



County Offices
Newland
Lincoln
LN1 1YL

5 July 2023

Pensions Committee

A meeting of the Pensions Committee will be held on **Thursday, 13 July 2023** 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

A handwritten signature in black ink that reads 'Debbie Barnes'.

Debbie Barnes OBE
Chief Executive

Membership of the Pensions Committee
(8 Members of the Council and 4 Co-Opted Members)

Councillors E W Strenziel (Chairman), P E Coupland (Vice-Chairman), M G Allan, P Ashleigh-Morris, A W Briggs, S Bunney, P M Dilks and T J N Smith

Co-Opted Members

Steve Larter, Small Scheduled Bodies Representative
T Young, District Councils Representative
Tom Hotchin, Academy Sector Representative
1 Vacancy, Employee Representative

**PENSIONS COMMITTEE AGENDA
THURSDAY, 13 JULY 2023**

Item	Title	Pages
1	Apologies for Absence	
2	Declarations of Members' Interests	
3	Minutes of the previous meeting held on 8 June 2023	5 - 8
4	Report by the Independent Chair of the Lincolnshire Local Pension Board <i>(To receive a report from which Roger Buttery, Independent Chair, which updates the Committee on the work of the Pension Board during the last few months)</i>	9 - 12
5	Pension Fund Update Report <i>(To receive a report from Jo Kempton, Head of Pensions, which updates the Committee on Fund matters for the quarter ending 31 March 2023 and any other current issues)</i>	13 - 40
6	Pensions Administration Report <i>(To receive a report from West Yorkshire Pension Fund which updates the Committee on current administration issues)</i>	41 - 62
7	Annual Report and Accounts 2022-23: Draft Annual Report and Accounts <i>(To receive a report from Jo Kempton, Head of Pensions, which brings the draft Annual Report and Accounts for the Pension Fund to the Pensions Committee for approval and provides an update on the 2021/22 position)</i>	63 - 202
8	Annual Pensions Committee Training Plan and Policy <i>(To receive a report from Jo Kempton, Head of Pensions, which sets out the training policy and the annual training plan for the Pensions Committee members for the year to June 2024)</i>	203 - 268

Democratic Services Officer Contact Details

Name: **Thomas 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

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, 13th July, 2023, 10.00 am \(modern.gov.co.uk\)](#)

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



**PENSIONS COMMITTEE
8 JUNE 2023**

PRESENT: COUNCILLOR E W STRENGIEL (CHAIRMAN)

Councillors M G Allan, A W Briggs and T J N Smith

Co-Opted Members: Steve Larter (Small Scheduled Bodies Representative) and Tom Hotchin (Academy Sector Representative)

Roger Buttery (LGPS Pension Board Independent Chair), Cllr Mark Whittington (LGPS Pension Board Employer Representative) and Dave Vickers (LGPS Pension Board Scheme Member Representative) attended the meeting as observers

Officers in attendance:-

Thomas Crofts (Democratic Services Officer), Jo Kempton (Head of Pensions), Josh Drotleff (Finance Technician)

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors T Young, P Dilks, S Bunney and P Coupland.

2 DECLARATIONS OF MEMBERS' INTERESTS

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

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

Tom Hotchin (Academy Sector Representative) declared an interest as an active member of the Pension Fund.

3 MINUTES OF THE PREVIOUS MEETING HELD ON 16 MARCH 2023

RESOLVED

That the minutes of the meeting held on 16 March 2023 be approved as a correct record and signed by Chairman.

2

PENSIONS COMMITTEE

8 JUNE 2023

4 RESPONSIBLE INVESTMENT UPDATE REPORT

Consideration was given to a report which provided the Committee with an update on Responsible Investment activity during the final quarter of the financial year 2022/23 (January to March inclusive). Members were guided through the report, and the following matters were discussed:

- Elections to the Local Authority Pensions Fund Forum (LAPFF) executive committee were held every year ahead of the AGM in October. The request for nominations was to be made in August with a deadline for submission at the beginning of September. Details of the process and nomination forms were to be shared with the Committee, and members were welcomed to submit a nomination.
- The Pension and Lifetime Savings Association's Local Authority Conference was taking place in June 2023, and was open to all members of the Committee. The Chairman welcomed any member interested to attend.

RESOLVED

That the report and comments made regarding the responsible investment activity undertaken during the quarter be noted.

5 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.

6 MARKET UPDATE REPORT

Consideration was given to an exempt report which gave the Committee a market update from the Investment Consultant. A number of questions were asked and comments received.

RESOLVED

That the report and comments made regarding the current market view be noted.

7 INVESTMENT UPDATE AND MANAGER PERFORMANCE REPORT

Consideration was given to an exempt report which reviewed manager performance and investments of the Fund. A number of questions were asked and comments received.

RESOLVED

That the report and comments made regarding the long-term performance of the Fund's investment managers, and future investment developments be noted.

8 INVESTMENT STRATEGY REVIEW

Consideration was given to an exempt report which reviewed the investment strategy. A number of questions were asked and comments received.

RESOLVED

That the recommendations stated in the report be agreed subject to the following amendments:

- Recommendation 4 – correction of typographical error
- Recommendation 5 – clarify need for due diligence discussion between partners

9 MANAGER PRESENTATION - BORDER TO COAST PENSIONS PARTNERSHIP

Consideration was given to an exempt report which introduced a presentation from the Border to Coast Pensions Partnership. A number of questions were asked and comments received.

RESOLVED

That the exempt report and presentation be noted.

The meeting closed at 3.42 pm

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

Report to:	Pensions Committee
Date:	13 July 2023
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):

That the Committee note the report and consider whether more can be done both locally and nationally to resolve the crisis over the delays in producing and auditing the accounts.

Background

1. OUTCOMES FROM PENSION BOARD MEETING ON 16 MARCH 2023

- 1.1 The PB met on the 16 March and the main focus was on the following issues:
 - a) Employer Monthly Submissions
 - b) Temporary Bank Accounts
 - c) The Pensions Dashboard
 - d) External audit update report
 - e) Gerry Tawton

- 1.2 **Employer monthly submissions** - 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 37 cases of the late payment of contributions (approx. 3,300 received in the year) and 68 cases of the late submission of monthly returns (approx. 2,200 received in 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. Even so, during the financial year, eight fines were issued. 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.
- 1.3 **Temporary bank accounts** - Consideration was given to a report which updated the Board on the number of temporary bank accounts created by West Yorkshire Pension Fund (WYPF) to hold monies due to beneficiaries of the scheme. By way of background, for a number of years, WYPF has set up a number of temporary bank accounts with HSBC for deferred or pensioner beneficiaries who are entitled to a pension scheme benefit (be it a refund of contributions or a lump sum/pension) but for whom WYPF has lost contact or who will not claim their benefits. It was reported that the number of unpaid pensions had reduced from 36 to 23, as some beneficiaries had been traced which is good news. The current amount held in accounts is almost £33,000. The number of post 2014 refunds had increased from 466 to 526. The current amount held in accounts is almost £80,000. The Board will receive a further update in six months' time.
- 1.4 **The Pensions Dashboard** – the Governance and Business Development Manager from WYPF updated the Board on progress with the development of the Pensions Dashboard. In response to questions, he expressed confidence that the Dashboard would go live, and it was confirmed that work would continue based on meeting the prescribed staging date of September 2024. Alas, connecting to dashboards has been delayed until the 31st October, 2026 by the Department of Work & Pensions.
- 1.5 **External Audit Update Report** – the PB also considered a further report on the external audit of the Annual Report & Accounts for 2021/2022. At the December meeting, the PB was informed that the external auditor was expected to give an unqualified audit opinion on the pension scheme accounts alongside the audit opinion on the Council's Statement of Accounts which have to be signed off in conjunction with each other. This was however delayed because of national issues on the treatment of infrastructure and the impact of triennial valuations being completed ahead of the accounts sign off.

The delays are becoming very serious and I am concerned about the deterioration in proper governance in public bodies, particularly local government, and the undermining of effective accountability brought about by the significant delays in the production of audited final accounts. These delays strike at the heart of public administration and urgent action is required to resolve the situation.

I have recently had discussions with CIPFA and the Public Services Appointments Commission concerning the backlog in public sector accounts being finalised and signed off. Currently, there are over 600 opinions not signed off, some dating back to 2017/2018. Reports suggest that this could increase to around 1,000 in the next few months. There is both a capacity challenge and a problem on the regulatory front. Serious delays in local authority (and other public sector) audited final accounts are intrinsically damaging to financial management and stewardship.

- 1.6 **Gerry Tawton** – Gerry Tawton has retired from the Board following a four-year term. Gerry was an employer representative, but he retired as a governor at Boston College. I would like to thank Gerry for his substantial contribution and support. Gerry has been replaced by Peter Allan, St Gilbert's, Stamford.

Conclusion

2. ASSURANCES GAINED BY THE BOARD

- 2.1 The PB concluded that the vast majority of employers comply with the rules on the payment of contributions and submission of monthly returns.
- 2.2 The PB welcomed the reduction in the number of temporary bank accounts for pensioners and deferred members but is keen for the WYPF to make further efforts to ensure that pension entitlements are paid to the beneficiaries.
- 2.3 The PB gained comfort that WYPF are well advanced on the pension dashboards national initiative.
- 2.4 The PB was delighted that the external auditor is expected to give an unqualified opinion on the Fund Statement of Accounts which demonstrates the excellent stewardship by the Lincoln Pension's Team and WYPF. However, there are grave concerns at the delays in both closing and auditing the accounts of local authorities and the inevitable effect on accountability to the public.

Roger BATTERY
Independent Chairman

June 2023

Consultation

a) Risks and Impact Analysis

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

Background Papers

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

This report was written by Roger Buttery, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

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

Report to:	Pensions Committee
Date:	13 July 2023
Subject:	Pension Fund Update Report

Summary:

This report updates the Committee on Fund matters for the quarter ending 31 March 2023 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 Audit – Pensions Administration
7. Custodian Tender
8. Pensions Team Structure
9. Conference and Training Attendance

Recommendation(s):

That the Committee:

- 1) consider and discuss the report and agree whether any action or additional information is required; and
- 2) approve the additional post to the Pensions team.

Background

1. Funding and Performance Update

- 1.1 Over the period covered by this report, the value of the Fund's invested assets increased by £98.8m (+3.4%) to £3,025.6m on 31 March 2023.

Asset Allocation

- 1.2 Appendix A shows the Fund's distribution as at 31 March. At an asset class level, property is below its tolerance level. Funds being committed to the Border to Coast

Global Property Fund will help rebalance this underweight. Cash is overweight, as this is being used to fund expected drawdowns in property and infrastructure investments.

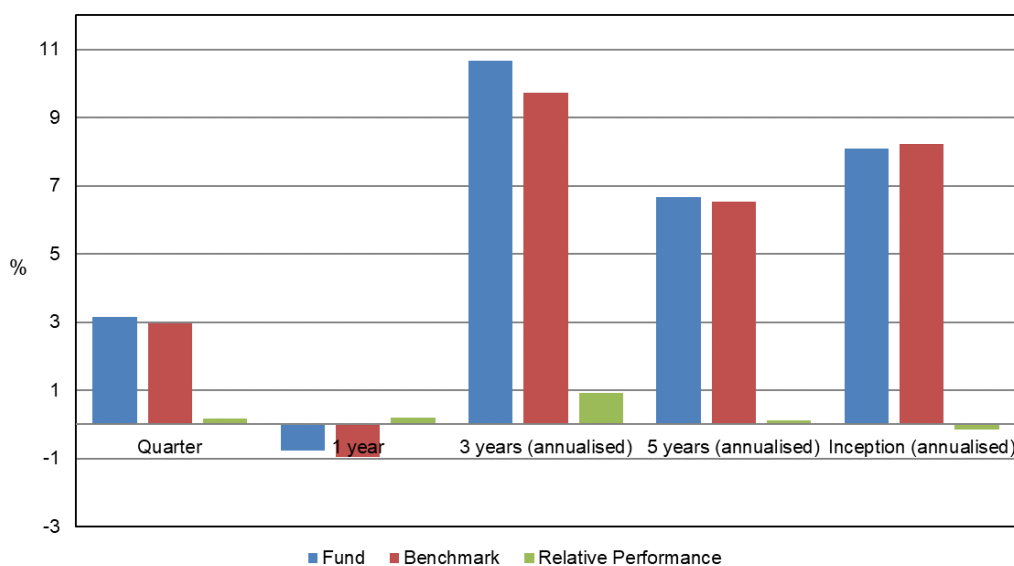
1.5 The Fund's overall position relative to its benchmark is set out in the table below.

