based on membership data available

-Cost cap uncertainties allowed for in prudence allowance

-Climate risk modelling and allowance in prudence allowance

-Expected impact: small increase in the value of liabilities

There is likely to be a range of assumptions that are acceptable to both the Fund and us as the Fund actuary. Once all information is available, we will carry out further testing of the suitability of the proposed assumptions and discuss the implications with the Fund before agreeing the final assumptions to use.

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beyond the expected

Indicative assumptions

A summary of our indicative proposed assumptions (based on market conditions up to 30 May 2022) together with those used at the previous valuation are set out below:

Assumption	Indicative assumptions for the 2022 valuation 31 March 2022	Assumptions used for the 2019 valuation 31 March 2019
CPI inflation	2.9% p.a.	2.3% p.a.
Discount rate	4.4% p.a.	4.0% p.a.
Post-retirement mortality		
Base table	S3 tables	Club Vita
Male/female multipliers	TBC	Club Vita
CMI model and long-term rate	TBC	CMI 2018, 1.25% p.a.
Smoothing parameter	TBC	7.0
Initial addition to improvement	TBC	0.5% p.a. for males, 0.25% p.a. for females
2020/21 weighting parameter	TBC	n/a
Retirement assumption	Weighted average	In line with 2016 LGPS cost cap valuation
Transfer out assumption	None	None
Pre-retirement decrements	GAD 2016 scheme valuation (no salary scale and 50% multiplier to ill-health retirement	Varied
50:50 assumption	Member data	1% of members
Commutation	50% of max	50% of max for pre-2008 service, 75% of max for post-2008 service
Family statistics		
% with qualifying dependant	75% (M), 70% (F)	Varied
Age difference	3 years	3 years

Valuation methodology

To value the Fund's liabilities and calculate the contribution rates required, we need to project the Fund's benefit payments into the future and then discount these payments back to the valuation date.

To do this we are required to make a number of assumptions about the factors affecting the Fund's future finances. We can consider these assumptions as:

- **Financial assumptions.** These determine the estimates of the *amount* of benefits and contributions payable as well as their current or present value. This includes inflation, salary increases and investment returns (also referred to as the discount rate).
- **Statistical assumptions.** These generally provide estimates of the *likelihood* of benefits and contributions being paid. This includes the rates of mortality, early retirement and staff turnover.

The assumptions are set based on a combination of market-related statistics, historical averages and judgement (e.g. future salary increases). When looking at a market yield curve we generally take the 20-year point on that curve to be consistent with the average duration of an LGPS fund's liabilities.

The base market statistics are smoothed around the valuation date and reflect the average position over the period from 1 January 2022 to 30 June 2022. The assets are also smoothed in a consistent way. The smoothing mechanism is used to help with the objective of setting reasonably stable contribution rates.

With the exception of the discount rate, all assumptions reflect our best estimate of the outlook for the Fund. We include an explicit prudence allowance in the discount rate which means that it is more likely than not that contributions will be sufficient to meet benefit promises.

My advice on the assumptions to use for the funding valuation at 31 March 2022 is set out in the following paragraphs.

Section 13

Following the funding valuation, a "Section 13" report (prepared under Section 13 of the Public Service Pensions Act 2013) will be prepared to report on whether the following aims are achieved: compliance, consistency, solvency and long-term cost efficiency, and to identify any funds that cause concerns.

The Section 13 report covering the previous valuation was published on 16 December 2021 here. The report sets out several general recommendations which we have taken into consideration when preparing our assumptions advice. Individually, the Fund achieved green flags in respect of the measures assessed.

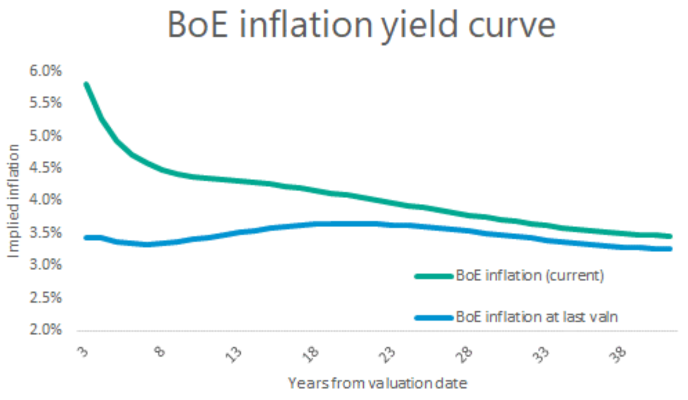
Financial assumptions

Increases to benefits

In the LGPS, active CARE revaluation, deferred revaluation and pensions in payment increase in line with Consumer Prices Index (CPI) inflation. The likely level of future inflation therefore needs to be considered. As there is currently no reliable market-derived measure for CPI inflation, we set our assumption with reference to the Retail Prices Index (RPI) inflation assumption.

Retail Prices Index inflation

A 'market view' of future RPI inflation can be obtained by looking at the difference between the yields on fixed-interest and index-linked gilts. The chart to the right shows how this has changed since the previous valuation, based on the Bank of England implied Retail Price Index (RPI) inflation curve. As can be seen, market-implied inflation is now higher than it was at the previous valuation date at all terms.



Allowing for the shape of the yield curve

Our current approach is to take the 20-year point on the curve and use this single inflation rate to project all cashflows into the future. Alternatively, a 'yield curve approach' could be adopted which would involve projecting the anticipated cashflows using a different future inflation assumption in each year. However, because of the way the yield curve was shaped in 2019, and has been shaped historically, these two approaches would usually result in a relatively similar answer.

The change in shape of the curve at recent dates means that using the 20-year point would now lead to higher inflation than the yield curve approach.

On balance, for simplicity, we believe it is reasonable to continue to use a single assumption for inflation. However, we propose to make a deduction to the 20-year yield to allow for the varying shape of the curve. Based on market conditions at 30 May 2022 we believe a deduction of 0.3% p.a. would be reasonable, however, we will review this deduction once final market conditions at the valuation date are available.

Change to RPI from 2030

The way RPI is calculated is due to change from 2030, to align it with the Consumer Prices Index including owner occupiers' housing costs (CPIH). The Bank of England has suggested that increases in CPIH would likely be around 1% p.a. lower than RPI and this is consistent with our analysis, although any effect will vary from year to year. It is therefore anticipated that RPI will now be lower than previously assumed for periods after 2030.

This is not necessarily reflected in the graph above, however, there are further theoretical reasons that suggest the market view of inflation is overstated across the full yield curve which we have considered further below.

Inflation risk premium

Investors are thought to be willing to pay a premium for inflation-linked products to provide protection against unexpected inflation. We therefore propose including an inflation risk premium such that our assumed level of future RPI inflation is lower than that implied by the market. There is a relative degree of subjectivity in setting this value and we will make a final assessment once final market conditions are available. We are currently proposing to incorporate an inflation risk premium of 0.4% p.a. based on market conditions as at 30 May 2022.

Proposed RPI inflation assumption

Based on market conditions up to 30 May 2022, and allowing for an inflation risk premium of 0.4% p.a. at that date, our illustrative RPI inflation assumption for the 2022 valuation is **3.3% p.a.**

This compares to an RPI inflation assumption of 3.3% p.a. at the previous valuation.

Consumer Prices Index (CPI) inflation

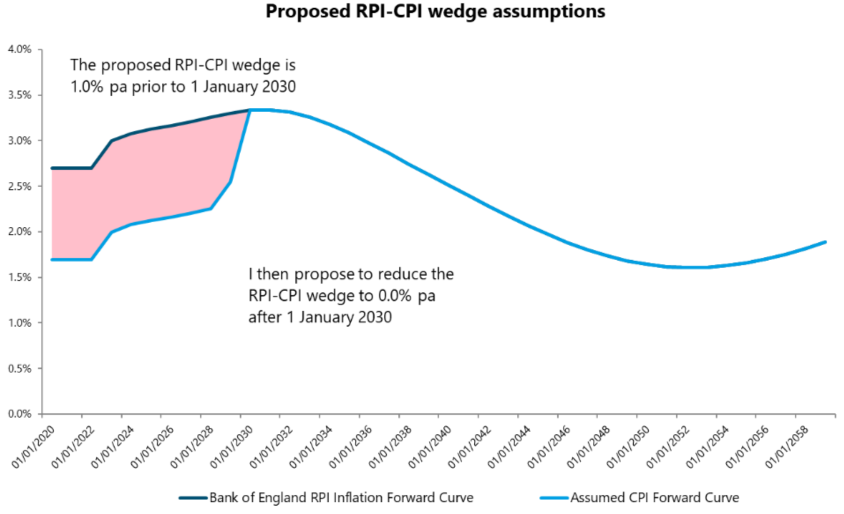
Historically, CPI inflation has been lower on average than RPI inflation, primarily due to the 'formula effect', which occurs because of CPI being calculated using a different statistical method compared to RPI.

Based on a decomposition by the Office for National Statistics (ONS) of recent differences between the two indices, we believe that the formula effect is likely to cause CPI inflation to be around 1.0% p.a. lower than RPI inflation (based on the current RPI method). This is the same as the assumed gap between RPI and CPI for the previous valuation.

Impact of change to RPI from 2030

As mentioned above, the RPI is due to be aligned with the CPIH from 2030. Given the similarities between CPI and CPIH, this is likely to make the difference between RPI and CPI inflation negligible from 2030. We therefore propose that the RPI-CPI gap is assumed to be nil from 2030.

This change in derivation from 2030 is illustrated by the chart to the right.



The average difference between RPI and CPI inflation over the term of the Fund's liabilities is 0.35% p.a. at the valuation date. We believe this is a reasonable estimate for the future differences in the indices at the valuation date. This gap will narrow as we approach 1 January 2030.

Proposed CPI inflation assumption

Based on market conditions up to 30 May 2022, our illustrative CPI inflation assumption for the 2022 valuation is **2.9% p.a**.

This compares to a CPI inflation assumption of 2.3% p.a. at the previous valuation.

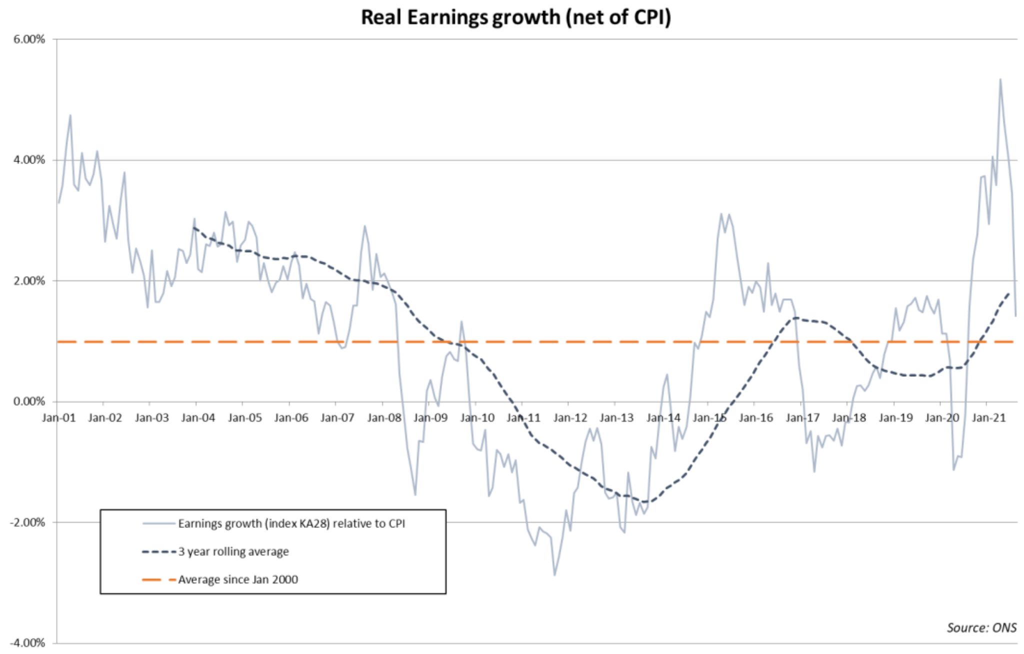
Salary increases

Prior to 1 April 2014, the LGPS was a final salary scheme and benefits earned before this date increase in line with salary increases, rather than CPI inflation. Overall, the significance of the salary increase assumption has decreased as less benefits are now linked to salary increases, although the likely remedy to address the age discrimination issues relating to McCloud needs to be considered.

As new benefits accrued increase in line with CPI inflation, the primary rate is largely unaffected by the salary increase assumption.

The chart to the right shows past UK earnings growth reflected in the ONS's Average Weekly Earnings (AWE) statistics (which reflect both inflationary and promotional increases).

Earnings growth has typically been relatively volatile, especially over short time periods. It has historically been more stable in real terms although we can see from the chart that there is still significant volatility over the last 20 years. Since January 2000 the overall average rate has been around 1.0% p.a. above CPI inflation.



Earnings growth

We would propose this as a reasonable starting point for estimating long-term future earnings growth.

Proposed salary increase assumption

Based on recent market conditions we believe a salary increase assumption of **CPI inflation plus 1.0% p.a**. would be appropriate for the 2022 valuation. This reflects both inflationary and promotional increases.

At the 2019 valuation, a salary increase assumption of CPI inflation plus 0.3% p.a. was adopted in addition to a separate promotional salary scale which varied by age. The expected impact of the overall change is a small increase in liabilities.

Guaranteed Minimum Pension (GMP) equalisation and indexation

On 23 March 2021, the Government published the outcome to its GMP Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

At the previous valuation it was assumed that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, it was assumed that the Fund will be required to pay the entire inflationary increase. Therefore, the previous assumption is consistent with the consultation outcome. We, therefore, do not intend to make any changes to this assumption for the 2022 valuation.

Discount rate

To determine the value of accrued liabilities and future contribution requirements at any given point in time it is necessary to discount future payments to and from the Fund. Different approaches can be taken to derive the discount rate; however, we believe it is appropriate to consider a neutral estimate of the investment return for each broad asset class in the Fund's long-term investment strategy, then combine these and make an overall explicit adjustment for expenses and prudence. Our approach is what could be called a "best-estimate minus" approach.

A breakdown of our indicative discount rate assumption for the Fund is set out in the table below. This is based on market conditions up to 30 May 2022 and the Fund's long-term strategic benchmark allocation as set out in the Investment Strategy Statement dated March 2022. Further details of our proposed derivation for the neutral returns for each asset class and the expenses adjustment are set out in the Appendices. The prudence allowance is discussed further on the following page.

Asset class	Strategic asset allocation	Derivation of neutral expected return	Assumption (p.a.) based on market conditions up to 30 May 2022
Gilts	5.0%	Gilt yields	1.8%
Other bonds	7.5%	Gilts + 90% credit spread	2.7%
Cash/temporary investments	1.0%	20-year ML UK (Swap) Spot-Semi yield	1.4%
Public Equities	55.0%	Dividend yield + CPI + real capital growth	6.9%
Property	10.0%	CPI + 4.0%	6.9%
Infrastructure	2.5%	CPI + 3.0%	5.9%
Absolute return fund – cash plus 3.8% p.a.	19.0%	Cash + 3.8% p.a.	5.2%
Less expenses			0.2%
Neutral return			**5.7%**
Less prudence allowance			1.3%
Prudent discount rate assumption			**4.4% p.a. (i.e. CPI +1.5%)**

At the previous valuation, the discount rate was 4.0% p.a. (i.e. 1.7% p.a. above CPI inflation at the time). The net discount rate is therefore now lower than it was at the last valuation which will, all else being equal, place a higher value on the liabilities.

Allowance for prudence

Based on the methodology described above, our investment return assumptions would result in a neutral estimate – in other words assumptions that produce returns that are not overly pessimistic nor optimistic. Where there is greater uncertainty in a particular assumption, such as the discount rate, the recommended assumption should include a margin for prudence. We feel that it is appropriate to include a prudence margin into the discount rate assumption to reflect this uncertainty.

However, making significant deductions to the discount rate assumption might lead to an unduly pessimistic discount rate which can cause issues for individual employers through contributions becoming unaffordable, so an appropriate balance needs to be found.

Ultimately, the adjustment to allow for prudence is a subjective one, having considered:

- Views on the ability of employers to pay more later if required (the employer covenant)
- Attitude to risk and risk appetite of the administering authority
- Levels of volatility in the assumed asset returns
- Views on the risks and opportunities associated with climate change
- Consistency of the prudence margin with the previous valuation
- The potential impact of Regulatory uncertainties.

Further information relating to climate change risks and current regulatory uncertainties can be found in the Appendices.

On balance, for the purpose of these illustrative assumptions, we have assumed a prudence allowance of **1.3% p.a.** at 31 March 2022.

The funding basis at the previous valuation was based on a different "gilts plus" methodology and so the two approaches are not directly comparable, however the overall level of prudence is at a slightly higher level than at the last valuation.

Section 13 considerations

The discount rate in real terms should also be considered in light of the SAB standardised comparative basis and estimate of the basis that will be used for the Section 13 valuation. The discount rate used to provide results to the SAB on a standardised set of assumptions has not been confirmed, but we suspect it will be equal to the "SCAPE" rate used for unfunded schemes which is currently CPI plus 2.4% p.a. The outcome of a recent consultation of the methodology underlying the SCAPE rate is still awaited.

The proposed discount rate of CPI plus 1.5% p.a. is therefore likely to be within acceptable bounds for GAD's analysis.

Statistical assumptions

The key demographic assumption required for determining the pension liabilities is the post-retirement mortality assumption. However, we also need to consider the retirement age assumptions as well as pre-retirement assumptions such as withdrawals and transfers out. As previously mentioned, we propose to incorporate all margins for prudence in the discount rate assumption and therefore the assumptions detailed in this section are "best-estimate" assumptions.

Post-retirement mortality

The Fund should review their post-retirement mortality assumptions at each valuation, taking into account all available evidence, to ensure they remain appropriate for the Fund.

There are two aspects to consider in determining appropriate post-retirement mortality assumptions:

- **The base table.** Choosing an appropriate mortality assumption applicable today taking into account characteristics of the Fund members.
- **Future improvements.** Making an appropriate allowance for mortality to improve in future.

Our specialist longevity team will be carrying out a full analysis of longevity experience of the Fund, including the consideration of any adjustments required due to the coronavirus pandemic. The precise base tables and future improvement assumptions will therefore be confirmed later.

Retirement ages

Members can be subject to multiple retirement age regimes in the LGPS. At the last valuation, the previous Fund Actuary assumed that members would retire in line with the assumptions used for the 2016 LGPS cost cap valuation. We propose to update this assumption at this valuation, to assume that members will retire at the average age that their various tranches of benefit are payable from. For example, if a member has a large amount of pension payable from age 60, it is likely to be financially advantageous for them to take their benefits closer to age 60 than to age 65, or later. However, if most of their benefit is payable from their State Pension Age and they only have a small amount of pension available without reduction at earlier ages, they are likely to retire later.

We have completed an analysis of retirement patterns using data covering the 2 years to 31 March 2021 for the LGPS funds that we advise (where data was made available). The analysis revealed that this assumption was not materially different to the actual experience of retiring members, over all funds that we analysed.

For the 2022 valuation, we propose to assume that members retire at the average of each tranche retirement age, weighted by pension. At whole Fund level, we do not expect there to be a material impact on funding as a result of updating this assumption.

Transfer out decrement

No allowance was made for individual transfers out at the 2019 valuation.

For the 2022 valuation, we propose to continue to assume that no members will transfer their benefits out of the Fund, as this is unlikely to be material from a funding perspective.

Pre-retirement decrements (withdrawals, ill-health retirement, death in service and salary scales)

At the 2019 valuation, the previous Fund Actuary applied pre-retirement decrement tables based on their own analysis of LGPS Funds. At this valuation, we propose to use assumptions that were equal to those assumed by GAD when they carried out their 2016 valuation of the LGPS for cost management purposes, except for the ill-health retirement assumption which we will assume to be 50% of that assumed by GAD. This reflects the results of the analysis we have carried out for our funds.

We also intend to remove the promotional salary scale, instead including an allowance for this within our general salary increase assumption.

No further analysis is expected from GAD before the 2022 valuation.

We have considered recent experience against the previous tables provided by GAD and propose to base our pre-retirement assumptions on these, with the adjustments noted above. We do not expect the impact of this change to be material.

50:50 membership

Some active members may elect to reduce their accrual rate in return for paying lower contributions. Actual take-up has been very low, but we are aware of the work being undertaken by SAB to encourage take up of membership in the 50:50 scheme. At the previous valuation, it was assumed that 1.0% of members (uniformly distributed across the age, service and salary range) would choose the 50:50 option. We propose to update this assumption to be based on current take-up rates within the Fund.

We will assume that members will continue to participate in their current section. We do not expect the impact of this change to be material.

Commutation

At the 2019 valuation, it was assumed that 50% of future retirements would elect to exchange pension for additional tax free cash up to HMRC limits for service to 1 April 2008 (equivalent 75% service from 1 April 2008). We propose to update this assumption slightly at this valuation and assume that members will, on average, exchange pension to get 50% of the maximum available cash on retirement for all periods of service.

We have carried out an analysis using the data for the two years to 31 March 2021 for the LGPS funds that we advise (where data was made available). The analysis suggested that 50% for all periods of service is an appropriate assumption for the LGPS funds we advise.

We therefore propose to assume that members will, on average, exchange pension to get 50% of the maximum available cash on retirement. We do not expect the impact of this change to be material.

Family statistics

At the 2019 valuation, it was assumed that a varying proportion of members would have a dependant at retirement or earlier death, depending on current age. We propose to simplify this assumption slightly at this valuation and assume that 75% of males and 70% of females have an eligible dependant at retirement or earlier death. This is based on ONS projections to 2023 (published as at 2014) and the ONS snapshot population data for married or cohabiting partners in 2020, which appeared to be broadly in line with this.

For the 2022 valuation, we propose to assume that 75% of males and 70% of females have an eligible dependant at retirement or earlier death and that male members are three years older than their partners. We do not expect the impact of this change to be material.

Projected funding position

Based on the proposed assumptions outlined above, we estimate that the ongoing funding position of the Fund as at 31 March 2022 would be as follows:

Ongoing funding position		
	31 March 2019	**31 March 2022**
	£m	£m
	Reported	Projected
Assets	2,353	2,966
Past service liabilities	2,536	2,968
Surplus/(deficit)	**-183**	**-2**
Funding level	**93%**	**100%**

We estimate that the funding position will have improved since the last valuation mainly due to the following factors:

- Investment returns. Since 31 March 2019, investment returns have been very strong, averaging around 8.7% p.a. This greatly exceeds the assumed investment return of 4.0% p.a. which was set at the last valuation. The investment growth that has been achieved is also expected to more than offset the increase in liabilities as a result of the lower real discount rate we are proposing to apply at this valuation.
- Payment of secondary contributions. Those employers that were found to be in deficit at the 2019 valuation will have paid an additional secondary rate of contributions towards that deficit. All else being equal, this improves the overall funding position of the Fund.
- Pension increase experience. Since 31 March 2019, benefits have increased at an average rate of 1.8% p.a. This is less than the assumed re-valuation rate of 2.3% p.a. at the last valuation. All else being equal, the actual value of benefits should therefore be less than projected at 2019. Going forward, we anticipate higher benefit increases particularly over the short-term, and this has been built into the higher long-term inflation assumption that we propose to adopt going forward.

Note that the above is an estimated funding position only. The actual funding position at the 2022 valuation will also depend on membership experience which has not yet been fully analysed and on any changes to the assumptions as a result of discussions during the valuation process itself. Contribution requirements will differ by employer depending on their own particular circumstances and experience over the inter-valuation period. However, our central expectation at the current time is that there will be sufficient scope to ensure a stable and affordable level of contributions for most employers.

Final comments

This document has been provided as background information to the triennial valuation of the Fund and provides detailed information regarding the funding model and the assumptions proposed. The assumptions are subject to change.

The financial assumptions will be based on market statistics covering the period from 1 January 2022 to 30 June 2022 and the results of the longevity analysis will be included within our final assumptions advice.

We look forward to discussing this paper with you in more detail.

Barry McKay

Barry McKay FFA
Partner
Barnett Waddingham LLP

Appendix 1 - Background and regulatory information

We have been asked by the Lincolnshire Pension Fund (the Fund) to carry out an actuarial valuation of the Fund as at 31 March 2022. The Fund is part of the Local Government Pension Scheme (LGPS).

The purpose of the 2022 actuarial valuation is to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2023 to 31 March 2026, as required under regulation 62 of the LGPS Regulations.

The contribution rates for each employer consist of two elements, the primary rate and the secondary rate:

- The primary rate is the employer's future service contribution rate (i.e. the rate required to meet the cost of future accrual of benefits) expressed as a percentage of pay.
- The secondary rate is an adjustment to the primary rate to arrive at the total rate the employer is required to pay (for example, to allow for deficit recovery).

As set out in Regulation 62, there are several factors the actuary must consider when carrying out the valuation. This includes having regard to the current version of the administering authority's Funding Strategy Statement (FSS), and the desirability to maintain as nearly a constant (primary) contribution rate as possible, while also ensuring solvency of the Fund.

This report is addressed to Lincolnshire County Council and is not intended to assist any user other than Lincolnshire County Council in making decisions. We do not accept any liability to third parties in respect of this report. The administering authority must provide us with sufficient and up to date information relating to matters relevant to our advice. We will only accept responsibility for the advice based on the information provided.

This advice is subject to and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100) and Technical Actuarial Standard 300: Pensions (TAS 300) as issued by the Financial Reporting Council (FRC).

Appendix 2 – Expected return on assets

Full details of our derivation of the expected return on each asset class is set out below.

Equities

When setting the equity return assumption, we take a cashflow-based approach and consider the return on a portfolio of equities as being equal to the dividends paid on these shares plus the growth in the value of the shares. We also assume that the growth in the value of the equities will, over the long-term, be in excess of and linked to inflation (i.e. if we assume that prices are going to increase at a faster/slower rate, we assume that there will be a corresponding change to equity values).

This means that our assumption is:

Dividend yield + Inflation + Real capital growth = Equity return

Finally, we compare the equity return assumption suggested by this model to other asset returns and to independent forecasts.

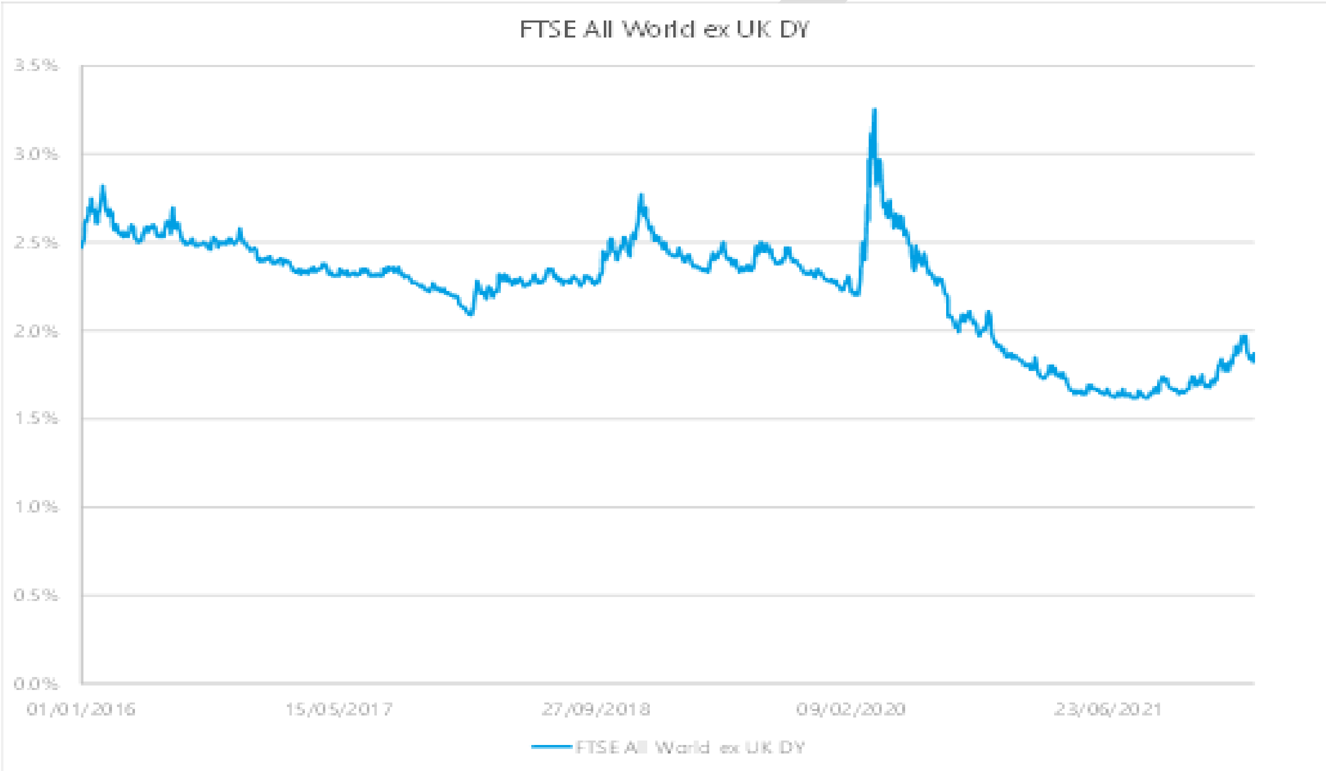
Dividend yield

One of the effects of including the dividend yield in the equity return assumption is when equity values fall (so that the asset value falls) the dividend yield increases so the overall equity return and discount rate assumptions increase. Effectively, we assume that at least some of the fall in the asset value will be recovered in future i.e. the value of the assets that we need now to pay the accrued benefits (the liabilities) in future also falls. This works the other way too (i.e. if there is an asset bubble, future assumed returns fall under our model) so this approach gives some automatic stabilisation when there are market shocks.

We propose to use the FTSE All-World dividend yield given the Fund has a significant proportion of assets invested in global equities. The 20-year yield based on market information up to 30 May 2022 was 2.0% p.a.

We believe this yield is currently depressed due to factors relating to the recovery from Covid-19. At the start of the pandemic there was an increased level of uncertainty and many governments round the world instructed certain sectors of their economies to suspend dividends (mainly the financial sector), with other companies also suspending or reducing their dividends. For example, the biggest payer of dividends in the world – Shell – reduced their dividend by around two thirds. The equity return model assumes that current dividends are a good indicator of future dividends which form part of the future equity return assumption and so any "artificial" suppression of dividends will impact on the future equity return assumption.

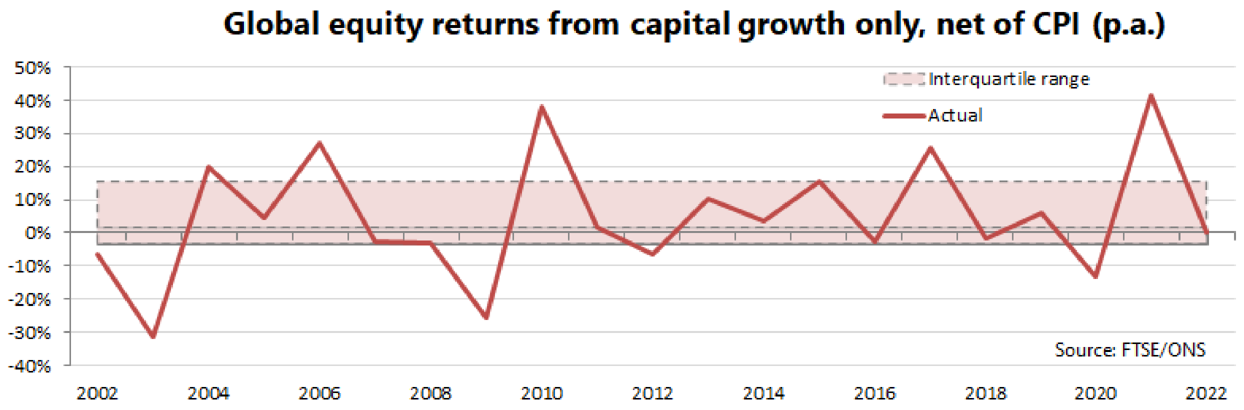
The chart below shows global dividend growth since 2016 and the growth trend prior to Covid-19.



As the chart shows, dividends did drop sharply but have been recovering as dividends are reinstated. Our analysis suggests that if dividends had stayed “on trend” then the dividend yield would have been approximately 0.5% p.a. higher. We therefore propose applying a temporary margin of around 0.5% p.a. to allow for the recovery from this depression in the long-term.

Real capital growth

The other building block for determining the equity assumption is the real capital growth assumption. As we have used a global dividend yield and a UK inflation assumption, it follows that our real capital growth assumption is global capital growth in relation to UK inflation. The next chart shows the capital growth from global equities based on the FTSE All-World index, relative to CPI, together with the inter-quartile range (i.e. the range of observations that account for 50% of all observations around the median).



As we can see, equity capital returns are very volatile. Observing the data over the last 20 years, the median return was around 1.5% p.a. above CPI, although there have been prolonged periods when the returns have been significantly different, particularly in the early 2000s. On balance, we believe that a suitable neutral assumption for the capital growth assumption (in relation to CPI) is 1.5% p.a.

Bringing this all together, our proposed equity return assumption based on market conditions up to 30 May 2022 is **6.9% p.a.**, which is:
2.0% **(dividend yield) + 0.5% (dividend yield temporary adjustment) + 2.9% (CPI) + 1.5% (capital growth) = 6.9% p.a. (rounded)**

Property

Property would intuitively be expected to give long-term returns somewhere between those on gilts and equities. Further, the ability to review rents might mean there is some inflation linkage. We propose a neutral assumption for property of CPI plus 4.0% p.a. which results in an assumption of 6.9% p.a. This is similar to the current benchmark for the Fund's property venture investments.

Infrastructure

We understand that the benchmark on the Fund's infrastructure investments is slightly lower than for property investments. We therefore propose a neutral assumption for infrastructure of CPI plus 3.0% p.a. which results in an assumption of 5.9% p.a.

Cash

The Fund always needs to hold cash in order to pay benefits although it might also hold it for tactical reasons. We propose to use the 20 year point of the Merrill Lynch UK (Swap) Spot-Semi yield curve as a proxy for the future return on cash investments. This currently leads to an assumption of **1.4% p.a.**

Absolute return fund – cash plus 3.8%

The Fund is invested in a Diversified Alternatives Fund and a Multi Asset Credit Fund. The average benchmark for these funds is around cash plus 3.8% p.a. We have therefore considered an overall neutral return equal to **5.2% p.a.** for these funds, consistent with the assumed return for cash investments with an outperformance of 3.8% p.a.

Bonds and fixed income

This asset class would generally be considered to consist of corporate bonds and other investable non-government debt. The yield on these can, in theory, be accessed directly from the market. Our starting point is to allow for 90% of the spread between the Merrill Lynch Non-Gilts AAA-A Over 15 year yield and the FTSE Gilts Over 15 year yield.

Gilts

Redemption yields from gilts give an indication of the future rates of return and most funds typically invest in long-dated gilts so we can use these published rates. We propose to use the smoothed 20-year point of the Bank of England nominal gilt yield curve, consistent with the duration of an average LGPS fund's liabilities.

Appendix 3 – Expenses

To allow for (passive) investment management expenses, we propose to include a deduction of 0.1% p.a. in the discount rate. In practice, this figure might be higher due to the use of active management but the aim is to more than cover these additional expenses by achieving excess returns.

The following table summarises the administrative, oversight, and governance expenses of the Fund over recent years, as disclosed in the Fund accounts:

Year	Fund assets at start of year (£000s)	Admin expenses over year (£000s)	% of Fund assets
2019/20	£2,361,194	£1,830	0.08%
2020/21	£2,219,327	£1,740	0.08%
2021/22	£2,777,535	£2,053*	0.07%*

**Estimated*

Based on this, we propose to adopt an allowance for administration expenses of 0.1% p.a.

Therefore, our total expenses allowance, including an allowance for passive investment expenses, is proposed to be a deduction of **0.2% p.a.** to the discount rate.

Appendix 4 - Current regulatory uncertainties

HMT cost control mechanism and SAB cost management (2016)

The 2016 national Scheme valuation was used to determine the results of HM Treasury's (HMT) employer cost cap mechanism for the first time. It revealed a fall in 'member costs' (e.g. costs relating to how long members are expected to live for and draw their pension) and therefore a requirement to enhance Scheme benefits from 1 April 2019.

However, as a funded Scheme, the LGPS also has a cost management process controlled by the SAB and HMT allowed SAB to propose benefit enhancements for the LGPS so the HMT cost cap was no longer breached. This exercise was paused until mid-2020 while matters relating to the McCloud judgement (discussed further below) were progressed.

On 15 October 2021 it was announced that, despite the slight shortfall in cost, the SAB agreed not to recommend any scheme changes, in particular citing the unwelcome impact that having to backdate any changes to April 2019 would have on already hard-pressed administration teams. However, the SAB did set out its determination to revisit third tier ill health and contributions for the lowest paid members with the view to making recommendations in these areas separately to the SAB cost management process. These recommendations are still to be announced, although the impact of any changes is likely to be small.