Asset Class	Q1 2023 £m	Q4 2022 £m	Asset Allocation %	Strategic Asset Allocation %	Difference %
UK Equities	462.1	486.4	15.3	15.0	0.3
Global Equities	1,689.7	1,171.8	40.8	40.0	0.8
Alternatives	690.6	673.0	22.7	21.5	1.2
Property	228.1	230.5	7.5	10.0	(2.5)
Fixed Interest	344.2	300.7	11.3	12.5	(1.2)
Cash	73.0	64.4	2.4	1.0	1.4
Total *	3,025.6	2,926.8	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	3.15	2.97	0.18
1 year	(0.77)	(0.96)	0.19
3 years*	10.66	9.73	0.93
5 years*	6.67	6.54	0.13
Inception**	8.09	8.23	(0.14)

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

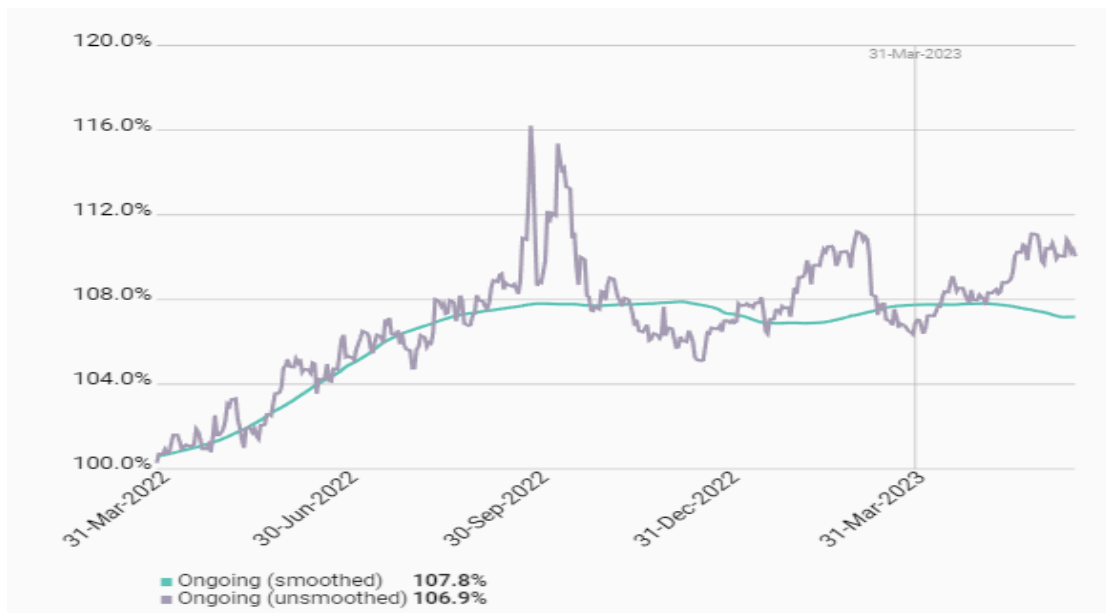
1.7 Over the quarter, the Fund produced a positive return of 3.15% (as measured by Northern Trust), outperforming the benchmark by 0.18%. The Fund was also ahead of the benchmark over the one, three and five-year periods, but slightly underperformed since inception. Details of individual managers' performance are covered at the Investment and Responsible Investment meetings of the Pensions Committee.

1.8 Appendix B shows the market returns over the three and twelve months to 31 March 2023.

Funding Level

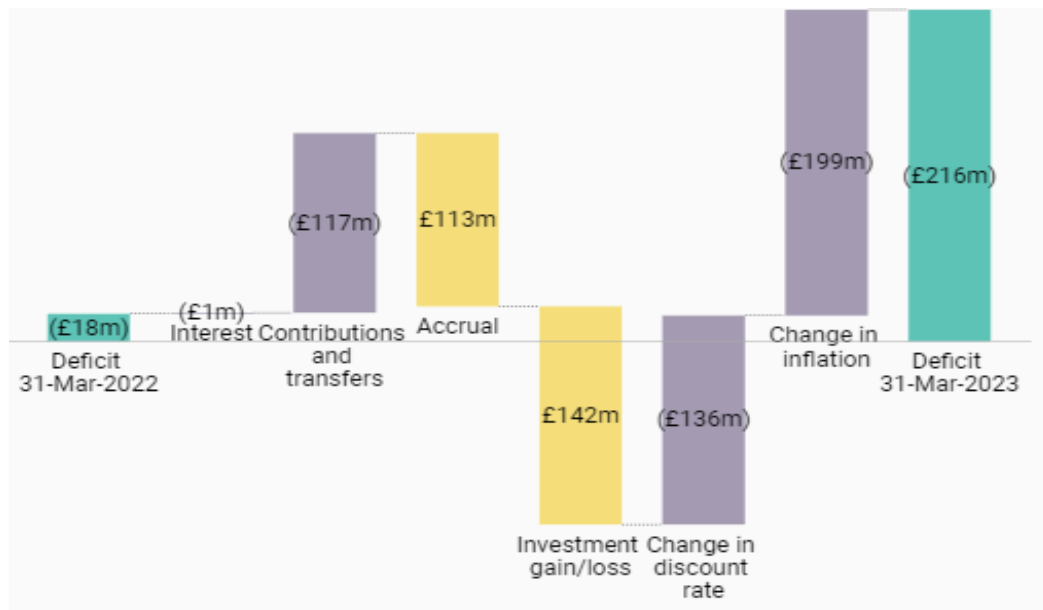
1.9 The funding update is provided to illustrate the estimated development of the funding position of the Lincolnshire Pension Fund from the latest formal valuation, 31 March 2022, to the current quarter end, 31 March 2023. The accuracy of this type of funding update will decline over time, as the period 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, as at 31 March 2022, the funding level was 101%, with assets and liabilities measured at £3.01bn and £2.99bn respectively. Since the valuation date, the funding level has increased by 6.8% to 107.8%. 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 2022 to 31 March 2023 the surplus, in real money, has risen from £18m to £216m. The investment return and the change in discount rate have been negative, but this has been partly offset by the change in inflation over the

period. Since the valuation, contributions and transfers have been slightly 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, there has been some turnover of members in both the Board and the Committee who all have a period of six months to complete their training, therefore this should be green by January, if not earlier.

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. 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 – Training is a standing agenda item and opportunities are shared with the Pension Board as they arise. Pension Board members all complete a training log annually to record all training undertaken.

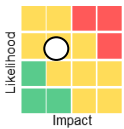
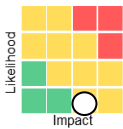

3. Breaches Reporting - update

3.1 The Fund and those charged with its governance have a requirement to log and, where necessary, report breaches to the Pensions Regulator. 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** – there have been some late employers over the quarter, but nothing of significance that requires reporting to TPR. A separate paper will be presented annually to the January meeting of this Committee covering this and other employer monitoring.

4. Risk Register Update

4.1 The risk register is a live document and updated as required. Any changes are reported quarterly, and the register is taken annually to Committee in October to be approved. There has been one change to the risk register.

Risk	Current risk score	Target risk score	Status	Direction of travel	Actions	Notes
P1 - Loss of key staff and loss of knowledge and skills			Limited		New roles being added to the team.	Long-term sickness absence in team.

4.2 Officers are looking to increase the team size to add additional resilience and capacity (see section 7).

5. Asset Pooling Update

Sub Funds

5.1 Work has continued with the development of the real estate funds, with the next transition for Lincolnshire expected to be into the Core Global Property fund, due to be launched in 2023.

5.2 In April, the Fund sold out of its passive bond holding in Blackrock and increased its allocation to the Sterling Investment Grade Credit Fund at Border to Coast, as part of the strategic asset allocation changes agreed at the March Committee meeting.

5.3 Since the last Committee meeting, Border to Coast has held workshops and meetings with officers and advisors covering quarterly external and internal funds, property, UK opportunities, passive funds, and responsible investment.

Joint Committee Meetings

5.4 The last Joint Committee was held on Tuesday 13 June 2023 and papers were shared with the Committee. The agenda items were:

The following items were included in the agenda:

- Schedule of Future Meetings
- Update of Impact on Committee Membership following Local Elections
- Annual Elections
- Joint Committee Budget
- Responsible Investment Update
- Market Review
- Annual Proposition Review: Externally Managed Equity Funds

- Annual Reviews - Emerging Market Equity, Global Equity Alpha, UK Listed Equity Alpha
- UK Opportunities Fund Design
- CEO Report
- Investment Review Quarter Ended 31 March 2023
- Update on emerging Matters

5.5 A Responsible Investment (RI) Workshop was also held with the Joint Committee, which covered Border to Coast's approach to RI, the RI strategy, engagement, and the RI policies review process.

5.6 The next meeting of the Joint Committee is being held on 28 September, before the Border to Coast Annual Conference, and papers will be shared with this Committee once they become available. Any questions or comments on the papers should be directed to Cllr Strenziel, Chairman of the Pensions Committee, who can raise them at the meeting.

Shareholder Matters

5.7 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 recently updated following review and approved by Full Council in February 2023.

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

5.9 There has been one shareholder resolution since the last meeting, the Executive Director remuneration policy, which was approved by Lincolnshire.

Officer Operations Group Workshop

5.10 Senior officers from the Partner Funds met for a two-day workshop in May to look at refreshing the principles that were first set out when creating Border to Coast. The agenda was to understand and review the original principles, evolve them to take account of developments since 2017, ensure they were future proof and then set the next steps to refresh them and agree a mission statement.

5.11 There has been much turnover of officers since the project began in 2015, so those officers that had been involved since the beginning provided a useful background on how Border to Coast was created and the principles that framed the culture of the company and partnership working.

5.12 The original seven principles, which are set out below, were assessed to understand what had worked well and what could be done better:

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

5.13 Similar discussions were had on pooling generally, and the outputs were considered as to how these could be reflected in refreshed principles, and how we can benefit from the close relationships across the partner funds, and across pools, to improve the efficiency and effectiveness of how we run the Funds. Increased collaboration in areas outside of investments were also discussed. Discussion was had on the future options for pooling, taking into consideration the potential outcomes of the consultation due from Government.

5.14 A number of workstreams were agreed for further consideration, and actions were shared across the members of the officer operations group. Progress will be monitored and reported back to the group and shared with committees as appropriate.

6 Internal Audit – Pensions Administration 2022/23

6.1 LCC's internal audit team periodically look to seek assurance over the adequacy of the Pensions Administration service, managed by West Yorkshire Pension Fund (WYPF). To maximise efficiencies and avoid duplication, LCC's internal audit take assurance from the relevant work undertaken by the internal auditors of WYPF, Bradford Metropolitan District Council (MDC). MDC's annual audit plan for WYPF in 2022/23 was for 105 days.

6.2 LCC's internal audit reviewed the scope of the work undertaken by MDC and assessed the assurance outcomes. Audits undertaken and the assurance outcomes received are listed below:

- LGPS New Pensions and Lump Sums - Deferred Benefits = Good
- Reimbursement of Agency Payments = Excellent
- Additional Voluntary Contributions Arrangements = Good
- Fire Service New Pensions & Lump Sums - Normal and Early Retirements = Good
- Annual Benefit Statements = Excellent
- Shared Service Partner Admission (from 2021/22) = Good

- 6.3 Following LCC Internal audit's contact with the WYPF audit provider, they can continue to place assurance on the robust nature of the audits completed by Bradford MDC. They were pleased that the audits continue to have positive assurance levels to date and that any actions recommended are implemented. Internal audit are happy to place reliance on this assurance over Pension Administration and plan to maintain their relationship with Bradford MDC.

7 Custodian Tender

- 7.1 The current agreement with the custodian, Northern Trust, was due to expire on 31 March 2024, and officers were planning on running a tender exercise over the summer months to bring a recommendation to the Committee.
- 7.2 Given current resource constraints, approval has been given to extend the agreement for a further 12 months, to 31 March 2025.

8 Pensions Team Structure

- 8.1 As the Committee are aware, approval was given in 2021 to appoint an additional post to the Pensions Team. The post was for a Principal Accounting, Investment and Governance Officer at a G10 grade. Unfortunately, the recruitment exercise carried out in 2022 was not successful as the role is very broad with no candidates able to meet all requirements at that level.
- 8.2 Officers have further reviewed the capacity and resilience within the current team and the increasing requirements from regulators and stakeholders. This has identified that two posts are required rather than the one previously approved, but that these should be career grade posts (G8-G10) to enable development into the required roles. These two posts will work closely together, but one will concentrate on the Investments and Stewardship aspects, and the other on the Administration and Accounting aspects. The addition of these posts will improve the resilience, continuity, and succession planning within the team, and increase the capacity to ensure that the Fund continues to be managed as effectively as possible.
- 8.3 This additional post will be funded from the Pension Fund, so there are no additional costs to LCC.
- 8.4 Approval is requested from the Committee to progress with the additional post. Once approved, it is expected that recruitment for both posts will start later this summer.

9 Conference and Training Attendance

- 9.1 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 recommend it for others to attend.

- 9.2 There have been two conferences since the last meeting. The LGC Investment Seminar was held in March and was attended by the Chairman of the Committee and the Head of Pensions. Conference notes produced by Hymans Robertson are attached at appendix E. The PLSA LA Annual Conference was held in June and was attended by the Chairman of the Committee and Cllr Mark Whittington from the Pension Board (conference notes not available at the time of writing this report).
- 9.3 The Committee and officers are requested to share information on relevant events they have participated in since the last Committee meeting.
- 9.4 New members of the Committee and Board attended an induction training session with the Head of Pensions in June, as part of the mandatory training required.
- 9.5 Upcoming training opportunities are shared in the weekly and monthly emails and current ones are shown below. Any member wishing to attend or require more information should contact Jon Haw (Jonathan.haw@lincolnshire.gov.uk):
- Border to Coast Annual Investment Conference 28-29 September, Leeds
 - LGA Fundamentals Training 2023 – three days over October, November and December, at either Manchester or London, or on-line.