Future cost control and cost management reviews

Further cost control and cost management reviews will be carried out and may lead to future benefit changes. However, as the aim of this monitoring is to keep the cost of benefits within an affordable range, we can be relatively comfortable that future reviews will not have a significant impact on the value we currently place on the liabilities so do not intend to make any explicit allowance for these.

McCloud

When the Government reformed public service pension schemes in 2014 and 2015 they introduced protections for older members. In December 2018, the Court of Appeal ruled that younger members of the Judges' and Firefighters' Pension schemes have been discriminated against because the protections do not apply to them. The Government has confirmed that there will be changes to all main public sector schemes, including the LGPS, to remove this age discrimination. A consultation has been run in relation to the changes proposed for the LGPS and legislation is now being drafted to bring forward these changes. We understand the updated Regulations are to be consulted on over the course of 2022 with the earliest effective date expected to be April 2023.

For the 2022 valuation, we will assume that the legislation will bring forward the changes as currently proposed, and we will value the benefits in line with this. However, we understand the data extracts we will receive for valuation purposes will not yet include the full pay or service history we require to value the cost of the anticipated benefit changes. We will therefore be making estimates (for active members only) based on the information that is held in data extracts provided. Our estimates will involve projecting members' CARE benefits against the equivalent final salary benefit to determine, for each active member, whether the underpin may bite and the liability value if it does.

Appendix 5 – Climate change risks and opportunities

Climate change may have been considered in LGPS funds' investment strategies for some time, however, new reporting requirements are soon expected to set out how LGPS funds should allow for it in their covenant assessment and funding strategies too.

The Task Force on Climate-related Financial Disclosures (TCFD) is a framework that aims to help companies and investors measure, manage, and report their climate-related risk exposures and opportunities in a consistent manner.

As part of this, funds are expected to assess the resilience of their assets, liabilities and investment and funding strategies to climate-related risks by assessing the potential outcome under several different climate-related scenarios. For example, how are these affected by:

- a measured, orderly transition to a low carbon economy;
- a sudden, disorderly transition to a low carbon economy; and
- a "hot house world"?

We understand climate risk will be a focus in future section 13 reports. Although the exact requirements are still to be consulted on for the LGPS, funds are required to assess these risks now and make allowance for them in the 2022 valuation as far as possible.

Discussions are currently ongoing between GAD and the actuarial advisors to ensure a consistent approach is adopted.

The results of any scenario analysis we have carried (or will carry) out for the Fund is summarised in a separate paper for consideration.

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

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**Risk Register Annual Review**

Summary:

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

Recommendation(s):

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

Background

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

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

3. In reviewing the risk register for 2022, work was undertaken with the Council's Principal Risk Officer to incorporate changes to how the council records and manages risk. The focus is now on documenting risks which are a genuine threat and are being actively managed, and removing risks from the risk register that are accepted by the Pension Fund and are being managed by routine work and activities. This has meant several changes have been made to the register:

   - Where the risk score is at the target score, it is being appropriately managed as best it can be therefore it is not included as a live risk, rather it is business as usual.

- Some risks have been amalgamated where they reflect similar topics.

- Rather than the risk register being a static document, risks will come in and out as something changes or there is a need for a new control or actions.

- There are a few risks that are so significant that they will always remain on the register.

4. The Pension Fund covers risks from all aspects of its work. These include Governance, Investment and Funding, Operational and People risks. Under each of these headings, consideration has been given to a variety of risks and how they are managed, to identify those that should be entered onto the risk register. Areas considered include:

   Governance, covering:
   - Compliance with governance and regulatory requirements.
   - The role of the Pensions Committee.
   - The role of the Local Pension Board.
   - Governance arrangements around pooling and the management of Border to Coast Pensions Partnership.

   Investment and Funding, covering:
   - Strategic asset allocation.
   - Poor service provision from providers (including: the financial stability of the custodian, and poor performance or non-compliance from investment managers, and specifically Border to Coast as they now manage more than 50% of the Fund's assets).
   - Assets are not enough to meet future liabilities.
   - Asset pooling – transition of assets from existing mandates to Border to Coast
   - Failure of the fund to meet regulatory and statutory responsibilities around responsible investment.
   - Mature fund – greater number of deferred and pensioner members than active members.

   Operational, covering:
   - Effective delivery of the administration service (including: accurate payment of pensions and compliance with sector regulators – such as the Pensions Regulator).
   - Poor compliance of employers (including: employer breaches and inaccurate and late employer and employee contributions).
   - Changes to pensions legislation (including the impact on the Fund e.g. Free and Choice rules or not being correctly implemented).
   - Cyber security breaches.
   - Increased number of employers and/or reducing covenant risk.
   - Financial compliance (including statutory deadlines, guidance and internal regulations).
   - Fraud risk not managed (including manipulation for personal gain).

- Financial or administration decisions challenged.

People, covering:
- Loss of key staff and skills and knowledge.

5. Following these changes, the risks on the register have reduced from 29 to 12, and the updated Pension Fund risk register is attached at Appendix B.

6. The table below details risks removed and the reasoning behind that:

Risk area	Risk narrative	Reason for removal
Governance	Governance requirements are not met.	Low risk and well managed. May bring back on once the Good Governance Review is published and we have some actions to implement from this, if we think complying with this will be difficult.
Governance	Failure to ensure that the Pension Board's is effective in carrying out its role.	Low risk and well managed, with no new or developing controls.
Investments and Funding	Custodian bank goes bust.	Low risk and well managed, with no new or developing controls. No segregated assets at custodian.
Investments and Funding	Assets not enough to meet liabilities.	Amalgamated into risk I1.
Investments and Funding	Non-compliance of external managers.	Amalgamated into risk I2.
Investments and Funding	Maturing Fund - greater number of deferred and pensioner members than active members - more pensions being paid out than contributions coming in.	Will reconsider after cashflow information from the valuation and whether there is further work we need to do in this area.
Investments and Funding	Failure of Border to Coast Pensions Partnership Limited as the Fund's asset pool and investment manager.	Low risk and well managed, with no new or developing controls.
Operational	Employer and employee contributions and payments of pensions: • Non-collection • Miscoding • Non-payment	Low risk and well managed, with no new or developing controls.
Operational	Calculating and paying	Amalgamated into risk O1.

	pensions correctly (inc. completion of the Guaranteed Minimum Pension Reconciliation and communication with Pensioners).	
Operational	The Pensions Regulator requirements not adhered to (including common and scheme specific data requirements)	Amalgamated into risk O1.
Operational	Employer breaches.	Low risk and well managed, with no new or developing controls.
Operational	Pension Freedom and Choice rules could encourage additional transfers out of the Fund, increasing the maturity and requiring large payments out.	Low risk and well managed, with no new or developing controls.
Operational	Financial Statements of Pension Fund incorrect or late.	Low risk and well managed, with no new or developing controls.
Operational	Financial regulations (e.g. LCC / CIPFA) and statutory requirements not adhered to / legal guidelines not followed.	Low risk and well managed, with no new or developing controls.
Operational	Financial or administration decisions challenged.	Low risk and well managed, with no new or developing controls.
Operational	Personal gain (internal or external) through: • Fraud or misappropriation of funds • Manipulating share price	Covered within risk O4.
Operational	The Pensions Regulator requirements not adhered to (including common and scheme specific data requirements).	Covered within risk O1.

7. The Committee would need to be satisfied that they were comfortable with the controls in place for each risk identified, understanding that there will always be some risks that cannot be fully mitigated and that some sit within business as usual in managing the Pension Fund.

Conclusion

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

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Risk Management Policy
Appendix B	Lincolnshire Pension Fund Risk 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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Risk Management Policy

RISK MANAGEMENT POLICY

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

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

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

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

THE FUND'S RM OBJECTIVES

The Fund's RM objectives are to:

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

KEY MECHANISMS FOR DELIVERY

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

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

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

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Appendix B

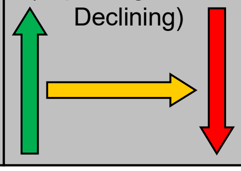
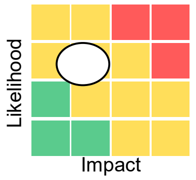
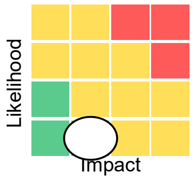
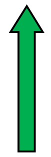
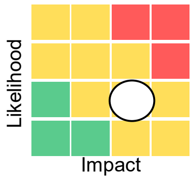
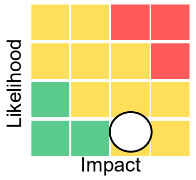
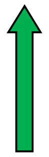
Risk Register - Pension Fund
Jul-22
Reviewed: Quarterly (reported to Pensions Committee and Pension Board)

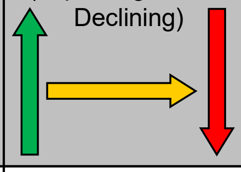
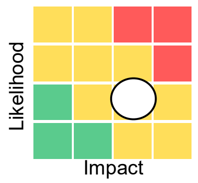
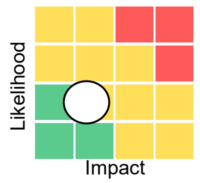
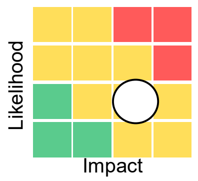
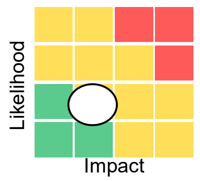
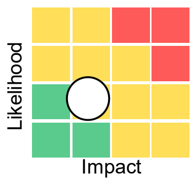
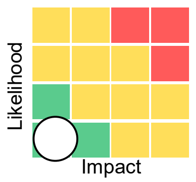
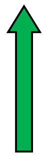
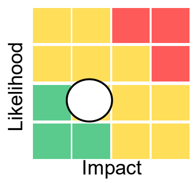
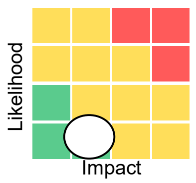
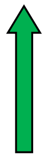
Service Objectives:

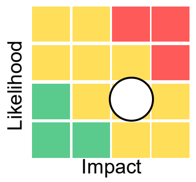
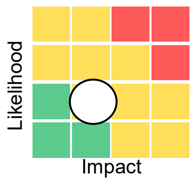
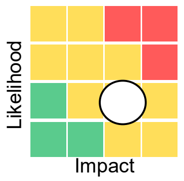
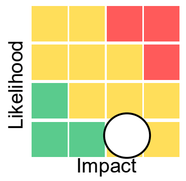
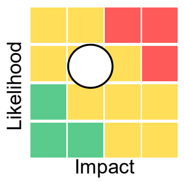
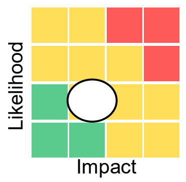
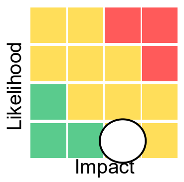
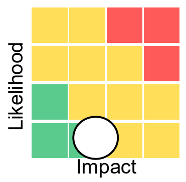
1. **Ensure there are enough assets to cover liabilities in the long term**
2. **To prepare the statutory accounts for the Pension Fund to the agreed timetable and with an unqualified audit.**
3. **To monitor all investments to ensure they are fit for purpose and within the targeted risk and return levels**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

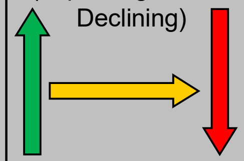
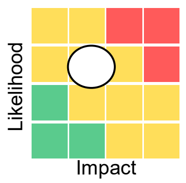
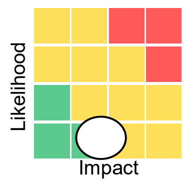
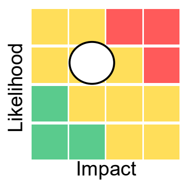
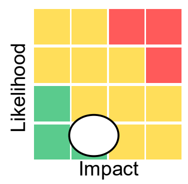
Owner : Head of Pensions

Lincolnshire COUNTY COUNCIL *Working for a better future*

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining) 	Actions	Notes / Comments
Governance								
G1	Head of Pensions	Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.			**Substantial**		**Existing** • Induction training for new Committee members • Training policy and annual training plan • Opportunities to attend external training sessions and conferences • Self assessment **New & Developing** • Knowledge and skills/training questionnaire (Spring 2022) • New member training platform run Hymans offering bite size training on demand. • Whole Committee training planned for October 2022 covering strategic asset allocation and February 2023 in planning	Good Governance statutory guidance will mandate a minimum level of knowledge for Committee members.
G2	Head of Pensions	Governance of asset pooling - management of relationship with Border to Coast.			**Substantial**		**Existing** • Joint Committee • Officer operation group • Senior officer group • Governance Charter **New & Developing** • Current governance review underway.	Governance review has been commissioned as the Company has now been operating for five years and the scale of operations has increased signficantly since the company was originally established.
Investment and Funding								

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining) 	Actions	Notes / Comments
I1	Head of Pensions	Required returns not met due to poor strategic allocation and assets not enough to meet lialibilies.			**Substantial**		**Existing** • Professional advice • Triennial review • Performance monitoring • Monthly Members letter • Reporting to Pensions Committee **New & Developing** • Strategic Asset Allocation currently underway alongside the 2022 valuation.	Triennial Valuation underway.
I2	Head of Pensions	Poor long term investment performance or non-compliance from managers.			**Substantial**		**Existing** • Performance measurement • Managers report monthly • Reporting to pensions committee • Diversification across managers • Manager meetings • Long term timeframe **New & Developing** • Fund Officers are working to refresh the manager monitoring arrangements.	No current concern about existing managers.
I3	Head of Pensions	Asset pooling - transition of assets from existing mandates to Border to Coast.			**Substantial**		**Existing** • Officer operations group • Workstreams within Border to Coast • Communicate to Committee regularly • S151 meetings • Use of Transition Managers **New & Developing** • work being undertaken on Global and UK property vehicles with Border to Coast	Over 50% of assets transitioned to 31 March 2022. Property to transition over the next two years and decision made not to transfer alternative assets. Target set to reflect position once all assets are transferred.
I4	Head of Pensions	Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).			**Substantial**		**Existing** • Border to Coast assistance • Managers reporting requirements • LAPFF membership • Voting and Corporate Governance Policy • RI policy • RI Beliefs • Quaterly Stewardship Paper to Committee and Board. **New & Developing** • Stewardship Code 2020 • TCFD Reporting • Increased focus on ESG investments	New Stewardship Code 2020 successfully achieved, but will need to be maintained. Collaborative work being done by/with Border to Coast. TCFD reporting requirements expected in Autumn DLUHC consultation.

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining)	Actions	Notes / Comments
Operational								
O1	Head of Pensions	The administrator does not perfom its functions in accordance with the agreement, including: • contribution collection and allocation • benefit calcualtion and payment • GMP reconiliation and rectification • meeting TPR requirements			**Substantial**		**Existing** • Performance Indicators • Bi-monthly meetings with WYPF • Horizon Scanning • Internal controls and audits • Collaboration Agreement • Benchmarking & performance data • Process management • Complaint reporting • Customer Surveys • Reporting to Committee and Board **New & Developing** • Shared Service Client Relationship Manager appointment • New shared service policies	
O2	Head of Pensions	Cyber security breach.			**Substantial**		**Existing** • WYPF and Bradford Council policies • LCC policies and training • External provider control reports **New & Developing** • Internal audit by Bradford Council on WYPF policies and procedures	
O3	Head of Pensions	Increasing employer numbers and/or reducing covenant strengths			**Substantial**		**Existing** • Admission agreements • Bonds • Employer covenant monitoring • Contribution monitoring • Employer communication • PFR roles **New & Developing** • Actuaries Employer Database being developed • Developing additional employer monitoring internally	
O4	Head of Pensions	Fraud risk not managed			**Substantial**		**Existing** • Separation of duties • Internal & external audit • Monthly reporting • Reconciliation procedures • Regular National Fraud Initiative reporting **New & Developing** • Review of high risk pensioners	

No.	Risk Owner	Risk Description	Current Risk Score (Copy and paste the white dot onto the matrix)	Target Risk Score (Copy and paste the white dot onto the matrix)	Assurance Status (High, Substantial, Limited, Low)	Assurance - Direction of Travel (Improving, Static, Declining) 	Actions	Notes / Comments
O5	Head of Pensions	Changes in legislation not implemented correctly, currently McCloud and Pensions Dashboard			**Substantial**		**Existing** • Regular meetings with and reporting from WYPF • LCC staff appropriately qualified and aware of legal requirements • Pension Fund managed in line with statutory regulations • Membership of professional networks e.g. PLSA • Pension Board oversight **New & Developing** • working closely with software supplier to develop admin system • Head of Pensions member of the PLSA LA Policy Committee	Head of Pensions position on the PLSA Local Authority Plicy Committee provides earlier insight into challenges and solutions.
People								
P1	Head of Pensions	Loss of key staff and loss of knowledge and skills			**Substantial**		**Existing** • Diversified staff / team • Look at other authorities with best practices to ensure LCC positions still desirable • Attendance at pensions user groups, both WYPF and LCC • Procedural notes which includes new systems as and when (LCC & WYPF) • Section meetings / appraisals (LCC & WYPF) • Regular team building (LCC & WYPF) • B2C and partner funds relationships • Training requirements and qualifications **New & Developing** • LCC Team structure review	LCC Team structure review in 2021/22. The Fund has tried to recruit to a new position in the team, however, were not able to fund a suitable candiate. Further work is planned to fill the skills gap in a different way.

Regulatory and Other Committee

Open Report on behalf of Andrew Crookham Executive Director - Resources

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**Annual Pensions Committee Training Plan and Policy**

Summary:

This report sets out the training policy and the annual training plan for the Pensions Committee members for the year to June 2023.

Recommendation(s):

That the committee:

1) approve the training policy, with the inclusion of the completion of the Hymans Online Learning Academy within the mandatory training requirements, replacing the requirement to attend a Fundamentals (or equivalent) training course;
2) agree the proposed areas for training at the October and February meetings; and
3) approve the annual training plan.

Background

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

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

3. The Good Governance review, where the draft recommendations were brought to this Committee last year, is expected to be put into statutory guidance in this financial year. This will include a mandatory level of training for Pensions Committee members, that will be reported in the Annual Report. The Lincolnshire

Fund is ahead of the requirements for this, already having a level of mandatory training required.

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

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

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

- The Chartered Institute of Public Finance and Accountancy (CIPFA) launched a technical guidance for Representatives on Pensions Committees and non-executives (i.e. officers) in the public sector within a Knowledge and Skills Framework (KSF) in January 2010, which was refreshed in July 2021. The framework identifies the skill set for those responsible for pension scheme financial management and decision making. CIPFA followed this up with a Code of Practice which LGPS funds are expected to adhere to, reporting on how their Pension Committee members and officers are meeting the requirements of their Framework in the Annual Report and Accounts. The Pension Committee members' KSF is attached at appendix B.

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

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

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

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

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

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

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

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

8. The CIPFA KSF (attached at appendix B for reference) covers eight areas:

   1. Pensions legislations and guidance
   2. Pensions Governance
   3. Funding strategy and actuarial methods
   4. Pensions administration and communications
   5. Pensions financial strategy, management accounting, report and accounts
   6. Investment strategy, asset allocation, pooling, performance and risk management
   7. Financial markets and products
   8. Pensions services procurement, contract management and relationship management

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

10. A knowledge and skills questionnaire, based on the CIPFA KSF, was completed by the majority of the Committee and returned for analysis. This highlighted only eight statements across four areas where the average score was below three (I have appropriate knowledge and understanding in this area), out of the 89 statements across the eight areas. These are therefore areas that additional training could be required. Overall though, the returns evidence that collectively the Committee has the appropriate level of knowledge and understanding to fulfil its requirements.

11. The statements and areas that scored below three are set out below:

Pensions Governance
An awareness of statutory and other guidance in relation to pension scheme governance, including DLUHC statutory governance guidance, The Pensions Regulator code of practice, CIPFA/Solace, Scheme Advisory Board guidance and the Myners principles.

Funding strategy and actuarial methods - Valuations
A general understanding of the importance of employer covenant, the relative strengths of the covenant across the fund's employers and how this impacts the funding strategy adopted.

A general understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy.

A general understanding of the scheme valuation and other work carried out by GAD and the impact this has on the valuation process (i.e. the cost management process/Section 13 report).

Investment strategy, asset allocation, pooling, performance and risk management - Investment Pool
An awareness of the boundaries of investment activities (e.g. strategy requiring advice from a suitably qualified person, in-house investment transactions) and which investment activities require FCA authorisation.

Investment strategy, asset allocation, pooling, performance and risk management – Responsible Investment
An awareness of the UK Stewardship Code and the United Nations Principles of Responsible Investment (UNPRI) and whether the fund is a signatory of these.

Financial markets and products – Financial Markets
An awareness of the restrictions placed by legislation on the investment activities of LGPS funds.

Financial markets and products – Investment Pool
An awareness of how the fund interacts with the taxation system in the UK and overseas in relation to investments.

In addition to covering the specific areas above, there is another option that will be open to members (and officers) to meet the knowledge requirements.

Online Training Academy

12. The Fund's Investment Consultant Provider, Hymans Robertson, has created an online training platform, to assist Funds to meet the knowledge and understanding requirements of the CIPFA KSF, and therefore the requirements under MiFIDII.

13. The online platform, LGPS Online Learning Academy (LOLA) was created last year and designed to support the training needs of Pension Committees, Pension Boards and Fund Officers, and supplement training plans for all LGPS funds. Over 30 Funds have signed up to it and it now has over 800 users.

14. There are currently six modules available, each 10-20 minutes long, with updates and additional modules created as required:

- **Module 1 - Introduction**
  - Introduction to the LGPS
  - Role of Elected Members on Committee (podcast)
- **Module 2 – Governance & Regulators**
  - LGPS Governance
  - LGPS Oversight Bodies & Regulators (TPR)
  - LPGS Oversight Bodies & Regulators (Section 13)
  - Business Planning
- **Module 3 – Administration & Management**
  - Introduction to Administration
  - Policies and Procedures
  - Public Procurement
  - Additional Voluntary Contributions
  - Accounting & Audit
- **Module 4 – Funding & Actuarial Matters**
  - Introduction to Funding Strategy
  - LGPS Actuarial Valuations (Process)
  - LGPS Actuarial Valuations (Technical Aspects)
  - LGPS Employers
- **Module 5 – Investments**
  - Introduction to Investment Strategy
  - Performance Monitoring
  - Pooling (England and Wales only)
  - Responsible Investment
  - MiFID II
- **Module 6 – Current Issues**
  - McCloud
  - Goodwin
  - Cost-sharing
  - Cyber Security
  - GAD Section 13

15. In addition, external training can be recorded on the platform, to be easily extracted for quarterly meetings, annual reports or if requested by TPR.

16. This appears to be an ideal tool for Committee and Board members, and also officers, to use to improve their knowledge and to evidence as required that training has been undertaken. The modules should cover the statements that scored below a three above, and also assist individual members on areas that they scored

themselves lower than a three. The costs are a per user licence fee, that reduces as the number of users increases. Overall the total annual cost is expected to be good value for the training and assurance that it will provide.

17. It is recommended that the requirement to undertake the training from this platform is added to the mandatory training required, replacing the requirement to attend a LGA Fundamentals course (or equivalent), which will become an additional training offering rather than mandatory.

Training Policy

18. The training policy was last agreed at the July 2021 meeting of this Committee, and has been updated to reflect use of the training platform detailed in the paragraphs above. It sets out the policy concerning the training and development of:

- the members of the Pensions Committee; and
- officers of Lincolnshire County Council responsible for the management of the LGPS.

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

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

- Complete the on-line training program set out within the Hymans Robertson Online Learning Academy within six months of joining the Committee, and to keep up-to-date with new modules or current issues as required;
- complete the on-line training of the Pensions Regulator at https://education.thepensionregulator.gov.uk/login/index.php within six months of joining the Committee (and send their certificates to the Head of Pensions); and
- undertake, as a Committee, regular training as set out in the annual training plan.

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

22. A date of 13 October has been set aside for proposed training by the Investment Consultant covering the Investment Strategy of the Fund, in light of the valuation results, and to further develop the Fund's net zero ambitions.

23. The date for the February 2023 training has not yet been agreed, however it is proposed that this is decided later in the year at a future meeting to enable training on any areas that may come from the DLUHC consultation expected sometime in the Autumn.

24. Committee members are asked to agree the topics for training for the meeting in October and to consider topics for February later in the year.

25. Committee members are encouraged to attend external training events, including conferences, and details of these are shared in the monthly letter. Attendees should be willing to provide a brief update to the next meeting of the Pensions Committee, covering the following points:

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

Conclusion

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

27. Committee members are asked to agree the change to the mandatory training to cover the LGPS Online Learning Academy and proposals for the October and February training sessions.

Consultation

a) Have Risks and Impact Analysis been carried out?

Yes

b) Risks and Impact Analysis

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

Appendices

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

Background Papers

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

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

PENSIONS COMMITTEE TRAINING POLICY AND COMMITTEE TRAINING PLAN JULY 2022 TO JUNE 2023

Policy Objectives

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

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

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

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

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

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

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

Application of the Policy

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

Review and maintenance

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

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

CIPFA Knowledge and Skills Framework and Code of Practice

In July 2021, CIPFA refreshed its technical guidance for Representatives on Pension Committees and non-executives in the public sector within a knowledge and skills framework. The framework sets the skill set for those responsible for pension scheme financial management and decision making.
The Framework covers eight areas of knowledge identified as the core requirements:

- Pensions legislations and guidance
- Pensions Governance
- Funding strategy and actuarial methods
- Pensions administration and communications
- Pensions financial strategy, management accounting, report and accounts
- Investment strategy, asset allocation, pooling, performance and risk management
- Financial markets and products
- Pensions services procurement, contract management and relationship management

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

- formally adopt the CIPFA Knowledge and Skills Framework (or an alternative training programme);

- ensure the appropriate policies and procedures are put in place to meet the requirements of the Framework (or an alternative training programme); and

- publicly report how these arrangements have been put into practice each year.

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

Training Provision, Measurement and Assessment

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

Members:

Mandatory Minimum**:**

- Upon appointment to the Pensions Committee, undertake a one-to-one training session with the Head of Pensions, before attendance at the first Pensions Committee meeting;

- Complete the on-line training program set out within the Hymans Robertson Online Learning Academy within six months of joining the Committee, and to keep up-to-date with new modules or current issues as required;

- Complete the on-line training toolkit of the Pensions Regulator at **https://education.thepensionregulator.gov.uk/login/index.php** within six months of joining the Committee, and agree to maintain that knowledge with any changes to the toolkit; and

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

In addition:

- Consider attending a basic training course (LGA Fundamentals or equivalent) designed for new members to the Pensions Committee within the first 18 months on the Committee, and any relevant conferences or seminars that will be brought to their attention throughout the year;

- Highlight to officers any areas where further training would be desirable or required, following subjects covered in Committee meetings or following attendance at any external training events or conferences;

- Obtain a satisfactory collective level of knowledge and skills in relation to all modules of the CIPFA Framework. Support from officers and the Fund's Advisors will be available as and when required, but always in advance of any decision being taken; and

- Report as appropriate in external documentation the compliance with knowledge and skills requirements e.g. progress in the Fund's Annual Report and Accounts and Governance Compliance Statement.

Officers:

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

Pensions and the Executive Director of Resources, in liaison with the Chairman of the Pensions Committee.

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

Delivery of Training

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

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

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

External Events

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

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

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

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

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

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

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

PENSIONS COMMITTEE TRAINING PLAN JULY 2022 TO JUNE 2023

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

1. **Pensions legislations and guidance**
2. **Pensions Governance**
3. **Funding strategy and actuarial methods**
4. **Pensions administration and communications**
5. **Pensions financial strategy, management accounting, report and accounts**
6. **Investment strategy, asset allocation, pooling, performance and risk management**
7. **Financial markets and products**
8. **Pensions services procurement, contract management and relationship management**

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

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

Date	Topic	KSF area(s)
Jul 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	7 2 2,6,8 6 1,4 4 6,7 6 1,2 2,5 6,7 3
Sept 2022 Committee papers	Independent Advisor Market Update Local Board Update Fund Update	7 2 2,6,8

	Stewardship Update Pensions Administration Update Employer Contributions Monitoring Annual Fund Performance Report Audit Governance Report Investment Management Report 2022 Valuation Draft Results	6 1,4 4 6 5 6,7 3
Oct 2022 Training	Investment Strategy Net Zero Aspirations	6
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	7 2 2,6,8 6 1,4 4 6,7 6
Jan 2023 Committee papers	External Manager Presentations Border to Coast LGIM	6,7
Feb 2023 Training	TBC	
Mar 2023 Committee papers	Independent Advisor Market Update Local Board Update Fund Update 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	7 2 2,6,8 6 1,4 4 2 5 2,5,6 6,7 3

June 2023 Committee papers	External Manager Presentations Border to Coast Morgan Stanley	6,7

*Committee papers and training may be subject to change.

Knowledge and skills framework for

LGPS committee members and LGPS officers

cipfa.org/

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CIPFA

Knowledge and skills framework for

LGPS committee members and LGPS officers

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Published by:
CIPFA \ The Chartered Institute of Public Finance and Accountancy
77 Mansell Street, London E1 8AN
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ISBN 978 1 84508 550 6

Foreword

In recent years, the Local Government Pension Scheme (LGPS) has faced unprecedented changes and challenges, and these are likely to continue into the future. At such times of change, it is vitally important that there is sound governance and management of and transparency over pension funds and pension benefits on behalf of employers and scheme members.

The updates to the CIPFA Knowledge and Skills Framework and the separate Code of Practice seek to reflect changes to the operation of the LGPS at both national and local levels. They include the impact of the England and Wales LGPS Scheme Advisory Board's Good Governance Review, recent regulatory changes and other requirements of the MHCLG, the establishment of pension boards and asset pools, and the changing responsibilities and skills required by decision makers, managers and advisors.

In line with all CIPFA codes of practice, the contents of this Code, which are complemented by this Framework, establish the minimum standards required by all CIPFA professional members and, as such, all are expected to comply with this Code's requirements. This Code of Practice is also designed to support the wider LGPS community (such as advisors and any other persons not explicitly covered by this Code who apply LGPS regulations and associated guidance).

It is the intention of CIPFA and the CIPFA Pensions Panel to keep the Knowledge and Skills Framework and the Code of Practice updated on a rolling basis in order to reflect the frequency of any future changes and recognised good practice.

Can I take this opportunity of thanking my fellow panel members and colleagues from Aon for their contributions to the updates.

Pete Moore BA, FCPFA

Chair of the CIPFA Pensions Panel

May 2021

Note: it is expected that this guidance will need updating following the issue of any statutory guidance by MHCLG to assist in the delivery of the outcomes from the England and Wales Scheme Advisory Board's Good Governance Review relating to the expectations for knowledge and skills, particularly for members of pension committees. However, it is expected that may be later than when this revised version is first published by CIPFA. Therefore, we would expect that it might require a minor update when the statutory guidance is issued to align with MHCLG's requirements for England and Wales.

Acknowledgements

This guidance has been reviewed and updated by the CIPFA Pensions Panel, working with Mary Lambe, Karen McWilliam and other colleagues at Aon and supported by Richard Lloyd-Bithell (CIPFA Lead Pensions Advisor).

Current Pensions Panel members are:

Pete Moore (Chair)	Independent
Robert Branagh (Vice Chair)	London Pension Fund Authority representative
Jeff Dong	Welsh Treasurers representative
Rachel Brothwood	West Midlands Pension Fund
Teresa Clay	Ministry of Housing, Communities and Local Government (MHCLG)
Jenny Poole	Society of District Council Treasurers
Jeff Houston	Scheme Advisory Board
Paul Mayers	National Audit Office
Richard McIndoe	Scottish administering authorities representative
John Cornett	Audit Scotland
David Murphy	Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC)
Ian Williams	Society of London Treasurers (SLT) representative
John Wright	Association of Consulting Actuaries (ACA) representative
Mark Wynn	Society of County Treasurers (SCT) representative
John Jones	Local pension board (LPB) representative
Fiona Miller	Asset pool representative
Richard Lloyd-Bithell	CIPFA Senior Technical Manager
Mark McLean	CIPFA Senior Policy Advisor

CIPFA is grateful to all those who participated in the development of this Framework during the consultation process.

Contents

Introduction

This publication consolidates and updates (and supersedes) two existing publications:

- *Pensions Finance Knowledge and Skills Framework: Technical Guidance for Pensions Practitioners in the Public Sector*, published in 2010
- *Pensions Finance Knowledge and Skills Framework: Technical Guidance for Elected Representatives and Non-executive Members in the Public Sector*, also published in 2010.[1]

It reflects the latest developments in the area of knowledge and skills for the LGPS at the time of publication (2021). A separate framework remains in place for local pension board members.[2]

The document is intended to promote good governance in the LGPS in the key area of knowledge and skills. It is designed to be used by LGPS officers and the scheme's decision-making bodies (such as LGPS pension committees) as a framework in the assessment of knowledge and skills, the delivery and recording of training, and ultimately the development of knowledge and understanding of all those with a responsibility to manage and administer their LGPS fund.

The Framework should be read in conjunction with CIPFA's *Code of Practice*[3] *on LGPS Knowledge and Skills* (latest version updated and published in 2021). The Code of Practice seeks to embed the requirements for identifying the adequacy of, acquiring and maintaining of appropriate knowledge and skills.

BACKGROUND

Governance can be defined as a combination of the process of decision making, the means by which strategies and policies are decided, how those are implemented and delivered, and continuously monitoring the outcomes, including understanding the inherent risks. It requires involving the right people at the right time based on relevant and up-to-date information. In recent times, the standards of governance in all sectors of the economy have risen and have also been subject to scrutiny because of some high-profile failures. These failures demonstrate the potential impact of inadequate governance on organisations' economic and reputational standing and on the environment in which they operate. Each failure leads to actions intended to increase the effectiveness of governance further.

CIPFA has been very active over a long period in seeking to strengthen governance in the management of the LGPS and continues to review its advice and guidance. Good governance is vital and requires a transparent framework within which public sector bodies, such as LGPS administering authorities, can achieve and demonstrate good performance, sound management, the effective stewardship of public funds and, as a consequence, delivery against the expectations placed upon them.

The LGPS:

- at 31 March 2020 in England and Wales had assets of over £272bn, 18,595 employers and 6.1 million members[4]

1. In addition, there is a further publication entitled *Local Pension Boards: A Technical Knowledge and Skills Framework* (published in 2015), which remains in operation.
2. **Local Pension Boards: A Technical Knowledge and Skills Framework** (CIPFA, 2015).
3. **Code of Practice on LGPS Knowledge and Skills** (CIPFA, 2021).
4. **Local government pension scheme funds for England and Wales: 2019/20** (HM Government, 2020).

- at 31 March 2019 in Scotland had assets of over £48bn and 577,645 members,[5] and
- at 31 March 2020 in Northern Ireland had assets of over £7.8bn, 139,048 members and 171 employers.[6]

This emphasis on the decision makers and decision-making structures that surround the LGPS is critical to sound stewardship, management and good financial performance.

5. **Annual report 2018/19** (Scottish Local Government Pension Scheme Advisory Board, 2019).
6. **Annual report 2019/20** (NILGOSC, 2020).

Purpose, scope and status of this guidance

In 2021, CIPFA published an updated *Code of Practice on LGPS Knowledge and Skills*. This Code sets out in detail the purpose, scope, key principles, statements to be adopted and guidance application in relation to knowledge and skills in the LGPS. Its principles include the need to have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements to effectively acquire and retain LGPS knowledge and skills for those in the administering authority responsible for management and decision making.

The arrangements set out in this publication establish a knowledge and skills framework for members of committees and senior officers. Administering authorities adopting this Framework (suitably adapted to their own circumstances) will be able to demonstrate that they are complying with the spirit of CIPFA's Code of Practice, as well as the other legal and best practice requirements as highlighted later in this section. This Framework is intended to help LGPS pension committee members and senior officers to deliver, assess and record effective training and development activities to further support and enhance knowledge and skills. The ultimate aim is better governance.

This Framework should be read in conjunction with the Code of Practice, which sets out in detail the purpose, scope, key principles, statements to be adopted and guidance application.

This Framework is focused on committee members and senior officers to ensure that the appropriate skills and knowledge are in place for those charged with the management and governance of the fund. This Framework does not consider the requirements in relation to other officers of the fund. However, it is expected that each administering authority should also ensure that knowledge and skills requirements, and individual training and development plans, are in place for all members of staff within each fund's pension team.

POLICY AND LEGISLATIVE BACKGROUND

The need for a high level of knowledge and skills for those involved in the management of the LGPS is underpinned by various items of legislation, legal opinion and guidance. Some of this is explained further below.

Legislation and legal opinion

- **Fiduciary and public law duties**[7] – there is a range of legal opinions and cases that are relevant to the management of the LGPS, many of which are referenced on the **LGPS England and Wales Scheme Advisory Board website**. In particular, those responsible for the management of the LGPS should be mindful of the following conclusion by Nigel Giffin QC on fiduciary duty:[8]

  In managing an LGPS fund, the administering authority has both fiduciary duties and public law duties (which are in practice likely to come to much the same thing).