Conclusion

10. The Fund is 107.8% funded (on a roll-forward basis) as at the end of March, with an overall value of invested assets of £3,025.6m.
11. The Committee are requested to approve the additional resource into the Pension Team.

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	Conference Highlights – LGC Investment Seminar

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 Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

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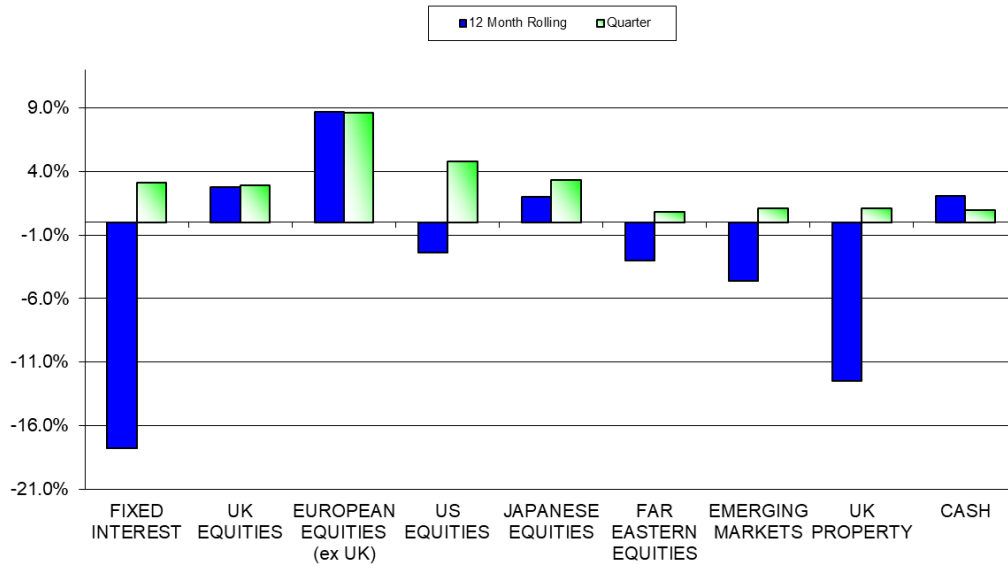
DISTRIBUTION OF INVESTMENTS

INVESTMENT	31 March 2023			31 December 2022			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	462,065,678	27.3%	15.3%	486,372,429	29.3%	16.6%	15.0%	+/- 2.0%
TOTAL UK EQUITIES	462,065,678		15.3%	486,372,429		16.6%	15.0%	
GLOBAL EQUITIES								
LGIM Future World	463,892,278	27.5%	15.3%	447,902,550	27.0%	15.3%	15.0%	+/- 2.0%
Border to Coast Global Equity Alpha	763,782,209	45.2%	25.5%	723,874,749	43.7%	24.8%	25.0%	+/- 2.5%
TOTAL GLOBAL EQUITIES	1,689,740,165		40.8%	1,171,777,299		40.1%	40.0%	
TOTAL EQUITIES	1,689,740,165	100.0%	56.1%	1,658,149,728	100.0%	56.7%	55.0%	
ALTERNATIVES *	690,572,457		22.7%	673,030,092		23.0%	21.5%	+/- 3.0%
PROPERTY	228,080,831		7.5%	230,522,424		7.9%	10.0%	+/- 1.5%
FIXED INTEREST								
Blackrock	124,858,174	36.3%	4.1%	120,913,132	40.2%	4.1%	5.0%	+/- 1.0%
Border to Coast Investment Grade Credit	219,308,652	63.7%	7.2%	179,797,749	59.8%	6.1%	7.5%	+/- 1.0%
TOTAL FIXED INTEREST	344,166,826	100.0%	11.3%	300,710,881	100.0%	10.2%	12.5%	+/- 1.5%
TOTAL INVESTED CASH	73,006,887		2.4%	64,358,667		2.2%	1.0%	+ 0.5%
TOTAL INVESTED ASSETS	3,025,567,166		100%	2,926,771,792		100%	100.0%	

* including Multi-Asset Credit and Infrastructure

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CHANGES IN MARKET INDICES MARKET RETURNS TO 31 MARCH 2023



INDEX RETURNS	12 Months to Mar 2023 %	Jan-Mar 2023 %
FIXED INTEREST	-17.8%	3.1%
UK EQUITIES	2.8%	2.9%
EUROPEAN EQUITIES	8.7%	8.6%
US EQUITIES	-2.4%	4.8%
JAPANESE EQUITIES	2.0%	3.3%
FAR EASTERN EQUITIES	-3.0%	0.8%
EMERGING MARKETS	-4.6%	1.1%
UK PROPERTY	-12.5%	1.1%
CASH	2.1%	0.96%

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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

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Lincolnshire Pension Fund 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
June 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
Sept 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
Dec 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
March 23	Contributions – updates	Late payments	Cashflow issues, data not provided to WYPF to action – e.g. retirements	Made aware and fined in some circumstances	Not reported – not material to LPF		Continuing training and communications with employers Review of process

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Conference highlights

LGC Investment Seminar, Carden Park (30-31 March 2023)



Iain Campbell
Senior Investment Consultant



Susan Black
Head of LGPS Governance,
Administration and Projects

A record turnout at Carden Park saw discussions of a wide range of investment and governance topics including pooling, ESG and better collaboration across the LGPS.

Day 1

Introduction from LGC and event chair

Dawn Turner; Martin George, Local Government Chronicle

- Dawn launched the conference with a poll, asking delegates what inflation might be running at by the end of 2023. The result was broadly split down the middle, with half going for between 3% and 5%, and the other half opting for 6% to 10%.

Economic market overview – outlook for the advanced world

Stephen Millard, National Institute of Economic and Social Research

- Stephen gave his views of the economic outlook based on research from the Institute.
- On growth, he expects it to slow to between 2% and 3% across the globe in 2023 and remain low in 2024, but does not predict negative growth for any region included in the analysis. Longer-term, China is expected to continue to grow at around 5.5% in 2023 which is markedly slower when compared to the last few decades.
- A belief that inflation in the UK and US had peaked was noted, but that it would remain higher for longer due to the inflation effects of the high energy and food prices spreading into the wider economy. However, it would fall back to 2% in 2025.
- On interest rates, Stephen stated that they would likely peak in 2023 and fall slightly in 2024. However, he did feel there was a risk that central banks would cut them too quickly for fear of being behind the curve.
- The upcoming UK and US elections were also noted as potential inflationary risks, if governments began spending again to gain votes.

What the current economic position means for the LGPS

Jos North, Ruffer; Phil Triggs, Tri-Borough; Neil Mason, Surrey Pension Fund

- Jos set out the key concern that inflation was causing for markets: large shocks (as are happening currently) typically take years to work their way out of the system. It was also noted that when inflation is higher, correlations between asset classes also rise, limiting diversification benefits for LGPS Funds.
- Jos also noted the need for dynamism within Funds to take advantage of higher future volatility in markets.
- Phil explained the outcomes of the recent strategy reviews completed on the funds he works with. Whilst all are very well funded, their different starting positions on investment strategies and beliefs meant they have taken different decisions with regards to equity reduction and diversification.
- Neil suggested that risk analytics and management tools used in the investment industry were not up to requirements, noting the significant number of huge market shocks in recent years.

Practical showcase on TCFD

Jane Firth, Border to Coast Pensions Partnership

- Jane discussed Border to Coast's experience of producing their first Taskforce for Climate-related Financial Disclosures (TCFD) report.
- She explained how Border to Coast tackled this, starting with the key questions of what the pool already does, what it could improve and what it wasn't doing.
- Jane also shared a number of key lessons learnt from the process, as well as some top tips for Funds.

Workshop A: Seeking diversification and positive risk-adjusted returns in uncertain markets through alternative fixed income

Huw Davies, Jupiter Asset Management

- Huw started by highlighting uncertainty around inflation – high inflation affects equity/bond relationships.
- Fixed income funds can offer diversified returns, with limited credit exposure, daily liquidity, and targeted and controlled volatility.
- It's hard to manage sovereign ESG risks. Their framework ranks around 100 sovereigns, with the bottom quartile not investable.

Workshop B: How institutional investors could hold the keys to the home ownership crisis?

Adrian Jones, Allianz Global Investors

- Adrian provided an overview of a shared ownership fund designed to help people onto the property ladder who could not otherwise afford a mortgage.
- The social benefits were also noted, including a real-life case study of a family living in one of the homes part-owned by the fund.

Workshop C: 2023 Outlook: Private Debt & ESG

Gene Miao, Churchill Asset Management; Mickey Weatherston, Churchill Asset Management

- Churchill provided an outlook for private debt in 2023.
- They also explained their process for integrating ESG considerations into their fund management practices when investing in US private debt.
- These included a wide range of technologies, as well as working across the industry to create standard practice and reporting.

Workshop D: The climate data conundrum

Lauren Juliff, Storebrand

- The presentation considered the variety of passive carbon funds and the complexity around the Paris agreement goals. It was argued that Paris-aligned funds can never be truly passive due to the subjectivity involved.
- There's a need to be mindful of the limitations of benchmarking due to the known issues with underlying data and methodological issues.
- When growing the green economy, consideration should be given to other solutions, not just decarbonising. The example of heat pumps was given: at first glance they may not be a good bet from a Paris alignment benchmarking perspective, however they have other long term benefits.

ESG – the good the bad and the ugly

Frances Deakin, Local Pensions Partnership Investment; Kerry King, Accounting for Sustainability; Roselind Smith-Maxwell, Quinbrook

- Each panel member set out what they felt were the good, bad and ugly areas of ESG that they see within investment practice.
- The good elements noted were: how ESG had become commonplace within the investment industry now; increased and improved collaboration on ESG issues which was leading to more issues being resolved; and how a Just Transition was leading to a fair move towards a more sustainable future.
- The bad elements discussed were: the difficulties with data and reporting; missing the “so what” behind any ESG information; and the dominance of environmental issues over social and governance.
- The ugly elements were: the lack of universal standards and definitions leading to open interpretation of ESG and greenwashing, the common misunderstanding that ESG is incompatible with financial returns; and the politicisation of ESG, particularly in the US.

Workshop E: Infrastructure and the European Transformation

Hamish Mackenzie, DWS

- Hamish described many areas where money is currently being put to good use, eg hydrogen developments, batteries, green mobility, the circular economy (recycling, waste management), clean drinking water.
- Future opportunities? Lorry loads onto trains/rail, bio methane projects, EV charging.

Workshop F: The moral dilemmas of a MAC ESG Manager

Blair Reid, RBC BlueBay Asset Management

- The presentation looked at the challenges in building MAC funds. Research was noted showing MAC funds with higher ESG scores received lower yields, due to the perceived lower risks of the companies.
- A key challenge was understanding whether the fund was making a positive difference to the world, with data and metrics generally showing it wasn't, whilst anecdotal evidence showing positive impact.
- Examples were given of mining and airline companies, noting these would typically be excluded from green portfolios, but that the world still needed their goods and services, so making a difference would be to invest in the most sustainable of these companies.

Workshop G: Investing for Income and Impact: As safe as (affordable) housing?

Adrian D'Enrico, Edmond de Rothschild REIM

- UK population is growing, with financial pressures due to mortgage rises, inflation, and many facing pensions poverty.
- There's also an accommodation shortage, with a need for 5.5m affordable houses.
- Features of affordable housing? Resilient (70% of income from public sector), land is cheap as subsidised by local authority, low correlation with other sectors, not cyclical – defensive, with low voids and a tangible social impact.

Workshop H: Searching for Alpha in today's climate.... Alternative credit a possible solution?

Matthew Darrah, Principal Asset Management

- Provided an overview of the private credit asset class and current market, noting the different areas for potential investment.
- The benefits of the asset class were discussed, including its resilience over market cycles and the high demand for this form of lending from businesses.
- The current market conditions were also discussed, noting that currently the yields on offer were relatively high.

One voice: 86 funds

Jason Fletcher, London CIV; Matthew Trebilcock, Gloucestershire Pension Fund; Roger Phillips, LGPS Advisory Board; Ewan McCulloch, Border to Coast Pensions Partnership

- This session invited the panel to give their views on whether the LGPS "punches its weight" within the investment industry, and what more could be done.
- It was noted that the LGPS could use its size to achieve more and make its success stories better known. The key to achieving this was increased collaboration across funds and pools.
- The key to collaboration being a success is to focus on the areas where funds and pools are clearly aligned and avoid areas where there's not a common goal. The case of LPP and LCIV working together on the London Fund was given as an example of successful collaboration.
- Other benefits of collaboration noted were the improvement of governance, where the sharing of ideas and best practice should be encouraged.
- Collaboration outside of the LGPS was also discussed, noting that there were many other likeminded investors outside of the LGPS.

Day 2

Welcome from the chair

Nick Buckland, Kent County Council

- Nick welcomed all attendees to the second day of the conference.
- The large turnout was noted, with Nick commenting that whilst it was great to see the LGPS family back together last year, this year the extended family had come.

Maintaining good governance in a time of change

David Vallery, Lothian Pension Fund; Susan Black, Hymans Robertson; Euan Miller, West Yorkshire Pension Fund; Denise le Gal, Brunel Pension Partnership

- The panel expressed a range of views on the current governance arrangements within the LGPS.
- LGPS committee members are talented amateurs. Members of Insurance company boards require regulatory approval, should we have similar in the LGPS? Hopefully, it will not take a crisis in the Scheme to expose the problem.
- It is a positive reflection on the LGPS that the Good Governance project was driven from within and not imposed by an external regulator. Many funds are already implementing Good Governance recommendations – there's no need to wait for legislation.
- The Metropolitan funds model does address some of the issue around potential conflicts of interest as the administering authority does not tend to dominate in terms of size.
- Independent advisors provide expertise to committees – with the advent of pooling, will we see more independents with a focus on administration or governance?
- The LGPS is well governed but there's always room to improve.

The power and responsibility of ownership

Mark Solomon, Robbins Gellar Rudman & Dowd; Alex Younger, Norfolk Pension Fund; David Crum, Minerva Analytics

- The importance of stewardship in the LGPS, and the good practice currently on display by funds, was noted, with some discussion of how approaches have been developing.
- The importance of including consequences when engaging with companies was noted, and that litigation against company management after fraudulent behaviour was an important element of being a responsible owner.
- This required key investors stepping up to sue companies, and some examples of Norfolk doing this were provided.

Investing locally – but does it have impact and/or meet the levelling up agenda

Peter Manners-Smith, M&G Investments; Karen Shackleton, Pensions for Purpose; Sean Johns, Cornwall Pension Fund

- The challenges of investing locally were discussed, including the ability to find suitable investment opportunities with adequate risk and return characteristics, the potential for conflicts of interest, and the difficulty for pools to help given how specific each fund's requirements may be.

- Some examples of local investments made by Cornwall were discussed, as well as how the impact these have are measured and monitored using the UN Sustainable Development Goals.
- The wider economic and social benefits of local regeneration projects were also considered, including job creation.

Practical showcase on strategic asset allocation

Mark Gayle, Devon County Council; Chris Teschmacher, Legal & General Investment Management; Nick Buckland, Kent County Council; Dawn Turner, Independent RI advisor and NED

- Mark started by discussing his recent experience of going through an investment strategy review, including the process and what was agreed. The impacts of climate change considerations on the process were also noted. The challenge of what comes first between the valuation and strategy review was noted, given their impacts on one another.
- Nick discussed Kent's investment strategy review process, noting that it ran alongside the actuarial valuation and that each 3 years he only expected to be making incremental changes. A new consideration for Kent of having minimum limits on allocations to a single asset class were also discussed, to ensure allocations were having an impact on the fund's performance.
- Chris discussed the similarities of running a multi-asset fund to the management of an LGPS investment strategy. He also noted a large number of similarities between the two investment approaches, but also some differences, most notably that LGPS funds generally invest less in alternative credit and have a larger home bias.

Pooling consultation live

John Burns, LGPS Central; William Bourne, Independent advisor; Peter Wallach, Merseyside Pension Fund; Joanne Donnelly, LGA

- Each panellist gave their views on pooling.
- John started by noting that whilst there was frustration from DLUHC on the pace of pooling, this was due to the complexity of the task. The benefits of pooling were strong and went beyond simply cheaper investments, but better approaches to RI.
- William provided a more critical assessment of pooling, noting a number of changes he would like to see to improve them, including increasing the independence of pools and introducing the ability for pools to make a profit.
- Peter discussed the Northern Pool's approach, setting out the achievements it has had so far, including providing significant cost reductions on alternative investments and providing exposure to sustainable UK infrastructure.

Political landscape – where are we now

Daniel Finkelstein, The Times; Martin George, Local Government Chronicle

- Daniel discussed the difficulty people find in distinguishing noise from true signals, and overinterpreting how people are influenced, providing examples from politics and sport.
- The two key drivers for the results of national elections are the economy and leadership, but people often attribute it to many smaller factors such as televised debates.

Closing remarks

Jenny Vyas, emap

- Jenny thanked everyone for their attendance.



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

Report to:	Pensions Committee
Date:	13 July 2023
Subject:	Pensions Administration Report

Summary:

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

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

Recommendation(s):

That the Committee discuss the activity and performance of the administration service during the last quarter.

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 KPI narrative

The information shown below provides details of the KPIs where the target has not been met in the period 1 January 2023 to 31 March 2023. The full table of KPIs are in Appendix A.

Work Type	Reason for underperformance	Target % met
Death In Service	Due to volumes of work in the team and staff using leave before the end of the financial year, 3 cases were processed outside the target days.	66.67%

Deferred Benefits Into Payment Quote	There has been a significant increase in the requests for quotes. Members are requesting details of their benefits for current and also future dates. The requests are being dealt with by the Team in date order of retirement.	54.5%
Deferred Benefits Set Up on Leaving	The Team continue to work on the older cases to reduce the numbers as well as new BAU cases.	71.2%
Interfund Linking In Actual	The Team are training new staff and this is a complicated area to learn. New staff continue to be trained until they are able to process these independently.	53.85%
Monthly Posting	The Team have had staff sickness and also members of the Team on leave.	92.39%
Refund Quote	The Team are dealing with older cases which were put on hold in the early part of last year as the Team focussed on processing deferred benefits for the valuation extracts.	64.01%
Update Member Details	The Contact Centre are processing record maintenance forms in-between phone calls and training new staff.	83.88%

2.0 Shared Service Update

2.1 Staffing

Finance - There are currently no vacancies in the Finance Team.

Service Centre – 5 Senior Pension Officers have recently been recruited and these were all internal candidates. Recruitment to fill the vacant Pension Officer posts that have now been created will commence shortly.

Technical Team - There is one vacancy in the Technical Team for a Technical Advisor which is an additional post and this will be advertised shortly.

Employer Relations Team - There is one vacancy in the Employer Relations Team for a Pension Fund Representative which is an additional post within the Team. They are looking to recruit to this post later in the year.

2.2 Audits undertaken by Bradford Councils Internal Audit:

a) Reimbursement of Agency Payments 2022/23

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. Assurance that the system is working as expected.

Internal Audit made no recommendations for improvement.

2.3 Shared Service Budget

Lincolnshire LGPS	MBR NO MAR23	2022/23 REVISED BUDGET	2022/23 ACTUAL	VAR BDGT-ACT PD12	2023/24 COST PER MBR	2023/24 BUDGET	MBR NO MAR23	2023/24 COST PER MBR PD13	2023/24 FORECAST PD1
CHARGE ACTUAL / FORECAST	82,776	-£1,378,752	1,383,940.22	-£2,762,693	16.72	£1,542,945	82,776	£18.64	£1,542,945

Lincolnshire LGPS	MBR NO ESTIMATE MAR24	EST CST PER MBR 24/25	EST 2024/25
CHARGE ACTUAL / FORECAST	79,517	£18.52	£1,472,440

2.4 Shared Service Risk Register

Over the last 12 months as part of the collaboration of Shared Service Partners, a Risk Register has been produced. This considers the shared risks faced by all in the delivery of the Local Government Pension Scheme administration.

All the risks are reviewed on a quarterly basis and those that have a legislative requirement such as McCloud and Pensions Dashboard are prioritised

Appendix B – Shared Service Risk Register

2.5 Policy Changes

None for the period 1 January 2023 to 31 March 2023.

2.6 Monthly Posing Phase 3 (MP3)

Monthly posting phase 3 is an update to the monthly return process which will require employers to self-manage the upload and allocation of the contribution file to the individual member records. It will move all the functionality onto to the front end website to enable Employers to process the data online.

The new system will also have the flexibility for the Finance team to take over and help employers to complete the submitted file process:

- validation, verification of the data
- Data loading onto the database
- Auto record matching
- Manual record matching
- Insert monthly posting data onto a member's record
- Identifying new joiners
- Identifying leavers

MP3 is due for release to employers once the cyber testing has been completed. The Finance Team have been showing employers/payroll providers the revised system through a series of demonstrations. Seven employers from Lincolnshire Pension Fund have confirmed that they will be happy to go ahead as soon as it goes live.

Once a 'go live' date has been agreed, there will be a rolling programme to get all employers on-board.

2.7 Pension Scams Pledge

All WYPF Board members have now completed their Pensions Regulator training on pension scams and WYPF have now signed up to the pension scams pledge with effect from April 2023.

3.0 Regulatory Update

a) Annual revaluation date change

In tax year 2015/16 HMRC changed the date pension growth, or revaluation, will be applied. A pension may grow in line with inflation (based on CPI in the September before the start of the tax year) which determines if there will be a tax liability for the member.

HMRC legislation determined for the 2022/23 tax year, a pension may grow 3.1% without contributing to a tax liability. LGPS regulations determined revaluation should be applied on 1 April 2023 based on the CPI value in September 2022 (same tax year 2022/23) which was 10.1%.

A 7% difference between the CPI value HMRC would measure as growth, 3.1%, and the amount the LGPS would have applied from 1 April 2023, 10.1%, would lead to a larger growth and may have caused additional tax charges for scheme members.

With effect from 31 March 2023 new LGPS regulations came into force and changed the date that the increase to Care pensions was applied. It moved from

1st April each year to 6th April each year. The increase that was due on 1st April 2023 was applied from 6th April 2023, meaning the CPI value of September 2022 of 10.1% was legitimately applied and aligned with the expectations of HMRC legislation.

WYPF have made the required changes so that the LGPS Care accounts are now revalued on the 6th April each year and means that the Annual Benefit Statements for 2023 are legislatively compliant.

b) Superannuation Contribution Adjusted for Past Experience (SCAPE) discount rate

The SCAPE rate is the discount rate used for the valuation of public sector pension schemes in the UK. On 30 March 2023, the Chief Secretary to the Treasury made a written ministerial statement confirming that the SCAPE discount rate has been adjusted to take into account the long term expected GDP growth figures published by the Office for Budget Responsibility (OBR) in July 2022.

Based on these figures the new SCAPE discount rate is CPI plus 1.7%. This is change from CPI plus 2.4%.

The reduced rate was effective from 30 March 2023. In the LGPS, this means that some non-club transfers and interfund calculations, and all Cash Equivalent Transfer Values (CETVs) for divorce purposes had to be suspended until the new factors were issued.

WYPF updated the member website with details of the hold on transfers, and letters were also sent to any members whose cases were going to be delayed, explaining the position.

WYPF received an e-mail on 1 June 2023 containing some but not all the revised factors and these have been implemented immediately. Once all the remaining factors have been received we can start producing the quotes again.

The Government Actuarial Department (GAD), has advised all other factors may now be subject to a review and other calculations and processes may be revised or paused later this year.

c) Pension dashboards – delays to connection deadlines

On 2 March 2023, the Department for Work & Pensions (DWP) announced that the Pensions Dashboard Programme (PDP) would require additional time to deliver the connection of pension providers and schemes.

As part of the reset of the PDP, DWP are laying amending Regulations with a new approach to delivery that will allow a more collaborative working with the pensions

industry. The requirement to connect to the digital architecture will remain mandatory and this will now include a connection deadline of 31 October 2026.

WYPF are committed to the PDP and have had regular meetings with both DWP and the Pensions Regulator (TPR). Our intention is to maintain the staging date of September 2024 and are currently reviewing the Integrated Service Provider (ISP) provision from a number of good quality bids.

Appendix C – Regulatory Update

Conclusion

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

Appendices

These are listed below and attached at the back of the report	
Appendix A	KPI Table
Appendix B	Shared Service Risk Register
Appendix C	Regulatory Update

Consultation

a) Risks and Impact Analysis

Lincolnshire 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.