7. Ongoing activity in the area of defining fiduciary duty in the LGPS may mean this information requires updating in due course.

8. **Advice on Fiduciary Duty in the LGPS – Opinion of Nigel Giffin QC** (LGPS Advisory Board – England and Wales, 2014).

This conclusion is clarified in the body of the opinion in paragraph 6 as follows:

In my view, the administering authority does owe fiduciary duties, both to the scheme employers and to the scheme members.

Although not explicitly referring to knowledge and skills, this is a critical point of understanding for the management of LGPS funds. The more recent judgment in the Supreme Court in April 2020[9] also commented on the fiduciary duty owed by investment decision makers in the LGPS, and further interpretation is anticipated.

- **Pensions are not a local authority executive function**[10] – while not explicitly referring to knowledge and skills, it is important to understand that pensions are not a local authority executive function[11] and therefore matters cannot be delegated to an administering authority's cabinet or executive. Accordingly, functions should be otherwise delegated to a committee, sub-committee or officer.[12] In the case of LGPS matters, this tends to involve delegation of responsibilities to a pension committee, with day-to-day responsibilities usually being delegated to a senior officer (sometimes the LGPS senior officer, which is expected to be defined in statutory guidance in England and Wales and could be the chief finance officer (CFO)).

Explicit legislative requirements

- **MiFID II (Markets in Financial Instruments Directive)** – there are two key elements of legislation that direct the need to have appropriate knowledge and skills when managing LGPS funds. The first is MiFID II. Under this directive (introduced in January 2018), local and public authorities are classified as retail investors, which severely limits both the financial instruments and providers available to authorities for pension purposes. Authorities can consider electing for (and maintaining) a return to professional status in order to ensure they can access the full range of vehicles and managers to meet the needs of their investment strategy. To do so, LGPS administering authorities must request to be treated as professional clients, which is carried out by evidencing to managers and advisors that they meet both qualitative and quantitative requirements. The qualitative requirements focus on a collective[13] assessment of the expertise, experience and knowledge of the LGPS administering authority in relation to its investment decisions.

  LGPS administering authorities who are elected professional clients under this process are responsible for keeping their managers and advisors informed of any change that could affect their current categorisation. The firm must the take 'appropriate action', which could include recategorising the client as retail. It is therefore critically important that the knowledge and skills of all pension committee members and officers are regularly reviewed and maintained. Changes to personnel (for example, following local authority elections where there is a significant change in elected members on a pension committee, or the appointment of a new CFO) will require a change to the opt up information conveyed to managers and advisors. Failure to implement timely and thorough training could jeopardise the professional status of an LGPS administering authority, which could have serious consequences on being able to deliver a fund's investment strategy.

9. Case of R (Palestine Solidarity Campaign Ltd and another) v Secretary of State for Housing, Communities and Local Government [2020] UKSC 16. See **case details**.
10. This means that the executive (usually cabinet or the elected mayor) cannot make decisions in relation to LGPS matters – for example, how to exercise discretions under the regulations.
11. Schedule 1 of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 and the Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007.
12. Section 101 of the Local Government Act 1972.
13. The 'collective' for this purpose includes committee members, officers, advisors and/or consultants.

The criteria for the opt up process to professional status includes the following, highlighting how this Framework (and the accompanying Code of Practice) is key in meeting these requirements:

3. *Adherence to CIPFA Codes or undertaking other relevant training or qualifications may assist in demonstrating knowledge and expertise as part of the qualitative test.*[14]

- **Pensions Act 2004** – the second area of legislation that is explicit in relation to knowledge and skills is Section 248A of the Pensions Act 2004, which requires all members of the local pension board to be conversant with:

  – the rules of the scheme, and

  – any document recording policy about the administration of the scheme that is for the time being adopted in relation to the scheme.

  The individual must have knowledge and understanding of the law relating to pensions to the degree that is appropriate for the purposes of enabling the individual to exercise properly the functions of a member of the local pension board. Although this guidance does not directly relate to local pension boards, those involved with the management of the LGPS should be mindful of this requirement and should refer to the separate CIPFA framework for local pension boards.[15] In addition, any updated statutory guidance in England and Wales (which is due to address the recommendations in the Good Governance Review) is likely to introduce clearer requirements for those with a role in the LGPS.

OTHER RELEVANT GUIDANCE

- **Ministry of Housing, Communities and Local Government (MHCLG) Governance Compliance Statements** – Statutory Guidance (November 2008)[16]

  MHCLG issued this statutory guidance relating to governance matters when they were the Department for Communities and Local Government (DCLG). All LGPS administering authorities are required to publish a statement outlining how they are complying with the guidance (and the extent to which they do not comply and the reasons for not complying). The guidance refers to the acceptance by government of the Myners principle[17] of "effective decision making", which requires decisions to be made only by persons or organisations with the skills, information and resources necessary to make them effectively, and for LGPS pension committee members to have sufficient expertise to evaluate critically any advice they take. The guidance also states it is important that administering authorities report the extent to which training facilities are extended to lay members sitting on pension committees.

  The statutory guidance requires all administering authorities to state how they comply with the following three principles:

  a) *That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.*

14. **Opting up process** (LGPS Advisory Board, 2018).
15. **Local Pension Boards: A Technical Knowledge and Skills Framework** (CIPFA, 2015).
16. **Governance Compliance Statements – Statutory Guidance** (MHCLG, 2008).
17. Since 2002, all LGPS funds have been required to report upon their application of and compliance with the Myners principles. Originally ten best practice statements relating to pension fund investment and decision making launched by HM Treasury in 2001, there are now six principles for pension fund investment, scheme governance, disclosure and consultation. These principles were adopted by the DCLG (now MHCLG) in 2009 and replace the ten Myners principles published in 2001.

b) *That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.*

c) *That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.*

It's expected that this statutory guidance will be updated with clearer requirements (following the recommendations of the Good Governance Review) on the knowledge and skills requirements for those with a role in the LGPS.

- **Scottish Public Pensions Agency (SPPA)** – Statutory Guidance (April 2011)[18]

  SPPA issued this statutory guidance to set out the requirements for all Scottish LGPS administering authorities to publish a statement on how they are complying with the guidance (and the extent to which they do not comply and the reasons for not complying). The guidance includes the following principles:

  j) *That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.*

  k) *That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.*

  l) *That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.*

- **CIPFA guidance** – there is a range of CIPFA guidance that refers explicitly or implicitly to knowledge and skills, including:

  – *Local Pension Boards: A Technical Knowledge and Skills Framework*[19] – CIPFA has developed this framework to cover the training and development of pension board members. The objective is to improve knowledge and skills in all the relevant areas of activity on a pension board and assist board members in achieving the degree of knowledge appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.

  – *The Role of the Chief Financial Officer in Local Authorities*[20] – the CFO occupies a critical position in any organisation, holding the financial reins of the business and ensuring that resources are used wisely to secure positive results. This CIPFA publication is intended to support individual finance professionals. It outlines the core responsibilities of the CFO, as well as the personal skills and professional standards that are crucial to success in the role.

  – *The Role of the CFO in the LGPS*[21] – this supplement to the above guidance aims to place that advice in the context of the financial administration of the LGPS and should be used in conjunction with the statement on the role of the CFO in local government.

  – *Delivering Good Governance in Local Government: Framework*[22] – the Framework is intended to assist administering authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, there is sound and inclusive decision making and there is clear accountability for the use of those resources in order

18. **Statutory Guidance** (SPPA, 2011).
19. **Local Pension Boards: A Technical Knowledge and Skills Framework** (CIPFA, 2015).
20. **The Role of the Chief Financial Officer in Local Authorities** (CIPFA, 2015).
21. **The Role of the CFO in the LGPS** (CIPFA, 2014).
22. **Delivering Good Governance in Local Government: Framework** (CIPFA, 2016).

to achieve desired outcomes for service users and communities. The Framework includes the principle:

Developing the entity's capacity, including the capability of its leadership and the individuals within it.

This refers to:

ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.

- *Effective Decision Making* (Myners)[23] – LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of six principles for pension fund investment, scheme governance, disclosure and consultation. These principles were adopted by the DCLG (now MHCLG) in 2009 and replace the ten Myners principles published in 2001. This guidance stresses, among other things, the importance of the training and development of members of pension committees in local government. It advises that, wherever possible, appointments to the committee should include considerations of relevant skills, experience and continuity. However, the guidance also stresses the importance of the organised and continued development of committee members through regular training, development plans and skills and knowledge assessments.
- *Investment Pooling Governance Principles for LGPS Administering Authorities* – this CIPFA guidance is designed to highlight the risks, opportunities and best practice over the establishment, transition into and long-term operation of the investment pools. It sets out that pension committees should expect additional training to enable decisions relating to investment pooling.[24]
- *Preparing the Annual Report*[25] (reporting of how knowledge and skills requirements are applied) – this guidance is designed to assist officers in meeting the requirements of the current regulatory framework. Although regulation 57 of the LGPS Regulations 2013 and regulation 55 of the Scottish Regulations prescribe what must be included in the pension fund annual report, pension funds are free to include other information as they see fit. CIPFA guidance highlights a number of areas they consider should be included in the annual report, given it is a key component of communication between pension funds and their stakeholders. In Northern Ireland, the Department of Finance provides guidance on financial statements.

  For example, administering authorities may wish to include a statement of compliance with the CIPFA *Code of Practice on LGPS Knowledge and Skills* and evidence to demonstrate compliance with the Code, such as a report on officer and committee member training undertaken during the year (if not reported elsewhere) and skills and knowledge reviews undertaken.

- **England and Wales Scheme Advisory Board**
  - **MiFID II opting up process/guidance**[26] about the opting up to professional status is available for administering authorities. It advises that administering authorities should consider electing for (and maintaining) a return to professional status in order to ensure

23. **Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom** (CIPFA, 2012)
24. **Investment Pooling Governance Principles for LGPS Administering Authorities** (CIPFA, 2016). Revised pooling guidance is expected from MHCLG in 2021.
25. **Preparing the Annual Report** (CIPFA, 2019).
26. **Opting up process** (LGPS Advisory Board, 2018).

they can access the full range of vehicles and managers to meet the needs of their investment strategy. A key part of this process is evidencing the expertise, experience and knowledge of those involved in investment-related decisions.

- **Responsible investment draft guidance**[27] was issued for consultation in 2020, and further developments in this area are expected in 2021, given the forthcoming requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

- **The Pensions Regulator (TPR) code of practice**[28] – there are a number of key requirements relating to the management and operations of public service pension schemes that are outlined in TPR's code of practice, which are in addition to the LGPS regulations, CIPFA and SAB guidance. Many of the elements in the code relate to legislative requirements, mainly under the Public Service Pensions Act 2013 or the Pensions Act 2004. This includes requirements relating to the knowledge and understanding of pension board members. As a matter of best practice, it is expected that all administering authorities will carry out a regular review of their approach against the legal requirements and TPR code of practice with a view to ensuring that these are being adhered to.

KEY ROLES IN THE LGPS

The ultimate responsibility for management, investment and administration of an LGPS fund is the administering authority.[29] Each administering authority is required to determine its own governance arrangements, and the delegation of those responsibilities will be included in the authority's constitution (or equivalent). In addition, each administering authority must set those arrangements out in its governance compliance statement.[30] This statement should set out if the administering authority delegates its functions, or part of its function, to a committee or sub-committee or an officer of the authority.

The following section sets out the main roles that exist within delegated structures for LGPS administering authorities, as well as providing an overview of expectations around knowledge and skills in relation to those roles.

Clearly, the type and level of knowledge and skills will differ between the various persons involved in the management of an LGPS fund. The CIPFA Code of Practice includes the following principle:

Administering authorities responsible for the administration of the LGPS recognise that effective management, decision making, governance and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.

Accordingly, regardless of the range of responsibilities, those exercising a delegated responsibility on behalf of the administering authority and to whom this framework applies must be conversant with:

- the rules of the LGPS, and
- any document recording policy about the funding, investment, administration, communications or governance which is for the time being adopted in relation to the scheme.

27. **Responsible Investment Guidance** (LGPS Advisory Board, 2020).
28. Consultation on a new TPR single modular code is expected in 2021.
29. In England and Wales, a body listed in Part 1 of Schedule 3 of the LGPS Regulations 2013, which maintains a fund within the LGPS. In Scotland, a body listed in Schedule 3 of the LGPS (Scotland) Regulations 2018. The NILGOSC is a non-departmental public body sponsored by the Department for Communities in NI.
30. In England and Wales, as required by regulation 55 of the LGPS Regulations 2013. In Scotland, as required by regulation 53 of the LGPS (Scotland) Regulations 2018.

Such persons must have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed in legislation and guidance.

The degree of knowledge and understanding required is that which is appropriate for the purposes of enabling the individual to properly exercise their delegated responsibility on behalf of the administering authority.

The following sections consider in more detail how this applies to specific responsibilities. Annex A provides suggested competencies in relation to each of these responsibilities.

PENSION COMMITTEE MEMBERS

Please note that all references to pension committees include any LGPS sub-committees or other committees or panels that have LGPS responsibilities delegated to them.

The majority of administering authorities delegate most LGPS responsibilities to a pension committee. The membership of committees typically includes some or all of the following:

- administering authority elected members
- other local authority elected members
- other employer representatives
- scheme member representatives (who in some circumstances may be from the trade unions).

A pension committee must:

- be able to demonstrate that it has the skills, knowledge and experience appropriate for governing its fund
- have a balance of knowledge and skills across the membership of the committee
- be able to apply that knowledge and skills in governing the fund.

All members of a pension committee are expected to have appropriate knowledge and skills relating to their LGPS duties. However, it is considered appropriate to consider the knowledge and skills of a committee as a collective, ie ensuring that the collective degree of knowledge and understanding is appropriate for the purposes of enabling the committee as a whole to properly exercise their delegated responsibility on behalf of the administering authority. Accordingly, although desirable, it is not necessary for every member of the committee to be able to demonstrate individually that they meet all the expected knowledge and skills competencies.

Other local authority elected members, other employer representatives and scheme member representatives on the pension committee may be voting, and some may be non-voting members. Irrespective of the position on voting, this guidance should apply equally to all committee members. Administering authorities should also consider the risk of having substitute members who may not have the same level of knowledge, skills and access to training as the main committee members. It is encouraged that substitute members should ideally have sufficient knowledge and skills to fulfil the role effectively and be provided with access to training as required.

Administering authorities must be able to demonstrate and explain that the combined knowledge and understanding of the pension committee (or sub-committee), together with the advice available to the committee, enable them to properly exercise their delegated functions.

The administering authority must maintain an effective plan for the ongoing maintenance and development of the committee's knowledge. They must also be able to demonstrate how competency will be maintained, including how they will identify and address skills gaps and seek to increase knowledge.

Given the high bar expected of LGPS committee members in relation to their knowledge and skills, it is important that they understand what is expected of them. This includes:

- committing to undertake the role for a term of office
- having the capacity to attend meetings
- attending and participating constructively in meetings
- undertaking training and development appropriate to their role
- approaching matters with an open and independent mind, avoiding any pre-determination or bias
- having the confidence to challenge, influence and engage
- operating within the terms of reference of the committee and the administering authority's code of conduct.

CHIEF FINANCE OFFICER – SECTION 151 OFFICERS[31]

Chief finance officers (CFOs) are subject to professional standards,[32] and regardless of whether a CFO of an administering authority has direct, delegated responsibilities relating to the LGPS or not, all have a statutory responsibility in relation to the proper administration of financial affairs relating the LGPS fund. This is because one common factor running throughout these arrangements is that an LGPS administering authority is a local authority body.[33] No matter how the pensions operations of the administering authority are delivered, they are, for the purposes of the responsibilities of the CFO of that authority, indivisible from other financial operations. This in turn means that the CFO of that local authority body is responsible for ensuring the proper financial administration of the LGPS fund, in addition to that of the local authority. Moreover, in some cases, the CFO may also have specific delegated functions within the administering authority's constitution relating to the management of the fund.

As a CFO has, as a minimum, statutory Section 151 responsibilities under the Local Government Act 1972 in respect of an administering authority, they must keep their knowledge of the LGPS up to date, and this should be evidenced through regular, continued professional development.

The CFOs of non-administering authority local authorities also have a responsibility to ensure they have the requisite knowledge and skills, given the financial operational role within the organisation requires they ensure proper administration of their authority's financial affairs.[34] This extends to payment of employer contributions to their fund.

31. Section 151 of the Local Government Act 1972. This also relates to Section 95 of the Local Government (Scotland) Act 1973 and in Northern Ireland Section 54 of the Local Government Act (Northern Ireland) 1972.

32. Section 113 of the Local Government Finance Act 1988 requires the responsible officer under Section 151 of the 1972 Act to be a member of a specified accountancy body. In the case of CIPFA members, these professional standards are set down in CIPFA's Statement of Professional Practice, with which all CIPFA members are required to comply. For members of other accountancy bodies, this represents best practice within the public sector. All professional accountants should also have regard to their own body's code of ethics, as well as that produced by the International Ethics Standards Board for Accountants (IESBA) on behalf of the International Federation of Accountants (IFAC).

33. The two exceptions to this are NILGOSC and the Environment Agency, both of which are non-departmental public bodies set up respectively under the auspices of the Department of the Environment (Northern Ireland) and Defra.

34. Section 151 of the Local Government Act 1972 and Section 95 of the Local Government (Scotland) Act 1973. The equivalent in Northern Ireland is in Section 54 of the Local Government Act (Northern Ireland) 1972, which requires local authorities to make safe and efficient arrangements for the receipt of money paid to them and the issue of money payable by them, and for those arrangements to be carried out under the supervision of the CFO.

Administering authorities must be able to demonstrate and explain that the knowledge and understanding of the CFO enables them to properly exercise their delegated functions.

Further information in relation to the knowledge and skills expectations of CFOs in the LGPS can be found in CIPFA's *Role of the CFO in the LGPS*.[35]

LGPS SENIOR OFFICER INCLUDING HEAD OF PENSIONS AND OTHER SENIOR MANAGERS

Each administering authority will have its own unique staffing structure, but this will include a senior manager or managers (which could include the CFO) having overall responsibility for the day-to-day management of the fund (as a minimum). Therefore, each administering authority needs to ensure those members of staff have appropriate knowledge and skills. CIPFA's Code of Practice applies to "all individuals responsible for the management of the LGPS or who have a decision-making, scrutiny or oversight role." Each administering authority should ensure it determines which officers fall within that definition and therefore to whom this Framework applies. In this guidance, we also use the term 'LGPS senior officer' to align with the updated statutory governance guidance expected from MHCLG for England and Wales.

As with the other roles, the degree of knowledge and understanding required is that which is appropriate for the purposes of enabling the individual to properly exercise their delegated responsibility on behalf of the administering authority. The level of risk involved in the day-to-day operations of an LGPS fund cannot be underestimated, and it will therefore fall on these senior officers to ensure that robust controls are in place. In addition, they will be the key officers providing advice and guidance to the committee or other decision makers in relation to the LGPS fund. Accordingly, it is critical that the administering authority ensures senior officers have and retain an exceptional level of knowledge commensurate with the responsibilities they are undertaking.

35. **The Role of the CFO in the LGPS** (CIPFA, 2014).

Key areas of knowledge

The LGPS is a complex and multi-faceted scheme where the knowledge and skills required will extend across several disciplines, from accountancy, administration and audit into areas of investment and actuarial finance, as well as knowledge of the legislative and governance environment. In total, for the purposes of this Framework, CIPFA has identified eight core technical areas where appropriate knowledge and skills should be achieved and maintained. They are:

- pensions legislation and guidance
- pensions governance
- funding strategy and actuarial methods
- pensions administration and communications
- pensions financial strategy, management, accounting, reporting and audit standards
- investment strategy, asset allocation, pooling, performance and risk management
- financial markets and products
- pension services procurement, contract management and relationship management.

The knowledge matrices for pension committee members (set out in Annex A, Part 1) and for senior officers (set out in Annex A, Part 2) are based on the core areas of knowledge listed above. They set out a list of competencies in each of the areas. Administering authorities adopting this Framework, including the knowledge matrix in the Annex suitably applied to their own circumstances if they consider it appropriate, will be able to demonstrate that they are complying with the requirements of CIPFA's Code and the other legal and best practice requirements as set out previously in this Framework.

Overall, pension committee members need to have a less detailed knowledge of the specifics. Committee members should take a holistic view – one that is strategic and concentrates on the principles involved, and on performance and communication in line with their roles and responsibilities set out in their terms of reference. Committee members should also be assisted, where necessary, to have the confidence to make knowledgeable challenges to the information and advice given to them.

The eight core areas are explained in more detail in the following paragraphs.

PENSIONS LEGISLATION AND GUIDANCE

The pensions landscape is characterised by a complex legislative framework. In addition to the LGPS legislative requirements, there are industry-wide statutes that apply in whole or in part to the LGPS, including the way in which schemes interact with state pensions, the tax system and The Pensions Regulator, etc. There are also requirements in place from both statutory and best practice guidance impacting on the LGPS.

A knowledge of this framework of legislation and guidance, and the way in which it affects the management and operational aspects of the LGPS, provides the context within which LGPS pension committee members and senior officers must operate to ensure they can undertake their statutory, professional and other obligations.

PENSIONS GOVERNANCE

Governance in the LGPS has evolved significantly in recent years. Developments include oversight from The Pensions Regulator, the introduction of local pension boards and nationally the Scheme Advisory Board – the introduction of LGPS investment pools that have fundamentally changed the governance framework. In addition, increasing complexity in the administration and benefit structure, alongside financial challenges faced by administering authorities and scheme employers plus increased reporting in the area of oversight of investment,[36] puts an even greater emphasis on ensuring good governance across all LGPS funds.

Understanding the requirements of the current and evolving governance framework is of central importance for decision makers in the LGPS. Also of key importance is a knowledge of the governance frameworks that apply within the pensions industry (such as MiFID II, the UK Stewardship Code and the Myners principles), within the LGPS (such as the requirements of the governance compliance statement) and within administering authorities (for example, the CIPFA/ Solace **Delivering Good Governance in Local Government: Framework**).

Knowledge in this area should include an understanding of risk management, ensuring it is an integral part of governance. This includes knowledge of best practice risk management and how that supports a structured and focused approach to managing risks.

FUNDING STRATEGY AND ACTUARIAL METHODS

The scheme actuary holds a key position in the financial management of a pension scheme. To be successful, those with delegated responsibility will need to be able to do more than simply ensure that the relationship with the actuary is properly managed. They will need to understand the work of the actuary and the way in which actuarial information impacts both the finances of the scheme and the scheme employers. This extends to employers joining and exiting the fund, developments relating to employer covenant and increasing employer funding flexibilities.

This knowledge should also ensure it outlines the links to national requirements set out in Section 13 of the Public Service Pensions Act 2013 and related Government Actuary's Department (GAD) activity,[37] as well as a wider awareness of different actuarial methods and funding risk.

PENSIONS ADMINISTRATION AND COMMUNICATIONS

Administering scheme benefits, contributions and other transactions is highly complex and is governed by extensive scheme regulations, as well as industry-wide requirements on disclosure, record keeping, data maintenance, dispute resolution, etc. The fund's administration strategy and communications policy are also key in how these responsibilities are delivered and the role of employers in doing so. Data quality underpins the delivery of the administration function and is a key aspect of the successful delivery of the service to scheme members.

Understanding these requirements is key for those with management, decision-making and oversight responsibilities in the LGPS. This is to ensure decisions made are in compliance with the various regulations, standards and codes in place for the area of administration and communications.[38]

36. Including the Cost Transparency Initiative (CTI) and TCFD requirements that are anticipated.
37. Section 13 of the Public Service Pensions Act 2013 requires GAD to report on the valuations of each of the funds in the scheme to ensure the aims of compliance, consistency, solvency and long-term cost efficiency are being achieved.
38. The Pension Schemes Act 2021 will bring into force new requirements on LGPS funds regarding pension dashboards for scheme members.

PENSIONS FINANCIAL STRATEGY, MANAGEMENT, ACCOUNTING, REPORTING AND AUDIT STANDARDS

Those with delegated responsibility in the LGPS must ensure they have the knowledge and skills to ensure a robust financial strategy for the fund in the short, medium and long term, thus enabling the fund to meet its strategic objectives. There should be a robust annual budgeting process to ensure that the fund has sufficient resources to deliver its objectives, while ensuring value for money for its stakeholders and wider taxpayers.

The way in which the LGPS is accounted for, both as a scheme and by the sponsoring employer(s), plays a significant part in the *Knowledge and Skills Framework*. The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently, this demands an understanding of the regime in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.

In addition, both internal and external auditors play a significant role in assuring that the administering authority complies with statutory requirements. Understanding the scope of their role, and the roles played by providers of third-party assurance on outsourced services, is key for decision makers in the LGPS.

INVESTMENT STRATEGY, ASSET ALLOCATION, POOLING, PERFORMANCE AND RISK MANAGEMENT

In the LGPS, where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role for those with delegated responsibilities in the fund.

Investment strategy and asset allocation decision makers must have an in-depth knowledge in relation to investment pooling arrangements, including the transitioning of assets to the pool. In addition, an understanding of investment risk and emerging risk (such as the risks posed by climate change) is required.

Pension committee members and senior officers will also be aware of the requirement to apply the same rigour to an assessment of their own performance and the performance of those who work on their behalf. Frameworks and targets must be devised and set and performance monitored against them and reported to stakeholders.

FINANCIAL MARKETS AND PRODUCTS

For pension committee members and senior officers, an understanding of financial markets and products is fundamental, particularly in relation to setting the fund's investment strategy. The depth of knowledge will depend, to some degree, upon the particular approach to investment management undertaken by the fund. However, as a minimum, a general understanding of the workings of financial markets and of the investment vehicles available to the fund, including how these are established and utilised in the case of the investment pools and the nature of the associated risks, is required.

The pension committee will need to relate the longer-term liabilities of the fund to the strategy for the investment of its assets and generation of cash flows. Investor engagement will be a key consideration in terms of getting value from the fund's investments and in applying responsible investment and other good governance principles. An understanding of risk is also fundamental.

PENSION SERVICES PROCUREMENT, CONTRACT MANAGEMENT AND RELATIONSHIP MANAGEMENT

Such are the scale, diversity and technical requirements of pensions operations, outsourcing is commonplace. Whether it is the use of actuaries, benefits consultants, governance advisors, the asset pool and other fund managers, pensioner payroll providers or third-party administrators, the skills and knowledge required to procure and manage outsourced services are central to the management of the LGPS. An understanding of procurement requirements, including the availability of LGPS-specific frameworks, will be key in considering how service providers are appointed and reviewed.

The administering authorities that have established their own management companies to operate investment pooling arrangements are also shareholders in such an arrangement. Decision makers in those administering authorities should have an understanding of additional requirements in these circumstances.

WIDER SKILLS AND BEHAVIOURS REQUIRED FOR DECISION MAKERS IN THE LGPS

There will be other technical (non-pensions related) and non-technical skills required in order to be competent in the role of a decision maker on a committee. These include but are not limited to:

- using informed judgement and common sense in decision making
- seeking clarification as required
- absorbing, analysing and processing large volumes of information
- participating in discussions and being willing to question negotiation skills, diplomacy and political sensitivity
- critiquing advice received.

The non-technical skills implied here are considered to be outside the scope of this Framework but should be considered when determining the ability of committee members and senior officers to effectively discharge their duties.

Delivery, monitoring, reporting and compliance

POLICY DEVELOPMENT

The CIPFA Code[39] expects that all administering authorities are required to have a formal and comprehensive training policy for the effective acquisition and retention of knowledge and skills for those responsible for management, delivery, governance and decision making in the LGPS. In addition, future changes to MHCLG statutory governance guidance in England and Wales are expected to include a requirement to have a policy setting out the authority's approach to the delivery, assessment and recording of training.

Administering authorities should include the following within the knowledge and skills or training policy:

- the aims and objectives of the policy
- relevant legislation and guidance that the policy requirements must adhere to (eg MiFID II, CIPFA Code and Framework, MHCLG statutory guidance/Scottish Ministers (SPPA) guidance, TPR code)
- to whom the policy should apply
- the relevant competencies that those persons will be expected to have (which can be those set out by CIPFA in Annex A or administering authority specific)
- how training will be delivered, including induction training
- how knowledge and skills will be monitored, including how gaps in knowledge will be determined
- what reporting against the policy requirements will be carried out and when.

The policy should also include the following statements as required in CIPFA's Code of Practice, outlining the authority's commitment to this area:

1. This LGPS administering authority adopts the key principles of the Code of Practice on LGPS knowledge and skills.
2. This LGPS administering authority recognises that effective management, governance, decision making and other aspects of the delivery of the LGPS can only be achieved where those involved have the requisite knowledge and skills to discharge the duties and responsibilities allocated to them.
3. This administering authority has in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements to effectively acquire and retain LGPS knowledge and skills for those responsible for the management, delivery, governance and decision making of the LGPS.

39. **Code of Practice on LGPS Knowledge and Skills** (CIPFA, 2021).

4. These policies and practices will be guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the CIPFA LGPS *Knowledge and Skills Framework.*

5. This administering authority will ensure that it has adequate resources in place to ensure all staff, members or other persons responsible for the management, decision making, governance and other aspects of the delivery of the LGPS acquire and retain the necessary knowledge and skills.

6. This administering authority will report annually on how their knowledge and skills policy has been put into practice throughout the financial year in the fund's annual report.

7. This administering authority has delegated the responsibility for the implementation of the requirements of the CIPFA Code of Practice to the appropriate officer, who will act in accordance with the administering authority's knowledge and skills policy statement, and, where they are a CIPFA member, with CIPFA Standards of Professional Practice (where relevant).

That policy should be published and publicly available to all stakeholders – for example, via the fund's website. The knowledge and skills policy should apply to all members of the pension committee, any sub-committees and the local pension board.[40] It should also apply to senior officers of the fund. Advisors would also be expected to meet the objectives of the fund's policy.[41]

TRAINING DELIVERY AND SUPPORT

The way in which training can be delivered will vary, and administering authorities should ensure that appropriate methods are made available with regard to those who are in receipt of the training. Training may be provided in-house or externally. These may include:

- in-house training days
- external training events
- training as part of committee meetings or immediately before or after such meetings
- reading material/documentation/information
- seminars and conferences offered by industry-wide bodies, including by pools
- online training including webinars, which can be developed internally or by industry-wide bodies
- telephone conference briefings
- qualifications, particularly those relevant to senior officers.

In addition, senior officers and advisors should provide support on an ongoing basis to pension committee and sub-committee members to share previous material or answer queries. It is expected that all committee members will have access to all fund documentation and policies.

Training plans should include the competencies highlighted in Annex A (or alternative competencies that may be adopted by an administering authority), as well as special topics – for example:

- a focus on decisions to be made in the forward plan of committee business
- those relating to areas of change or special interest.

On joining a pension committee, sub-committee or becoming a senior officer on a fund, the administering authority must provide induction training. This should be done in a timely manner.

40. Some LGPS administering authorities may have separate policies relating to pension board members.

41. Investment advisors are now covered by the Competition and Markets Authority (CMA) requirement that LGPS administering authorities should set objectives for their investment consultants.

In addition, they must be immediately provided with documentation[42] that would provide a basic understanding of the fund. In line with guidance from The Pensions Regulator, administering authorities should ensure that newly appointed members of committees attain the required level of knowledge within six months of being appointed.

MONITORING AND ONGOING REVIEW OF KNOWLEDGE AND SKILLS

Ensuring objectives relating to knowledge and skills are being met is important, and administering authorities should be assessing whether members and senior officers have the required knowledge and skills required to undertake their role. As a minimum, administering authorities should carry out the following to monitor and review knowledge and skills:

- record attendance at training and ensure action is taken where poor attendance is identified
- prepare tailored training plans for committee members and officers
- require members and officers to undertake self-assessment against the required competencies (as set out in this Framework or alternative competencies that may be adopted by an administering authority)
- communicate regularly with members and officers, encouraging them to highlight training needs on an ongoing basis.

A record of training attended should be kept up to date and made available to stakeholders in the fund's annual report and accounts each year. Members are responsible for ensuring their training record is up to date and accurate.

REPORTING AND COMPLIANCE

Each administering authority's policy should outline how they report on meeting the objectives within their policy. This should include how they are complying with CIPFA's Code, this Framework (or an equivalent administering authority-specific framework) and MHCLG or SPPA statutory governance requirements.

As a minimum, information should be provided:

- in the fund's annual report – as a minimum, meeting the requirements of CIPFA's *Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds*[43]
- to the pension committee – regular updates on what training has been undertaken, attendance levels and what is planned for the committee, board members and senior officers
- to the local pension board – regular updates on what training has been undertaken, attendance and what is planned for the board, committee members and senior officers.

The Code of Practice requires that each administering authority designates a named individual to be responsible for ensuring that their policy is implemented. That individual should ensure that they are regularly monitoring compliance with their policy, as well as ensuring it adheres to overriding requirements (eg MiFID II, CIPFA's Code, this Framework, MHCLG/SPPA statutory governance requirements, TPR code). That individual should also take appropriate action where members or senior officers are not adhering to the requirements of the policy – for example, not participating in training or completing a self-assessment of training needs.

42. For committee members, this documentation could include a guide for members, the actuarial valuation, the annual report and accounts, and all strategies and policies prepared and published by the fund.

43. **Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds** (CIPFA, 2019).

Further reading and sources of guidance

MHCLG

Local Government Pension Scheme Governance Compliance Statements Statutory Guidance (November 2008). An update to this guidance is expected in 2021.

SPPA

LGPS Governance Guidance (April 2011)

CIPFA

Code of Practice on LGPS Knowledge and Skills (2021)

Knowledge and Skills Framework for LGPS Committee Members and LGPS Senior Officers (2021)

Local Pension Boards: A Technical Knowledge and Skills Framework (2015)

The Role of the Chief Financial Officer in the Local Government Pension Scheme (2014)[44]

Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2019)

The Guide for Local Pension Boards (2018)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012)

Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme (2016)

Managing Risk in the Local Government Pension Scheme (2018)

Investment Pooling Governance Principles for LGPS Administering Authorities (2016)

Investment Pooling Governance Principles for LGPS Administering Authorities: Practical Guide and Next Steps (2017)

Administration in the LGPS: A Guide for Pensions Authorities (2019)

Delivering Good Governance in Local Government Pension Funds: A Guide to the Application of the CIPFA/Solace Code of Corporate Governance in Local Authorities to their Management of LGPS Funds (2009)

CIPFA Pensions Panel: Freedom of Information Act – Dealing with Requests for Information Relating to Local Authority Pension Funds (2006).

44. This is due to be updated in 2021.

SCHEME ADVISORY BOARD

Scheme Advisory Board MiFID II opting up process (2018)

Local Government Pension Scheme (LGPS) Guidance on the Creation and Operation of Local Pension Boards in England and Wales (2015)

Good Governance Phase I report (2018)

Good Governance Phase II report (2018)

Good Governance Phase III report (2021)

THE PENSIONS REGULATOR

Code of Practice No. 14: Governance and Administration of Public Service Pension Schemes (2015)

Compliance and Enforcement Policy for Public Service Pension Schemes (2015)

The Pensions Regulator also publishes **a range of other helpful materials**.

OTHER TRAINING AND SUPPORT

There is a range of training courses and materials available to practitioners such as committee, board and officer training events, including the Local Government Association's LGPS fundamentals courses and the CIPFA Pensions Network, as well as a range of other training events. The Pensions Regulator also has an online **'public service toolkit'** available.

ANNEX A

Knowledge and skills framework

This annex provides a sample framework of competencies required for committee members and senior officers. A separate framework is in place for pension board members.[45] As mentioned previously, the degree of knowledge and understanding required is that which is appropriate for the purposes of enabling the individual to exercise properly their delegated responsibility on behalf of the administering authority. It is up to each authority to consider what the appropriate competencies are for their fund and the level of knowledge required for each individual. The levels of knowledge in this section have been split into the following categories (in ascending order of the level of knowledge required):

For committee members:

- an awareness, ie recognition that the subject matter exists
- a general understanding, ie understanding the basics in relation to the subject matter
- a strong understanding, ie a good level of knowledge in relation to the subject matter (but not necessary at a detailed level).

For senior officers/managers:

- a strong understanding, ie a good level of knowledge in relation to the subject matter (but not necessary at a detailed level)
- a detailed level of knowledge in relation to the subject matter
- an expert level of knowledge in relation to the subject matter.

45. **Local Pension Boards: A Technical Knowledge and Skills Framework** (CIPFA, 2015).