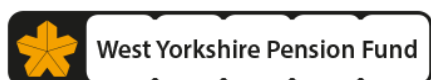
This report was written by Matt Mott, who can be contacted at matt.mott@wypf.org.uk

Appendix A

Appendix A

KPI's for the period 01.01.23 to 31.03.23						
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT	AVERAGE TIME TAKEN
Age 55 Increase to Pension	2	20	2	85	100	1
AVC In-house (General)	31	20	31	85	100	1.87
Change of Address	188	20	188	85	100	1.84
Change of Bank Details	69	20	69	85	100	2.23
Death Grant to Set Up	33	10	31	85	93.94	8.37
Death In Retirement	183	10	156	85	85.25	8.72
Death In Service	9	10	6	85	66.67	23.11
Death on Deferred	8	10	7	85	87.5	9.75
Deferred Benefits Into Payment Actual	245	10	242	90	98.78	4.01
Deferred Benefits Into Payment Quote	200	35	109	85	54.5	50.76
Deferred Benefits Set Up on Leaving	573	20	408	85	71.2	49.8
Dependant Pension To Set Up	85	5	81	90	95.29	4.2
Divorce Quote	37	40	37	85	100	9.19
Divorce Settlement Pension Sharing order Implemented	3	80	3	100	100	14.33
DWP request for Information	1	20	1	85	100	2
Estimates for Deferred Benefits into Payment	11	10	10	90	90.91	7.64
General Payroll Changes	113	20	113	85	100	2.34
Initial letter Death in Retirement	193	10	192	85	99.48	1
Initial Letter Death in Service	9	10	9	85	100	1.33
Initial letter Death on Deferred	8	10	7	85	87.5	10.25
Interfund Linking In Actual	52	35	28	85	53.85	120.78

Interfund Linking In Quote	117	35	106	85	90.6	28.25
Interfund Out Actual	150	35	143	85	95.33	10.67
Interfund Out Quote	149	35	142	85	95.3	10.34
Life Certificate	42	10	42	85	100	2.14
Monthly Posting	775	10	716	95	92.39	4.39
NI adjustment to Pension at State Pension Age	10	20	10	85	100	12.8
Pension Estimate	122	10	114	90	93.44	6.39
Phone Call Received	743	3	708	95	95.29	1.49
Refund Actual	241	10	239	90	99.17	3.05
Refund Quote	314	35	201	85	64.01	54.11
Retirement Actual	128	10	123	90	96.09	3.78
Transfer In Actual	72	35	65	85	90.28	19.22
Transfer In Quote	119	35	119	85	100	6.58
Transfer Out Payment	14	35	14	85	100	7.93
Transfer Out Quote	139	35	118	85	85	20.67
Update Member Details	758	20	630	100	83.88	13.05



London Borough
of Hounslow



The Pension Administration Shared Service Risk Register

Introduction

As part of the continued collaboration between members of the Shared Service, London Borough of Barnet Pension Fund, London Borough of Hounslow Pension Fund, Lincolnshire Pension Fund and West Yorkshire Pension Fund (WYPF), this Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the Pensions Shared Service. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

The Shared Service has initially identified 13 risks which have been rated and plotted on a matrix and a risk tolerance line agreed to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of the Shared Service to achieve its objectives.

Summary of Risks – May 2023

Risk Identification	Risk Number	Risk Name	Risk Rating
Shared Service Partners	1.	WYPF increases shared service membership	C 2
	2.	SLA not met and partner policies not maintained	D 2
	3.	Failure of Shared Service partners to consult or communicate over decisions that affect the service	D 2
Technical	4.	Failure to meet scheme regulation & pension legislation	D 2
	5.	Incorrect data/information or data/information not provided	C 2
	6.	Failure to communicate with scheme members, including disclosure regulations	D 2
Service Delivery	7.	Fraudulent activity by Shared Service staff, employers & scheme members	E 1
	8.	Funds leave Shared Service	D 2
	9.	High or increased volumes of work & legacy backlogs	B 2
Policies	10.	Pandemic, Epidemic & "Acts of God"	A 3
	11.	Software Failure	E 1
	12.	Failure of Cyber security	D 2
	13.	Failure to plan for or implement a Disaster Recovery plan	E 1

The process

Risk identification

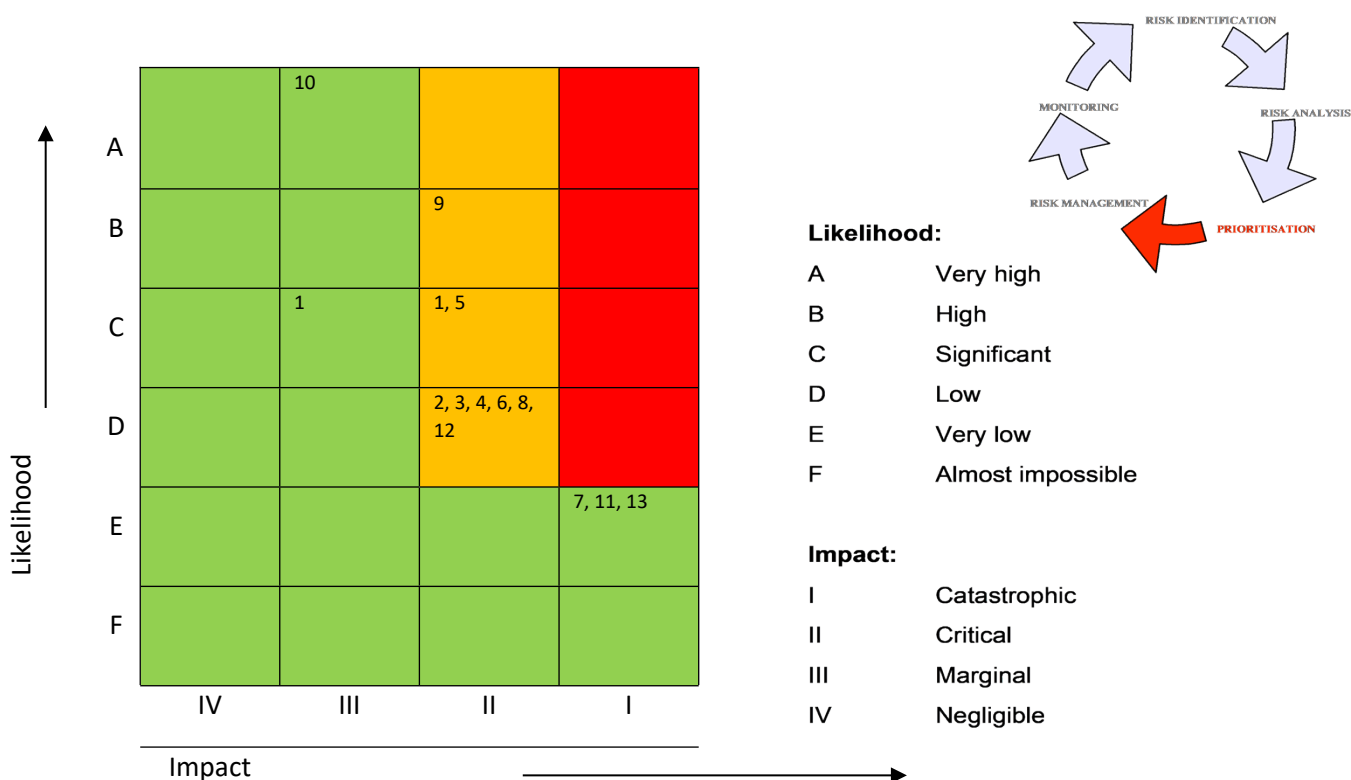
The first stage of the risk management cycle requires risk identification. This has been achieved through discussion with Key personnel at each of the Pension Funds within the Shared Service.

Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high.

To determine the appetite to risk, each of the squares on the matrix are considered to decide if the Shared Service is prepared to live with a risk in that box or if it needs to be actively managed. This determines a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

Initially 13 risks have been identified and framed into scenarios. The risks identified have been rated. The results are shown on the following risk profile and in summary on page one. These risks will be regularly assessed as part of a review process.



Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Key risks may periodically require attention and it is important that having identified risks that could have critical impact, that the when required appropriate action is undertaken. MAP's, therefore, may be agreed for any risks identified above the tolerance line.

Shared Service Risks

Risk	Rating	Risk Description & Controls in Place	Adequacy of Action and control	Required Management Action	Responsibility for Action	Critical Success Factors & KPIs	Review Frequency	Key Dates	Opportunity
1.	C 2	<p>WYPF tender for further administration clients.</p> <p>Periodically WYPF may be asked to tender for new business.</p> <p>In doing so capability and resource will be reviewed to deliver the shared service to the required standard and communicated to the Shared Service.</p>	<p>Ensure resources maintained for existing shared service members and capability demonstrated for the additional contractual obligations</p>	<p>WYPF to maintain KPI & SLA standards and cost to existing Shared Service members remain value for money.</p> <p>Regular communication to Shared Service</p>	<p>WYPF to be open and transparent in communications and actions</p>	<p>Shared Service does not receive down turn in performance. Shared Service costs remain value for money</p>	Quarterly	1 Dec 2023	To increase knowledge and skills within Shared Service Or opportunity to hone exiting talent
2.	D 2	<p>Failure to maintain SLA standards</p> <p>Policies written and shared with all stakeholders by all Shared Service partners</p> <p>Regular reporting and KPIs produced and discussed at regular meetings to determine if all parties meet the required standard.</p>	<p>Reporting to be provided monthly. To include work volumes, data transfer, accuracy, protection and KPI.</p> <p>Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration</p>	<p>Review and improve areas of concern. May include communications with employers and training for staff</p> <p>Policies to be reviewed and updated by shared service partners</p>	<p>WYPF for reporting. All parties to review their part of the processes and deliver minimum expected standards</p>	<p>maintain SLA standards.</p> <p>Satisfactory reporting, meet KPIs with no data or training issues required.</p>	Monthly reporting and Quarterly review	1 Dec 2023	Opportunity to understand current outputs and to review and train where appropriate.

			<p>of the Scheme(s) is provided. Ad hoc meetings can also be arranged for urgent items</p> <p>If standards not achieved reviews and amendments to service and processes may be required</p>						
3.	D 2	<p>Failure of shared service partners to consult with each other over decisions that affect delivery of the service.</p> <p>Failure of Shared Service partners to communicate policy/decisions and to provide adequate and timely information to them</p>	<p>Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration of the Scheme(s) is provided.</p> <p>Ad hoc meetings can also be arranged by any partner for urgent items</p>	<p>Review and share all policies.</p> <p>Communicate between partners and all employers.</p>	Partners in agreement with or understand policy decisions	Satisfied partners full and efficient shared service	monthly	1 Dec 2023	Opportunity to build relationship , joined up thinking and work seamlessly as one service
4.	D 2	<p>Failure to meet LGPS regulation & overriding legislation.</p> <p>Including implementation of regulation amendments, such as McCloud, and requirements of the Pension Regulator's (TPR) code of practice and compliance with DPA18 (GDPR) leading to incorrect benefits values and complaints</p>	<p>WYPF must liaise with authority bodies such as LGA, TPR, HMRC & DLUHC.</p> <p>Keep knowledge up to date through various sources such as training plans, working instructions, workflow processes, Team Briefs, internal and external training courses and events</p> <p>Ensure software updated and maintained</p> <p>Communicate & discuss with shared service partners</p>	<p>Attend webinars, seminars, conference.</p> <p>Work with software provider</p> <p>Communicate with members and employers</p>	All Shared Service	<p>Understanding, communication and implementation of statutory requirements</p> <p>Benefit values correct and no justifiable complaints</p>	Monthly	1 Dec 2023	Opportunity to improve knowledge and process to deliver our statutory obligation
5.	C 2	Incorrect data/information	WYPF unable to complete	WYPF to inform Shared Service.	If data not received	Shared Service and	Monthly	1 Dec 2023	To improve data accuracy

		<p>or data/information not provided from any shared service partner or stakeholder or not provided in a timely manner.</p> <p>Leading to incorrect benefit values or the inability to process benefits at all and low TPR data scores.</p> <p>Data required by 19th of following month and WYPF have processes to communicate and chase stakeholders for information.</p>	<p>processes. Time, effort and cost requesting and chasing data by WYPF.</p> <p>Data sometimes not received at all, WYPF unaware of work to process, complaints from scheme members</p>	<p>Liaise with employers assist/train.</p> <p>Shared Service to support WYPF in this delivery even in the event of employer charge.</p> <p>Develop & implement automated processes.</p> <p>Review and where applicable amend existing processes</p>	<p>following communication /chasing and or training shared service members to liaise with employers</p>	<p>WYPF support each other, communications clear and employers understand their responsibility and liability.</p>			<p>and reduce work required to collect data. Leading to better processes and improved KPIs</p> <p>Develop and introduce automation</p>
6.	D 2	<p>Failure to communicate all necessary and required information to scheme members including documents, website, emails and scheme guides</p> <p>Providing information under disclosure regulations mandatory</p> <p>Failure to provide may cause misunderstanding and poor scheme member decision making.</p> <p>This may lead to complaint, investigation and sanction & loss of reputation</p>	<p>Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via working instructions, changes to workflow processes, Team Brief or emails.</p> <p>Information of regulation to be understood by Shared Service and communicated to all stakeholders.</p> <p>Website, documents and scheme guides reviewed regularly</p>	<p>Information always provide and accurate.</p> <p>Agreed support from Shared Service</p>	<p>WYPF supported by Shared Service</p>	<p>Information accurate and no complaints</p>	<p>Quarterly</p>	<p>1 Dec 2023</p>	<p>To ensure scheme information is compliant</p>
7.	E 1	<p>Fraudulent activity by Shared Service staff, employers & scheme members</p> <p>Causing overpayment of benefits, complaints, investigation, litigation, action and loss of reputation</p>	<p>Segregation of duties set out clear roles and responsibilities</p> <p>National Fraud Initiative participation and Internal audit of pensions.</p> <p>Implementation of amended</p>	<p>Up to date and regular training of staff.</p> <p>Shared service share information and employers communicated too and updated with current knowledge.</p> <p>Appropriate information to members and</p>	<p>All stake owners must be aware of fraud/scamming issues</p>	<p>Accurate information, timely communication. No Fraud and no complaints</p>	<p>Quarterly</p>	<p>1 Dec 2023</p>	<p>To ensure scheme information is compliant</p>

			transfer regulations wef 30 November 2021	information on website					
8.	D 2	<p>Risk Funds become dissatisfied and elect to leave the Shared Service partnership</p> <p>Creating additional work and need for resource to manage exit.</p> <p>Cost of Shared Service now spread across remaining members but may not provide good value for the level of service delivered.”</p>	<p>Shared Service meetings held every 6 weeks and Collaboration Board meetings held quarterly at which key information relating to the administration of the Scheme(s) is provided.</p> <p>If an exit, ensure resources maintained for existing shared service partners, costs are maintained and do not increase for remaining partners if there is an exit</p>	To ensure there is not any dissatisfaction resulting in partner leaving the shared service	<p>WYPF and then all partners.</p> <p>Resource adequate for exit and remaining partners. SLA, KPIs and costs reviewed, communicated and if necessary redistributed</p>	Members do not leave or if leave no detrimental effect to remaining Funds	Quarterly	1 Dec 2023	Opportunity to deliver a successful service together or consolidate Shared Service membership to maintain standards upon an exit
9.	B 2	<p>High or increased volumes of work & legacy backlogs</p> <p>WYPF unable to provide adequate resource to process daily work or reduce legacy backlogs.</p> <p>Performance declines, statutory deadlines missed, backlogs created/increased , complaints received.</p> <p>Monthly reporting necessary to identify potential issues and shared service partners to communicate early any variant to work, including indications from employers.</p>	<p>Monthly reports to Shared Service monitoring changes to volumes and KPIs</p> <p>Review of resource, training and recruitment.</p> <p>Systems and processes reviewed and aligned with KPI reporting to continue to deliver SLA standards</p>	<p>Review all KPIs.</p> <p>Rolling recruitment programme to fill vacancies and train staff when appropriate</p> <p>Develop software and processes to deliver smarter service</p> <p>Develop and implement automation to increase productivity and free resource to applied to critical areas such as backlogs</p> <p>Employer reminded/trained regarding responsibility and good data. Encouraged to inform WYPF asap of variants in workloads.</p> <p>Approach supported by Shared Service</p>	<p>WYPF to review, report and communicate.</p> <p>Employer to provide accurate information in timely manner</p> <p>Supported by Shared Service partners</p>	<p>Legacy backlogs reduced, all current workload handled efficiently,</p> <p>Automation implemented in key areas</p> <p>KPI reporting consistent and accurate.</p> <p>Member experience maintained/improved</p>	Monthly	1 Dec 2023	Opportunity to ensure resource is sufficient, improve processes and provision of software and introduce automation.
10.	A 3	Failure to meet statutory obligations due to	Ensure staff, colleagues and peers are well	Alternative working arrangements, including	WYPF & all Shared Service	Stakeholder ability to be flexible in	Monthly	1 Dec 2023	Learn/continue to work in

		<p>pandemic, epidemic and “acts of god” staff unable to travel and or are ill.</p> <p>Increased volumes of work and backlogs.</p> <p>Failure to meet statutory obligations that has potential to create new working environments and challenges in delivery of scheme administration</p>	<p>and able to work.</p> <p>Review all process and consider system development for automation.</p> <p>Concentrate on key areas as identified by TPR, SAB & LGA so that pensioners are paid and the most at risk treated as priority</p>	<p>communication, WFH and virtual meetings and training.</p> <p>Develop and implement automation processes</p>		<p>working arrangements , including DR and ability to effectively work remotely.</p>			<p>a different way.</p> <p>Develop new ways of processing and increase automation</p>
11.	E 1	<p>Failure of Software.</p> <p>Affecting data of scheme member records, benefits values and payments.</p> <p>Failure to meet statutory obligations</p> <p>Contractual obligations with software provider to run daily backups and restore system usage with SLA standards</p>	<p>Software backed up daily.</p> <p>DR to include contractual obligation of software provider.</p> <p>Staffed adequately trained and supported to perform manual calculations for most urgent processes.</p> <p>Current pensioners paid by rerun of last month payments.</p>	<p>Laisse with IT departments and software providers.</p> <p>Ensure all staff have knowledge and capability for short term workarounds.</p> <p>Consider alternative ways of data transfer (protected email, messages etc.) to enable employers to provide data to WYPF and WYPF to provide data to employers and scheme members.</p>	All stakeholders	<p>Continuity/reliability of software. Accurate data, automation and development.</p> <p>Ability to continue to meet statutory obligations and no justifiable complaints .</p>	Monthly	1 Dec 2023	<p>Opportunity to ensure software is best in class.</p> <p>Ensure staff have appropriate knowledge and skills to deliver manually.</p>
12.	D 2	<p>Failure of Cyber security.</p> <p>Failure to protect data and scheme members from scammers.</p> <p>Data breaches by staff and shared service results in member loss, complaint, sanction and loss of reputation.</p> <p>Mandatory Cyber security training require of all staff, cyber security standards as part of software providers contract.</p>	<p>Ensure data received, sent and stored is protected, transferred and stored in compliance with DPA18 and is supported by AA IT and software provider</p>	<p>IT provide necessary industry protections including system daily backups and staff educated in cyber security issues</p> <p>Data protection retention policies & privacy notices to be shared between all stakeholders and retained by WYPF</p>	All stakeholders to review IT and data protection provision, train staff and review	Fully trained staff. No cyber or data breaches	Daily, Monthly, Yearly	1 Dec 2023	<p>To ensure new ways of working (WFH) are as secure, reliable, efficient and safe as office based cyber security.</p> <p>Staff awareness periodically updated.</p> <p>Data policies and stamen shared by between all data processors.</p>

13.	E 1	<p>Failure to plan for or implement a Disaster Recovery plan.</p> <p>As part of WYPF business plan there should be an appropriate and effective disaster recovery (DR) plan to ensure statutory obligations are met in the event of a disaster, building fire, cyber-attack etc.</p> <p>All members of the Shared Service should also have a comparable DR.</p> <p>This would ensure all parties are aware of how they will continue to fulfil their statutory obligations in the event of a disaster and how each member should interact with the other in view of such an event.</p>	<p>The DR plan should clearly demonstrate how the business will continue to function.</p> <p>All DR plans should be shared between the shared service members and employers.</p>	<p>Ensure DR plans exist and are accessible.</p> <p>To test DR by taking down and restoring all systems.</p> <p>Ask employers if they have plans too and request a copy</p>	<p>Shared Service and then all other stakeholders</p>	<p>Ability to function, communicate and meet statutory obligations in the event of a disaster.</p>	<p>Annually</p>	<p>1 Dec 2023</p>	<p>Opportunity to assist all stakeholders and to deliver a joined up service in the event of a disaster.</p>
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Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition, each risk should be owned where possible by one or all members of the Shared Service partners to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The Shared Service partners have agreed that the risk register will be added as a standing item to the Shared Service 6 weekly meetings and the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be at the quarterly Collaboration Board.



Matt Mott

May 2023

Regulatory Update

Department for Levelling Up, Housing and Communities (DLUHC)

Annual revaluation date change

On 9 March 2023, the Department for Levelling Up, Housing and Communities' (DLUHC) published its response to the consultation on changing the annual revaluation date. On the same day, they laid [the LGPS \(Amendment\) Regulations 2023](#), effective on 31 March 2023.

On 17 March 2023, Lorraine Bennett emailed administering authorities and pension software suppliers confirming we have published [bulletin 234A](#). The bulletin covers the changes in detail, including examples.

You can find links to all the documents on the [Scheme consultations](#) page of www.lgpsregs.org.

We will update the [timeline regulations](#) shortly.

Consultation on the annual revaluation date change

On 10 February 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published a consultation and draft regulations on changing the annual revaluation date in the L G P S. If laid, the regulations will take effect from 31 March 2023.

The Regulations were laid and WYPF has implemented a change of date for annual revaluation to be applied from 6 April each year.

The consultation closed on 24 February 2023. You can find our response on the [Scheme consultations page](#) of www.lgpsregs.org. Our response states that whilst we agree in principle with the change, we do not agree with the timing. We also comment that whilst the policy aim is mostly addressed by the draft regulations, some technical amendments are required.

The proposals seek to remove the impact of inflation on the annual allowance. It does so by changing the annual revaluation from the 1 to 6 April 2023, and thereafter on each 6th of April, for all members. It is intended there is no change in the outcome for:

- all members whose benefits in payment would increase on 1 April
- death grants for deferred and pensioner members who die in the period 1 to 5 April.

When DLUHC respond to the consultation we will produce a special bulletin covering the changes and their impact.

Background

The annual allowance (AA) should reflect the increase in a member's pension benefits above inflation. However, since HM Treasury realigned the period over which pension growth is measured with the tax year in 2015/16, inflationary increases are taken into account.

As things currently stand, the allowance for inflation in the AA calculation does not match the annual revaluation applied to pension accounts. To date the imbalance has been negligible because inflation has been low.

However, the imbalance for tax year 2022/2023 is 7 per cent. This is the difference between the allowance for inflation in the AA calculation of 3.1 per cent and the annual revaluation of 10.1 per

cent. Consequently, without changes to scheme regulations, there will be a significant increase in the number of L G P S members breaching the annual allowance and potentially incurring a tax charge.

By moving the annual revaluation to 6 April the imbalance is removed. Both the AA inflation and the annual revaluation will use the same September CPI, meaning that only members pension savings will count towards the AA.

DWP

SCAPE discount rate and impact on actuarial factors

On 30 March 2023, Lorraine Bennett emailed administering authorities in England and Wales letting them know the superannuation contributions adjusted for past experience (SCAPE) discount rate reduced on 30 March 2023 to the consumer price index (CPI) plus 1.7 per cent. This is a change from CPI plus 2.4 per cent. This was announced in [a written ministerial statement](#) by the Chief Secretary to the Treasury.

Impact to actuarial factors

The reduced SCAPE discount rate is effective from 30 March 2023. DLUHC and SPPA have confirmed the following calculations should be immediately suspended until new factors are issued:

- certain non-club transfers and interfund / intrafund calculations
- certain non-club cash transfer sums
- all cash equivalent values (CEV) for divorce.

SCAPE tables for [England & Wales](#), setting out the transitional arrangements in detail, accompanies this bulletin. We have updated the table to include cash transfers sums and contribution refunds.

We understand DLUHC and SPPA will issue new transfer factors in April / May. They have also confirmed the remainder of the Scheme's actuarial factors will be amended in due course. Their intention is to introduce revised factors over a four-month period starting in April 2023.

We recommend administering authorities:

- communicate the impending changes to actuarial factors to members, when providing retirement quotations with an effective date on or after 1 April 2023
- notify the court where they have provided a CEV for divorce purposes but a pension sharing order has not yet been made. This will allow for the change in the CEV to be taken account in the financial settlement.

Until new GAD factors are released all processes involving transfers and divorces have been suspended at WYPF.

HMT

Confirmation of annual revaluation, earnings and pensions increase

On 20 February 2023, [H M Treasury \(HMT\) published a written ministerial statement](#) confirming the rates of annual revaluation, earnings and pensions increase (PI) due to apply in April 2023.

The statement confirms:

- public service pensions will increase on 10 April 2023 by 10.1 per cent, in line with the Consumer Prices Index (CPI) up to September 2022
- annual revaluation of 10.1 per cent plus any local addition will be used to revalue the 2014 / 2015 CARE accounts in April 2023 for those public service pension schemes (PSPS) that rely on prices as the measure for revaluation
- annual revaluation of 7 per cent will be used to revalue the 2015 CARE accounts in April 2023 for those PSPSs that rely on earnings as the measure for revaluation.

Tax rules for McCloud remedy laid

On 6 February 2023, the [Public Service Pension Schemes \(Rectification of Unlawful Discrimination\) \(Tax\) Regulations 2023](#) were laid. They apply to relevant public service pension schemes and are in force on 6 April 2023. See [bulletin 231](#) for more information.

HMT consultation on public sector exit payments

On 8 August 2022, HM Treasury (HMT) launched a [consultation on public sector exit payments](#). The Government is proposing to introduce:

- an expanded approval process for employee exits and special severance payments
- additional reporting requirements.

The guidance is intended to apply to all bodies that are classified as 'Central Government'. This **does not** include local authorities or bodies under devolved administrations. The guidance **will apply** to academies.

The new approvals requirement would apply to decisions made by employers to agree to an exit where the total payment to be made would be more than £95,000. This includes relevant statutory, contractual or discretionary payments. This would include any strain cost where an LGPS member aged over 55 leaves due to redundancy or efficiency. A further approval will be needed if special severance payments – payments in excess of contractual obligations – are to be offered.

Employers will need to report any exit to HMT if the total payments made in relation to it exceed £95,000.

You can find more information about the proposals in the [draft HMT guidance on public sector exits](#) draft HMT guidance on public sector exits.