PART 1 – PENSION COMMITTEE MEMBERS' FRAMEWORK

Pensions legislations and guidance	**General pensions framework** A general understanding of the pensions legislative framework in the UK. A general understanding of other legislation that is relevant in managing an LGPS fund, eg freedom of information, General Data Protection Regulation (GDPR) and local authority legislation. **Scheme-specific legislation** A general understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration, funding, governance, communications and investment, including: • a general understanding of the LGPS Regulations 2013 • a general understanding of the LGPS (Management and Investment of Funds) Regulations 2016. An awareness of LGPS discretions and how the formulation of the discretionary policies impacts on the fund, employers and scheme members. A regularly updated awareness of the latest changes to the scheme rules and current proposals or potential changes to the scheme. **Guidance** A general understanding of the requirements of statutory guidance from the responsible authority – MHCLG (England and Wales), SPPA (Scotland) or the Department for Communities (Northern Ireland). A general understanding of the requirements of The Pensions Regulator code of practice. An awareness of the requirements of guidance from the Scheme Advisory Board. An awareness of the requirements of guidance from GAD. An awareness of other guidance relevant to the LGPS, such as from CIPFA.
Pensions governance	An awareness of the LGPS regulations' main features, including any material developments and requirements relating to pension scheme governance. An awareness of statutory and other guidance in relation to pension scheme governance, including MHCLG statutory governance guidance, The Pensions Regulator code of practice, CIPFA/Solace, Scheme Advisory Board guidance and the Myners principles. **Pension regulators, Scheme Advisory Board and other bodies** A general understanding of how the roles and powers of MHCLG, TPR, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme. A general understanding of the role of the Scheme Advisory Board and how it interacts with other bodies. **General constitutional framework** A general understanding of the role of the administering authority in relation to the LGPS. A general understanding of the role of pension committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers. An awareness of the role and statutory responsibilities of the CFO and monitoring officer. **Fund-specific governance** A strong understanding of the roles, terms of reference and delegated responsibilities of the pension committee (including any sub-committees), the pension board and any other delegated responsibilities to senior officers. A general understanding of how the asset pool was established, including the responsibilities of the joint governance committee (or equivalent). A general understanding of the stakeholders of the fund and the nature of their interests. A general understanding of who the key officers responsible for the management of the fund are, how the pension team is structured and how services are delivered.

	A general understanding of the fund's strategies, policies and other key documents. A general understanding of best practice risk management, including how that supports a structured and focused approach to managing risks. This should include how risk is monitored and managed and the fund's current key risks. A general understanding of how conflicts of interest are identified and managed. A strong understanding of how breaches in law are recorded and managed and, if necessary, reported to TPR, including each individual's personal responsibility in relation to breaches. A general understanding of the fund's knowledge and skills policy and associated training requirements. An awareness of the fund's process for dealing with complaints, including its internal dispute resolution procedure. A general understanding of how the effectiveness of the fund's governance is reviewed. **Service delivery** A general understanding of the required budget and resources needed to manage and administer the fund. A general understanding of the annual business planning cycle and budget setting. A general understanding of the fund's key performance indicators and other performance measures. A general understanding of the fund's business continuity policy and cyber security policy across all areas of fund activity, including administration.
Funding strategy and actuarial methods	An awareness of the LGPS regulations' main features, including any key developments and requirements relating to funding strategy and the setting of employer contributions, including associated guidance. A general understanding of the role of the fund actuary. A general understanding of the funding strategy statement (including employer funding flexibilities) and the expected delivery of the funding objectives. A general understanding of the key risks to the fund relating to the funding strategy. **Valuations** A general understanding of the valuation process, including developing the funding strategy in conjunction with the fund actuary and inter-valuation monitoring. An awareness of the costs to the employer, including employer contributions and early retirement strain costs. An awareness of the different types of employers that participate in the fund A general understanding of the importance of employer covenant, the relative strengths of the covenant across the fund's employers and how this impacts the funding strategy adopted. A general understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy. A general understanding of the scheme valuation and other work carried out by GAD and the impact this has on the valuation process (ie, the cost management process/ Section 13 report). **New employer and exits** A general understanding of the implications of including new employers in the fund and of the exit of existing employers. A general understanding of the relevant considerations in relation to the different types of new employer, eg outsourcings, academies (if appropriate), alternative delivery models, and also the considerations in relation to bulk transfers.

Pensions administration and communications	An awareness of the LGPS regulations' main features and requirements relating to: • administration and communications strategies • entitlement to and calculation of pension benefits • transfers in and out of the scheme • employee contributions • the delivery of administration and communications (including associated guidance). A general understanding of the fund's pensions administration strategy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes. A general understanding of the fund's communications policy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes. A general understanding of best practice in pensions administration, eg performance and cost measures. A general understanding of the fund's processes and procedures relating to: • member data maintenance and record keeping, including data improvement plans and relationships with employers for data transmission • contributions collection. An awareness of how the fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances. A general understanding of additional voluntary contribution (AVC) arrangements, including: • the AVC arrangements that exist • the choice of investments to be offered to members • the provider's investment and fund performance, • the payment of contributions to the provider • the benefits that can be received by scheme members • how and when the AVC arrangements, including the investment choices, are reviewed.
Pensions financial strategy, management, accounting, report and audit standards	A general understanding of the Accounts and Audit Regulations and legislative requirements relating to the role of the committee and individual members in considering and signing off the fund's accounts and annual report. A general understanding of the various elements of income into and expenditure of the fund, including the operational budget. A general understanding of the cash flows of the fund and how risks are managed to ensure appropriate cash is available to pay benefits and other outgoings. A general understanding of the role of both internal and external audit in the governance and assurance process.
Investment strategy, asset allocation, pooling, performance and risk management	An awareness of the LGPS regulations' main features and requirements relating to investment strategy, asset allocation, the pooling of investments and responsible investments, including associated guidance. **Investment strategy** A general understanding of the key risks that the fund is exposed to and how a fund's investment strategy should be considered in conjunction with these risks. A general understanding of the risk and return characteristics of the main asset classes (equities, bonds, property) and the need to balance risk versus reward when determining the investment strategy. A general understanding of the role of these asset classes in long-term pension fund investing. A general understanding of the fund's cash flow requirements and how these impact on the types of investments considered.

Investment pool (England and Wales)

A general understanding of the structure, operation and purpose of the investment pooling arrangements, including the structure of the relationship with the other participants in the pool.

An awareness of the regulations, best practice and guidance relating to investment pooling and the delivery of the investment objectives of the administering authority/ pension committee by their chosen investment pool.

An awareness of the boundaries of investment activities (eg strategy requiring advice from a suitably qualified person, in-house investment transactions) and which investment activities require FCA authorisation.

A general understanding of the interaction between the administering authority, the pension committee, the investment pool operator, investment pool oversight committee and other parties relating to the investment pooling arrangement – in particular, reporting requirements, influence and accountability.

A general understanding of the fund's investment strategy statement and the investment pool's interpretation and expected delivery of those investment objectives, including any objectives relating to environmental, social and governance factors.

Total fund

A general understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.

Performance of the committee

An awareness of the Myners principles and the need to set targets for the committee and to report against them.

An awareness of the range of support services provided to the committee, who supplies them and the nature of the performance monitoring regime.

Performance of the investment pool (England and Wales)

An awareness of the investment regulations and the requirements for monitoring investments.

A general understanding of the requirements of the investment pool in relation to the administering authority and pension committee investment strategy and how to effectively monitor the implementation of the investment strategy within the pool.

Responsible investment

An awareness of the latest developments and requirements in the area of responsible investment.

An awareness of the UK Stewardship Code and the United Nations Principles of Responsible Investment (UNPRI) and whether the fund is a signatory of these.

A general understanding of the fund's approach to responsible investment, including how views on environmental, social and governance issues are incorporated into the fund's investment strategy.

Risk management

A general understanding about how to manage and reduce risk and lessen the impact of risk on assets when it arises, including climate risk.

Financial markets and products	**Financial markets** A general understanding of the primary importance of the investment strategy decision. A general understanding of the workings of the financial markets, the investment vehicles available to the pension fund and the nature of the associated risks. An awareness of the restrictions placed by legislation on the investment activities of LGPS funds. **MiFID II** A general understanding of MiFID II requirements relating to the knowledge of decision makers. **Investment pool (England and Wales)** A general understanding of the investment pool operator's approach to pooling and delivering access to the different asset classes and/or investment funds. A general understanding of which assets and investments may sit outside of the investment pool and why their nature and characteristics permit this. An awareness of how the fund interacts with the taxation system in the UK and overseas in relation to investments.
Pension services procurement, contract management and relationship management	**Understanding public procurement** An awareness of the main public procurement requirements of UK and EU legislation and the use of national frameworks within the context of the LGPS. **Fund suppliers** Awareness of the key decision makers in relation to the fund's procurements. A general understanding of the fund's suppliers and providers and their roles in the management of the fund. An awareness of how the fund's suppliers are monitored, including: • the Myners principles • the need for strategic objectives for investment consultants. **Supplier risk management** A general understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting external suppliers and providers. A general understanding of how the pension fund monitors and manages the performance of their external suppliers and providers, including business continuity and cyber risk. **Investment pool (England and Wales)** An awareness of the nature of the relationship with the investment pool parties and a general understanding of: • the extent of influence over the investment pool operator and oversight committee • the terms for terminating a pooling agreement • guidance on the requirement to pool investments.

PART 2 – SENIOR OFFICERS/MANAGERS' FRAMEWORK (INCLUDING LGPS SENIOR OFFICER)

Note the levels of knowledge expected that are included within this part are focused on the minimum expectations relating to all senior officers or managers within a fund, including the LGPS senior officer. However, collectively, there should be expert knowledge demonstrated in all areas. For example:

- The LGPS senior officer[46] should have expert knowledge in governance matters.
- The head of investments should have expert knowledge in investment areas.
- The head of administration should have expert knowledge in administration areas.
- There should be a senior officer or manager with expert knowledge in all other areas, including funding and communications.

Pensions legislation and guidance

General pensions framework

A strong understanding of the pensions legislative framework in the UK, particularly:

- Pensions Act 1995
- Pensions Act 2004
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013
- Public Service Pensions Schemes Act 2013.

A strong understanding of other legislation that is relevant in managing an LGPS fund, eg freedom of information, GDPR and local authority legislation.

Scheme-specific legislation

A detailed knowledge of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration, funding, governance, communications and investment, including:

England and Wales

- Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
- Local Government Pension Scheme (Administration) Regulations 2008
- Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
- Local Government Pension Scheme Regulations 2013
- Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Scotland

- Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008
- Local Government Pension Scheme (Administration) (Scotland) Regulations 2008
- Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014
- Local Government Pension Scheme (Governance) (Scotland) Regulations 2015
- Local Government Pension Scheme (Scotland) Regulations 2018.

46. The term 'LGPS senior officer' is expected to be defined in statutory guidance in England and Wales. It could be the chief finance officer (CFO). Its use here defines the senior officer responsible for the management and administration of the fund.

	Northern Ireland • Local Government Pension Scheme Regulations (Northern Ireland) 2014 • Local Government Pension Scheme (Amendment and Transitional Provisions) Regulations (Northern Ireland) 2014 • Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 • Local Government Pension Scheme (Management and Investment of Funds) Regulations (Northern Ireland) 2000. A detailed knowledge of LGPS discretions and how the formulation of the discretionary policies impacts on the fund, employers and scheme members. A detailed knowledge of the latest changes to the scheme rules and current proposals or potential changes to the scheme. A strong understanding of how the scheme interfaces with other private and state pension provision. **Guidance** A detailed knowledge of the requirements of statutory guidance from the responsible authority – MHCLG (England and Wales), SPPA (Scotland) or the Department for Communities (Northern Ireland). A detailed knowledge of the requirements of The Pensions Regulator code of practice. A detailed knowledge of the requirements of guidance from the Scheme Advisory Board. A strong understanding of the requirements of guidance from GAD. A strong understanding of other guidance relevant to the LGPS, such as from CIPFA. **Tax legislation** A strong understanding of pension scheme tax legislation and the UK pension scheme reporting framework, in particular: • Finance Act 2004 • related statutory instruments.
Pensions governance	A detailed knowledge of the LGPS regulations' main features, including any material developments and requirements relating to the pension scheme governance. A strong understanding of statutory and other guidance relating to pension scheme governance, including MHCLG/SPPA/Department for Communities statutory governance guidance, The Pensions Regulator code of practice, CIPFA/Solace, Scheme Advisory Board guidance and the Myners principles. **Pension regulators, Scheme Advisory Board and other bodies** A detailed knowledge of how the roles and powers of MHCLG/SPPA/Department for Communities, The Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme. A detailed knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies.

General constitutional framework

A detailed knowledge of the role of pension committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.

A detailed knowledge of the role and statutory responsibilities of the CFO and monitoring officer.

Fund-specific governance

An expert knowledge of the roles, terms of reference and delegated responsibilities of the pension committee (including any sub-committees), the pension board and any other delegated responsibilities to senior officers.

A detailed knowledge of how the asset pool was established, including the responsibilities of the joint governance committee (or equivalent).

A detailed knowledge of the stakeholders of the fund and the nature of their interests.

An expert knowledge of the role of key officers responsible for the management of the fund, how the pension team is structured and how services are delivered.

A detailed knowledge of the fund's strategies, policies and other key documents.

An expert knowledge of best practice risk management, including how that supports a structured and focused approach to managing risk. This should include how risk is monitored and managed and the fund's current key risks.

An expert knowledge of how conflicts of interest are identified and managed.

An expert knowledge of how breaches in law are recorded and managed and, if necessary, reported to The Pensions Regulator, including each individual's personal responsibility in relation to breaches.

An expert awareness of the fund's knowledge and skills policy and associated training requirements.

A detailed knowledge of the fund's process for dealing with complaints, including its internal dispute resolution procedure.

A detailed knowledge of how the effectiveness of the fund's governance is reviewed.

Service delivery

An expert knowledge of the required budget and resources needed to manage and administer the fund.

An expert knowledge of the annual business planning cycle and budget setting.

An expert knowledge of the fund's key performance indicators and other performance measures.

An expert knowledge of the fund's business continuity policy and cyber security policy across all areas of fund activity, including administration.

<table>
<tr><td>Funding strategy and actuarial methods</td><td>
A detailed knowledge of the LGPS regulations’ main features, including any key developments and requirements relating to funding strategy and the setting of employer contributions, including associated guidance.
A detailed knowledge of the role of the fund actuary.
A detailed knowledge of the funding strategy statement (including employer funding flexibilities) and the expected delivery of the funding objectives.
A detailed knowledge of the key risks to the fund relating to the funding strategy.
Valuations
A detailed knowledge of the valuation process, including:

the actual valuation processes
agreeing the financial and demographic assumptions
the development and publication of the funding strategy statement
signing off the rates and adjustment certificate
inter-valuation monitoring.

A detailed knowledge of the costs to the employer, including employer contributions and early retirement strain costs.
A strong understanding of the importance of employer covenant, the relative strengths of the covenant across the fund’s employers, and how this impacts the funding strategy adopted.
A strong understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy.
A strong understanding of the scheme valuation and other work carried out by GAD and the impact this has on the valuation process (ie the cost management process/Section 13 report).
New employer and exits
A strong understanding of the implications of including new employers into the fund and of the exit of existing employers.
A general understanding of the relevant considerations in relation to the different types of new employer, eg outsourcings, academies (if appropriate), alternative delivery models, and also the considerations in relation to bulk transfers.
A strong understanding of the requirements of HM Treasury’s ‘fair deal’ guidance and related guidance concerning outsourcing and bulk transfers.
Other issues
A strong understanding of other pension arrangements, particularly with regard to staff transfers.
A strong understanding of the corporate and workforce ethos when working closely with HR colleagues to determine discretionary policies.
</td></tr>
<tr><td>Pensions administration and communications</td><td>
A detailed knowledge of the LGPS regulations’ main features and requirements relating to:

administration and communications strategies
entitlement to and calculation of pension benefits
transfers in and out of the scheme
employee contributions
the delivery of administration and communications (including associated guidance).

A detailed knowledge of the fund’s pensions administration strategy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes.
</td></tr>
</table>

	A detailed knowledge of the fund's communications policy, including how it is delivered (including, where applicable, the use of third-party suppliers and systems), performance measures and assurance processes. A strong understanding of best practice in pensions administration, eg performance and cost measures. A detailed knowledge of the fund's processes and procedures relating to: • member data maintenance and record keeping, including data improvement plans and relationships with employers for data transmission • contributions collection. A strong understanding of how discretionary powers operate. A strong understanding of how the fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances. A detailed knowledge of AVC arrangements, including: • the AVC arrangements that exist • the choice of investments to be offered to members • the provider's investment and fund performance • the payment contributions to the provider • the benefits that can be received by scheme members • how and when the AVC arrangements, including the investment choices, are reviewed.
Pensions financial strategy, management, accounting, report and auditing standards	A detailed understanding of the Accounts and Audit Regulations and legislative requirements relating to role of the committee and individual members in considering and signing off the fund's accounts and annual report. A detailed knowledge of relevant pensions accounting standards as they apply to the scheme and to the employer: • Pensions SORP • FRS 102 (IAS 19) • iFReM. A detailed understanding of the approach to pensions external audit as set down in APB Practice Note 15. A detailed understanding of the various elements of income into and expenditure of the fund, including the operational budget. A detailed understanding of the cash flows of the fund and how risks are managed to ensure appropriate cash is available to pay benefits and other outgoings. A detailed understanding of the role of internal and external audit in the governance and assurance process. A strong understanding of and compliance with the CIPFA *Statement of Expertise* as it applies to: • leadership and strategic management • governance, ethics and values • financial and performance reporting • audit and accountability • strategic and operational financial management • partnerships and stakeholder relations • change, risk and project management.

Investment strategy, asset allocation, pooling, performance and risk management

A detailed knowledge of the LGPS regulations' main features and requirements relating to investment strategy, asset allocation, the pooling of investments and responsible investments, including associated guidance.

Investment strategy

A detailed knowledge of the key risks that the fund is exposed to and how a fund's investment strategy should be considered in conjunction with these risks.

A detailed knowledge of the risk and return characteristics of the main asset classes (equities, bonds, property) and the need to balance risk versus reward when determining the investment strategy.

A detailed knowledge of the role of these asset classes in long-term pension fund investing.

A detailed knowledge of the fund's cash flow requirements and how these impact on the types on investments considered.

Investment management

A strong understanding of prevailing market conditions within UK and overseas equity markets and UK bond and property markets.

A strong understanding of the principles of portfolio construction within both bond and equity mandates.

A strong understanding of portfolio risk monitoring techniques.

A strong understanding of trading systems and practices within bond and equity markets.

A strong understanding of the importance of setting appropriate benchmark indices.

Investment pool (England and Wales)

A detailed knowledge of the structure, operation and purpose of the investment pooling arrangements, including the structure of the relationship with the other participants in the pool.

A detailed knowledge of the regulations, best practice and guidance related to investment pooling and the delivery of the investment objectives of the administering authority/pension committee by their chosen investment pool.

A detailed knowledge of the boundaries of investment activities (eg strategy requiring advice from a suitably qualified person, in-house investment transactions), and which investment activities require FCA authorisation.

A detailed knowledge of the interaction between the administering authority, the pension committee, the investment pool operator, investment pool oversight committee and other parties relating to the investment pooling arrangements – in particular, reporting requirements, influence and accountability.

A detailed knowledge of the fund's investment strategy statement and the investment pool's interpretation and expected delivery of those investment objectives, including any objectives in relation to environmental, social and governance factors.

Total fund

A strong understanding of the importance of monitoring asset returns relative to the liabilities and a strong understanding of ways of assessing long-term risks.

A strong understanding of the merits of manager diversification.

Performance of the committee

A strong understanding of the Myners principles and the need to set targets for the committee and to report against them.

A detailed knowledge of the range of support services provided to the committee, who supplies them, and the nature of the performance monitoring regime.

	Performance of the investment pool (England and Wales) A detailed knowledge of the investment regulations and the requirements for monitoring investments. A detailed knowledge of the requirements of the investment pool in relation to the administering authority and pension committee investment strategy and how to effectively monitor the implementation of the investment strategy within the pool. A detailed knowledge of the non-financial risks within the operation and relationship with the investment pool (operator, oversight committee and other parties) and how these can be mitigated or best managed. **Responsible investment** A detailed knowledge of the latest developments and requirements in the area of responsible investment. A strong understanding of the UK Stewardship Code and the UNPRI and whether the fund is a signatory of these. A detailed knowledge of the fund's approach to responsible investment, including how views on environmental, social and governance issues are incorporated into the fund's investment strategy. **Risk management** A strong understanding about how to manage and reduce risk and lessen the impact of risk when it arises, including climate risk.
Financial markets and products	**Financial markets** A detailed knowledge of the primary importance of the investment strategy decision. A strong understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks. A strong understanding of the restrictions placed by legislation on the investment activities of LGPS funds. **MiFID II** A strong understanding of MiFID II requirements relating to the knowledge of decision makers. **Investment strategy** A strong understanding of long-term risk and return parameters of equity, bond and property markets and issues arising from short-term volatility. A strong understanding of the effects on overall risk and return of combining these asset classes in the pension fund strategy. A strong understanding of the relationship between the investment and funding strategies and the liabilities of the fund. A strong understanding of 'alternative' asset classes available for pension fund investment (private equity, infrastructure, absolute return mandates, etc), including the practicalities of investing, prospective risks and returns and correlation with other asset classes. A strong understanding of the costs and benefits of active and passive currency hedging strategies, including implementation issues.

	Investment manager structures A strong understanding of the relative attractions of active and passive management across different asset classes. A strong understanding of the role of active manager risk within the investment arrangements. A strong understanding of the concepts of 'risk budgeting', sources of return (alpha and beta) and improving the 'efficiency' of the arrangements. A strong understanding of the practical implications of pooled and segregated mandates in terms of setting investment guidelines, effecting transactions and client reporting. A strong understanding of the implications of combining managers with different investment styles. **Other issues** A strong understanding of the responsibilities of the custodian and procedures for reconciling information with investment providers. A strong understanding of the costs and benefits of stock lending and commission recapture programmes. **Investment pool (England and Wales)** A detailed knowledge of the investment pool operator's approach to pooling and delivering access to the different asset classes and/or investment funds. A strong understanding of which assets and investments may sit outside of the investment pool and their nature and characteristics. A strong understanding of how the fund interacts with the taxation system in the UK and overseas in relation to investments.
Pension services procurement, contract management and relationship management	**Understanding public procurement** A detailed knowledge of the background to current public procurement policy and procedures, the values and scope of public procurement and the roles of key decision makers and organisations. A detailed knowledge of the main public procurement requirements of UK and EU legislation and the use of national frameworks within the context of the LGPS. **Fund suppliers** An expert knowledge of the key decision makers in relation to the fund's procurements A detailed knowledge of the nature and scope of risks for the fund and of the importance of considering risk factors when selecting third parties. A detailed knowledge of how the fund monitors and manages the performance of its outsourced providers. A detailed knowledge of how the fund's suppliers are monitored, including: • the Myners principles • the need for strategic objectives for investment consultants. **Investment pool (England and Wales)** A detailed knowledge of the nature of the relationship with the investment pool parties and a detailed understanding of: • the extent of influence over the investment pool operator and oversight committee • the terms for terminating a pooling agreement • guidance on the requirement to pool investments.

ANNEX B

Role profile for chair of an LGPS pension committee

The role of the chair of the pension committee (or equivalent) requires post holders who have a wide experience of chairing meetings effectively, are good communicators and have at least some knowledge of pensions, financial or HR matters (through council, personal and/or career experience).

The above Knowledge Framework is developed further for the chair (and, by implication, the vice chair) in the following paragraphs by introducing key skills elements unique to the chair. This includes an expectation that the chair should individually have the appropriate level of knowledge in relation to all the competencies in Annex A, but noting that in some cases it will be necessary for a higher level of knowledge to be attained in some areas. The administering authority should ensure the chair is provided with the appropriate training to meet these requirements, preferably within six months of appointment.

PURPOSE OF ROLE

The purpose of the role is to ensure the pension committee properly carries out the delegated responsibilities of the administering authority with regard to legal requirements, the fund's aims, strategies and policies, and the administering authority's fiduciary and public law duties.

PRINCIPAL RESPONSIBILITIES

1. Chair the pension committee, ensuring that it carries out all responsibilities delegated to it by the administering authority as shown below:

   [Each administering authority to insert its own pension committee delegated responsibilities, which could include:

   - a principal aim to carry out the functions of [the council] as the scheme manager and administering authority for [the fund] in accordance with LGPS legislation
   - [the fund] being managed and payment of pensions made in accordance with LGPS regulations, HMRC requirements for UK-registered pension schemes and all other relevant statutory provisions
   - operating with regard to, and in the spirit of, all relevant statutory and non-statutory best practice guidance
   - ensuring robust risk management arrangements
   - approving [the fund's] aims and objectives, strategies, statutory compliance statements and non-statutory best practice guidance to manage [the fund] across governance, funding strategy, investment strategy, administration strategy, communications strategy and discretions and to monitor these policies/strategies

- appropriate delegations relating to LGPS pooling (in England and Wales)
- approving [the fund's] annual report and financial statements
- selecting, appointing, dismissing and monitoring the fund's advisors
- agreeing and monitoring business plans
- decisions relating to employers joining and leaving [the fund]
- terms and payment of bulk transfers into and out of [the fund]
- agreeing the knowledge and skills policy for [the fund], identifying training requirements, developing training plans and monitoring compliance of that policy
- agreeing consultation responses on matters that impact on [the fund's] stakeholders.]

2. Ensure that all decisions taken by the pension committee are made with due regard to the advice of the senior officers with pension fund responsibilities (eg the LGPS senior officer, head of pensions, chief finance officer) and the appointed fund advisors.
3. Uphold and promote the purpose of the committee and ensure that its terms of reference are followed in relation to all meetings.
4. Work with the LGPS senior officer and other senior fund officers as relevant to plan an effective work programme for the committee.
5. Assist the designated officer responsible for the fund's knowledge and skills or training policy and conflicts of interest policy in ensuring all committee members adhere to those policies.
6. Report to the administering authority and other employers as stakeholders, using practical and appropriate means of communication, to give assurances about the fund's governance, day-to-day operations, performance, risk management and internal control mechanisms.
7. Liaise with the LGPS senior officer and other senior fund officers as relevant and the fund's advisors in relation to the ongoing management of the fund, and to receive briefings in order to understand the context and implications of forthcoming issues.
8. Liaise with the chair of the local pension board and attend pension board meetings when requested, or where permitted.
9. Represent the administering authority as required at other committees and events, not limited to any asset pooling joint governance committee.

EXPECTED SKILLS AND CHARACTERISTICS REQUIRED FOR ROLE OF CHAIR

Requirement	Essential	Desirable
1. Educational	A strong understanding of pensions, financial or HR matters (through council, personal and/or career experience). Commitment to individually achieving the required level of knowledge in relation to the CIPFA Framework competencies (or alternatively requirements as set out by the administering authority).	Demonstrable evidence of knowledge kept up to date. Knowledge of pension funds and schemes.
2. Work experience	Political awareness in numerous political environments. Chairing high-level partnership meetings and achieving effective outcomes. Has operated for ten years at a senior level. Experience of risk and performance frameworks.	Previously chaired a pension committee or similar.
3. Abilities, intelligence and special aptitudes	Chairing skills. Influencing and consensus building. Listening skills. Able to assimilate complex information. Communication and engagement skills.	Mathematical/statistical literacy. Knowledge of public sector and local government finance.
4. Adjustment and social skills	Able to establish and maintain good working relationships with councillors, officers and advisors. Able to direct discussions in politically sensitive environments. Able to command respect and demonstrate strong leadership. Assertive in pursuing the correct course of action. Able to work effectively with colleagues who may have different levels of experience and understanding.	Diplomacy and tact.
5. Motivation	Enthusiastic, not easily deterred and able to convey enthusiasm to others. Committed to the aims and objectives of the fund.	
6. Equal opportunities	Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.	

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cipfa.org/

06/2021

Lincolnshire COUNTY COUNCIL Working for a better future

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

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**Annual Report and Accounts 2021-22: Draft Annual Report and Accounts**

Summary:

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

Recommendation(s):

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

Background

1.1 The draft Pension Fund Annual Report and Accounts for the year ended 31 March 2022 (included at appendix A) has been completed and is being independently audited by the Council's external auditors, Mazars. The Pension Fund accounts also form part of the Lincolnshire County Council Statement of Accounts, which were presented to the Audit Committee on Monday 11 July.

1.2 The Annual Report and Accounts have been prepared taking into account the guidance produced by Chartered Institute of Public Finance Accountants (CIPFA) and relevant accounting standards. There have been no changes to the guidance for preparing the annual report 2022, or the accounts for 2021/22.

<u>Pension Fund Accounts</u>

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

1.4. All 31 March valuations received in advance of the deadline for publishing audited accounts (30 November) will be reviewed and incorporated into the accounts if considered material, either individually or collectively. Therefore, the accounts included in the final Annual Report may differ to those presented today. Any changes will be reported to this Committee later in the year.

<u>Next Steps</u>

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

Conclusion

2.1 The Lincolnshire Pension Fund Report and Accounts has been produced for the year ended 31 March 2022. The Accounts element of the report may be subject to change in light of outstanding valuation information relating to unquoted asset valuations as at 31 March 2022.

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

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	Lincolnshire Pension Fund Annual Report 2022

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 COUNTY COUNCIL
Working for a better future

Lincolnshire Pension Fund Annual Report & Accounts 2022

Lincolnshire Pension Fund

Local Government Pension Scheme

Annual Report for the Year Ended 31 March 2022

Contents

Management Arrangements

Administering Authority	Lincolnshire County Council

Pensions Committee Members as at 31 March 2022

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

District Council Representative
R Waller

Representative of Other Employers
S Larter

Employee Representative
A Antcliff (Unison)

Professional Advisors

County Council Officers

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

Asset Pool and Operator

Border to Coast Pensions Partnership

Investment Managers of the Fund as at 31 March 2022

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

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

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

Report of the Pensions Committee

Introduction

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

Members of the Committee as at 31 March 2022 are listed on page 1.

All members of the Committee can exercise voting rights.

Corporate Governance and Responsible Investing

The Fund expects its appointed investment managers to act as responsible investors and that they fully integrate environmental, social and governance (ESG) issues into their investment process. It has produced a Responsible Investment Policy and Responsible Investment Beliefs that can be found on the Pension Fund's shared website, at www.wypf.org.uk. The Fund works closely with Border to Coast, and the other Partner Funds of the asset pool, to agree its approach to RI and stewardship. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), an organisation that monitors the governance of companies. The LAPFF seeks to protect and enhance shareholder returns by engaging with companies on a wide range of ESG issues and encouraging improvement, where required.

The Fund's Stewardship Code Statement for 2020/21 was successful in meeting the new standard required under the Financial Reporting Council's 2020 Stewardship Code, to explain how it acts as a responsible shareholder, and is published on the Fund's shared website.

Investment Performance

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

The twelve month period ended 31 March 2022 saw the value of the Fund' investment assets increase by £283.7m to £3,031.3m. The overall investment return of 10.7% was ahead the Fund's specific benchmark return of 9.4%%. Over the last ten years, the Fund's annualised investment performance of 8.8% is slightly ahead the benchmark return of 8.7%.

Detail on the global markets over the year can be found in the Investment Background, on page 36.

Manager Arrangements

There have been two manager changes over the last 12 months:

- In July 2021 the Fund made a commitment to a residential property fund managed by Allianz.
- In October 2021, the Fund transitioned assets from its multi asset credit manager, Pimco, to the Border to Coast Multi Asset Credit (MAC) Fund. It also redeemed units from the overweight positions in Border to Coast's Global Equity Alpha Fund and UK Equity Fund to invest in the MAC Fund.

Pensions Administration

The pensions administration service is performed in a shared service arrangement with West Yorkshire Pension Fund (WYPF). A satellite office for WYPF is based in Lincoln, co-located with the LCC Pension Fund team. More information on the performance of the pensions administrator can be found at page 42. The Fund works closely with its employers and WYPF to improve all aspects of administering the scheme.

The current arrangement with WYPF runs until 31 March 2024.

Local Pension Board

The Local Pension Board for the Lincolnshire Pension Fund was set up in April 2015, as prescribed in the Public Service Pensions Act 2013 and the Local Government Regulations 2013. Its oversight role to ensure that the Fund is meeting all the requirements for administration and governance, as set out in the various regulations and by the Pensions Regulator, has been a welcome addition to the governance structure of the Pension Fund. The annual report of the Board can be found on page 32.

Asset Pooling

The requirement to pool the Fund's assets with other LGPS Funds came into statute in November 2016. Lincolnshire chose to become part of the Border to Coast Pensions Partnership (Border to Coast), alongside ten other partner LGPS funds. Progress has continued to ensure that Border to Coast is able to implement the investment strategy of the eleven partner funds, over the long term.

The oversight of the asset pool is carried out by a Local Government Joint Committee, on which the Chairman of the Pensions Committee sits, and by the Administering Authority as a shareholder. The objective of Border to Coast is to reduce investment costs, improve performance and increase resilience across the Funds, over the long term. Border to Coast went live in July 2018, with assets from three of the partner funds with internally managed assets. Work continues with Border to Coast in creating the sub-fund range that will be available to the Fund. As mentioned above, assets have continued to be transferred from existing managers into Border to Coast managed funds.

Coronavirus Pandemic

The business continuity plans of the Lincolnshire Pensions Team and WYPF, as the administrators, were put into action in March 2020, and have continued throughout most of 2021/22. All aspects of managing the Fund continued to be fulfilled over the year. The Lincolnshire team returned to working in the office two days a week from February 2022, and WYPF are returning to their offices from April 2022, in a hybrid working pattern.

Fund Governance and Communication Statements and the Investment Strategy Statement

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

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

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

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

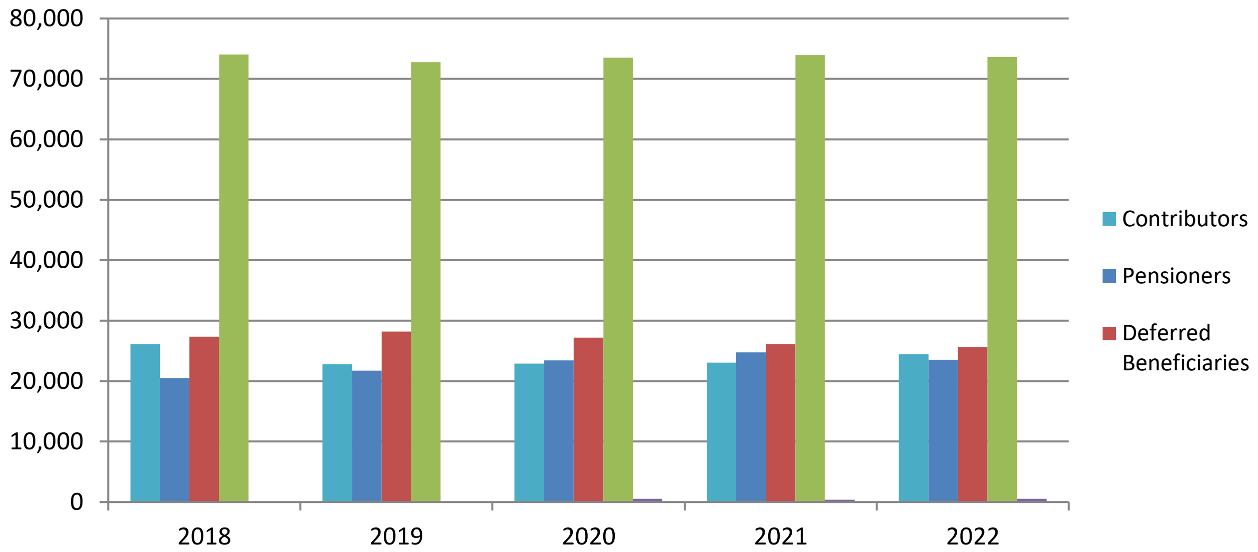
Councillor Eddie Strengiel
Chairman
Pensions Committee

Management Report of the Administering Authority

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

Local Government Pension Scheme Membership

As can be seen from the chart below, the active membership has risen slightly over the year. The Fund has matured over the last five years, with pensioner and deferred members (those that are no longer in the Scheme but will be entitled to a pension at some point in the future) making up 66.8% of the overall membership, but the past year has seen an increase in contributing members and a fall in pensioner members, reversing the trend of the last five years.