The consultation closes on 17 October 2022.

Treasury Direction - McCloud On 14 December 2022, HM Treasury (HMT) made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022. They come into force on 19 December 2022 and apply to England, Northern Ireland, Scotland and Wales.

The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised. The Act gives relevant government departments powers to rectify McCloud discrimination.

For the LGPS, the Directions apply to the following powers in the Act:

- Section 82: an administering authority's power to pay compensation

- Section 83: the power to make regulations compensating members by paying additional LGPS benefits 6
- Section 84(1)(a): the power to make regulations setting out how interest should be calculated and paid on amounts due to the McCloud remedy, and
- Section 84(1)(B): the power to make regulations setting out the process to follow for paying amounts due to the McCloud remedy.

The making of the Directions now allows relevant departments to start consulting on regulations exercising these powers.

We have added the Directions to the directions and guidance folder on the:

- [Related legislation](#) page of www.lgpsregs.org

HMRC

LGA response to consultation on tax rules for McCloud remedy

On 6 January 2023, we responded to HMRC's consultation on the draft Public Services Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023.

HMRC consulted on the regulations from 24 November 2022 to 6 January 2023, which we covered in [Bulletin 231](#).

You can find the consultation documents, including our response, on the:

- Non-scheme consultations page of www.lgpsregs.org

Scheme Advisory Board (SAB)

SAB responds to cost management consultation

On 6 March 2023, the SAB responded to the consultation on changes to their cost management process. The response is generally supportive of the Department for Levelling Up, Housing and Communities' (DLUHC) approach. See [bulletin 233](#) for more information.

The consultation documents, including SAB's response, are on the [Scheme consultations](#) page of www.lgpsregs.org.

SAB Scheme Valuation Report 2022

The Board's Secretariat is currently planning for the Board's 2022 Scheme Valuation Report.

The report is aggregated using data from individual fund valuation reports. It would be a great help if administering authorities send their valuation reports to the Board's Data Analyst, Gareth Brown, as soon as they have a final version. These will be treated confidentially and only shared on the Board's website once published by the administering authority.

2023/24 employee contribution bands

Table 1 sets out the employee contribution bands effective from 1 April 2023. These are calculated by increasing the 2022/23 employee contribution bands by the September 2022 CPI figure of 10.1 per cent and then rounding down the result to the nearest £100.

Table 1: Contribution table England and Wales 2023/24

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 £16,500	5.50%	2.75%
2	£16,501 to £25,900	5.80%	2.90%
3	£25,901 to £42,100	6.50%	3.25%
4	£42,101 to £53,300	6.80%	3.40%
5	£53,301 to £74,700	8.50%	4.25%
6	£74,701 to £105,900	9.90%	4.95%
7	£105,901 to £124,800	10.50%	5.25%
8	£124,801 to £187,200	11.40%	5.70%
9	£187,201 or more	12.50%	6.25%

McCloud – Judgment on cost cap mechanism handed down On 10 March 2023, [the High Court ruled](#) that HM Treasury’s decision to include the McCloud remedy in the cost cap mechanism was not unlawful. The unions consulting with their legal team regarding any appeal.

Update on McCloud data issues guidance

We are currently working on guidance to assist administering authorities with McCloud data issues. The guidance will set out what options administering authorities in England and Wales may consider if they are unable to collect the data needed to implement the McCloud remedy. It will cover both missing data and data the authority is not confident is accurate.

The Scheme Advisory Board (England and Wales) hope to publish the guidance by the end of February 2023.

The McCloud data issues scoping group was set up to inform this guidance. The group has met three times and includes representatives from:

- each of the regional pension officer groups
- LGA
- actuaries
- Department for Levelling Up, Housing and Communities
- Department of Communities
- the Government Actuary’s Department. The scheme advisory boards in Scotland and Northern Ireland will decide whether to publish similar guidance.

Pension Dashboards

DWP announce delays to dashboards connection deadlines

On 2 March 2023, Jayne Wiberg forwarded an email to stakeholders on behalf of the Pensions Regulator (TPR). The email confirms the Government's intention to legislate to amend schemes' connection deadlines. This follows a [written ministerial statement](#) issued by DWP announcing the delays. The statement says delays are necessary to give the Pensions Dashboards Programme (PDP) the time it needs to meet the challenges in developing the digital architecture. DWP will provide an update on dashboards to Parliament before summer recess.

It is not clear if connection deadlines for public service pension schemes will change.

Until further information is provided WYPF is maintaining its programme of work with a staging date deadline of September 2024.

TPR Dashboards compliance and enforcement consultation

On 14 February 2023, we responded to the Pensions Regulator's (TPR) dashboards compliance and enforcement consultation. Our response can be found on the:

- [Non-scheme consultations page](#) of www.lgpsregs.org

See [bulletin 231](#) for more information about the consultation

PDP publishes consumer protection video

The Pensions Dashboards Programme (PDP) recently published [an explainer video on consumer protection](#). The video explains what protections will be in place to ensure dashboards are safe and secure.

Please see the [consumer protection page of PDP's website](#) for more information on this topic.



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

Report to:	Pensions Committee
Date:	13 July 2023
Subject:	Annual Report and Accounts 2022-23: 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 and provides an update on the 2021/22 position.

Recommendation(s):

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

Background

- 1.1 The draft Pension Fund Annual Report and Accounts for the year ended 31 March 2023 (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 19 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 2023, or the accounts for 2022/23.

2022/23 Pension Fund Accounts

- 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 materiality, 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 September for the Council) 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.
- 1.5 The external auditor's Audit Strategy Development Update was presented to the Audit Committee at its meeting on 19 June, and is attached at appendix B. Mazars, represented by John Pressley, will attend the Committee to explain their plan for the audit and answer any questions.

21/22 Pension Fund Accounts Update

- 1.6 As the Committee are aware, there have been delays in finalising the external auditor's opinion on the Pension Fund Accounts for 2021/22 due to issues impacting the Council's Statement of Accounts. The completion of the triennial valuation as at 31 March 2022 before the accounts have been signed off has meant that additional work was required to reflect the updated position of the Fund following the valuation work.
- 1.7 This was completed in June and updated accounts were sent to Mazars, and to LCC for inclusion within their Statement of Accounts.

Next Steps

- 1.5. The final Pension Fund Annual Report and Accounts will 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 to meet the statutory deadline of 1 December.

Conclusion

- 2.1 The Lincolnshire Pension Fund Report and Accounts has been produced for the year ended 31 March 2023. 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 2023.
- 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 published and 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 2023
Appendix B	External Audit - Strategy Development Update

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 Jo Kempton, who can be contacted on 01522 553656 or jo.kempton@lincolnshire.gov.uk.

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Lincolnshire Pension Fund
Annual Report & Accounts

2023



Local Government Pension Scheme

Annual Report for the Year Ended 31 March 2023

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Management Arrangements

Administering Authority

Lincolnshire County Council

Pensions Committee Members as at 31 March 2023

County Councillors

M G Allan

P Ashleigh-Morris

P E Coupland (Vice Chairman)

T J N Smith

E W Strengeiel (Chairman)

Three vacant positions

District Council Representative

R Waller

Representative of Small Scheduled Bodies

S Larter

Representative of the Academy Sector

T Hotchin

Employee Representative

A Antcliff (Unison)

Professional Advisors

County Council Officers

Executive Director of Resources

A Crookham BSc CPFA

Head of Pensions

J Kempton

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 2023

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

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 2023 are listed on page 2.

There were some changes to the Committee over the year, with the sad passing of Cllr Angela Newton, Cllr Sarah Parkin stepping down from the Committee, Cllr Mike Thompson stepping down as a Councillor, Cllr Paula Ashleigh-Morris joining to replace Cllr Martin Griggs, and the appointment of Tom Hotchin as an addition to the Committee to represent the Academy sector.

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, alongside other policies, on the Council's [website](#). 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 2021/22 was again 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 Council's [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 2023 saw the value of the Fund's investment assets fall by £27.1m to £3,025.9m. The overall investment return of -0.77% was ahead the Fund's specific benchmark return of -0.96%. Over the last ten years, the Fund's annualised investment performance of 7.48% is slightly ahead of the benchmark return of 7.45%.

Detail on the global markets over the year can be found in the Investment Background, on page 38.

Manager Arrangements

There have been no manager changes over the last 12 months. Details of the Fund's investments and manager performance can be found from page 38.

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 44. 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, and it was approved at the Pensions Committee on 16 March 2023 to continue the shared service relationship with WYPF for a further period of nine years.

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 34.

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.

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 Council's [website](#). Hard copies of any of these statements may be obtained from:

Jo Kempton, Head of Pensions

Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL

Tel: 01522 553656 | email: jo.kempton@lincolnshire.gov.uk

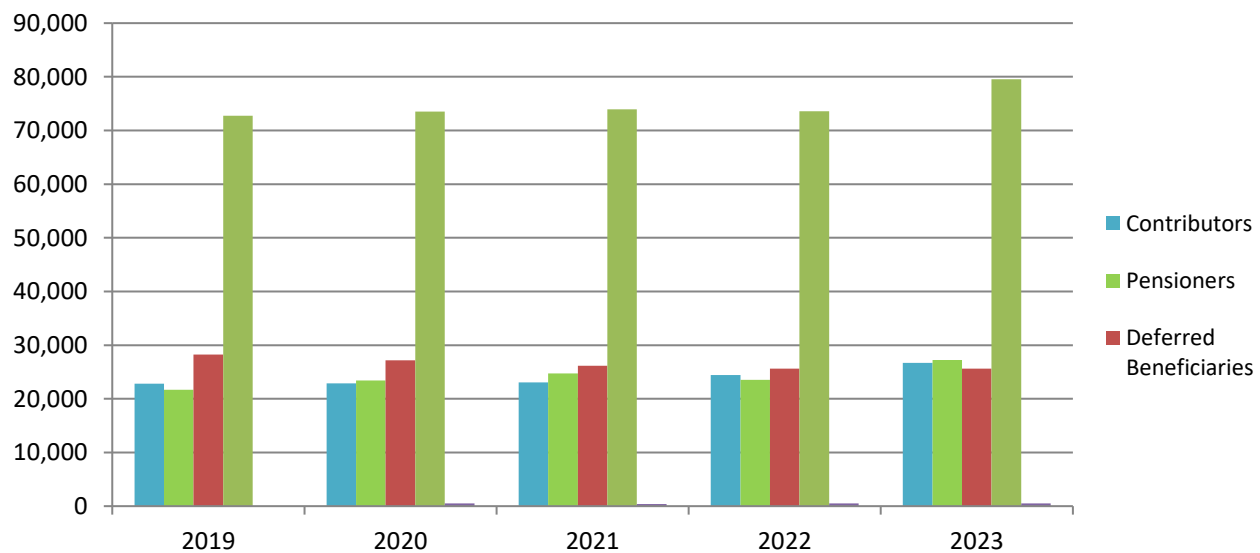
Councillor Eddie Strenziel
Chairman
Pensions Committee

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 over 79,000 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 66.5% of the overall membership, but the past year has seen an increase in both contributing members pensioner members, with deferred beneficiaries remaining stable.