Year ended 31March	2018	2019	2020	2021	2022
Contributors	26,153	22,820	22,890	23,038	24,422
Pensioners	20,543	21,715	23,438	24,746	23,536
Deferred Beneficiaries	27,356	28,221	27,201	26,160	25,650
Total	74,052	72,756	73,529	73,944	73,608
Undecided Leavers*	-	-	529	383	532

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

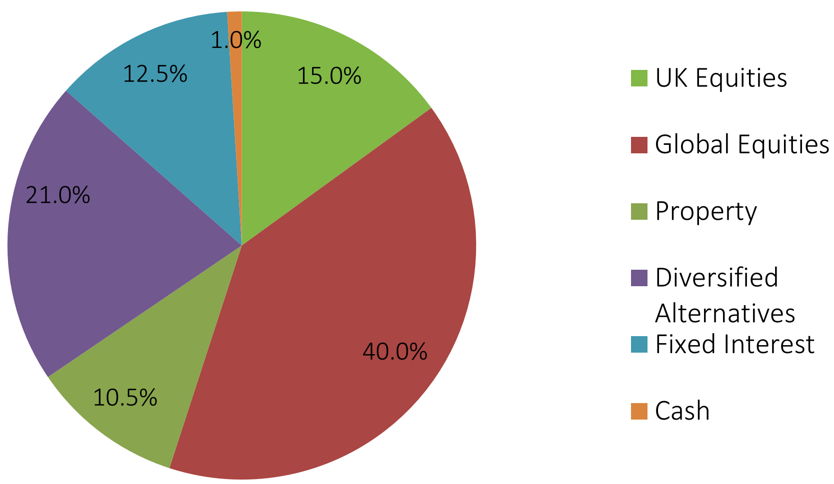
(Note: The numbers disclosed in the table above reflect individual pension records within the County Council's database at a point in time. Current and past members of the LGPS may have more than one pension record as a result, for example, of having more than one part time contract of employment with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

Investment Policy

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

Strategic Asset Allocation Benchmark

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



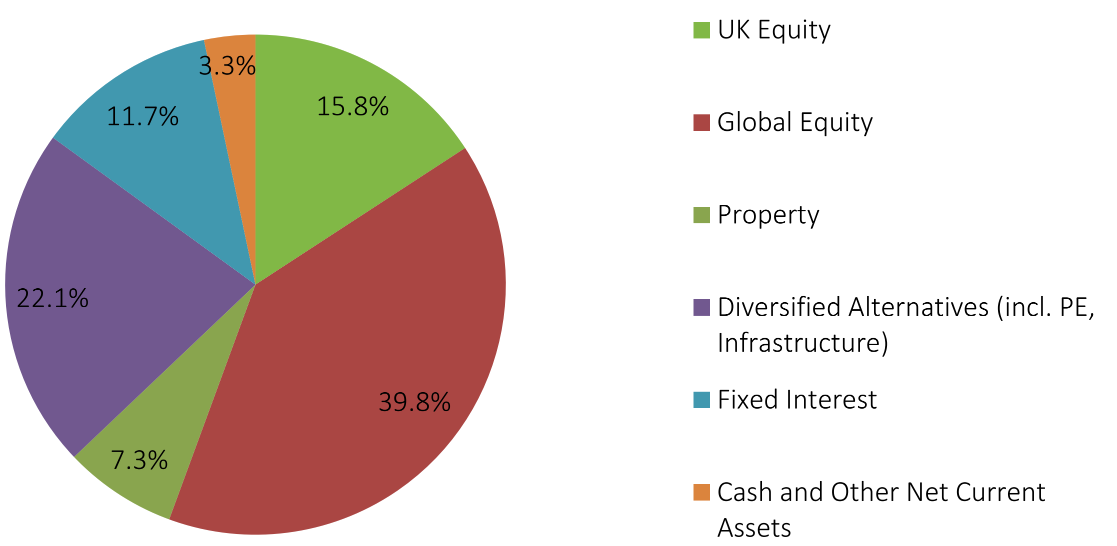
Asset class	Strategic Benchmark 31 March 2022 %	Strategic Benchmark 31 March 2021 %
UK Equities	15.0	15.0
Global Equities	40.0	40.0
Total Equities	**55.0**	**55.0**
Property	10.5	10.5
Infrastructure	-	-
Diversified Alternatives (incl. Private Equity, Infrastructure, Multi Asset Credit)	21.0	21.0
Fixed Interest	12.5	12.5
Cash	1.0	1.0
Total	**100.0**	**100.0**

Total Actual Asset Distribution

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

Asset Class	Market Value £'m	31/3/22 %	31/3/21 %
UK Equity	477.8	15.8	16.1
Global Equity	1,207.3	39.8	41.0
Total Equities	1,685.1	55.6	57.8
Property	220.0	7.3	7.4
Diversified Alternatives (incl. Private Equity, Infrastructure)	671.4	22.1	20.2
Fixed Interest	355.2	11.7	12.7
Cash & Other Net Current Assets	99.6	3.3	2.6
Net Investment Assets	3,031.3	100.0	100.0

excludes Border to Coast shareholding valued at £1,181.8m



Fund Investment Performance

The twelve month period ended 31 March 2022 saw the value of the Fund' investment assets increase by £283.7m to £3,031.3m. The overall investment return of 10.7% was ahead the Fund's specific benchmark return of 9.4%%. Over the last ten years, the Fund's annualised investment performance of 8.8% is slightly ahead the benchmark return of 8.7%. The biggest impact was the outperformance of the Morgan Stanley Diversified Alternatives portfolio.

Annual investment performance over the previous ten years is set out in the table below. The Fund's ten year annualised return of 8.8% compares to a rise in retail prices of 3.0% and an increase in public sector earnings of 2.3%.

Investment Performance of the Fund 1 April 2012 to 31 March 2022

	Lincolnshire Fund Return %	Comparative Benchmark Return %	Retail Price Inflation %	Public Sector Increase in earnings %
2012/13	12.6	11.3	3.3	1.1
2013/14	6.3	6.2	2.5	1.1
2014/15	12.3	12.4	0.9	(0.9)
2015/16	1.0	1.8	1.6	1.9
2016/17	19.8	19.3	3.1	1.3
2017/18	3.3	3.0	3.3	2.6
2018/19	8.2	8.1	2.4	2.7
2019/20	(5.8)	(3.9)	2.6	3.0
2020/21	23.3	22.1	1.5	6.0
2021/22	10.7	9.7	9.0	3.3
10 years annualised	8.8	8.7	3.0	2.3

Manager/Asset Class Performance of the Fund

Asset Class	1 Year		3 Years annualised		5 Years annualised	
	FM %	BM %	FM %	BM %	FM %	BM %
Equities						
LGIM Global Equity (inception Feb 21)	13.1	13.2	n/a	n/a	n/a	n/a
Border to Coast Global Equity (inception Oct 19)	7.6	12.4	n/a	n/a	n/a	n/a
Border to Coast UK Equity (inception July 20)	12.2	13.0	n/a	n/a	n/a	n/a
Fixed Interest						
Blackrock	(2.1)	(2.1)	1.5	1.5	2.0	1.9
Border to Coast Investment Grade Credit (inception Feb 20)	(4.1)	(5.2)	n/a	n/a	n/a	n/a
Property/Infrastructure						
Property Unit Trusts	26.1	23.1	9.1	8.1	7.5	7.8
Property Other and Infrastructure**	1.5	7.0	(2.3)	7.0	1.6	7.0
Diversified Alternatives						
Morgan Stanley	25.3	4.0	13.3	4.4	10.0	4.5
Legacy Private Equity	5.1	4.6	5.6	4.6	7.8	4.6
Infrastructure**	12.5	6.0	6.4	6.0	n/a	n/a

Multi Asset Credit						
PIMCO* (inception Aug 20)	2.4	2.7	n/a	n/a	n/a	n/a
Border to Coast Multi Asset Credit * (inception Nov 21)	(5.1)	1.4	n/a	n/a	n/a	n/a
Total	10.7	9.4	8.8	8.7	7.5	7.4

* Border to Coast Multi Asset Credit Fund replaced PIMCO at the end of October 2021.

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

Top Holdings

Listed below are the top twenty holdings in the Pension Fund, including both pooled investments and direct holdings in the segregated account, as at 31 March 2022. These account for £2,897.0m and make up 95.1% of the Fund's investments.

	Market Value £m's	Proportion of Fund %
Border to Coast Global Equity Alpha Fund	743.2	24.4%
Border to Coast UK Listed Equity Fund	477.8	15.7%
Legal and General Future World Fund	464.0	15.2%
Morgan Stanley Alternative Investments	445.6	14.6%
Border to Coast Investment Grade Credit Fund	204.9	6.7%
Border to Coast Multi-Asset Credit Fund	138.2	4.5%
Aberdeen Standard Property Fund	83.3	2.7%
Blackrock Aquila Corporate Bond Fund	75.4	2.5%
Blackrock Property Fund	47.7	1.6%
Blackrock Aquila Life >5 Year ILG Fund	44.7	1.5%
Aviva Property Fund	34.2	1.1%
Blackrock Aquila Gilts Fund	30.2	1.0%
Royal London Asset Management Property Fund	28.7	0.9%
Innisfree Secondary Fund	16.8	0.6%
Standard Life European Property Growth Fund	14.1	0.5%
Infracapital Greenfield Partners	12.5	0.4%
Pantheon Global Infrastructure III Fund	11.2	0.4%
Innisfree Continuation Fund	9.8	0.3%
Innisfree Secondary Fund 2	9.0	0.3%
Hearthstone Residential Property Fund	5.6	0.2%
Total	2,896.9	95.1%

Investment Management Arrangements

The Fund invests by means of collective investment vehicles, also known as pooled funds. Pooled fund values exclude cash where this is held at an asset class level with the custodian.

Pooled Funds

Asset Class	Manager	Market value £m's	%
Fixed Interest	Blackrock	150.3	4.9
	Border to Coast	204.9	6.7
	Total Fixed Interest	355.2	11.6
UK Equities	Border to Coast	477.8	15.7
Global Equities	Border to Coast	743.2	24.4
	LGIM	464.0	15.2
	Total Equities	1,685	55.3
Property	Abrdn	97.3	3.2
	Allianz	5.3	0.2
	Aviva	34.2	1.1
	Blackrock	47.7	1.6
	Franklin Templeton	0.3	0.0
	Hearthstone	5.6	0.2
	Igloo	0.2	0.0
	Royal London	28.7	0.9
	Rreef	0.1	0.0
	Total Property	219.4	7.2
Infrastructure	Infracapital	12.5	0.4
	Innisfree	35.6	1.2
	Pantheon	11.2	0.4
	Total Infrastructure	59.3	2.0
Private Equity	Abrdn	1.2	0.0
	Capital Dynamics	0.6	0.0
	Pantheon	6.1	0.2
	Total Private Equity	7.9	0.2
Alternatives	Morgan Stanley	445.6	14.6
Multi Asset Credit	Border to Coast	138.2	4.5
Total Pooled Vehicles		**2,910.6**	**95.4**

Investment Administration and Custody

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

The Fund's custodian at 31 March 2022 was Northern Trust, with responsibility for safeguarding the segregated assets, in addition to providing investment accounting and performance measurement services.

Funding

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

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

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

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

Stewardship Responsibilities

The Lincolnshire Pension Fund was successful in submitting its Stewardship Code statement for 2020/21, meeting the requirements of the Financial Reporting Council's (FRC) Stewardship Code. The FRC produced the new code in 2020, requiring more detail and examples of outcomes of stewardship. The stewardship code statement can be found on the Fund's shared website at www.wypf.org.uk.

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

The Pensions Committee believe that the adoption of good practice in Corporate Governance will improve the management of companies and thereby increase long term shareholder value. The Fund's Responsible Investment (RI) policy and Corporate Governance and Voting policy can be found on the shared website at www.wypf.org.uk. These policies are aligned with those of our asset pool, Border to Coast, who is responsible for implementing them across the assets that they manage for the Fund. In addition to this, the Committee reviewed its Responsible Investment Beliefs in February 2022, and these can also be found on the shared website. Any investment decisions that the Committee make are made with consideration of these beliefs.

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

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

Principle	Border to Coast Strategic Development	Partner Fund Support
Integrating ESG	Embed investment process and enhance ESG tools including Robeco portal ✓ Training programme for PMs on thematic issues ✓ External manager monitoring framework ✓ Develop frameworks for new asset classes (bonds, property, private markets) ✓	Current: education (e.g. climate working party); transparency of reporting; oversight of (pooled) managers ✓ Future: centralised procurement of climate change advice; oversight of LGIM (as dominant passive manager in pool) ✓
Active Ownership	Create holistic engagement framework to enable tracking of milestones across portfolios ✓ Clear process for setting engagement themes ✓	Current: common policy agreed and implemented for all Border to Coast holdings; education; LAPFF - representation at business meetings ✓ Future: training ✓
Require Disclosure	Review of industry initiatives to prioritise ✓ Gap analysis of portfolios and remedial plan ✓ Review Border to Coast disclosure ✓	Current: engagement in respect of Border to Coast portfolio holdings and support for wider initiatives ✓ Future: Share review of wider disclosure developments
Promoting PRI	External manager engagement framework ✓ Review wider procurement framework for ESG ✓	Current: training for officers and committees ✓ Future: materials for websites
Collaboration	Develop collaboration capability by working with Robeco on an engagement ✓ Continue to build network and external profile ✓	Current: collaborate in respect of Border to Coast engagement themes and portfolio holdings ✓
Reporting	Enhance reporting on engagement and themes ✓ Standardise reporting across external managers ✓ Improve transparency ✓	Current: disclosure on our website of voting and engagement activity, RI policy and voting guidelines ✓ Future: review of Partner Fund websites and development of checklist / materials for sharing

✓ Completed/ongoing ✓ Progress/ongoing

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

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

Risk Management

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

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

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

Failure to meet requirements as a responsible investor, across all ESG risks, including climate change and a transition to a low carbon economy	Stewardship Code compliance, RI reporting by managers and to Committee, Voting and RI policies.

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

Lincolnshire County Council's (LCC) internal audit team undertake audits across different aspects of the Fund's management and administration. The timing and frequency of their work is determined by a risk-based assessment, which is reviewed annually. Internal audits undertaken in 2021/22 by LCC's internal audit team covered the pensions administration service. The output from audits is reported to the Council's Audit Committee and brought to the Pension Board and Committee as appropriate. In addition, the internal audit team work with the internal auditors of West Yorkshire Pension Fund, from Bradford Council, to provide additional assurance over the administration function.

Assurance from the service suppliers and fund managers appointed by Lincolnshire Pension Fund is obtained thorough the receipt and monitoring of control reports – e.g. ISAE 3402 (AAF 01/06) or SSAE16/70. For 2021/22 reasonable assurance was obtained from all third-party operations.

Business Plan and Budget

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

The table below shows the reviews the progress of the key tasks for the year 2021/22:

Subject	Context	2021/22 Review
Pensions Committee and Board meetings	The responsibility for the Pension Fund is delegated to the Pensions Committee, with the Pension Board providing an oversight role on the administration and governance of the Fund.	All Pension Committee and Board meetings held as expected.
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.

Administration Service (including employer data quality)	A good performing administration service is key to our stakeholders and for ensuring the quality of information held is appropriate for calculating benefits and liabilities.	Strong KPI figures generally throughout the year and positive customer survey responses, as reported to Committee and Board each quarter.
Annual Report and Accounting	The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors.	Delayed receipt of external audit opinion due to an issue with the Council's accounts meant Pension Fund accounts were published by 1 December without the opinion, but with an unqualified opinion was expected. The accounts opinion was received in mid-December.
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 successfully 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.
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.

Work by the Scheme Advisory Board (SAB)	The SAB have a number of projects underway to improve the management /governance of LGPS Funds.	Unfortunately the Good Governance project was delayed as a result of the pandemic. The Fund responded to any requests from SAB throughout the year.
Employer Accounting	Employers within the Fund require pensions accounting information at various times of the year, for inclusion in their statutory accounts.	All employers received appropriate accounting reports as required.

The budget and actual expenditure for operating the Lincolnshire Pension Fund for 2021/22 are set out in the table below. They are split between Administration Costs, Investment Management Expenses and Oversight and Governance Costs.

- **Administration Costs** include the costs of dealing with Fund members and employers in relation to current and future benefits. This service is provided to Lincolnshire Pension Fund via a Share Service with West Yorkshire Pension Fund.

- **Investments Management Expenses** include the cost of Fund Managers, Border to Coast Pension Partnership and the Fund's Custodian.

- **Oversight and Governance Costs** include:

  - The cost of the Fund's actuary, external auditor and other advisors. Actuarial costs incurred by individual employers within the Fund are recharged to that employer;

  - Staffing and accommodation costs associated with running the Fund; and

  - Costs associated with Fund governance for the Local Pensions Board and governance costs at Border to Coast Pensions Partnership.

	Original Budget 2021/22 £000	Actuals 2021/22 £000	Variance £000
Administration Costs			
Charge from Shared Service Administrator	1,050	1,186	136
Other	1	3	2
Investment Management Expenses			
Management Fees	7,422	9,680	2,258
Performance Related Fees	1,500	1,749	249
Other Fees	791	772	(19)
Oversight and Governance Costs			
Contracted Services	425	317	(108)

Recharge of Actuarial Services	(174)	(93)	81
Recharge from Administering Authority (incl. staff costs	249	258	9
Border to Coast Governance Costs	280	300	20
Other Costs	27	19	(8)
Total	11,571	14,191	2,620

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

- **Administration Costs:** At the end of the financial year the charge for the administration service from West Yorkshire Pension Fund is reviewed and updated to reflect the actual number of members and the annual charge per member. The actual cost for 2021/22 was £14.87 per member. The cost per member was higher than originally charged to the Fund (£14.18 per member), this was due to additional system development costs for the McCloud remedy, further costs associated with the McCloud remedy will be charged to the Fund in future years. The Fund also saw an increase in actual membership verses the estimate.

- **Investment Management Expenses:** Investment management and performance related fees are in excess of the original budget. This reflects the strong growth in investment asset values of the last two years, which has led to higher fees as these are mainly calculated on the value of assets under management.

- **Oversight and Governance Costs:** Costs relating to contracted services were lower than originally budgeted for as was the recharge for actuarial services. During the last two years the Fund has retendered for actuarial and investment consultancy services. This, along with the volume of work commissioned from these advisors during 2021/22, has reduced the spending in this area and the amount to be recharged to employers.

Employer Contribution Rates

Analysis of Active and Ceased Employers in the Fund:

	Active	Ceased	Total
Scheduled Body	230	14	244
Admitted Body	30	24	54
Total	260	38	298

The employers' contribution rates (including deficit cash or percentage of payroll amounts where applicable) applying in the year ended 31 March 2022, for all employers are set out below, alongside actual cash contributions received from both the employer and the employees for each body.

Scheduled & Admitted Bodies Contributing to the Fund as at 31 March 2022:

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received Employer (£k)	Employee (£k)
SCHEDULED BODIES				
County and District Councils				
LCC (non-Schools)	17.5%	£9,540k	30,122	6,656
LCC (Schools)	17.5%	8.40%	11,283	3,511
Boston Borough Council	17.7%	£670k	1,560	319
City of Lincoln Council	17.3%	£1,959k	4,707	1,016
East Lindsey District Council	17.5%	£968k	2,563	589
North Kesteven District Council	17.6%	£901k	2,825	734
South Holland District Council	17.4%	£818k	2,035	474
South Kesteven District Council	17.5%	£1,393k	3,958	923
West Lindsey District Council	17.2%*	£1,028k	2,161	485
Internal Drainage Boards				
Black Sluice Internal	18.2%*	£64k	211	62
Lindsey Marsh Internal	18.5%*	£29k	323	126
North East Lindsey Internal	20.7%	£1k	10	3
South Holland Internal	28.7%	9.4% and £150k	246	21
Upper Witham Internal	19.7%	£53k	127	26
Welland and Deeping Internal	19.2%	£115k	268	55
Witham First Internal	20.5%	-1.2%	55	20
Witham Fourth Internal	19.4%	£77k	271	69
Witham Third Internal	18.9%	£26k	170	58
Parish and Town Councils				
Nettleham Parish Council	21.1%	1.4%	8	2
Ingoldmells Parish Council	21.1%	1.4%	5	1
Sleaford Town Council	21.1%	1.4%	53	14
Crowland Parish Council	21.1%	1.4%	5	1
Sudbrooke Parish Council	21.1%	1.4%	2	0
Cherry Willingham Parish Council	21.1%	1.4%	4	1
Horncastle Town Council	21.1%	1.4%	18	5
Skegness Town Council	21.1%	1.4%	64	17
Washingborough Parish Council	21.1%	1.4%	12	3
Deeping St James Parish Council	21.1%	1.4%	11	3

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Stamford Town Council	21.1%	1.4%	32	8
North Hykeham Town Council	21.1%	1.4%	18	5
Louth Town Council	21.1%	1.4%	16	4
Mablethorpe & Sutton Town Cncl	21.1%	1.4%	21	7
Bourne Town Council	21.1%*	1.4%	17	5
Market Deeping Town Council	21.1%	1.4%	11	3
Skellingthorpe Parish Council	21.1%	1.4%	10	3
Woodhall Spa Parish Council	21.1%	1.4%	5	1
Gainsborough Town Council	21.1%	1.4%	33	9
Welton-by-Lincoln Parish Council	21.1%	1.4%	8	2
Greetwell Parish Council	21.1%	1.4%	1	0
Billinghay Parish Council	21.1%	1.4%	4	1
Bracebridge Heath Parish Council	21.1%	1.4%	10	3
Gedney Parish Council	21.1%	1.4%	5	1
Sutton Bridge Parish Council	21.1%	1.4%	8	2
Pinchbeck Parish Council	21.1%	1.4%	8	2
Thorpe On The Hill Parish Council	21.1%	1.4%	2	1
Langworth Parish Council (joined 01/07/2021)	21.1%	1.4%	1	0
Scotter Parish Council (joined 01/06/2021)	21.1%	1.4%	3	1
Fiskerton Parish Council (joined 01/10/2021)	21.1%	1.4%	1	0
Further Education Establishments				
Bishop Grosseteste University	23.5%*	£76k	1,050	293
Boston College	23.8%	-	913	229
Grantham College	23.8%	£43k	710	175
Lincoln College	24.5%	£271k	1,211	231
Other Scheduled Bodies				
Acorn Free School Ltd	19.5%	-3.0%	24	8
BG Lincoln Ltd (left 01/08/2022)	20.7%	-	9	2
Public Sector Partnership Services Ltd	19.9%	£93k	1,367	410
Police Chief Constable and Police & Crime Commissioner (pooled rates also with G4S)	16.3%	£1,657k	4,105	928
ACADEMIES				
Aegir Specialist Academy	21.0%	£38k	193	45
Alford Queen Elizabeth Selective Academy	21.2%*	-	89	27
All Saints Academy Waddington	21.1%	£9k	83	20
Anthem Schools Trust Central (joined 01/02/2022)	20.2%	-	5	2
Bassingham Primary School	22.0%	£8k	43	9
Beacon Primary Academy	19.1%	-	52	16
Boston Grammar School	20.1%	£7k	131	37
Boston High School	21.2%*	£29k	147	37
Boston St Mary's RC Primary Academy	20.3%	£4k	52	13
Boston West Academy	21.0%	-1.8%	75	22
Boston Witham Academies Federation	19.4%	£29k	916	283
Bourne Abbey C of E Academy	20.9%	£10k	282	76
Bourne Academy	21.1%	£14k	274	80

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received Employer (£k)	Employee (£k)
Bourne Grammar	21.3%	£30k	214	57
Bracebridge Infant and Nursery School	20.7%	£2k	33	8
Branston C of E Infants School	20.8%	£2k	23	5
Branston Community Academy	20.9%	-	237	64
Branston Junior Academy	21.9%	£14k	48	9
Browns Church of England Primary School	21.9%	£2k	26	6
Caistor Grammar	21.0%*	-	89	27
Caistor Yarborough Academy	20.0%	£3k	117	34
Carlton Academy	19.8%	£4k	125	35
Caythorpe Primary	19.9%	See Grantham Ambergate	30	8
Chapel St Leonards Primary School	19.9%	See Grantham Ambergate	60	18
Cherry Willingham Primary School	20.3%	-	40	11
David Ross Educational Trust	20.4%	£115k	659	154
Donington Thomas Cowley High School	20.8%	£18k	177	48
Eastfield Infant and Nursery School (Academy)	19.4%	See Springwell City Academy	87	26
Edenham Church of England School	21.8%	£6k	24	5
Ermine Primary Academy	20.3%	£10k	161	42
Fosse Way Academy	20.7%	-	137	36
Foxfields Academy (joined CIT pool 01/04/2021)	19.9%	See Grantham Ambergate	45	13
Friskney All Saints CofE (Aided) Primary Academy (joined 01/05/2021)	22.3%	£0.7k	38	10
Frithville Primary School	20.2%*	See Horncastle Banovallum	16	5
Gainsborough Benjamin Adlard Community School	20.4%	-1.8%	73	23
Gainsborough Hillcrest Early Years Academy	19.4%	£12k	87	23
Gainsborough Parish Church Academy	20.3%	£12k	106	25
Gedney Church End Primary Academy (joined 01/09/2021)	22.4%*	-	16	4
Giles Academy	19.5%	£7k	133	37
Gipsey Bridge Academy	20.9%	£4k	24	5
Gosberton House Academy	18.9%	£22k	140	37
Grantham Ambergate School	19.9%	£265k	502	76
Grantham Huntingtower Primary Academy	20.3%	-	113	31
Grantham Isaac Newton Primary School	19.9%	See Grantham Ambergate	104	30
Grantham Kings School	21.6%*	£2k	166	51
Grantham National CofE Junior School	20.6%*	£17k	87	23
Grantham Sandon School	19.9%	See Grantham Ambergate	125	36
Grantham the Phoenix School	19.9%	See Grantham Ambergate	69	20
Grantham Walton Girls	21.2%	£10k	131	34
Harrowby Church of England Infant School	20.6%*	£2k	20	5

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received Employer (£k)	Employee (£k)
Hartsholme Academy	17.8%	£10k	99	31
Heighington Millfield Primary Academy	20.3%	-	67	19
Holbeach Academy	20.4%	£12k	91	22
Holbeach Bank Academy	20.7%	£2k	21	5
Holy Trinity Church of England Primary	21.2%	£6k	31	7
Horncastle Banovallum	20.2%*	£68k	179	35
Horncastle Community Primary Academy (joined 01/09/2021)	19.4%	See Springwell City Academy	53	16
Horncastle Education Trust (Head Office)	20.2%*	See Horncastle Banovallum	114	40
Horncastle Queen Elizabeth Grammar School	20.2%*	See Horncastle Banovallum	73	22
Huttoft Primary School	19.7%	-	48	13
Infinity Academies Trust (Joined 01/10/2021)	20.1%	-	12	4
John Spendluffe Technology College	20.7%	£20k	220	56
Keelby Primary Academy	21.4%	£14k	55	11
Kesteven & Sleaford High School Selective Academy	21.2%*	£18k	138	36
Kesteven and Grantham Academy	21.4%	£34k	241	57
Keystone Academy Trust	21.2%*	£3k	181	53
King Edward VI Grammar School (Louth)	21.3%	£57k	207	43
Kirkby La Thorpe	20.0%	£2k	35	9
Lacey Gardens Junior School (Academy)	19.4%	See Springwell City Academy	99	29
Linchfield Community Primary School	19.9%	See Grantham Ambergate	90	26
Lincoln Anglican Academy Trust	17.7%	-1.3%	141	65
Lincoln Castle Academy	21.1%	£20k	160	39
Lincoln Christs Hospital School (Academy)	21.2%	£34k	284	71
Lincoln Manor Leas Infants School	21.0%	-	43	11
Lincoln Our Lady of Lincoln Catholic Primary School	20.6%	-	52	14
Lincoln St Giles Academy	19.5%	£30k	143	33
Lincoln St Hugh's Catholic Primary School	21.5%	£7k	81	19
Lincoln UTC	18.7%	£7k	80	24
Lincoln Westgate Academy	20.5%	£3k	104	28
Little Gonerby Church of England Infants School	21.2%	£2k	57	15
Long Bennington Church of England Academy	21.6%*	£10k	64	16
Long Sutton Primary School	24.8%*	£13k	136	30
Louth Academy	20.5%	£44k	160	32
Louth Kidgate Academy	19.6%	£12k	103	27
Lutton St. Nicholas Primary Academy (joined 01/09/2021)	22.6%*	£0.1k	24	6
Mablethorpe Primary Academy	20.8%	£14k	118	30
Manor Farm Academy	18.7%	-	35	11
Manor Leas Junior	21.3%	£7k	51	12
Market Rasen De Aston School (Academy)	20.7%	-	190	55

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Morton Church of England Primary School	21.0%	£12k	56	12
Mount Street Academy	20.2%	£10k	122	32
Nettleham Infants School	19.9%	£12k	58	13
New York Primary School	20.2%*	See Horncastle Banovallum	23	7
North Hykeham Ling Moor Academy	20.3%	-	90	25
North Kesteven School	21.6%*	£60k	199	43
North Thoresby Primary School	20.6%	-	22	6
Pinchbeck East CofE Primary Academy (joined 01/03/2021)	22.8%	£4.1k	97	22
Poplar Farm School	19.9%	See Grantham Ambergate	56	16
Priory Federation of Academies	20.3%	-	1,225	358
Rauceby Church of England Primary School	22.2%	£6k	40	9
Redwood Primary School	20.3%	-	63	18
Ruskington Chestnut Street C of E Primary School	20.6%	£23k	76	14
Scothern Ellison Boulters Church of England Academy	20.3%	£1k	59	16
Seathorne Primary Academy	24.6%	£17k	185	25
Sir Robert Pattinson Academy	20.6%	£25k	228	60
Skegness Academy	20.0%	£16k	295	84
Sleaford Carres Grammar School (Academy)	21.2%*	£37k	220	60
Sleaford Our Lady of Good Counsel	19.9%	-2.0%	29	9
Sleaford St Georges Academy	20.9%	-	412	119
Sleaford William Alvey	20.4%	£2k	108	30
Somercotes Academy	18.7%	£29k	88	18
South Witham Academy	21.5%*	£8k	24	4
Spalding Grammar School	21.1%	£28k	158	38
Spalding Parish C of E Day School	24.6%	£11k	149	32
Spalding Primary Academy (joined 01/03/2021)	21.7%	£5.4k	91	23
Spalding Sir John Gleed School	21.7%	£65k	292	62
Spilsby Primary School	21.2%	£26k	103	21
Springwell City Academy	19.4%	£38.3k	357	97
St Bernards School (Louth)	19.7%	£56k	232	54
St Lawrence School (Horncastle)	19.3%	£29k	183	47
St Mary's Catholic Primary Voluntary Academy Grantham	21.2%	£7k	61	14
St Michaels Church of England Primary School	20.1%	£14k	87	20
St Nicholas Primary Academy, Boston	25.5%	£7k	74	15
St Norberts Catholic Primary School (Academy)	20.5%	£3k	38	9
St Paul Community Primary School	19.9%	See Grantham Ambergate	69	20
St Peter and St Paul Catholic Voluntary Academy	20.8%	£13k	138	35
St Thomas C E Primary Academy	20.1%	£15k	118	30

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received Employer (£k)	Employee (£k)
St. John's Primary Academy	21.1%	£14k	117	28
Stamford Malcolm Sargent Primary	20.8%	-	212	58
Stamford St Augustines	20.1%	£2k	39	11
Stamford St Gilberts Church of England Primary School	21.0%	£10k	69	16
Stamford The Bluecoat School (joined 01/01/2021)	21.9%	£5.1k	88	22
Surfleet Seas End Primary Academy (joined 01/03/2021)	22.8%*	£1.1k	25	6
Tall Oaks Academy Trust	20.3%	£11k	202	54
The Deepings Academy	21.1%	-1.4%	262	80
The Gainsborough Academy	20.5%	-	112	33
The Garth School, Spalding	19.9%	See Grantham Ambergate	112	33
The Ingoldmells Academy	20.1%	£2k	46	12
The John Fielding Special School, Boston	19.9%	See Grantham Ambergate	158	46
The Marton Academy	21.4%	£6k	25	5
The Priory Pembroke	20.3%	-	107	30
The Priory School, Spalding	19.9%	See Grantham Ambergate	126	37
The Skegness Infant Academy	20.4%	£11k	94	23
The Skegness Junior Academy	20.9%	£6k	107	27
Theddlethorpe Primary School	21.2%	£3k	31	7
Thurlby Community Primary School	23.8%*	£1k	59	10
Tower Road Academy (Primary)	20.3%*	£5k	131	39
University Academy Holbeach	20.9%	£40k	336	88
University Academy Long Sutton	20.7%	£22k	160	41
Utterby Primary School	21.7%	£2k	25	6
Wainfleet Magdalene C of E Academy	20.6%	£14k	75	16
Warren Wood Specialist Academy	20.5%	£25k	132	30
Washingborough Academy	21.0%	£6k	79	20
Welbourn Sir William Robertson Academy	21.0%	£20k	207	54
Welland Academy, Stamford	21.7%	-1.1%	113	26
Welton St Marys Church of England Primary Academy	21.3%	£6k	72	18
Welton William Farr CE Comprehensive School	21.4%	£35k	314	73
West Grantham Federation	20.2%	£14k	243	67
Weston St Marys Primary School	20.2%	£1k	5	1
Whaplode Drove C of E Primary School	20.6%	£6k	43	10
William Lovell Church of England Academy	21.0%	£28k	102	17
Willoughby School	20.3%	-	189	54
Witham St Hughs Academy	20.3%	£2k	87	24
Woodhall Spa St Andrews Church of England Academy	20.4%	£1k	72	20
Woodlands Academy	19.9%	See Grantham Ambergate	71	21
Wyberton Primary Academy	20.0%	£12k	73	17

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
ADMITTED BODIES				
Active Lincolnshire	21.6%	-	15	5
Active Nation	33.1%	-	13	2
Adults Supporting Adults	31.1%	-2.0%	5	1
Balfour Beatty	17.5%	8.4%	117	30
Cater Link (West Grantham Academy) (left 01/07/2021)	32.2%	-	3	0
Caterlink - DRET (joined 01/04/2022)	31.6%	-	42	8
Caterlink (South Witham)	32.0%	-	5	1
Caterlink (Walton Girls High School)	28.8%	-	13	2
Danfo UK Ltd	30.3%	-	6	1
Easy Clean (Baston Primary) (left 01/10/2021)	37.3%	-	3	0
Easy Clean Contractors (Linchfield)	31.7%	-	2	0
Edwards and Blake Ltd	32.7%	£5k	17	2
Future Cleaning Services	32.8%	-	6	1
G4S	16.3%	-	568	227
GLL	17.5%	8.4%	378	88
Independent Cleaning Services (Caistor Grammar)	26.1%	-	2	0
Lincolnshire Housing Partnership	29.7%	£143k	222	24
Lincolnshire Road Car Company Ltd. (Stagecoach)	17.3%	-	4	1
Magna Vitae Leisure Trust	21.1%	-4.60%	181	71
Making Space	30.4%	-	6	1
Mellors Catering Services	25.7%	£1k	9	2
Nightingale Cleaning Limited	32.3%	-	1	0
Outspoken Training	35.5%	-	2	0
Platform Housing Group	28.2%	£392k	772	56
SERCO	17.5%	8.4%	633	155
Taylor Shaw (Branston Academy)	33.9%	-	9	1
Vinci Construction UK Limited	35.2%	-	13	2

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

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

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

A policy is in place to fine employers where they are late in three of any six months over a rolling period, to cover additional administrative costs. However the Fund and its administrator work closely with employers to ensure that employers understand their responsibilities and the processes required to meet them. Over the year to 31 March 2022 there was only one fine raised to employers (seven in 2020/21). The Fund has not opted to levy interest on overdue contributions.

Asset Pooling

Introduction

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

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

b. Strong governance and decision making;

c. Reduced costs and value for money; and

d. Improved capacity to invest in infrastructure.

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

New guidance from the Department of Levelling Up, Housing and Communities (DLUHC) was not received as expected in 21/22 but is now expected to be issued for consultation in Autumn 2022/23.

Lincolnshire Pension Fund's Solution

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

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

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

Border to Coast Pensions Partnership

Border to Coast Pensions Partnership Ltd (Border to Coast) went live in July 2018 as a fully regulated asset management company, jointly owned by eleven partner funds' administering authorities, with each Fund having an equal share in the company. Border to Coast's role is to implement the investment strategies of the partner funds, through a range of investment sub-funds offering internally and externally managed solutions.

Border to Coast is based in Leeds and has 111 employees. This includes a large team to directly manage assets, alongside a team to select external managers. As an FCA regulated company, Border to Coast must comply with all the requirements that any other asset manager has to and is subject to company legislation. At the end of March 2022, Border to Coast had £28.6bn under management across eleven collective investment vehicles, and £9.7bn of Private Market commitments from partner funds.

Oversight and Governance

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

Asset Transitions

As at 31 March 2022, the Lincolnshire Fund had transitioned assets into four sub-funds.

The first transition took place in October 2019, when approximately £420m was transferred from three global equity managers (Columbia Threadneedle, Morgan Stanley and Schroders) to the Border to Coast Global Equity Alpha sub-fund. In February 2020, the second wave of assets was transitioned, with approximately £190m transferring from a passive bond portfolio managed by Blackrock to the Border to Coast Investment Grade Credit sub-fund.

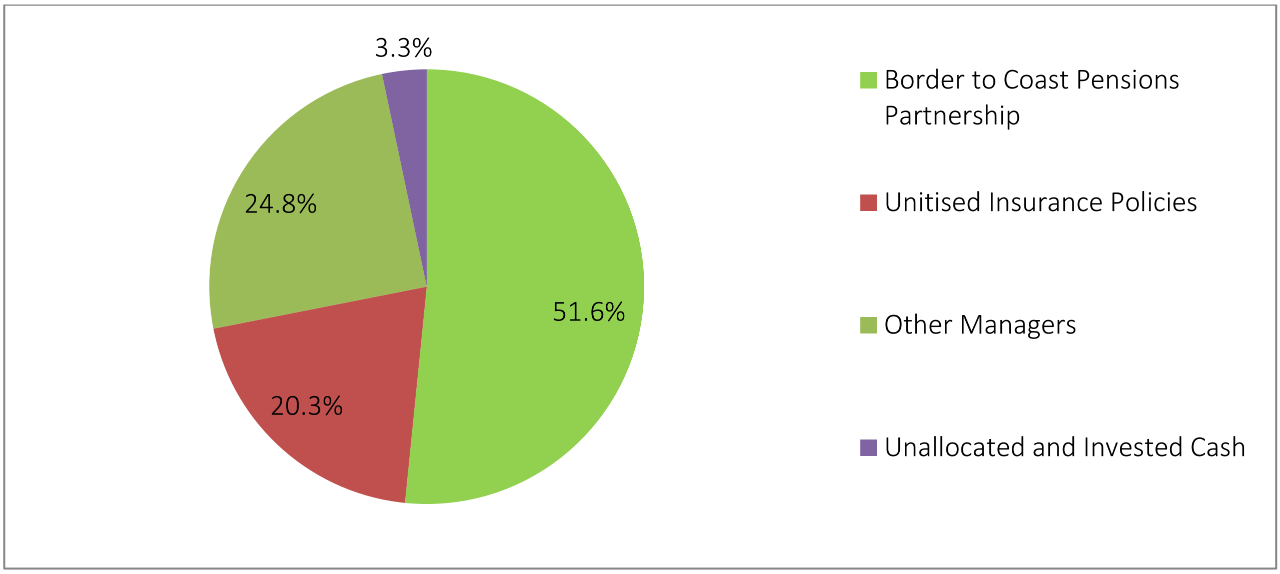
In July 2020, approximately £380m was transferred from a passive UK equity mandate managed by Legal and General into the Border to Coast UK Equity sub-fund. In February 2021, an additional investment of approximately £196m was made into the Global Equity Alpha sub-fund, following the termination of Invesco's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

In October 2021, the Fund transitioned its multi asset credit assets from PIMCO to the Border to Coast Multi Asset Credit sub-fund, with additional investment through redeeming the overweight positions in Global Equity Alpha and the UK Equity funds.

Work continues on the property and alternatives solutions.

The chart and table below show the proportion of the Fund that has now been invested into Border to Coast vehicles as at 31 March 2022, at 51.6%. This compares to 49.8% invested at 31 March 2021, and shows the positive direction of travel. Further detail on this can be found in the Accounts section of this report at note 12C.

Asset Class	Market Value £'000	£'m	%
Border to Coast Pensions Partnership	1,564,205	1,564.2	51.6%
Unitised Insurance Policies	614,328	614.3	20.3%
Other Managers	753,187	753.2	24.8%
Unallocated and Invested Cash	99,606	99.6	3.3%
Net Investment Assets	3,031,326	3,031	100.0%



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

Border to Coast Assets Under Management (AUM) for Lincolnshire Pension Fund	Cumulative to 18/19	2019/20	2020/21	2021/22
Border to Coast	0	525	1,350	1,564
Passive / Other (not to be pooled)	574	585	564	614
Other	1,770	1,092	833	853
Total AUM £m	2,344	2,202	2,748	3,031
Border to Coast	0%	24%	49%	52%
Passive / Other (not to be pooled)	24%	27%	21%	20%
Other	76%	49%	30%	28%
Total AUM %	100%	100%	100%	100%

Border to Coast costs and savings for Lincolnshire

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

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

The table below details the net savings to date.

Border to Coast Costs and Savings	Cumulative to 18/19 Actual £m	2019/20 Actual £m	2020/21 Actual £m	2021/22 Actual £m
Implementation Costs – pre-incorporation	0.19	-	-	
Implementation Costs – post-incorporation	0.24	-	-	
Share Purchase/Subscription	0.83	-	0.35	
Share Purchase/Subscription (adj.)	-	-	-	
Governance Costs	0.17	0.19	0.23	0.30
Development Costs	0.01	0.06	0.05	0.07
Project Costs	-	0.09	0.14	0.18
Total Set-up and Operating Costs	1.44	0.35	0.78	0.55
Transition Costs	-	0.42	(0.01)	0.14
Fee savings due to pooling	0.06	0.05	0.21	0.10
Fee Savings – Private Markets	-	-	-	-
Fee Savings – Public Markets	-	0.35	0.91	1.36
Fee Savings – Public Markets (add. costs)	-	-	(0.06)	-
Fee Savings – Real Estate UK	-	-	-	-
Fee Savings – Real Estate Global	-	-	-	-
One Offs (Crossing deals)	-	-	3.28	-
Other Savings	-	-	-	-
Total Fee Savings	0.06	0.40	4.34	1.46
Net Position	(1.38)	(0.37)	3.57	0.77
Cumulative Net Position	(1.38)	(1.74)	1.82	2.60

Border to Coast contact details:

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

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

Annual Report of the LGPS Local Pension Board 2021/2022

Introduction

I am pleased to present the report of the Local Pension Board of Lincolnshire County Council (LCC) for the year 2021/2022.

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

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

Purpose

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

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

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

Constitution and Membership

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

- **Independent Chair** (non-voting)
  Roger Buttery
- **2 Employer Representatives** (both voting)
  Councillor Mark Whittington (Lincolnshire County Council)
  Gerry Tawton (Boston College)

- **2 Member Representatives** (both voting)
  David Vickers
  Kim Cammack

Four meetings were held within the period – 15 July and 14 October 2021, 6 January and 17 March 2022.

All the Board Members have completed the Pension Regulator's Public Service toolkit. All the Board Members have also attended a variety of externally organised conferences and seminars throughout the year as well as two internal training sessions on Investment Strategy and Responsible Investment; Investment Beliefs and the 2022 Actuarial Valuation.

The Work Programme

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

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

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

At alternative meetings during the year, the representative from WYPF was questioned on the data scores as reported to TPR. At the January meeting, the reported scores were Common data 95.78% and Scheme Specific data 84.38%. Both scores showed only marginal changes to those recorded six months previously, namely 95.86% and 84.32%, respectively. The target is 100%, particularly for Common data. At the March meeting, WYPF reported an improvement of 2% in the scheme specific data arising from the data improvement plan. Much of the missing data is historic but WYPF stated that the issue was being addressed. The Board will continue to monitor WYPF's progress against the data improvement plan.

The Board also noted that around 99% of the Annual Benefit Statements had been issued to members by the statutory deadline. This was considered to be an excellent achievement. However, the Board expressed concern at the apparent low number of members who had accessed the statements. WYPF stated that a report was being developed to identify the number of scheme members viewing annual benefit statements.

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

Employer monthly submissions and contribution monitoring - at each meeting, the Board considered a report from the Head of Pensions on any current issues within the fund including investment matters and the employers' monthly submissions and contribution monitoring. As regards the latter, for the vast majority of employers, the payment of contributions and the data submissions are made on a timely basis but there are a few outliers. During the year, there were 25 cases of the late payment of contributions and 43 cases of the late submission of monthly returns, out of over 6,000 returns and cash payments received over the year. This is both disappointing and unacceptable but there is a recognition that it is important to work with the employers to attempt to resolve issues before taking further action. Efforts will therefore continue to remind employers/payroll providers of their duties and responsibilities through individual contacts, either in person, by email or telephone. The Board will keep this issue under close review.

Annual Report & Accounts and External Audit - At the July meeting, consideration was given to the Pension Fund's draft Annual Report & Accounts for 2020/2021 A progress report on the external audit work outstanding and findings from the work completed was considered at the October meeting. The Board was advised that a combination of Covid-19 implications and staffing issues were cited by Mazars as contributing to the delay in the sign-off of the Accounts. An unqualified audit opinion was eventually issued on the Pension Fund Statement of Accounts. The Board congratulated the Head of Pensions on producing an excellent document.

There is still a concern that the low level of audit fees for the external audit might compromise the quality of the audit. There is an initiative at national level to try and improve the quality of the external audit provision for public sector organisations generally.

Internal audit activity - the Board reviewed an exempt report on the internal audit of several aspects of the pensions service, including scheme contributions, transfers out, new pensions and lump sums for flexible retirement, pensioner payroll, transfers in, mitigation of pension scams and life existence. Four of the topics received an excellent rating and three good. There were a few recommendations which management accepted and have been actioned. The overall conclusion of the review was that LCC's Internal Audit Team continue to be able to place reliance on the assurance work of the pensions administration function undertaken by the WYPF.

Prudential AVCs - for many years, Prudential has provided an excellent service for members with AVC funds. However, Prudential's administration platform was changed recently resulting in major problems and a poor service to members. These included long delays in the divesting of AVC pots invested with Prudential and delays in Prudential posting contributions to members' individual AVC pots. Both Lincolnshire and WYPF reported Prudential to the Pensions Regulator. Almost all LGPS funds using Prudential for AVCs appear to have been affected by these delays including WYPF and therefore Lincolnshire. In December 2021, Prudential attended the LGPS Scheme Advisory Board (SAB) meeting and reported on the action being taken to rectify the problems. Prudential confirmed that it had reported itself to the Pensions Regulator after failing to meet its statutory deadlines. Prudential advised the SAB that its performance in certain areas was improving. Both the Regulator and the Financial Conduct Authority are aware of the problems and have had meetings with Prudential. The latest experience from WYPF is that member retirements are being dealt with on a timelier basis. In addition, the annual members' statements for 2020/2021 were issued to Lincolnshire members in January 2022. Although the service is returning to normal, communication from Prudential remains disappointing.

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

The eleven elements of the Code are:

a) Reporting duties;

b) Knowledge and understanding;

c) Conflicts of interest;

d) Publishing information about schemes;

e) Managing risk and internal controls;

f) Maintaining accurate member data;

g) Maintaining contributions;

h) Providing information to members and others;

i) Internal dispute resolution;

j) Reporting breaches of the law; and

k) Scheme advisory board.

A checklist of 99 items covering the above was produced in a traffic lights format. It is pleasing to report that Lincolnshire was largely compliant throughout the year. As at March 2022, there were 95 green and 1 not relevant. There were 3 partially compliant because certain aspects are outside direct control. The Board considered that the compliance to tPR's Code was very good.

Conclusion

The Board considers the governance and administration of the Scheme to be sound. Lincolnshire's compliance to the vast majority of TPR's Code of Practice is particularly impressive. The Report and Accounts for 2020/2021 was an excellent document and there was an unqualified audit report. The Board will continue to monitor various national initiatives if any proposals unfold.

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

Roger Buttery
Pension Board Chair
May 2022

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

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

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

Investment Background

Returns for Major Markets

The twelve months to 31 March 2022 produced a range of returns across the asset classes.

Equity market returns were generally positive, with the laggard being Emerging Markets at a negative 3.3% and US Equities leading the pack at 21.2%.

Bond asset returns were mixed, with UK Gilts and UK Corporate Bonds negative at -5.1 and -5.5 respectively, UK Index Linked Gilts positive returning 5.1%.

UK Commercial Property was the best performing asset, with returns at 23.1% over the year.

Investment Returns to 1 April 2021 to 31 March 2022

The table below shows index returns that investors could have achieved, based in sterling.

Asset Class	Index	Index return to sterling investors %
Equities		
United Kingdom	FTSE All Share	13.0
Global Equities	FTSE World	12.7
United States	S&P 500	21.2
Europe ex UK	FTSE Developed Europe	6.5
Japan	TOPIX	(2.7)
Emerging Markets	FTSE Emerging	(3.3)
Fixed Interest		
UK Gilts	FTSE UK Gilts	(5.1)
UK Index Linked Gilts	FTSE Index–Linked	5.1
UK Corporate Bonds	IBoxx Sterling Non-Gilts All Stocks	(5.5)
UK Commercial Property	MSCI/AREF UK Property Fund Index - All Balanced Fund Index	23.1
Cash	12 Month SONIA	1.6

Asset Class Performance Narrative

Global Equity Overview

Global stock markets rose significantly over the past 12 months, led by the strong-performing US market.

Driven by economic optimism, vaccine rollouts, continued accommodative policy and a solid corporate reporting season, equity markets advanced largely unchecked through the spring and summer of 2021. The MSCI World Index reached a record high in August but sold off in September, as concerns grew over inflation and the need for interest rate hikes. Markets began to rally again in October on the back of strong corporate results. Despite selling off in late November amid the emergence of the new Omicron variant of Covid-19, they continued their rise into the end of the year as Omicron fears receded.

January brought a turbulent start to 2022 for financial markets. Global stock and bond markets fell heavily on concerns that developed world interest rates will have to rise faster and further than previously anticipated. Having initially dismissed surging inflationary pressures as 'transitory', despite the highest inflation rates in decades, the major Western central banks adopted a tougher tone in recent months. Further rate rises are expected in the US, UK, and Europe this year. Central banks have also begun winding down their bond-buying programmes.

February also brought major market volatility after Russia invaded Ukraine. Energy markets were especially affected, with oil and natural gas prices rocketing and food prices also climbing sharply. Equities fell in February, although hopes of a negotiated settlement meant developed stock markets recovered slightly in March. The Russian stock market and currency collapsed after Western economies imposed a series of severe sanctions upon the country's economy. Rising energy and food costs following the Russian invasion are expected to compound existing global inflationary pressures unless there is a resolution to the conflict.

UK Equities

The UK stock market recorded double-digit gains over the 12-month period. Investors continued to grapple with the economic fallout from the coronavirus pandemic as well as mounting concerns about inflation. However, the easing of lockdown restrictions following an effective vaccine rollout maintained the positive economic and stock market momentum for most of the period.

The UK equity market advanced steadily through the spring and summer of 2021, albeit stocks suffered a slight setback in July on higher Covid-19 numbers. The market dipped again in November following the emergence of the Omicron variant but quickly recovered in December as fears about the latest virus strain began to recede.

The broad UK stock market displayed relative resilience in a tough start to 2022 for global stock markets. The 'value' bias of the UK stock market and its exposure to energy and commodity stocks helped it hold up much better than most other developed stock markets during the volatility in January and February.

Inflation continued to rise in the UK, with annual consumer prices hitting a three-decade high of 6.2% in February. High energy costs, post-pandemic supply shortages caused by kinks in global supply chains and labour shortages are among the main reasons for escalating prices. The Bank of England

(BoE) reacted to spiking inflation by increasing its base rate at three consecutive meetings from December.

US Equities

US equities made significant gains during the last 12 months due to a successful vaccine rollout, economic reopening and strong company earnings. Progress faltered towards the end of the period, as the prospect of higher interest rates against a backdrop of surging inflation caused share prices to fall sharply in January 2022. US shares fell further in February as Russia's invasion of Ukraine rattled global stock markets. Nonetheless, the 12-month period was still marked by double-digit returns for the S&P 500 index.

Share prices continued to climb throughout the spring and into the summer of 2021, driven mainly by investors' ongoing optimism regarding the distribution of Covid-19 vaccines and generally positive economic data.

In November, the S&P 500 Index, fuelled by a robust results season, hit new highs for eight consecutive days – a record streak last achieved in 1997. The rally broke late in the month, as the headlines became dominated by news of the Omicron variant of Covid-19. Share prices started to move up again in December, as concerns surrounding the impact of the new variant eased.

With annual consumer inflation hitting successive multi-decade highs (including 7.9% in February), market expectations of interest rate rises mounted. Growth stocks, such as technology companies, which are especially sensitive to higher interest rates, were particularly hard hit in January's sell-off, with the tech-heavy Nasdaq Index falling sharply. US stocks fell again in February, although recovered some ground in March.

The Federal Reserve (Fed) raised interest rates by 0.25 percentage points in March, its first rate hike since 2018, and signalled as many as six further rate rises this year as the central bank seeks to dampen inflationary pressures caused by rising energy costs, supply chain challenges and a booming jobs market.

European Equities

European shares (excluding the UK) finished higher over the 12 months although have struggled in 2022. The region's equity markets performed well through the spring and summer months of 2021, despite ongoing lockdown measures and rising Covid-19 cases. After rising for seven consecutive months, European shares finally fell in September, with German equities among the worst performers.

European markets recovered in October before being hit in November by the Omicron scare. European stocks then rallied into the year-end but sold off sharply alongside global markets in January on the prospect of higher interest rates. This weakness extended into February after Russia's invasion of Ukraine towards the end of the month saw investors dump equities for lower-risk assets such as gold. European shares edged higher in March on hopes of a negotiated settlement to the conflict.

On the economic front, in common with the US and UK, soaring inflation is proving a challenge to European policymakers: eurozone annual inflation has been running at its highest level since the introduction of the euro, hitting 7.5% in March. Unlike the Fed and BoE, however, the European Central Bank has kept its main interest rate unchanged at emergency low levels.

Nevertheless, the central bank adopted a more hawkish tone and ended its Pandemic Emergency Purchase Programme in March 2022, while ECB President Christine Lagarde has not ruled out rate hikes in 2022.

Asian Pacific Equities

Equity markets in the Asia Pacific (excluding Japan) region fell over the 12-month period. Asian stocks initially gained ground, with markets supported by loose monetary policy by Asian central banks, improving economic data and vaccine rollouts. Several Asian markets reached record highs as a result. However, regional markets corrected thereafter, as a jump in bond yields dented investor confidence, while fresh waves of Covid-19 infections prompted renewed restrictions across several countries.

Volatility persisted throughout markets in the second half of the period, amid growing worries that inflation may persist even after global growth has peaked. Meanwhile, the emergence of the new Omicron variant and monetary-tightening measures by central banks further weighed on markets into the end of the period. Asian stock markets slipped further in February and March amid the global market volatility and higher commodity prices caused by Russia's invasion of Ukraine.

Looking at individual markets, Chinese equities sold off heavily. Aside from persistent tensions with the US, Chinese stocks were also buffeted by increased regulatory scrutiny across sectors, a slowing economy, and a resurgence in Covid-19 cases; the Chinese government's 'zero-Covid-19' policy led to lockdowns of the major cities of Shanghai and Shenzhen in March. Investors also fretted over property developer Evergrande's unresolved debt crisis, which led to worries of wider systemic risk within the real estate and financial sectors.

Elsewhere, the Indian market enjoyed strong gains, buoyed by the country's vaccine rollout and improving macro backdrop.

Japanese Equities

The Japanese stock market was slightly up over the 12 months (in local-currency terms), although underperformed other major developed markets and was down in sterling terms due to a weaker yen.

Early in the period, Japanese shares benefited from positive investor sentiment arising from vaccine breakthroughs and positive economic data. However, fears of rising infections, the slow vaccination programme and Tokyo entering its third emergency lockdown then weighed on markets. Japan was one of the strongest major developed markets in August and September, as investors reacted positively to the change in the political landscape and an improving Covid-19 picture.

Former Prime Minister Yoshihide Suga's approval rating sunk to a record low due to the government's handling of Covid-19, and the decision to go ahead with staging the Olympics during a global pandemic. He was replaced by Fumio Kishida as leader of the ruling Liberal Democratic Party. Against expectations, the party comfortably retained power in the general election at the end of October. Kishida's ascent to power was initially welcomed by investors due to expectations of an additional economic stimulus. However, investors became concerned that the new prime minister would raise taxes on financial income, primarily for the wealthy.

In common with global stock markets, Japanese equities sold off abruptly in January, with technology-related stocks especially weak. Unlike the US Fed, however, the Bank of Japan is not under pressure to raise interest rates. Japanese inflation remains relatively subdued despite higher energy costs.

Fixed Interest

Corporate Bonds

A sell-off in investment-grade and high-yield bonds in January 2022 on the back of fears of rising interest rates, followed by further weakness in February and March after Russia's invasion of Ukraine, meant corporate bonds experienced a challenging 12- month period.

Fears over the impact of Covid-19 on the credit market, particularly high-yield bonds, had dissipated somewhat by the beginning of the period. Economies had emerged from the first lockdown and the major central banks were purchasing corporate bonds through their stimulus programmes.

Early in the period, as government bond yields stabilised, corporate bonds performed relatively well through to August, even as the Fed said it would begin offloading corporate bonds bought through its pandemic support plan. However, corporate bonds fell in September as minutes from the Fed's rate-setting committee suggested an increasingly hawkish approach from policymakers.

Bonds recovered somewhat in the final quarter of 2021, despite continuing bond market volatility, but fell heavily in the opening quarter of 2022. Spreads for global investment grade corporate bonds widened significantly over the first quarter as, first, expectations of higher interest rates, followed by the outbreak of war in Ukraine, rattled bond investors. The conflict also further increased inflationary pressures globally, contributing to a large increase in government yields, with the 10-year US Treasury yield rising to 2.40% by the end of the period.

Government Bonds

Global government bonds endured a challenging 12 months as investors were forced to face up to a dramatic change in the interest rate environment. An end to bond-buying stimulus programmes in 2022 and the prospect of central banks raising interest rates faster and further than previously anticipated led to a major sell-off in government bonds in the opening quarter of 2022. US Treasuries experienced their worst quarter on record.

Global government bond prices largely fell from July onwards amid concerns about a withdrawal of central bank support. Meanwhile, the Bank of Canada surprised investors by ending its quantitative easing programme in September. Soon after, minutes from the US Fed's rate-setting committee signalled changes were on the way. This came to fruition in November as the Fed started to scale back its bond purchases in the face of multi-decade high inflation numbers, which jumped to 6.8% in November, a then 40-year high. The Fed held interest rates at its December meeting but announced that it would accelerate the reduction of its bond-buying programme.

The trend of falling government bond prices reversed in November as news of the Omicron variant hit bond markets, with investors selling equities and buying government debt. But this was short-lived due to more central banks starting to show their hand through December in a bid to combat rising inflation. The BoE was the first major central bank to raise rates since the

pandemic. It increased its base rate from 0.10% to 0.25% in December and followed with two more rate increases in February and March, as UK annual consumer price inflation continued to climb, hitting a 30-year high of 6.2%, based on February's data.

The Fed raised interest rates by 0.25 percentage points in March, its first rate hike since 2018, and signalled as many as six further rate rises this year as the US central bank seeks to dampen inflationary pressures caused by rising energy costs, supply chain challenges and a booming jobs market – annual consumer price inflation hit 7.9% in February. The US Treasury yield curve briefly inverted during March; a move often considered a signal of a pending recession.

UK Commercial Property

Total returns from UK commercial real estate were 21.8% over the 12 months to the end of February. Offices were the weakest, returning 5.8%, while industrials outperformed with a return of 40.2%. Investment activity was high over the period, although polarisation between and within sectors was acutely visible, with the industrial and logistics sector the most favoured sector, while retail picked up as restrictions eased.

The office sector is likely to face some major structural challenges ahead. Performance for the sector has held up over the 12 months, but polarisation between the very best and the rest will become more evident in 2022/2023, with the forecast profile reflecting gradual declines in values and rents.

Meanwhile, according to Colliers, UK real estate investment spend is expected to hit £65 billion in 2022, with transaction volumes already at £12.3 billion over the first three months of the year. Elsewhere, offices in the UK have seen incremental rises in occupancy at the beginning of 2022, with the return to offices happening slowly as the Government's 'Work from Home' guidance is lifted.

Administration of Benefits

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

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

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

The Pensions Committee and Pension Board take a keen interest in the administration of the Fund, and receive regular reports and presentations (see the Board's annual report on page 32) on all aspects of the administration service.

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

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

Key Service Performance Indicators and Direction of Travel

Event	No. Cases	Target Days to Complete	Cases Target Met	Minimum Target %	Target Met %	Average Days Taken	Travel
AVC in-house	141	20	138	85	97.87	2.28	↑
Age 55 Increase	2	20	2	85	100	19	↔
Change of address	1,071	10	1,034	85	96.55	2.05	↑
Change of bank details	267	10	255	85	95.51	3.19	↑
Death grant nomination received	1,427	20	1,144	85	80.17	10.63	↓
DWP request for information	8	20	7	85	87.5	7.88	↓
Death grant set up	131	5	111	85	84.73	4.9	↓
Death in retirement	539	5	481	85	89.24	4.49	↓
Death in service	22	5	22	85	100	5	↑
Death in deferment	49	5	46	85	93.88	4.65	↓
Deferred benefits into payment – actual	963	5	925	90	96.05	1	↓
Deferred benefits into payment – quote	1,169	35	1,033	85	88.37	14.47	↓
Deferred benefits set up on leaving	1,866	20	1,363	85	73.04	19.74	↓
Divorce quote	144	20	134	85	93.06	12.41	↑
Divorce settlement – pension sharing order implemented	4	80	4	100	100	1	↔
Enquiry	18	5	17	85	94.44	1.56	NEW
Estimates for deferred benefits into payment	11	10	11	90	100	2.91	↑
General Payroll Changes	354	10	351	85	99.15	1	↑
Initial letter death in service	22	5	22	85	100	1	↔
Initial letter death in retirement	556	5	528	85	94.96	1.77	↓
Initial letter death in deferred	49	5	43	85	87.76	4.18	↓

Event	No. Cases	Target Days to Complete	Cases Target Met	Minimum Target %	Target Met %	Average Days Taken	Travel
Interfund Linking In Actual	238	35	183	85	76.89	26.29	NEW
Interfund Linking In Quote	272	35	162	85	59.56	33.46	NEW
Interfund Out Actual	346	35	144	85	41.62	93.38	NEW
Interfund Out Quote	346	35	306	85	88.44	13.08	NEW
Monthly posting	3,182	10	2,990	95	93.97	2.89	↓
NI adjustment at state pension age	56	20	56	85	100	18.68	↑
Payment of spouses - child benefits	290	5	270	90	93.1	5	↓
Pension estimate	629	10	511	90	81.24	5.42	↓
Pension Saving Statement	2	20	2	100	100	1	◄►
Phone Call Received	4,129	3	4,044	95	97.94	1	↓
Refund payment	508	10	500	95	98.43	1.07	↓
Refund quote	846	35	836	85	98.82	1.72	↓
Retirement actual	721	3	707	90	98.06	1	↑
Spouse potential	23	20	21	85	91.3	10.87	↑
Transfer in payment received	85	35	81	85	95.29	6.55	↓
Transfer in quote	140	35	139	85	99.29	2.64	↓
Transfer out payment	62	35	57	85	91.94	13.26	↓
Transfer out quote	445	20	399	85	89.66	8.53	↑
Update Member Details	2,591	20	2,591	100	100	1	↑

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

There are some areas that have a red direction of travel arrow, where the performance target has not been met and that has declined over the year:

- Death Grant Nomination Form Received

- Death Grant to Set Up
- Deferred Benefits Set Up on Leaving
- Interfund In / Out
- Monthly Posting
- Pension Estimate

KPI's are brought to the Committee and Board quarterly and any areas that do not meet the standard required are discussed. The Fund understands the reasons behind any underperformance and what is being done to rectify the situation, and this does not provide the Fund with any cause for concern.

Industry standard performance indicators

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

Industry Standard Performance Indicators	Target days	Achieved %
Letter detailing transfer in quote	10	99.7
Letter detailing transfer out quote	10	57.5
Process and pay refund	5	95.4
Letter notifying estimate of retirement benefit	10	95.9
Letter notifying actual retirement benefit	5	92.9
Process and pay lump sum retirement grant	5	89.9
Letter acknowledging death of a member	5	96.9
Letter notifying amount of dependants benefit	5	91.4
Calculate and notify deferred benefit	10	96.2

New Pensions Paid

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

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

New pensions paid	2021/22 Member numbers
Active Status	274
Normal	431
Early	124
Late	35
Ill health	35
Redundancy	38
Total active	902
Deferred status	
Normal	412
Early	558
Late	18
Ill health	8
Total deferred	996

Pension Overpayments

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

Overpayments	2021/22 £'000
Annual payroll	84,922
Overpayments value	28
Overpayments written off	0
Overpayments recovered (incl. bf recovered)	28

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

Analysis of overpayments	2021/22 Number of payments
Pensions paid during period	263,990
Cases overpaid	45
Cases written off	0
Cases recovered (incl. bf recovered)	45

Fraud Prevention – National Fraud Initiative

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

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

Pensioners, beneficiaries and deferred members	No. of records sent	No. and percentage of mismatches		Over payments identified	Possible frauds	Mismatches carried forward at 31 March
2021/22	288,636	1,685	0.6%	15	0	22
2020/21	286,429	963	0.3%	4	0	1
2019/20	277,293	3,845	1.4%	17	2	10
2018/19	260,387	3,339	1.3%	3	2	2
2017/18	229,994	518	0.2%	35	2	10

Value for money - Cost per member

The latest published data (2020/21) for all LGPS funds administration costs shows that LPF pensions administration cost per member is £12.82, the 3rd lowest cost amongst 86 LGPS funds and well below the national average of £24.16

In 2020/21 LPF had a below average total cost per members (administration, investment and oversight & governance) at £150.94, the national average for LGPS in 2020/21 was £274.31.

Cost per member 2020/21	Position	Lincolnshire Pension Fund	LGPS Lowest*	LGPS Highest*	LGPS Average
Administration	3rd	£12.82	£1.08	£158.29	£24.16
Investment	12th	£128.30	£17.25	£1,029.58	£238.43
Oversight and governance	33rd	£9.82	£0.00	£53.00	£11.74
Total Cost per member	11th	£150.94	£33.63	£1,088.82	£274.33

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

The 2021/22 annual cost of managing the Lincolnshire Pension Fund per member, as summarised in note 10 in the accounts, is set out below:

- Administration cost per member is £13.32;
- Investment management cost per member is £133.36;
- Oversight and governance cost per member is £10.21; and
- Total management cost per member is £156.89.

Staffing

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

Shared service staff full time equivalent (FTE)	2017/18	2018/19	2019/20	2020/21	2021/22
Service Centre	58.1	59.5	54.8	52.4	57.7
Payroll	19.0	17.6	16.1	17.3	21.4
ICT	13.7	14.4	15.4	14.4	12.6
Finance	16.0	14.5	12.0	11.8	15.8
Business support	27.4	28.8	28.4	27.4	35.1
Technical	3.9	4.9	4.9	5.0	5.6
Total	138.1	139.7	131.6	128.3	148.2

Key activities undertaken during the year

Employer training

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

The webcasts this year have covered:

- Processing pension statement blocks and quarantines
- Understanding final pay
- Final pay – 'the deep dive'
- Overview of the LGPS
- The Ill health process
- What is a leaver?
- How to get the most out of the employer portal
- Walk through the online leaver form
- Valuation and the importance of your data
- Understanding CPP (CARE pay)
- Completing your March return: 'steps to success'
- Blocks & Quarantines P1 (Theory)
- Blocks & Quarantines P2 (How to clear)
- Assumed Pensionable Pay

Workshop on 'Planning for a positive retirement'

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

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

Pension Increase

Each year, LPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI). Deferred member's benefits are also increased by CPI. For the 2021/22 year an increase of 0.5% was applied on 12 April 2021.

Pension administration and cost

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

The shared service delivery continues to be underpinned by its accreditation to the International Organisation for Standardisation - ISO 9001:2000. The quality management systems ensure that the shared service is committed to providing the best possible service to customers, and will continue to ensure that it delivers best value to all stakeholders. The latest published data for all LGPS funds administration costs shows that LPF pensions administration cost per member is £12.82, this is the 3rd lowest cost amongst 86 LGPS funds and well below national average of £24.16.

Communications

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

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

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

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

MyPension

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

Data quality

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

Current data quality figures for LPF are shown below:

Common data field	Data score %
Forename	100.0
Surname	100.0
Membership status	100.0
Date of birth	100.0
NI number	99.9
Address	96.1
Postcode	100.0

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

Disaster recovery and risk management monitoring

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

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

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

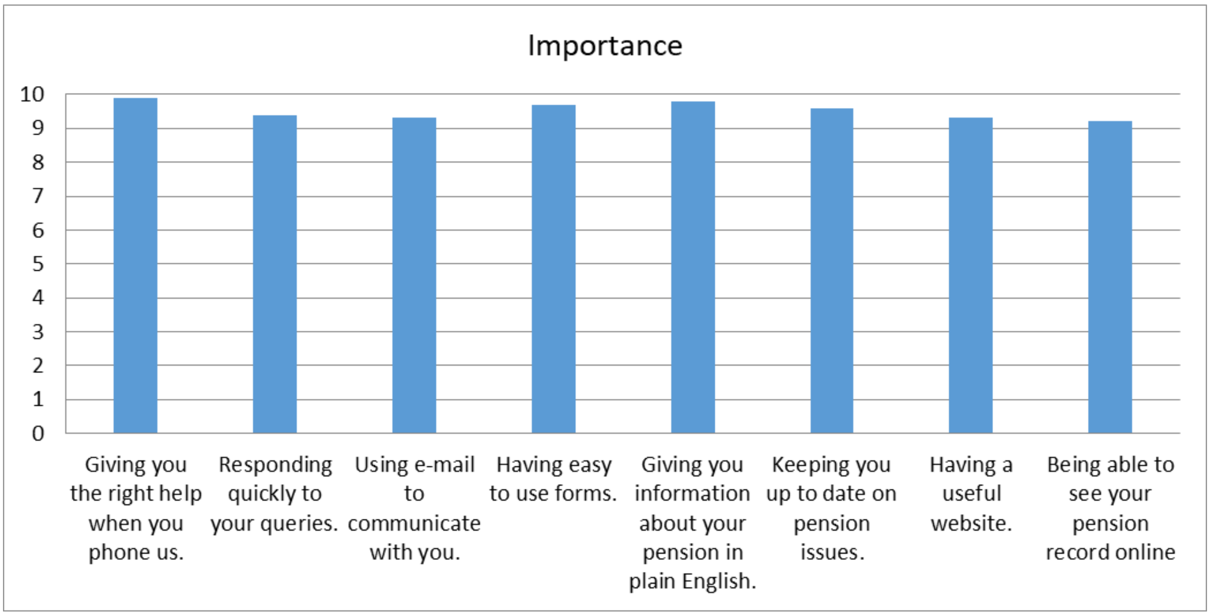
Customer satisfaction

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

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

April – June 2021	July - Sept 2021	Oct - Dec 2021	Jan - March 2022
81.7%	96.9%	91.5%	95.3%

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



Summary of LGPS Contributions and Benefits

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

Membership from 1 April 2014

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

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

Contributions

Employee's contribution rates from 1 April 2014 are based on actual pensionable pay using the pay band table below. The bands are increased each April in line with inflation by the Ministry of Housing, Communities and Local Government. The bands, as they stood at 31 March 2022, are shown below.

Full Time Equivalent Pay	Contribution Rate
Up to £14,600	5.5%
More than £14,600 and up to £22,900	5.8%
More than £22,900 and up to £37,200	6.5%
More than £37,200 and up to £47,100	6.8%
More than £47,100 and up to £65,900	8.5%
More than £65,900 and up to £93,400	9.9%
More than £93,400 and up to £110,000	10.5%
More than £110,000 and up to £165,000	11.4%
Over £165,000	12.5%

Benefits

The retirement age for scheme members is their Normal Pension Age which is the same as their State Pension Age (but with a minimum of age 65). However, employees may retire and draw their pension at any time between age 55 and 75. If an employee chooses to retire before their Normal Pension

Age it will normally be reduced, as it is being paid earlier, and if taken later than Normal Pension Age then it will be increased, as it is being paid later. Retirement before age 55, other than on ill-health grounds, is not possible.

Annual Pensions

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

Lump Sum Payments

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

Ill Health Retirement

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

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

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

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

Death-benefits

Death in service attracts a tax free lump sum of three times final pensionable pay. An annual pension is payable to a spouse/civil partner/co-habiting partner (when meeting certain criteria) and eligible children, however civil partners and co-habiting partners pensions are based on post 5 April 1988 membership only. If a member dies within ten years of their retirement (or up to age 75), a single lump sum payment is made of ten times the member's annual pension, less any pension paid since retirement. For a member who retired prior to 1 April 2008 and dies within five years of their retirement, a single lump sum payment is made of five times the member's annual pension less any pension paid since retirement. The surviving spouse is entitled to an annual pension based on 1/160 accrual of the member's membership.

Supplementary Pensions

Scheme members may purchase additional pension of up to a maximum of £6,822 per annum, in blocks of £250, through Additional Pension Contributions (APCs.). As an alternative, Scheme members may increase their benefits by paying Additional Voluntary Contributions (AVCs). The AVC provider, appointed by the County Council as the administering authority, is Prudential.

Membership from 1 April 2008 to 31 March 2014

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

National legislation and regulation covered the LGPS, including the benefit entitlements of Scheme participants and their families. Such benefits were not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits under this tranche are outlined below:

Contributions

Employees contributed between 5.5% and 7.5% of their pensionable pay towards their pension.

Benefits

The retirement age for scheme members was 65. However, employees could retire between 60 and 65 but would suffer a reduction to their benefits (unless protected under the 85 year rule). Retirement before age 60*, other than on ill-health grounds, was not possible without the permission of the employer (*superseded by LGPS (Amendment) Regulations 2018, with effect from 14 May 2018, to enable deferred members to take their pension from age 55 (with reductions) without employer consent).

Annual Pensions

Pensions were calculated at a rate of 1/60 of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over (no age restriction for ill-health) were increased each April in line with inflation.

Lump Sum Payments

On service from 1 April 2008 there was no automatic lump sum, but members had the option to commute pension at the rate of £12 cash lump sum for every £1 pension given up, subject to maximum tax free lump sum of 25% of capital value of accrued benefits at retirement.

Ill Health Retirement

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

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

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

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

Death-benefits

Death in service attracted a tax free lump sum of three time's final pensionable pay. An annual pension was payable to a spouse/civil partner/co-habiting partner (when meeting certain criteria) and eligible children, however civil partners and 'nominated' dependent partners pensions are based on post 5 April 1988 membership only (now superseded to allow payment without a nomination form). If a member died within ten years of their retirement (or up to age 75), a single lump sum payment was made of ten times the member's annual pension, less any pension paid since retirement. The surviving spouse was entitled to an annual pension based on 1/160 accrual of the member's membership.

Supplementary Pensions

Scheme members could purchase additional pension of up to a maximum of £6,755 per annum, in blocks of £250, through Additional Pension Contributions (APCs). As an alternative, Scheme members could increase their benefits by paying Additional Voluntary Contributions (AVCs). The AVC provider, appointed by the County Council as the administering authority, was Prudential.

Membership up to 31 March 2008

Membership of the LGPS was available to all contracted employees of participating employers whether whole time, part time or casual.

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

Contributions

Employees contributed 6% of their pensionable pay towards their pension, the exception being manual workers who were Fund members before 1 April 1998 who paid 5%.

Benefits

The normal retirement age for Scheme members was 65 but employees in the Scheme prior to 1 April 1998 could retire at 60* provided they had 25 years' service. Retirement before these ages, other than on ill-health grounds, was not possible without the permission of the employer (*superseded by LGPS (Amendment) Regulations 2018, with effect from 14 May 2018, to enable deferred members to take their pension from age 55 (with reductions) without employer consent).

Annual Pensions

Pensions were calculated at a rate of 1/80 of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over were linked to the movement in inflation.

Lump Sum Payments

A member received a tax free lump sum payment in retirement of three times their pension, with an option to take a bigger lump sum by exchanging part of their pension. Up to 25% of the capital value of a member's pension could be taken as tax free cash.

Ill Health Retirement

Benefits were as for normal retirement but with additional years added dependent on the length of pensionable membership.

Death-benefits

Death in service attracted a lump sum grant equivalent to up to twice final pensionable pay. An annual pension was payable to the surviving spouse and any eligible children. For death after retirement a single payment was made of five times the member's annual pension (less any pension paid since retirement). The surviving spouse was entitled to an annual pension of up to 50% of the member's pension for the rest of their life.

Supplementary Pensions

Scheme members could purchase additional membership within the Scheme up to a maximum of 6 2/3rd years. As an alternative, Scheme members could increase their benefits by paying Additional Voluntary Contributions, up to limits prescribed in scheme rules, to an AVC provider appointed by the County Council as the administering authority. The Lincolnshire AVC provider was Prudential plc.

The principal points of contact in respect of questions about the LGPS are:

Pensions Administration	West Yorkshire Pension Fund WYPF, PO Box 67, Bradford, BD1 1UP Tel: 01274 434999 | Email: pensions@wypf.org.uk
Pension Fund and Investments	Jo Ray, Head of Pensions Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL Tel: 01522 553656 | Email : jo.ray@lincolnshire.gov.uk

Pension Fund Knowledge and Skills Policy and Report

As an administering authority of the Local Government Pension Scheme, Lincolnshire County Council recognises the importance of ensuring all staff and individuals charged with the financial management and decision making regarding the Pension Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. Within the management of the Pension Fund, LCC seeks to appoint individuals who are both capable and experienced and will provide and arrange training for staff and individuals involved to enable them to acquire and maintain an appropriate level of expertise, knowledge, and skills.

An annual training plan is agreed by the Pensions Committee each year, setting out what training will be covered over the coming year and linking it back to the CIPFA Knowledge and Skills Framework. Knowledge and skills are acquired and maintained through attendance at the regular Pensions Committees, as well as through additional training sessions targeting specific areas, and attendance at seminars and conferences. In addition, all members are offered the opportunity to attend the three-day fundamentals training arranged by the Local Government Association (or an equivalent course) and all new members are offered a one-to-one training session with the Head of Pensions. All Committee members are also required to complete the Pension Regulator's Public Sector Toolkit, to further extend their knowledge.

The Executive Director - Resources is the delegated officer responsible for ensuring that policies and strategies are implemented.

Activity in 2021/22

A full training plan was taken to Pensions Committee in July 2021 to identify training requirements over the coming year. The training plan was linked to specific areas within the CIPFA Knowledge and Skills Framework.

The 6 areas within the Knowledge and Skills Framework are:

1. Pensions Legislative and Governance Context
2. Pensions Auditing and Accounting Standards
3. Financial Services Procurement and Relationship Management
4. Investment Performance and Risk Management
5. Financial Markets and Products Knowledge
6. Actuarial Methods, Standards and Practices

The CIPFA Knowledge and Skills Framework was updated in 2021, and the 2022/23 training plan will reflect this.

The table below details the various areas covered in training and Committee presentations during the year, and the areas within the Knowledge and Skills Framework that they relate to.

Date	Subject matter	KSF area(s)
15 July 2021		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Responsible Investment Update	1,4
	Pensions Administration Report	1
	Employer Monthly Submissions Report	1
	Risk Register Annual Review	1,4
	Annual Training Plan and Policy	1
	Draft Annual Report and Accounts	1,2,4,5
	Annual Property and Infrastructure Report	4,5
	Investment Performance Report	4,5
16 September 2021		
Training	Border to Coast Responsible Investment	1,4,5
	Investment Strategy	1,4,5
14 October 2021		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Responsible Investment Update	1,4
	Pensions Administration Report	1
	Employer Monthly Submissions Report	1
	Annual Report and Accounts - External Audit Update	2
	Performance Measurement Annual Report	1,4
	Investment Performance Report	4,5
	Investment Strategy Review Report	1,4,5
	Investment Consultant Tender and Appointment Report	3
2 October 2021		
Training	Border to Coast Annual Conference	1,3,4,5
16 December 2021		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Responsible Investment Update	1,4
	Pensions Administration Report	1
		1

Date	Subject matter	KSF area(s)
	Data Quality Report	1
	Employer Monthly Submissions Report	1,4
	Border to Coast RI and Corporate Governance Voting Policies	2
	External Audit Completion Report	4,5
	Investment Performance Report	
6 January 2022		
Reports	External Manager Presentation	4,5
17 February 2022		
Training	Barnett Waddingham – Valuation	6
	Investment and Responsible Investment Beliefs Review	1,4,5
17 March 2022		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Responsible Investment Update	1,4
	Pensions Administration Report	1
	Employer Monthly Submissions Report	1
	Investment and Responsible Investment Beliefs	1,4,5
	Fund Policies Review	1,4
	LPF Business Plan 22/23	1
	Annual Accounting Policies Review	2
	Investment Management Report	4,5
	AVC Provider Review	1,3

As the officer responsible for ensuring that the training policies and strategies are implemented, the Executive Director - Resources can confirm that the officers and individuals charged with the financial management of and the decision making for the Pension Fund collectively possess the requisite knowledge and skills necessary to discharge those duties and decisions required during the reporting period.

Committee Meeting Attendance 2021/22

As a result of the Coronavirus pandemic, all meetings were held in person, however on occasion Committee members attended virtually as observers. The table below shows attendance of each of the eleven members at each Committee meeting and training meeting held over the year. Actual attendance is shown with a black tick and virtual attendance is shown with a red tick.

	July 21	Sep 21	Oct 21	Dec 21	Jan 21	Feb 21	Mar 21
Cllr E W Strengiel (Chairman)	✓	✓	✓	✓	✓	✓	✓
Cllr P E Coupland (Vice Chairman)	✓	✓	✓		✓	✓	
Cllr M G Allan	✓	✓	✓	✓		✓	✓
Cllr M Griggs				✓			
Cllr Mrs A M Newton MBE	✓	✓		✓	✓		
Cllr S Parkin		✓	✓		✓		✓
Cllr T Smith	✓	✓	✓	✓	✓	✓	✓
Cllr Dr M E Thompson	✓	✓	✓	✓	✓	✓	✓
Cllr R Waller	✓	✓	✓	✓			✓
S Larter	✓	✓	✓	✓	✓		✓
A Antcliff	✓	✓	✓	✓	✓	✓	✓
Total Attendance	9	10	9	9	8	6	8

All members of the Pensions Committee have full voting rights.

Fund Account – Year Ended 31 March 2022

	See note	2020/21 £000	2021/22 £000
Contributions and Benefits			
Contributions Receivable	6	(113,558)	(120,601)
Transfers In from other Pension Funds	7	(7,081)	(7,977)
		(120,639)	**(128,578)**
Benefits Payable	8	98,215	101,369
Payments To and On Account of Leavers	9	20,694	6,236
		118,909	**107,605**
Net (additions)/withdrawals from dealings with Fund Members		**(1,730)**	**(20,973)**
Management Expenses	10	11,601	14,191
Net (additions)/withdrawals including Management Expenses		**9,871**	**(6,782)**
Returns on Investments			
Investment Income	11	(18,788)	(8,372)
(Profit)/Loss on Disposal of Investments and Change in the Value of Investments	12A	(519,604)	(273,977)
(Profit)/Loss on Forward Foreign Exchange	13	(29,687)	17,444
Net Returns on Investments		**(568,079)**	**(264,905)**
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(558,208)	(271,687)
Opening Net Assets of the Fund		(2,219,327)	(2777,535)
Closing Net Assets of the Fund		**(2,777,535)**	**(3,049,222)**

Net Asset Statement as at 31 March 2022

	See note	31 March 2021 £000	31 March 2021 £000
Long Term Investment Assets	12	1,182	1,182
Investment Assets	12	2,760,033	3,031,327
Investment Liabilities	12	(12,429)	(1)
Total Net Investments		**2,748,786**	**3,032,508**
Current Assets	19	31,779	24,038
Current Liabilities	20	(3,030)	(7,324)
Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period		**2,777,535**	**3,049,222**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 18.

Notes to the Pension Fund Accounts

Note 1. Description of the Pension Fund

The Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and Lincolnshire County Council is the Administering Authority. Benefits are administered by West Yorkshire Pension Fund (WYPF) in a shared service arrangement.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee, which is a committee of Lincolnshire County Council.

Membership

Membership of the LGPS is automatic for eligible employees, but they are free to choose whether to remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the relevant employer. Admitted bodies include charitable organisations and similar not-for-profit bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 260 contributing employer organisations in the Fund including the County Council and just under 73,600 members, as detailed below (information reported based on March processed data):

	31 March 2021	31 March 2022
Number of Employers with Active Members	**249**	**260**
Number of Employees in the Fund		
Lincolnshire County Council	9,228	9,525
Other Employers	13,810	14,897
Total Active Members	**23,038**	**24,422**
Number of Pensioners		
Lincolnshire County Council	16,369	15,483
Other Employers	8,377	8,053
Total Pensioner Members	**24,746**	**23,536**
Number of Deferred Pensioners		
Lincolnshire County Council	17,413	16,731
Other Employers	8,747	8,919
Total Deferred Pensioners	**26,160**	**25,650**
Total number of Members in the Scheme:	**73,944**	**73,608**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. Rates paid by employers during 2021/22 were determined at the 2019 Valuation, or when a new employer joins the scheme. Rates paid during 2021/22 ranged from 16.3% to 35.2% of pensionable pay. In addition, the majority of employers are paying monetary amounts to cover their funding deficit.

Benefits

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Price Index.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre April 2008	Service post April 2008
Pension	Each year is worth 1/80 x final pensionable salary	Each year is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3/80 x salary In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits.

Note 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounting policies set out below (at Note 3) have been applied consistently to all periods presented within these financial statements.

The accounts report the net assets available to pay pension benefits. The accounts do not take into account obligations to pay pensions and other benefits that fall due after the end of the financial year, nor do they taken into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the account, or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 18.

The accounts have been prepared on a going concern basis.

Accounting standards that have been issued but have not yet been adopted

On an annual basis the Code requires the Pension Fund to consider the impact of accounting standards that have been issued but have not yet been adopted and disclose information relating to the impact of these standards. For 2022/23 the Code introduces the following changes to the accounting standards:

- Adoption of the new accounting standard on leasing, IFRS 16 Leases, for those local authorities who have opted to adopt the standard from 2022/23;
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme has changed four standards for 2022/23. These include: IFRS 1 (First-time adoption); IAS 37 (Onerous contracts); IFRS 16 (Leases) and IAS 41 (Agriculture). It is not envisaged that any of these changes will have a significant effect on pension fund financial statements; and
- Amendments to IAS 16 Property, Plant and Equipment relating to proceeds before intended use.

It is not thought that any of these changes will have a significant impact on the Pension Fund Accounts for 2022/23.

Note 3. Significant Accounting Policies

Fund account - revenue recognition

a) Contributions income

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

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

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustments certificate.

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

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

b) Transfers to and from other schemes

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

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

c) Investment Income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Changes in the net market value of investments

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

Fund account - expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

i) **Administrative expenses**
All staff costs of the pensions administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

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

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

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

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

In addition, the Fund has negotiated with 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.

g) Financial assets

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into, but not yet completed at 31 March each year are accounted for as financial instruments held at amortised cost. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund and are classified as Fair Value through Profit and Loss (FVPL).

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

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

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

h) Foreign currency transactions

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

i) Derivatives

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

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

j) Cash and cash equivalents

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

k) Financial liabilities

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

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

l) Actuarial present value of promised retirement benefits

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

m) Additional voluntary contributions

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

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

n) Contingent assets and contingent liabilities

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

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

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

Note 4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, which are described above in Note 3, the Fund is required to make judgements about transactions and the value of assets and liabilities where there is an element of uncertainty. Below the Fund has disclosed details of significant judgements, where if a different conclusion were reached, it would result in a material difference in the financial statements or disclosures made.

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. This estimate can be subject to significant variances based on changes to the underlying assumptions applied. The Fund relies on the appointed actuary's judgement to agree changes to these assumptions. At 31 March 2022 the actuary has reviewed and updated the funding position from the 2019 valuation, details of this are summarised in Pension Fund Note 17.

These assessments are important to the Fund because the triennial actuarial revaluations are used to set future contribution rates and underpin the Fund's investment management policies, including the mix of investment assets held by the Fund to meet future pension liabilities.

Note 5. Assumptions Made About the Future and Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts for the year ended 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liabilities by c. £387m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by c. £29m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by c.£178m. 4) a one-year increase in assumed life expectancy would increase the liability by c. £191m.
Hedge Funds (Note 14)	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	A fund manager estimates that the sensitivity of the valuation of these assets included at level 3 in the fair value hierarchy is +/-8%. This equates to a +/- £6.5m on a carrying value of £81.7m.
Unquoted Assets (including Alternatives, Infrastructure, Other Property and Private Equity) (Note 14)	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the Special Guidance issued in March 2020 concerning the impact of Covid-19 on valuations. These instruments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Unquoted Assets at 31 March 2021 are valued at £305.1m in the financial statements. There is a risk that these investments may be under or over stated in the accounts. Alternatives by +/-10% or £26.6m on a carrying value of £265.8m Infrastructure by +/-14% or £8.3m on a carrying value of £59.3m Other Property by +/-21% or £2.4m on a carrying value of £11.5m. Private Equity by +/-20% or £1.6m on a carrying value of £7.9m

Note 6. Contributions Receivable

Contributions receivable are analysed below:

	2020-21 £000	2021-22 £000
Employers		
Normal	66,028	68,777
Deficit Recovery Funding	23,655	26,595
Additional – Augmentation	1,182	1,498
Members		
Normal	22,618	23,651
Additional Years	75	80
Total Contributions Receivable	**113,558**	**120,601**

These contributions are analysed by type of Member Body as follows:

	2020-21 £000	2021-22 £000
Lincolnshire County Council - Administering Authority	48,066	51,573
Scheduled Bodies	61,797	65,305
Admission Bodies	3,695	3,723
Total Contributions Receivable	**113,558**	**120,601**

Note 7. Transfers In From Other Pension Funds

	2020-21 £000	2021-22 £000
Individual Transfers from Other Schemes	7,081	7,940
Group Transfers from Other Schemes	-	37
Total Transfers In from Other Pension Funds	**7,081**	**4,977**

During 2021/22 Foxfields Academy, a member of C.I.T. Multi-Academy Trust transferred from the Leicestershire Pension Fund into the Lincolnshire Pension Fund. All assets and liabilities relating to Foxfields Academy have been transferred into the Lincolnshire Pension Fund.

There were no material outstanding transfers due to the Pension Fund as at 31 March 2022.

Note 8. Benefits Payable

	2020-21 £000	2021-22 £000
Pensions	80,633	82,895
Commutations and Lump Sum Retirement Benefits	15,694	16,177
Lump Sum Death Benefits	1,888	2,297
Total Benefits Payable	**98,215**	**101,369**

These benefits are analysed by type of Member Body as follows:

	2020-21 £000	2021-22 £000
Lincolnshire County Council - Administering Authority	50,978	52,274
Scheduled Bodies	42,855	43,918
Admission Bodies	4,382	5,177
Total Benefits Payable	**98,215**	**101,369**

Note 9. Payments To and On Account of Leavers

	2020-21 £000	2021-22 £000
Individual Transfers to Other Schemes	4,986	5,302
Group Transfers to Other Schemes	15,481	677
Refunds to Members Leaving Service	227	267
Total Payments To and On Account of Leavers	**20,694**	**6,236**

During 2020/21 Stamford New College merged with Peterborough College. All assets and liabilities relating to Stamford New College have been transferred to the Cambridgeshire Pension Fund. The original asset transfer was based on estimated performance at 31 March 2021 and took place in 2020/21. The final transfer value, based on actual 31 March 2021 performance was made during 2021/22.

There were no material outstanding transfers due from the Pension Fund as at 31 March 2022.

Note 10. Management Expenses

	2020-21 £000	2021-22 £000
Administrative Costs	985	1,189
Investment Management Expenses	9,861	12,201
Oversight and Governance Costs	755	801
Total Management Expenses	**11,601**	**14,191**

The External Audit fee for the year was £0.019m (£0.019m in 2020/21).

A further breakdown of the investment management expenses is shown below:

2021/22	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000
Managed by Border to Coast	3,421	3,105	-	316
Unitised Insurance Policies	533	533	-	-
Unit Trusts	1,846	1,742	(19)	123
Other Managed Funds	6,179	4,301	1,768	110
Cash	-	-	-	-
	11,979	**9,681**	**1,749**	**549**
Custody Fees	222			
	12,201			

2020/21	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000
Equities	1,473	541	-	932
Managed by Border to Coast	2,495	2,277	-	218
Unitised Insurance Policies	198	315	-	13
Unit Trusts	1,314	1,325	(16)	5
Other Managed Funds	4,029	3,645	279	105
Cash	-	-	-	-
	9,639	**8,103**	**263**	**1,273**
Custody Fees	222			
	9,861			

Note 11. Investment Income

	2020-21 £000	2021-22 £000
Equities	10,978	339
Managed by Border to Coast		
Bonds	-	68
Unitised Insurance Policies		
Global Equities	-	60
Unit Trusts:		
Property	2,572	2,199
Other Managed Funds:		
Property	221	294
Infrastructure	2,853	2,891
Alternatives	2,006	2,287
Interest on Cash Deposits	87	233
Stock Lending	71	-
Total Investment Income	**18,788**	**8,372**

Note 12. Investments

	2020-21 £000	2021-22 £000
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	1,182
Total Long Term Investment	**1,182**	**1,182**

	2020-21 £000	2021-22 £000
Investment Assets		
Pooled Investment Vehicles:		
Managed by Border to Coast:		
Global Equities	711,480	743,227
UK Equities	442,899	477,827
Multi Asset Credit	-	138,224
Bonds	195,898	204,927
Unitised Insurance Policies:		
Global Equities	410,865	464,046
Bonds	153,513	150,282
Unit Trusts:		
Property	179,603	193,810
Other Managed Funds:		
Alternatives	392,139	445,649
Multi Asset Credit	89,436	-
Infrastructure	50,793	59,349
Private Equity	13,712	7,903
Property	19,946	25,705
Total Pooled Investment Vehicles	**2,660,284**	**2,910,949**
Other Investment Assets:		
Derivatives:		
Open Forward Foreign Exchange (FX)	-	2,758
Cash Deposits	97,725	115,609
Investment Income Due	2,024	2,011
Total Other Investment Assets	**99,749**	**120,378**
Total Investment Assets	**2,760,033**	**3,031,327**
Investment Liabilities		
Derivatives:		
Open Forward Foreign Exchange (FX)	(1,964)	-
Investment Income Payable	(1)	(1)
Amount Payable for Purchases	(10,464)	-
Total Investment Liabilities	**(12,429)**	**(1)**
Total Net Investment Assets	**2,747,604**	**3,031,326**

Note 12A. Reconciliation of Movements in Investments

2021/22	Market Value 31 March 2021 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2022 £000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
Total Long Term Investment	**1,182**	**-**	**-**	**-**	**1,182**

2021/22	Market Value 31 March 2021 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2022 £000
Investment Assets					
Pooled Investment Vehicles:					
Managed by Border to Coast	1,350,277	164,023	(42,957)	92,862	1,564,205
Unitised Insurance Policies	564,378	5,623	(6,278)	50,605	614,328
Unit Trusts	179,603	933	(34,037)	47,311	193,810
Other Managed Funds	566,026	77,662	(188,281)	83,199	538,606
	2,660,284	**248,241**	**(271,553)**	**273,977**	**2,910,949**
Other Investments:					
Derivatives:					
Open Forward Foreign Exchange (FX)	(1,964)	3,135,252	(3,113,086)	(17,444)	2,758
	2,658,320	**3,383,493**	**(3,384,639)**	**256,533**	**2,913,707**
Other Investment Balances:					
Cash Deposits	97,725				115,609
Amount Receivable for Sales	-				-
Investment Income Due	2,023				2,010
Amount Payable for Purchases	(10,464)				-
Total Net Investment Assets	**2,747,604**			**256,533**	**3,031,326**

2020/21	Market Value 31 March 2020 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2021 £000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	349	-	-	1,182
Total Long Term Investment	**833**	**349**	**-**	**-**	**1,182**

2020/21	Market Value 31 March 2020 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2021 £000
Equities	495,761	152,141	(826,708)	178,806	-
Pooled Investment Vehicles:					
Managed by Border to Coast	525,304	564,024	(2,075)	263,024	1,350,277
Unitised Insurance Policies	584,719	420,203	(466,257)	25,713	564,378
Unit Trusts	175,601	1,162	(1,324)	4,164	179,603
Other Managed Funds	384,709	229,640	(96,220)	47,897	566,026
	2,166,094	**1,367,170**	**(1,392,584)**	**519,604**	**2,660,284**
Other Investments:					
Derivatives:					
Open Forward Foreign Exchange (FX)	8,335	2,692,776	(2,732,762)	29,687	(1,964)
	2,174,439	**4,059,946**	**(4,125,346)**	**549,291**	**2,658,320**
Other Investment Balances:					
Cash Deposits	23,939				97,725
Investment Income Due	3,705				2,023
Amount Payable for Purchases	(127)				(10,464)
Total Net Investment Assets	**2,201,946**			**549,291**	**2,747,604**

Note 12B. Analysis of Investments

Fund Manager	31 March 2021 £000	%	31 March 2022 £000	%
Investments managed by Border to Coast Pensions Partnership:				
Global Equity Alpha Sub-fund	711,480	26.0	743,227	24.4
Listed UK Equity Sub-fund	442,899	16.2	477,829	15.8
Multi-Asset Credit Sub-fund			138,224	4.6
Investment Grade Credit Sub-fund	195,898	7.2	204,927	6.8
Unitised Insurance Policies				
Legal and General (Future World Fund)	410,865	15.0	464,046	15.3
Blackrock (Bond Portfolio)	153,513	5.6	150,282	5.0
Investments managed outside of the asset pool:				
Invesco (Global Equities ex. UK)	2,258	0.1	-	-
Morgan Stanley (Alternative Investments)	398,499	14.1	465,057	15.3
Morgan Stanley (Private Equity)	14,438	0.5	8,549	0.3
PIMCO (Multi-Asset Credit)	89,436	3.3	-	-
Internally Managed (Property Unit Trusts)	182,326	6.7	194,136	6.4
Internally Managed (Infrastructure)	52,800	1.9	59,590	2.0
Internally Managed (Other Property)	21,328	0.8	25,855	0.9
Internally Managed (Cash managed by LCC Treasury Management Team)	50,000	1.8	53,000	1.7
Unallocated Cash	21,864	0.8	46,606	1.5
Total	**2,747,604**	**100.0**	**3,031,326**	**100.0**

The following table sets out where there is a concentration of investments which exceeds 5% of the total value of the net assets of the scheme (excluding holdings in Government Securities).

Fund Manager	31 March 2021		31 March 2022	
	£000	%	£000	%
Border to Coast (Global Equity Alpha)	711,480	25.7	743,227	24.4
Border to Coast (Listed UK Equity)	442,899	16.0	477,827	15.7
Border to Coast (Investment Grade Credit)	195,898	7.1	204,927	6.7
Legal and General (Future World Fund)	410,865	14.9	464,046	15.2
Morgan Stanley Alternative Investments	392,139	12.9	455,649	14.6

Note 13. Analysis of Derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the Fund. The use of any derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. The Fund's alternative investment manager uses forward foreign exchange contracts to reduce exposure to fluctuations in foreign currency exchange rates.

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to one month	None					
Over one month	GBP	1,587	AUD	2,876		(56)
	GBP	11,522	CAD	19,268		(196)
	GBP	15,369	EUR	18,225		(79)
	GBP	399,838	USD	522,235	3,087	
	AUD	247	GBP	139	2	
Total					**3,089**	**(331)**
Net Forward Currency Contracts at 31 March 2022						**2,758**
Prior Year Comparative						
Open forward currency contracts at 31 March 2021					**98**	**(2,062)**
Net Forward Currency Contracts at 31 March 2021						**(1,964)**

Profit (Loss) of Forward Currency Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of normal trading of the Fund's managers who manage multi-currency portfolios. For 2021/22 this was a loss of £17.444m (£29.687m profit in 2020/21).

Note 14. Fair Value – Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level One – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level Two – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level Three – where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

The basis of the valuation of each class of investment asset is set out below.

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level One			
Quoted equities and pooled fund investments	Published bid market price ruling on the final day of the accounting period.	Not required	Not required
Quoted fixed income bonds and unit trusts	Quoted market value based on current yields.	Not required	Not required
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required	Not required
Level Two			
Unquoted equity investments	Average of broker prices.	Evaluated price feeds	Not required
Unquoted fixed income bonds and unit trusts	Average of broker prices.	Evaluated price feeds	Not required
Unquoted pooled fund investments	Average of broker prices.	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Pooled property funds and hedge funds where regular trading takes place	Closing bid price where bid and offer process are published. Closing single process where single price published.	NAV-based pricing set on a forward pricing basis	Not required
Level Three			
Pooled property funds and hedge funds where regular trading does not take place	Valued by investment managers on a fair value basis each year using PRAG guidance.	NAV-based pricing set on a forward pricing basis.	Valuations are affected by any changes to the value of the financial instrument being hedged against.

Other unquoted and private equities (inc. alternatives, infrastructure and private equity)	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	EBITDA multiple; Revenue multiple; Discount for lack of marketability; and Control premium.	Valuations could be affected by changes to expected cashflows, or by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	Estimated value of the pension fund's share of net assets held by the pool, based on relative percentage of shares held and voting rights.	Current estimates of future dividend income.	Valuation could be affected by future trading income, post-balance sheet events, or changes to expected cashflows.

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level three investments are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Potential variation in fair value (+/-)	Value at 31 March 2022 £000	Potential value on increase £000	Potential value on decrease £000
Alternatives – Hedge Funds	8%	81,679	88,213	75,145
Alternatives – Unquoted Holdings	10%	265,762	292,338	129,186
Infrastructure	14%	59,349	67,658	51,040
Other Property	21%	11,645	14,090	9,200
Private Equity	20%	7,903	9,484	6,322

Note 14A. Fair Value Hierarchy

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2022 Observable Fair Value	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss:				
Pooled Investment Vehicles:				
Managed by Border to Coast		1,564,205		1,564,205
Unitised Insurance Policies	614,328			614,328
Unit Trusts		193,810		193,810
Other Managed Funds	65,695	46,573	426,338	538,606
Derivatives: Forward Foreign Exchange		2,758		2,758
Cash	17,666			17,666
	697,689	**1,807,346**	**426,338**	**2,931,373**
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		-		-
	-	-	-	-
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership				
	-	-	1,182	1,182
Net Investment Assets	**697,689**	**1,807,346**	**427,520**	**2,932,555**

Values at 31 March 2021 Observable Fair Value	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss:				
Equities	-			-
Pooled Investment Vehicles:				
Managed by Border to Coast		1,350,277		1,350,277
Unitised Insurance Policies	564,378			564,378
Unit Trusts		179,603		179,603
Other Managed Funds	60,112	127,969	377,945	566,026
Derivatives: Forward Foreign Exchange				-
Cash	26,269			26,269
	650,759	**1,657,849**	**377,945**	**2,686,553**
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		(1,964)		(1,964)
		(1,964)		**(1,964)**

Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
			1,182	**1,182**
Net Investment Assets	**650,759**	**1,655,885**	**379,127**	**2,685,771**

Note 14B. Reconciliation of Fair Value Measurements within Level 3

Period 2021/22	Market value at 31 March 2021	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
Other Property	6,878			7,751	(2,625)	(359)	-	11,645
Infrastructure	50,793			7,190	(2,187)	3,154	399	59,349
Private Equity	13,712			5	(5,887)	(3,593)	3,666	7,903
Alternatives	306,562			58,179	(79,752)	47,908	14,544	349,441
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182			-	-	-	-	1,182
Total	**379,127**			**73,125**	**(90,451)**	**47,110**	**18,609**	**427,520**

Period 2020/21	Market value at 31 March 2020	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Property Unit Trusts **	175,602	-	(171,668)	544	(662)	(3,816)	-	-
Other Property **	15,170	-	(13,483)	6,265	(897)	(148)	(29)	6,878
Infrastructure	46,347	-	-	4,163	(1,308)	1,597	(6)	50,793
Private Equity	16,559	-	-	708	(7,007)	(192)	3,644	13,712
Alternatives	260,560	-	-	54,101	(33,401)	21,231	4,071	306,562
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	-	-	349	-	-	-	1,182
Total	**515,071**	**-**	**(185,151)**	**66,130**	**(43,275)**	**18,672**	**7,680**	**379,127**

** Unrealised and realised gains and losses are recognised in the profit and losses on disposal and change in market values line of the Fund account.*

*** The Funds four UK Commercial Property Funds and the European Growth Fund transferred from level 3 to level 2 at the end of September 2020 when the 'material valuation uncertainty clause' was removed by the valuers of these Funds.*

Note 15. Financial Instruments

Note 15A. Classification of Financial Instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2022			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£000	£000	£000	£000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
Managed by Border to Coast	1,564,205			
Unitised Insurance Policies	614,328			
Unit Trusts	193,810			
Other Managed Funds	538,606			
Derivatives: Forward Foreign Exchange	2,758			
Cash	17,666	113,674		
Other Investment Balances		2,011		
Sundry Debtors		248		
	2,931,373	**115,933**	**-**	**1,182**
Financial Liabilities				
Derivatives: Forward Foreign Exchange			-	
Other Investment Balances			(1)	
Sundry Creditors			(5,868)	
	-	**-**	**(5,869)**	**-**
Grand Total	**2,931,373**	**115,933**	**(5,869)**	**1,182**

	31 March 2021			
	Fair value through profit and loss £000	Assets at amortised cost £000	Liabilities at amortised cost £000	Fair value through comprehensive income £000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
Managed by Border to Coast	1,350,277			
Unitised Insurance Policies	564,378			
Unit Trusts	179,603			
Other Managed Funds	566,026			
Derivatives: Forward Foreign Exchange	-			
Cash	26,269	96,522		
Other Investment Balances		2,204		
Sundry Debtors		431		
	2,686,553	**98,977**	**-**	**1,182**
Financial Liabilities				
Derivatives: Forward Foreign Exchange	(1,964)			
Other Investment Balances			(10,465)	
Sundry Creditors			(2,510)	
	(1,964)	**-**	**(12,975)**	**-**
Grand Total	**2,684,589**	**98,977**	**(12,975)**	**1,182**

15B Net Gains and Losses on Financial Instruments

	2020/21 £000	2021/22 £000
Financial Assets		
Fair Value through Profit and Loss	519,604	273,977
Total	**481,558**	**273,977**

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 16. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the whole fund portfolio and to maximise the opportunity for gains across the Fund. This is achieved through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies have been established to identify and analyse the risks faced by the pension fund's operations. These are reviewed regularly to reflect changes in activity and market conditions.

a) Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix. . The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

Other Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument.

The Fund’s investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in market price are reasonably possible for 2022/23; assuming that all other variables, in particular foreign exchange rates and interest rates remain the same (prior year comparatives are shown below):

Asset Type	Value at 31 March 2022 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	477,827	14%	544,723	410,931
Overseas Equities	1,207,273	14%	1,376,291	1,038,255
Bonds	355,209	6%	376,522	333,896
UK Property	205,125	21%	248,201	162,049
Overseas Property	14,390	18%	16,980	11,800
Alternatives – Hedge Funds	88,609	8%	95,698	81,520
Alternatives - Other	357,040	10%	392,744	321,336
Multi Asset Credit	138,224	10%	152,046	124,402
Infrastructure	59,349	14%	67,658	51,040
Private Equity	7,903	20%	9,484	6,322
Total	**2,910,949**		**3,280,349**	**2,541,551**

Asset Type	Value at 31 March 2021 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
UK Equities	442,899	17%	518,192	367,606
Overseas Equities	1,122,345	17%	1,313,144	931,546
Bonds	349,411	5%	366,882	331,940
Property	199,549	18%	235,468	163,630
Alternatives – Hedge Funds	79,483	6%	84,252	74,714
Alternatives - Other	312,656	10%	343,922	281,390
Multi Asset Credit	89,436	10%	98,380	80,492
Infrastructure	50,793	16%	58,920	42,666
Private Equity	13,712	22%	16,729	10,695
Total	**2,660,284**		**3,035,889**	**2,284,679**

Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A Fund Manager and experience and suggests that a movement of less than +/- 100 bases points (+/- 1%) in interest rates from one year to the next is likely.

Interest rate risk - sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets Exposed to Interest Rate Risk	Value at 31 March 2022	Percentage Movement on 1%	Value on Increase	Value on Decrease

		change in interest Rates		
	£000		£000	£000
Cash and cash equivalents	115,609	-	115,609	115,609
Cash balances	15,731	-	15,731	15,731
Bonds	355,209	3,552	358,761	351,657
Total	**486,549**	**3,552**	**490,101**	**482,997**

Assets Exposed to Interest Rate Risk	Value at 31 March 2021	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000		£000	£000
Cash and cash equivalents	97,725	-	97,725	97,725
Cash balances	25,066	-	25,066	25,066
Bonds	349,411	3,494	352,905	345,917
Total	**472,202**	**3,494**	**475,696**	**468,708**

Income Exposed to Interest Rate Risk	Interest Receivable 2021/22	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000	%	£000	£000
Cash deposits, cash and cash equivalents	233	2	235	231
Bonds	-	-	-	-
Total	**233**	**2**	**235**	**231**

Income Exposed to Interest Rate Risk	Interest Receivable 2020/21	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000	%	£000	£000
Cash deposits, cash and cash equivalents	87	1	88	86
Bonds	-	-	-	-
Total	**87**	**1**	**88**	**86**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

Following analysis of historical data and in consultation with an investment manager, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 7%, as measured by one standard deviation (8% in 2020/21). An 7% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net asset available to pay benefits as follows:

Currency risk – sensitivity analysis

Assets Exposed to Currency Risk	Value at 31 March 2022 £000	Percentage Market Movement £000	Value on Increase £000	Value on Decrease £000
Overseas Alternatives	413,846	28,969	442,815	384,877
Overseas Infrastructure	11,243	787	12,030	10,456
Overseas Private Equity	7,903	553	8,456	7,350
Overseas Property	14,390	1,007	15,397	13,383
Total	**447,382**	**31,316**	**478,698**	**416,066**

Assets Exposed to Currency Risk	Value at 31 March 2021 £000	Percentage Market Movement £000	Value on Increase £000	Value on Decrease £000
Overseas Equities	-	-	-	-
Pooled Investments:				
Overseas Alternatives	366,004	29,280	395,284	336,724
Overseas Infrastructure	7,254	580	7,834	6,674
Overseas Private Equity	13,712	1,097	14,809	12,615
Overseas Property	13,654	1,092	14,746	12,562
Total	**400,624**	**32,049**	**432,673**	**368,575**

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this are investment assets and cash deposits. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund is additionally exposed to credit risk through its daily treasury activities. Credit risk may also occur if an employing body not supported by central government does not pay its contributions promptly, or defaults on its obligations.

The Pension Fund's bank account is held at Barclays, which holds an 'A' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices. At 31 March 2022 the balance at Barclays was £67.731m (£74.066m at 31 March 2021).

The Pension Fund closely monitors employer contributions each month. All contributions from employers due to the Fund for March 2022 where received by the beginning of May 2022. The Fund's current policy for all new employers into the scheme is to obtain a guarantee that will ensure all pension obligations are covered in the event of that employer facing financial difficulties.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed assets (equities and bonds), instruments that can be liquidated at short notice, normally three working days. As at 31 March 2022, these assets totalled £2,040.309m (£1,914.655m as at 31 March 2021), with a further £131.340m held in cash (£122.791m as at 31 March 2021).

Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

Note 17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation is due to take place as at 31 March 2022

Description of Funding Policy

In summary, the key funding policy is as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 71% likelihood that the Fund will achieve the funding target over 20 years.

Actuary's Statement

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

Asset value and funding level

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

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

Contribution rates

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

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- Plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

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

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

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

Assumptions

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

Financial Assumptions	Assumptions used for the 2019 Valuation
Market Date	31 March 2019
CPI inflation	2.3% p.a.
Long-term salary increases	2.6% p.a.
Discount rate	4.0% p.a.

Demographic Assumptions	Assumptions used for the 2019 Valuation
Post-retirement mortality:	
Base tables	Based on Club Vita analysis
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements:	
Males	0.5% p.a.
Females	0.25% p.a.

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

Updated position since the 2019 valuation

Update to funding basis and assumptions

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

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

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

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. We have included in the discount rate assumption an explicit prudence allowance of 0.8%. This incorporates an allowance for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap).

Liabilities

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

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

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

Assets

Returns over the year to 31 March 2022 have been strong, helping to offset the significant fall in asset values at the end of the 2019/20 Scheme year. As at 31 March 2022, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

Overall position

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

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

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

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

Melanie Durrant FIA CERA
Partner, Barnett Waddingham LLP
20 May 2022

Note 18. Actuarial Present Value of Promised Retirement Benefit

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the pension fund liabilities on an IAS19 basis every year. Below is the note prepared by the Fund's Actuary, Barnett Waddingham.

Pension Account Disclosure as at 31 March 2022 (prepare in accordance with IAS26)

Introduction

We have been instructed by Lincolnshire County Council, the administering authority to the Lincolnshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2022. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

The LGPS is a defined benefit statutory scheme administered in accordance with the year and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website here and the Fund's membership booklet.

This report is prepared in accordance with our understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers, we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022. A copy of this can be requested from the Fund.

Valuation Data

Data Used

In completing our calculations we have used the following items of data which we received from the administering authority:

- 31 March 2019 - results of the latest funding valuation;
- 31 March 2021 - results of the latest IAS26 report;
- 31 March 2022 - actual Fund returns to;
- 31 March 2022 - Fund asset statement;
- 31 March 2022 - Fund income and expenditure items (estimated where necessary) to; and

- 31 March 2022 - details of any new unreduced early retirement payments out to.

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice. Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. We are not aware of any material changes or events since we received the data.

Employer Membership Statistics

The table below summarises the membership data, as at 31 March 2019.

Member Data Summary	Number	Salaries/Pensions £000	Average Age
Active Members	22,755	355,509	51
Deferred Members	32,184	29,729	51
Pensioners	21,576	75,310	69

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2022.

We have been notified of 49 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £413,300.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 10.73%, as advised by the Fund.

The estimated asset allocation for Lincolnshire Pension Fund as at 31 March 2021 is as follows (noting that due to roundings they may not total 100%):

Asset Breakdown	31 March 2021		31 March 2022	
	£000	%	£000	%
Equities	1,960,020	72	2,192,561	72
Bonds	376,330	14	384,648	13
Property	285,890	10	334,480	1
Cash	111,144	4	119,399	4
	2,733,384	100	3,031,088	100

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

The financial assumptions have been set with consideration of the duration of the Fund's past service liabilities, estimated to be 20 years.

Post Retirement Mortality	31 March 2021	31 March 2022
Base table	Club Vita tables	Club Vita tables
Multiplier (MF)	100%	100%
Future Improvements model	C M 2020	C M 2020
Long term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.0
Initial additional parameter	0.50% p.a. for males 0.25% p.a. for females	0.50% p.a. for males 0.25% p.a. for females
2020 weight parameter	25%	25%

Life Expectancy from age 65 years	31 March 2021	31 March 2022
Retiring Today		
Males	21.1	21.2
Females	23.6	23.7
Retiring in 20 years		
Males	22.0	22.1
Females	25.0	25.1

Financial Assumptions	31 March 2021 % p.a.	31 March 2022 % p.a.
Discount Rate	2.0%	2.6%
Pension Increases	2.8%	3.2%
Salary Increases	3.1%	3.5%

We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

Results

We estimate that the net liability as at 31 March 2022 is a liability of £1,196,655m.

Net Pension Asset in the Statement of Financial Position as at:	31 March 2021 £000	31 March 2022 £000
Present value of the defined benefit obligation	(4,257,607)	(4,227,743)
Fair value of Fund assets (bid value)	2,733,384	3,031,088
Net liability in balance sheet	**(1,524,223)**	**(1,196,655)**

The present value of the defined benefit obligation consists of £4,194,375,000 in respect of vested obligation and £33,368,000 in respect of non-vested obligation.

The figures presented in this report are prepared on an IAS19 basis and therefore will differ from the results of the 2019 triennial funding valuation (as Note 17) because IAS19 stipulates the discount rate applied.

Note 19. Current Assets

	31 March 2021 £000	31 March 2022 £000
Short Term Debtors		
Contributions due - Employers	4,575	5,614
Contributions due - Employees	1,387	1,442
Debtors relating to Members	126	704
VAT Debtor	194	299
Sundry Debtors	431	248
Total Short Term Debtors	**6,713**	**8,307**
Cash Balances	25,066	14,731
Cash Balances	**25,066**	**14,731**
Total Current Assets	**31,779**	**23,038**

Note 20. Current Liabilities

	31 March 2021 £000	31 March 2022 £000
Creditors		
Contributions – paid in advance	(45)	(42)
Creditors relating to Members	(475)	(1,414)
Sundry Creditors	(2,510)	(5,868)
Total Current Liabilities	**(3,030)**	**(7,324)**

Note 21. Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the date of publication, AVC information for 2021/22 had not been received from Prudential plc.

The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

Note 22. Related Party Transactions

Lincolnshire County Council

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the council incurred costs of £0.258m (£0.247m in 2020/21) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of members of the Pension Fund and contributed £41.404m (£36.270m in 2020/21) to the Fund in 2021/22. All monies owing to and due from the Fund were paid in year.

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £69.945m (£18.931m in 2020/21) and interest of £0.199m (£0.090m in 2020/21) was earned over the year.

Pensions Committee

Each member of the Pension Fund Committee is required to declare their interests at each meeting and also is asked to sign an annual declaration disclosing any related party transactions. Two Committee members: A Antcliff (Employee Representative) and S Larter (Small Scheduled Bodies Representative) were contributing members of the Pension Fund during 2021/22. Cllr R Waller's daughter and partner (District Council Representative) were also contributing members of the scheme during 2021/22. S Larter (Small Scheduled Bodies Representative) is also a deferred member of the scheme and Cllr M Allen is in receipt of a pension from the Fund.

Border to Coast Pensions Partnership

Lincolnshire Pension Fund is a minority shareholder in Border to Coast Pensions Partnership. It holds a £1 A share which gives the Fund one vote. The Fund also holds £1.182m (£1.182m in 2020/21) of regulatory share capital (B shares). These are included within long term investments in the net asset statement. At 31 March 2022 the Fund had invested in four sub-funds managed by Border to Coast Pensions Partnership: Global Equity Alpha, UK Listed Equities, Investment Grade Credit and Multi-Asset Credit (details shown in Note 12). During 2021/22 the Fund paid Border to Coast £3.421m (£2.495m in 2020/21) to manage these assets and the company

Note 23. Key Management Personnel

The key management personnel of the Fund are the Executive Director of Resources, Assistant Director Finance, Head of Pensions, and Accounting, Investment and Governance Manager. The Fund does not employ any staff directly. Lincolnshire County Council employs the staff involved in providing the duties of the Administering Authority for the Fund. The proportion of employee benefits earned by key management personnel relating to the Pension Fund are: £0.136m short term benefits (£0.131m in 2020/21) and £0.024m post-employment benefits (£0.023m in 2020/21).

Note 24. Contingent Liabilities and Contractual Commitments

At 31 March 2022 the fund had outstanding capital commitments (investments) to twenty-one investment vehicles, amounting to £79.172m (£58.989m as at 31 March 2021). These commitments relate to outstanding call payments due on unquoted limited partnerships making investments in private equity, property or infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over the lifetime of the funds.

Note 25. Contingent Assets

Eight admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2021/22 (or 2020/21).

Note 26. Events After the Balance Sheet Date

There have been no events after the balance sheet date that requires adjustment or disclosure within the accounts.

Glossary of Terms

Actuary – An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position, known as the Actuarial Valuation.

Admitted Body – Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain.

Alternatives – Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure and property, and financial assets such as private equity and derivatives.

Asset Allocation – Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return, and is a central concept in financial planning and investment management.

Asset Pooling – In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale, as requested by MHCLG: 'significantly reducing costs whilst maintaining investment performance'.

Auto Enrolment – UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria, and repeat this process every three years to re-enrol any employees that have opted out of the pension scheme.

Bonds – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

Career Average Revalued Earnings (CARE) Scheme – The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

CIPFA – Chartered Institute of Public Finance & Accountancy.

Consumer Price Index (CPI) – The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.

Counterparty – The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to complete. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.

Custodian – Organisation which is responsible for the safekeeping of assets, income collection and settlement of trades for a portfolio, independent from the asset management function.

Defined Benefit – An employer-sponsored retirement plan where employee benefits are assessed based on a formula using factors such as salary history and duration of employment. Public sector pension schemes are defined benefit schemes.

Derivative – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

Diversification – Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

Equities – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Fiduciary Duty – A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

Final Salary – One type of defined benefit pension scheme where employee benefits are based on the person's final salary when they retire. The LGPS Scheme has moved from this to a CARE (career average revalued earnings) scheme in 2014.

Funding Level – The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.

IFRS – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

Infrastructure – The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

Investment Strategy – The investor's long-term distribution of assets across various asset classes taking into consideration their objectives, their attitude to risk and timescale.

Liabilities – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pension liabilities are the pensions benefits and payments that are due to be paid when someone retires.

Market Value – The price at which an investment can be bought or sold at a given date.

Pooled Investment Fund – A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are used as an efficient low-risk method of investing in the asset classes.

Portfolio – Block of assets generally managed under a single mandate.

Private Equity – Shares in unquoted companies. Usually high risk, high return in nature.

Return – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

Risk – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

Scheduled Body – Public sector employers or designating bodies that have an automatic right and requirement to be an employer within the LGPS.

Settlement – Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.

Stock Lending – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

Target – Managers are set a target for investment performance, such as 1% above benchmark per year over three year rolling periods.

Triennial Actuarial Valuation – Every three years the actuary formally reviews the assets and liabilities of the Lincolnshire Fund and produces a report on the Fund's financial position.

Audit Opinion

Additional Information Available

Additional information regarding the Pension Fund and the scheme is available by going to the shared service website www.wypf.org.uk

The following documents are included in this report and can also be found by selecting Policy Statements on the home page, and then Lincolnshire Policies, on the WYPF shared website.

Funding Strategy Statement

This document is prepared in collaboration with the Fund's actuary and sets out the Fund's approach to funding its liabilities. It is reviewed in detail every three years as part of the triennial valuation process.

Investment Strategy Statement

This document describes the key issues that govern the investment of the Pension Fund, including the approach to risk, the approach to pooling and the approach to environmental, social and governance (ESG) factors.

Communications Policy

This document details the methods of communication that the Pension Fund uses to comply with relevant legislation and to ensure that individuals and employers receive accurate and timely information about their pension arrangements.

Governance Compliance Statement

This document details how the Pension Fund is governed and sets out where it complies with best practice guidance as published by the Ministry of Housing, Communities and Local Government.

Pensions Administration Strategy

This document details how the Pension Fund is administered within the shared service. It outlines the processes and procedures to allow the Funds and employers to work together in a cost-effective way to administer the LGPS, whilst maintaining an excellent level of service to members.

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

Report to:	**Pensions Committee**
Date:	**14 July 2022**
Subject:	**Annual Report on the Fund's Property and Infrastructure Investments**

Summary:

This report outlines the performance of the Fund's property and infrastructure investments for the year ended 31 March 2022.

Recommendation(s):

The Committee note the report.

Background

1.1 The Fund's investment exposure to property and infrastructure is achieved via holdings in pooled vehicles.

1.2 The Fund's long term strategic allocation of 10.5% to property is slightly higher than the average local authority pension fund, currently at 7.2%. The market value of holdings in property pooled vehicles at 31 March 2022 was £219.4m (7.3% of the Fund). Whilst the majority of exposure is to UK commercial property, to diversify the property allocation the Fund made commitments to a European commercial property, property venture funds and to two private residential housing funds.

1.3 The Fund also has a 2.5% strategic allocation to infrastructure. Again, this is slightly higher than the average local authority pension fund, which is currently 0.6%. The market value of holdings in infrastructure pooled vehicles at 31 March 2022 was £59.2m (2.0% of the Fund).

1.4 The Fund's total property and infrastructure holdings as at 31 March 2022 are set out in table one over the page.

Table One: Market value of property and infrastructure holdings at 31 March 2022

Property Pooled Investment Vehicle	Market value of holdings at 31 March 2021 £m	Market value of holdings at 31 March 2022 £m
Balanced UK Property	179.6	193.8
Property Ventures	7.1	11.5
European Commercial Property	13.1	14.1
Infrastructure	49.8	59.2
Property/Infrastructure Cash	5.9	0.5
TOTAL PROPERTY AND INFRASTRUCTURE	**255.5**	**279.1**

1.5 The performance of the property and infrastructure holdings during 2021/22 was as follows:

- UK Commercial Property Unit Trusts return in the year saw an out performance, returning 26.16% against a benchmark of 23.14%;
- Other Property (including the European Property Fund, Property Venture and Private Residential Sector) saw a significant underperformance, returning 1.54% against the benchmark of 7.00%; and
- Infrastructure saw a significant out performance, returning 12.45% against a benchmark of 6.00%.

1.6 To give this some context against other elements of the market, property holdings produced indexed returns of 23.14% (IPD UK All Balanced Fund Index), over the twelve months to 31 March 2022, compared to UK equity returns of 13.03% (FTSE All Share) and UK index-linked bond returns of -2.14%.

1.7 Details of the individual property and infrastructure holdings and their performance are set out in the following sections of the reports.

2.0 BALANCED UK COMMERICAL PROPERTY

2.1 The UK Commercial Property holdings represent the majority of the Fund's property and infrastructure holdings (69.4% of holdings as at 31 March 2022). The pooled investment vehicles have been selected by officers to provide diversified exposure to the UK Commercial Property asset class with the intention of achieving broad market returns. A breakdown of holdings is set out in table two over the page. Officers are in regular contact with the various managers to monitor performance.

Table Two: Balanced UK Commercial Property holdings as at 31 March 2022

	Market value of holdings at 31 March 2022 £m
abrdn – Trustee Investment Plan	83.2
Aviva Pooled Property Fund	34.2
Blackrock – UK Property Unit Trust	47.7
Royal London Exempt Unit Trust	28.7
Total Balanced UK Property	**193.8**

2.2 During the year the Pension Fund received £32.2m from the Aviva Pooled Property Fund following the managers decision, on 14 July 2021, to close the fund. For all other funds, income from holdings was reinvested.

2.3 Table three below summaries the overall UK property sector in the Lincolnshire Portfolio verses the market index. Appendix A provides further details of the overall UK property sector and regional weightings of the individual pooled vehicles verses the index.

Table Three: Overall UK property sector asset weightings at 31 March 2022

Property Sector	Lincolnshire Fund %	IPD %	Difference %
Retail	21.1	18.0	3.1
Offices	23.0	24.6	-1.6
Industrial	39.9	42.1	-2.2
Other	16.0	15.3	0.7
Total	**100.0**	**100.0**	

2.4 Overall, the Fund's property allocation, when compared to an index of similar property funds, is overweight offices in London and retail warehouses. The Fund is underweight offices in the south east and the rest of the UK, as well as industrials.

2.5 At an individual fund level:

- abrdn is overweight industrials and underweight retail warehouses and offices in the south east.
- Aviva has no allocation to shopping centres, offices in the rest of the UK and industrials. The portfolio is significantly overweight retail warehouses and offices in the south east. The makeup of their portfolio at 31 March 2022 is significantly influenced by the closure of the Fund and the assets which have been disposed of to date.

- Blackrock is overweight other properties (which includes primary care and student accommodation). They are underweight in standard retail and offices in the south east.

- Royal London has no allocation to shopping centres or offices in the rest of the UK. They have an overweight position in offices in London and underweight in offices in the south east. Property sizes are generally smaller when compared to the other managers.

Investment Performance

2.6 Table four below sets out the annualised performance of the Fund's current UK Commercial Property Investments over one, three, five and ten years. The IPD UK All Balanced Property Funds Index is used to compare the managers' performance. This index was developed for all the leading managers of balanced property funds. The returns reported are taken from the published performance data. The ten year annualised figure for Blackrock relates to the pooled fund and not specifically to Lincolnshire Pension Fund.

Table Four: UK Commercial Property Investment returns to 31 March 2022

	2021/22 %	3 years Annualised %	5 years Annualised %	10 years Annualised %
abrdn	27.7	9.2	7.2	7.5
Aviva	35.9	11.9	10.3	8.4
Blackrock	21.3	7.6	7.5	7.8
Royal London	22.4	6.6	5.9	6.8
IPD UK PPFI All Balanced Median return	23.1	8.1	7.8	8.1

2.7 abrdn was ahead of the benchmark in the last 12 months and three years but underperformed the 5 year and 10 year benchmark. The key contributors were prime industrial and logistics assets. These make up a substantial part of the fund's overweight industrial position. Recent disposals and asset-management transactions have also contributed positively, together with the retail warehouse holdings. Offices, high-street shops and shopping centres remain detractors, with flat yields, reduced rental values and additional leasing and capital expenditure provisions dragging returns.

2.8 This Fund is one of the largest pooled funds in the UK and is well diversified across sectors and geographic regions. The fund aims to provide long term growth from a combination of income and capital growth by investing predominantly in prime quality UK properties. Typically, the fund will invest in a mix of freehold and leasehold properties selected from across the retail, office and industrial sectors.

2.9 Aviva has outperformed the benchmark over all periods, and significantly in the last 12 months. The Fund has closed and is winding up with the manager looking to dispose of all property assets and return cash to investors. The Pension Fund received £32.2m as an interim payment from this process in January 2022. Up to 31 March 2022 the Fund had sold five assets and was marketing three more properties. The remaining five assets will be marketed in the future following the resolution of outstanding lease/tenant matters.

2.10 Blackrock was behind the benchmark in all periods, however, the Fund has a lower than average risk profile, low vacancy rates, strong tenant credit ratings, and has strongly diversified tenant and asset profiles.

2.11 The Fund seeks to outperform the average of similar institutional pooled vehicles by investing in a diversified range of property throughout the UK. The Fund focuses on sectors and geographies positioned to benefit from the structural drivers of future tenant demand while maintaining a core risk profile with an emphasis on income component of total return.

2.12 Royal London returns have underperformed against the benchmark in all periods. The Fund is in the second quartile over one year, and the fourth quartile over all other time periods. Industrials generated the best absolute performance but were behind the benchmark due to weak rental growth. Retail and offices showed outperformance, primarily driven by inward yield movement seen in the retail warehouse sector. Overall vacancy rates have fallen due to recent lettings in the industrial sector. Remaining vacant space in the offices sector is due to be refurbished over the coming year before being marketed.

2.13 The Fund continues to focus on maintaining income levels and managing costs while progressing with ongoing asset management projects.

Outlook

2.14 UK commercial real estate showed strong growth in 2021/22. All sectors rose, with industrials showing the strongest growth and hotels the weakest. Retail also continued to bounce back following the Omicron shock. In UK commercial real estate, the office sector is likely to face some major structural challenges ahead, with polarisation between the very best and the rest likely to become more evident in 2022/23. Inflationary fears and the debate around its transitory nature have been net positives so far. There is a degree of insulation from higher inflation due to the index-linked nature of rental income. Low borrowing costs and ample liquidity are also providing support to real estate valuations.

3. EUROPEAN BALANCED PROPERTY FUND

abrdn European Property Growth Fund – Unit Trust

3.1 To diversify the Fund's balanced property exposure, a commitment of €5m (£4.4m) was made in November 2002 to a new pooled investment vehicle created by abrdn to invest in Continental European property. A further commitment of €10m (£8.8m) was approved in July 2005. The Fund was offered the opportunity to purchase additional units in quarter one 2022 and committed a further €42m (£35.5m) to the Fund, this purchase was completed in June 2022. The purchase was funded by the cash received from the Aviva UK Commercial Property Fund which is being wound up.

3.2 The Fund mainly owns offices and distribution properties in the Eurozone, and to a limited degree in other European countries. The Fund continues to be focused on ensuring that the portfolio is well balanced between core markets, with a tactical exposure to recovery markets.

3.3 As at the 31 March 2022, the €15m (£13.2m) commitment had been fully drawn and the investment in the Fund was valued at £14.1m. Distributions of €6.9m (£5.6m) have been received.

4.0 PROPERTY VENTURES

4.1 To diversify from the UK core property market, investments have been made in a number of different types of property funds aiming, over the long term, to exceed conventional market returns through specialist and active involvement in different parts of the property market. Table five, below, sets out details of the Funds held. These funds have limited lives of between seven and ten years (before extensions).

Table Five: Property Venture holdings as at 31 March 2022

	Undrawn Commitments 31 March 2022 £m	**Market value of holdings at 31 March 2022 £m**
RREEF – Property Ventures Fund III	0.0	0.1
Igloo Regeneration partnership	0.0	0.2
Franklin Templeton European Fund of Funds	0.3	0.1
Franklin Templeton Asian Fund of Funds	2.8	0.2
Hearthstone Residential Property Fund II	31.3	5.6
Allianz Home Equity Income Fund I	24.0	5.3
Total Property Ventures	**58.4**	**11.5**

RREEF Ventures III Unit Trust

4.2 The Committee approved the commitment of £10m in January 2006 and this has now been fully drawn down to fund a number of projects, most of which have now been realised. Unfortunately, this investment was made before the financial crisis of 2008, and all property purchases were made in 2006 and 2007, ahead of the large fall in property asset values. The Fund has disposed of all properties and is in the final stages of wind-down. This involves the termination of all the fund structures and return of capital to investors. A final distribution was paid in March 2022 and the fund liquidated in April 2022.

4.3 Total distributions since inception to 31 March 2022 are £3.7m. The year end investment multiple (the value plus the distributions received, divided by the total capital committed) is 0.37.

Igloo Regeneration Partnership

4.4 The Committee approved the commitment of £10m in April 2006 to a partnership with a pipeline of early-stage regeneration projects in the UK. The Fund focused on the regeneration and repositioning of ten key locations across the UK, delivering developments with market leading levels of high quality, sustainable design.

4.5 On 1 July 2017 the partnership entered into a 'wind up' period with assets being marketed for sale. All assets had been sold, but final liquidation of the fund is being held up by unresolved management and historic service charges preventing the closure of a subsidiary entity. As at 31 March 2022 the Pension Fund's investment value is £0.2m, having distributed £7.5m since inception, resulting in an investment multiple of 0.78.

Franklin Templeton European Real Estate Fund of Funds – Luxembourg public limited company

4.6 The Committee approved the investment in October 2005 of €15m (£13.2m). The Fund of Funds made commitments to eleven underlying funds, including a portfolio of German nursing homes, a specialist French property investor, a UK real estate partnership, a pan European real estate fund and a German commercial property investor. The Fund is in the liquidation stage with ten out of the eleven original investments having been disposed of.

4.7 At 31 March 2022 the Fund's investment is valued at £0.1m, but the valuation of the underlying funds is as at a terminal valuation, and therefore very prudent. Since inception €8.8m (£7.0m) has been distributed, and the year end investment multiple was 0.61. As at 31 March 2022 since inception the internal rate of return (IRR) for the fund is -8.03%. Although the success of the individual investments within the fund has varied, performance overall has been substantially below target.

Franklin Templeton Asian Real Estate Fund of Funds – Luxembourg public limited company

4.8 The Committee approved the investment in October 2007 of $25m (£21.1m), with $3.7m (£2.8m) available to be drawn down as at 31 March 2022. The Fund made a total of sixteen investments and by the end of March 2022 there is only one underlying investment fund with unrealised assets remaining in the fund.

4.9 The value of the Funds investment is £0.2m at 31 March 2022, but the valuation of the underlying funds is as at a terminal valuation, and therefore very prudent. Since inception $21.0m (£14.1m) has been distributed, and the year end investment multiple was 1.19, with an internal rate of return (IRR) of 0.15%. Although the success of the individual investments within the fund has varied, overall the manager has been pleased with the portfolio assembled and the progress achieved to date.

Hearthstone Residential Fund 2

4.10 In July 2020 the Committee approved a commitment of £37m to the Hearthstone Residential Fund 2. The Fund aims to establish a portfolio of high quality privately rented houses and low-rise apartment blocks, particularly suited to young professionals and families in areas of solid rental demand and good local infrastructure, but where there is a lack of suitable quality rented housing stock. The manager has developed strong relationships with a number of house builders and will build up the portfolio by purchasing units on new developments at an initial discount to the market value. By 31 March 2022 the Fund had acquired 52 residential units in nine locations including Preston, Derby and Southampton. Six further sites are in the acquisition stage.

4.11 During 2021/22 the Fund received £2.3m of returned contributions as new investors joined the scheme and paid over £1.8m, therefore, to date, contributions to the Fund are £5.7m. It is too early to report on performance of this Fund, but of the 52 units purchased at the end of March 2022 34 units were occupied, the remain 18 were purchased in quarter one 2022 and 12 of these were let by 31 March. 98.10% of rent had been collected and no rent arrears have been written off.

Allianz Home Equity Fund

4.12 In March 2021 the Committee approved a commitment of £30m to the Allianz Home Equity Fund. The Fund will invest in existing residential properties on a shared ownership basis, whereby an individual will own a minimum of 5% of the property and the fund will own the balance. The individual will pay market rent on the proportion of the property owned by the Fund, and they can gradually increase the proportion of the property they own over time. This is a new concept within the shared ownership model which removes the need for the involvement of a housing association. The pattern of returns is expected to be made up of rental income in the early years followed by capital redemptions in later years. By 31 March 2022 scheme had funded 10 properties and had a further 51 under offer.

4.13 During 2021/22 £6.0m was drawdown by this Fund. It is too early to report on performance of this Fund

5. INFRASTRUCTURE

5.1 In addition to the property allocations, the Fund has made a 2.5% strategic allocation to infrastructure. This is made up of commitments to three private finance initiative (PFI) funds with Innisfree, plus a further two new investments with Infracapital and Pantheon (see Table six).

Table Six: Infrastructure holdings as at 31 March 2022

	Undrawn Commitments 31 March 2022 £m	Market value of holdings at 31 March 2022 £m
Innisfree PFI Continuation Fund II	1.8	9.7
Innisfree PFI Secondary Fund	1.4	16.8
Innisfree PFI Secondary Fund 2	0.7	9.0
Infracapital Greenfield Partners I	4.4	12.5
Pantheon Global Infrastructure III	4.5	11.2
Total Infrastructure	**12.8**	**59.2**

Innisfree Investments

5.2 The Fund has made commitments to funds managed by this specialist investor in PFI and similar projects, both in the UK and overseas. The investments offer prospective long term indexed returns in excess of those available from bonds. There is potential for improved returns from refinancing opportunities and contract variations.

Innisfree Continuation Fund II – partnership

5.3 The Committee approved a commitment of £8m to the Innisfree Continuation Fund II in January 2006. During 2015/16 the Pension Fund purchased £0.5m from the investor commitment of BAE Systems Pension Fund and in 2021/22 purchased a further £1.3m from a Canadian Pension Scheme.

5.4 This Fund consists of assets acquired from an earlier Innisfree primary fund in April 2006, plus a number of subsequent follow on investments and disposals the fund now has a total of £337m committed to 12 project investments, all of which are operational. Fund assets include: three hospitals, five education projects, three accommodation projects all in the UK and a Dutch high speed rail link.

5.5 The investment is currently valued at £9.7m and has distributed £8.3m to 31 March 2022 (with a further £0.3m distributed in April 2022 relating to the six month period up to the end of March 2022). The portfolio of investments is forecast to provide a long term gross IRR of 11.0%, a long term net IRR of 8.4% and a 10 year average net yield of 7.8% before future optimisation.

Innisfree Secondary Fund (ISF) – partnership

5.6 The Committee approved a commitment of £15m to the Innisfree Secondary Fund in July 2007. During 2015/16 the Pension Fund also purchased £1.5m from the investor commitment of BAE Systems Pension Fund.

5.7 Secondary Funds are long term holders of PPP (public/private partnerships) and PFI projects which have typically reached their operating stage. Returns to investors are principally by way of cash generated by the projects during the remainder of their concession lives. ISF had its final closing on 30 June 2008, taking aggregate commitments to £600.5m, and now has 18 limited partners. As at 31 March 2022, the Fund had total commitments of £590.0m to 33 projects, and around 98% of investor commitments have been cash drawn. Projects include schools, hospitals, MOD buildings and infrastructure (roads – M6) in the UK, Canada and Sweden.

5.8 The investment is currently valued at £16.8m, having distributed £11.1m to 31 March 2022 (with a further £0.9m distributed in April 2022 relating to the six month period up to the end of March 2022). The portfolio of investments is forecast to provide a long term gross IRR of 11.6%, a long term net IRR of 8.3% and a 10 year average net yield of 9.3% before future optimisation.

Innisfree Secondary Fund 2 (ISF2) – partnership

5.9 The Committee approved a commitment of £10m to the Innisfree Secondary Fund 2 in January 2013. ISF2 had its final closing on 31 March 2013, taking aggregate commitments to £544m, with 10 limited partners and 2 co0investment vehicles. The Fund had committed £449.1m to 24 projects and 82.5% of investor commitment had been cash drawn at 31 March 2022. All 24 projects are operational. The Fund is similar to ISF and is invested in projects including schools, hospitals, MOD buildings and infrastructure (Thameslink) in the UK, Canada and Sweden.

5.10 The investment is currently valued at £9.0m. The drawdown period of the partnership ended on 28 March 2020 and the follow-on investment period on 28 March 2021. The Fund has distributed £4.8m to 31 March 2022 (with a further £0.7m distributed in April 2022 relating to the six month period up to the end of March 2021). The portfolio of investments is forecast to provide a long term gross

IRR of 11.7%, a long term net IRR of 9.6% and a 10 year average net yield of 12.4% before future optimisation.

Other Infrastructure Investments

5.11 The Committee approved an increased commitment to infrastructure in January 2017. This set the strategic allocation to infrastructure at 2.5% of the fund. Following research and due diligence undertaken by Officers and the Investment Consultant it was agreed to commit £15m to Infracapital Greenfield Partners I in August 2017 and $21m (£16.9m) to Pantheon Global Infrastructure III in February 2018.

5.12 During the year, £5.8m was invested into these infrastructure schemes: £1.8m in Infracapital Greenfield Partners I and £4.0m in Pantheon Global Infrastructure III. No redemptions were made. It is too early to report on performance for these funds.

Infracapital Greenfield Partners I (IGP I)

5.13 The Committee approved a £15m commitment being made to Infracapital Greenfield Partners I in August 2017. This fund is targeting £1 billion in capital commitments to create a diversified portfolio of European greenfield economic infrastructure investments, in order to provide investors with capital appreciation and yield. It will focus on later stage development, construction and/or expansion of long-term infrastructure through projects and corporates. IGP I will target eight to fifteen investments, based on an equity investment in the range of £25m to £200m, including buy and build investments or roll out strategies. The fund has a 25 year term and is targeting a mid-teens gross IRR over the entire life of the Fund. There are two phases to the fund's life – an initial period where significant capital appreciation is expected, and an operating period during which high teens yield is expected to be delivered. Investors will have the opportunity to exit after the initial period, or (with more than 66.6% investor support) continue to the operating period.

5.14 This fund has currently made commitments of £1,043m to nine schemes. The projects include: broadband infrastructure, bio, solar and wind energy, new train rolling stock and a portfolio of PPP assets. The Pension Fund's investment is currently valued at £12.5m, with outstanding commitments of £4.4m. It is too early to report on performance for this fund.

Pantheon Global Infrastructure III

5.15 The Committee approved a $21m (£15.9m) commitment to Pantheon Global Infrastructure III in February 2018. This is a fund-of-funds, targeting a capital raising of $1.2bn. The Fund's strategy is focused on a combination of secondary and co-investments in infrastructure opportunities. The Fund is targeting an equal allocation across midstream energy, power and utilities, transportation, social infrastructure and 'other' (including telecommunications) and has made 39 commitments over the last four years. The fund is currently 104.3% committed with 69.5% of investors commitments drawn.

5.16 The pension fund's investment is currently valued at £11.2m, with outstanding commitments of $6.0m (£4.5m). It is too early to report on performance for this fund.

6. FUTURE INVESTMENTS – PROPERTY AND INFRASTRUCTURE

Border to Coast – Global and UK Property

6.1 Border to Coast are currently in the build phase of their global and UK property sub-fund offerings. The time required for the development of these sub-funds is long given the complexity of unwinding existing property holdings, the cost of transacting in property and the illiquid nature of these assets. Current estimates are that the global sub-funds will launch in Q1 2023 and the UK property sub-fund towards the end of 2023.

6.2 It is anticipated that the Pension Fund will transfer the current allocation to UK commercial property into the Border to Coast UK property sub-fund and the European asset holdings into the global sub-fund. At the meeting in October 2021 the Committee approved a long term strategic allocation to the Border to Coast Core Global Property sub-fund of up to 50% of the overall property allocation. Therefore, in addition to the European asset holding being transferred into the global property sub-fund it is likely that the Pension Fund will allocate uninvested cash to this sub-fund to address the underweight position in property.

Infrastructure

6.3 The Fund currently has a separate allocation to infrastructure, plus some additional infrastructure investments within the diversified alternatives mandate managed by Morgan Stanley. At the Committee meeting in June 2022 the Committee approved a change to the Morgan Stanley mandate to increase its focus on private market investments, including infrastructure assets. The Pension Fund will continue to manage its current infrastructure investments. All new infrastructure commitments will be made through the Morgan Stanley Alternatives mandate.

Conclusion

7.1 Overall, the Pension Fund’s investment in property generated a return of 23.21%, which was ahead of the benchmark return of 19.82% (as measured by Northern Trust). Within this there is significant a significant variation in performance.

7.2 The property allocation, at 7.3% is underweight its benchmark allocation of 10.5%, however, the commitments to the two new UK residential property investments plus the launch of the Border to Coast global property sub-fund later in the financial year should help to address this over the next couple of years.

7.3 Infrastructure generated a return of 12.45%, which was also ahead of the benchmark return of 6.00%.

7.4 Infrastructure allocation, at 2.0%, is also underweight its benchmark allocation of2.5%, however, there are undrawn commitments of £12.8m.

Consultation

a) Risks and Impact Analysis

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	UK Balanced Property Allocation - March 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.

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Appendix A

UK BALANCED PROPERTY ALLOCATION AT 31 MARCH 2022

March 2022	Retail %			Offices %			Industrial %	Other %		Total %
	Standard Retail	Shopping Centres	Retail Ware House	London	Rest of South East	Rest UK	All	Other Prop.	Cash	
Aberdeen Standard	6.2%	3.9%	6.2%	12.4%	0.5%	3.0%	53.3%	8.5%	6.0%	100.0%
Aviva	10.6%	0.0%	38.8%	10.9%	27.2%	0.0%	0.0%	11.7%	0.8%	100.0%
Blackrock	1.2%	1.8%	10.9%	11.4%	4.3%	5.8%	44.0%	17.1%	3.5%	100.0%
Royal London	5.0%	0.0%	8.4%	25.2%	3.1%	0.0%	41.5%	8.6%	8.2%	100.0%
Weighted Average	5.6%	2.1%	13.4%	13.8%	6.5%	2.7%	39.9%	11.2%	4.8%	100.0%
IPD UK Pooled Property Fund Indices	6.2%	0.9%	10.9%	10.9%	8.7%	5.0%	42.1%	9.9%	5.4%	100.0%
Difference (absolute)	-0.6%	1.2%	2.5%	2.9%	-2.2%	-2.3%	-2.2%	1.3%	-0.6%	

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Agenda Item 17

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