Year ended 31March	2019	2020	2021	2022	2023
Contributors	22,820	22,890	23,038	24,422	26,691
Pensioners	21,715	23,438	24,746	23,536	27,231
Deferred Beneficiaries	28,221	27,201	26,160	25,650	25,651
Total	72,756	73,529	73,944	73,608	79,573
Undecided Leavers*	-	529	383	532	524

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

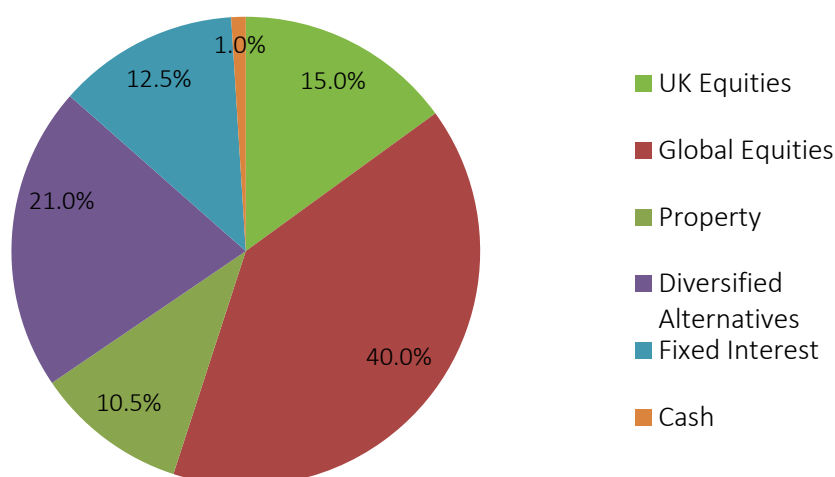
(Note: The numbers disclosed in the table above reflect individual pension records within the County Council's database at a point in time. Current and past members of the LGPS may have more than one pension record as a result, for example, of having more than one part time contract of employment with 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	Strategic Benchmark
	31 March 2023	31 March 2022
	%	%
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 Markets, Infrastructure, Multi Asset Credit)	21.0	21.0
Fixed Interest	12.5	12.5
Cash	1.0	1.0
Total	100.0	100.0

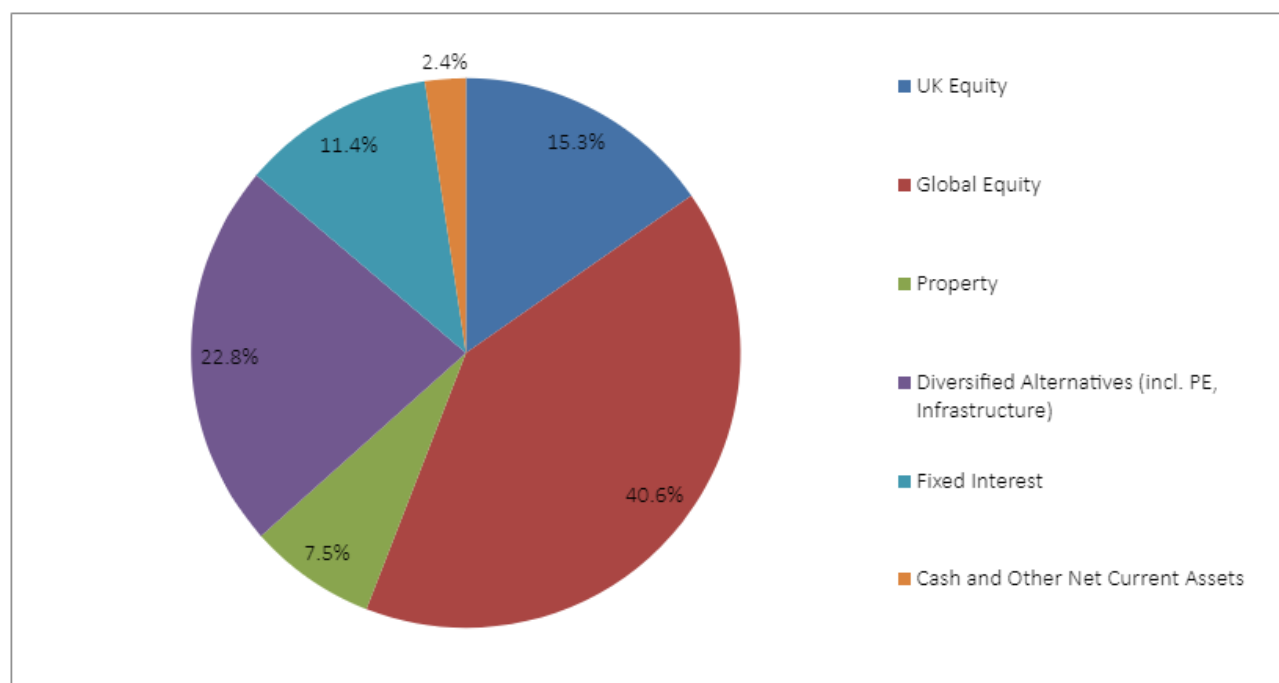
The Pensions Committee meeting in March 2023 agreed to reduce equities by 10% and increase multi asset credit and private markets by 5% each. This is not reflected in the table above yet, as further decisions need to be made on the equity reduction.

Total Actual Asset Distribution

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

Asset Class	Market Value £'m	31/3/23 %	31/3/22 %
UK Equity	462.1	15.3	15.7
Global Equity	1,227.7	40.6	39.5
Total Equities	1,689.8	55.9	55.2
Property	228.1	7.5	7.2
Diversified Alternatives (incl. Private Equity, Infrastructure)	690.8	22.8	22.7
Fixed Interest	344.2	11.4	11.6
Cash & Other Net Current Assets	73.0	2.4	3.3
Net Investment Assets	3,025.9	100.0	100.0

Excludes Border to Coast shareholding valued at £1,181.8m



Fund Investment Performance

The twelve-month period ended 31 March 2023 saw the value of the Fund' investment assets fall by £27.1m to £3,025.9m. The overall investment return of -0.77% was ahead the Fund's specific benchmark return of -0.96%. Over the last ten years, the Fund's annualised investment performance of 7.48% is slightly ahead the benchmark return of 7.45%. The biggest impact was the outperformance in the year of the Border to Coast Global Equity Alpha portfolio.

Annual investment performance over the previous ten years is set out in the table below. The Fund's ten-year annualised return of 7.5% compares to a rise in retail prices of 4.0% and an increase in public sector earnings of 2.7%.

Investment Performance of the Fund 1 April 2013 to 31 March 2023

	Lincolnshire Fund Return %	Comparative Benchmark Return %	Retail Price Inflation %	Public Sector Increase in earnings %
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
2012/23	(0.8)	(1.0)	13.5	5.6
10 years annualised	7.5	7.5	4.0	2.7

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)	0.09	0.20	n/a	n/a	n/a	n/a
Border to Coast Global Equity (inception Oct 19)	3.77	(1.43)	18.34	15.47	n/a	n/a
Border to Coast UK Equity (inception July 20)	4.96	2.92	n/a	n/a	n/a	n/a
Fixed Interest						
Blackrock	(16.92)	(17.76)	(5.72)	(6.03)	(1.92)	(2.21)
Border to Coast Investment Grade Credit (inception Feb 20)	(9.77)	(10.20)	(2.07)	(3.07)	n/a	n/a
Property/Infrastructure						
Property Unit Trusts	(18.2)	(14.49)	2.07	2.56	1.54	2.50
Property Other and Infrastructure*	(4.57)	7.00	(2.00)	7.00	(0.28)	7.00
Diversified Alternatives						
Morgan Stanley	0.82	7.85	12.00	5.48	8.68	5.25
Legacy Private Equity	1.97	7.86	3.41	5.48	7.54	5.25
Infrastructure*	13.41	6.00	9.19	6.00	n/a	n/a
Multi Asset Credit						

Border to Coast Multi Asset Credit (inception Nov 21)	(3.32)	5.80	n/a	n/a	n/a	n/a
Total	(0.77)	(0.96)	10.66	9.73	6.67	6.54

* 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 2023. These account for £2,915.4m and make up 95.5% of the Fund's investments.

	Market Value £m's	Proportion of Fund %
Border to Coast Global Equity Alpha Fund	763.8	25
Legal and General Future World Fund	463.9	15.2
Border to Coast UK Listed Equity Fund	462.1	15.1
Morgan Stanley Alternative Investments	459.1	15.0
Border to Coast Investment Grade Credit Fund	219.3	7.2
Border to Coast Multi-Asset Credit Fund	146.2	4.8
Abrdn Property Fund	66.6	2.2
Blackrock Aquila Corporate Bond Fund	61.0	2.0
ABRDN European Property Growth Fund	45.5	1.5
Blackrock Aquila Life >5 Year ILG Fund	39.2	1.3
Blackrock Property Fund	39.1	1.3
Royal London Asset Management Property Fund	25.5	0.8
Blackrock Aquila Gilts Fund	24.6	0.8
Allianz Home Equity Fund Innisfree Secondary Fund	23.6	0.8
Hearthstone Residential Property Fund	18.0	0.6
Infracapital Greenfield Partners	16.8	0.6
Innisfree Secondary Fund	16.6	0.5
Pantheon Global Infrastructure III Fund	14.5	0.5
Innisfree Continuation Fund	10.0	0.3
Innisfree Secondary Fund 2	8.9	0.3
Total	2,915.4	95.5

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	124.9	4.1
	Border to Coast	219.3	7.2
	Total Fixed Interest	344.2	11.3
UK Equities	Border to Coast	462.1	15.1
Global Equities	Border to Coast	763.8	25.0
	LGIM	463.9	15.2
	Total Equities	1,689.8	55.3
Property	Abrdn	112.1	3.7
	Allianz	23.6	0.8
	Aviva	9.3	0.3
	Blackrock	39.1	1.3
	Franklin Templeton	0.2	0.0
	Hearthstone	18.0	0.6
	Igloo	0.2	0.0
	Royal London	25.5	0.8
	Total Property	228.0	7.5
Infrastructure	Infracapital	16.8	0.6
	Innisfree	35.4	1.2
	Pantheon	14.5	0.5
	Total Infrastructure	66.7	2.3
Private Equity	Abrdn	1.7	0.1
	Capital Dynamics	0.1	0.0
	Pantheon	4.9	0.2
	Total Private Equity	6.5	0.3
Alternatives	Morgan Stanley	459.1	15.0
Multi Asset Credit	Border to Coast	146.2	4.8
Total Pooled Vehicles		2,940.5	96.5

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 2023 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 2022. 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, which was undertaken by the Fund's previous Actuary.

	31 March 2019*	31 March 2022
Past Service Liabilities	£2.54bn	£2.99bn
Market Value of Assets	£2.35bn	£3.01bn
Surplus/(Deficit)	(£0.18bn)	£0.02bn
Funding Level	93%	101%

*Valuation undertaken by Hymans Robertson

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 again successful in submitting its Stewardship Code statement for 2021/22, 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 Council's [website](#).

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 Council's [website](#). 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 have their own agreed Responsible Investment Beliefs, which were last reviewed 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. The RI Strategy 2022-2025 is set out below. Further information on the RI work that Border to Coast does can be found on their website at www.bordertocoast.org.uk.

Principle	2025 target – Border to Coast	Partner Fund Role
Integrating ESG	<p>All relevant and material factors accounted for in risk and return decisions across all asset classes over an appropriate time horizon in both internally and externally managed portfolios.</p> <p>We understand our impact on the world from the decisions we make.</p>	<p>Long-term ESG factors are taken into account when setting strategy. Understand impact from strategic decisions.</p> <p>Monitor and oversee (legacy) asset managers.</p>
Active Ownership	<p>We engage with portfolio companies to:</p> <ul style="list-style-type: none"> • Undertake research for our investment decisions • Influence their approach to risk management. • Explore systemic risks that could impact the portfolio • We will set measurable outcomes and articulate the impact of engagement on our investment decision-making over an appropriate time horizon. • We set clear voting indications for companies and public as part of our wider engagement framework. 	<p>RI policy and voting guidelines clear. LAPFF active role where applicable</p>
Industry engagement	<ul style="list-style-type: none"> • Engagement on systemic risks with policymakers, regulators and standard setters to create a stable environment with clear expectations in which asset owners and portfolio companies can operate efficiently to enhance long-term portfolio returns. • We will develop the capability and capacity to co-lead on collaborations in our priority engagement themes alongside working with others as a junior partner with a strong network of collaborators on wider systemic risks. 	<p>Support industry-wide collaborations and work with Border to Coast to, per the FRC’s Stewardship Code Principle 4: “identify and respond to market-wide and systemic risks to promote a well-functioning financial system”.</p>
Reporting and governance	<p>We believe strong reporting and governance is important to:</p> <ul style="list-style-type: none"> - Build public trust that we are appropriately managing public money 	<p>Transparency of approach to RI shared publicly (website, annual report & accounts, public statements).</p>

- Set clear external expectations to support our other aims and objectives
 - Enable internal oversight of our progress in delivering our RI strategy
- Compliance with Stewardship Code, TCFD and other regulatory standards.

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary organisation comprising of 87 LGPS Funds and six 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.lapffforum.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 risk register had a full review at the July 2022 meeting, where it was aligned to the Council’s updated risk management process.

The table below highlights the key risks split across the areas of Governance, Investments and Funding, Operational, and People risks, and how they are managed.

Key risk identified:	A range of controls are in place including:
GOVERNANCE	
Failure to ensure that the Committee's knowledge and understanding of pensions related activities is robust and meets all statutory requirements.	Induction training for new Committee members. training policy and annual training plan, opportunities to attend external training sessions and conferences, self-assessment, on-line training platform run by Hymans offering bite size training on demand, regular training at Committee meetings.
Governance of asset pooling - management of relationship with Border to Coast.	Various levels of oversight including Joint Committee, officer operations group, senior officer group, a governance charter and full review undertaken in 2022/23.

INVESTMENT AND FUNDING

Required returns not met due to poor strategic allocation and assets not enough to meet liabilities.	Professional advice, triennial actuarial review, performance monitoring, regular reporting to Pensions Committee, strategic asset allocation review undertaken in 2022/23.
Poor long term investment performance or non-compliance from managers.	Performance measurement, managers regular reports, reporting to pensions committee, diversification, manager meetings, long term timeframe, refresh the manager monitoring arrangements.
Asset pooling - transition of assets from existing mandates to Border to Coast.	Officer operations group, workstreams within Border to Coast, regular communication to Committee, senior officer meetings, use of transition managers.
Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).	Border to Coast assistance, managers reporting requirements, LAPFF membership, voting and corporate governance policy, RI policy, RI Beliefs, quarterly stewardship paper to Committee, UK Stewardship Code, increased focus on ESG investments.
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.
Cashflow - not enough income to meet pension payments due.	Asset allocation review to increase income generating assets when required, cashflow monitoring, work with Border to Coast on income options from their investment vehicles.

OPERATIONAL

The administrator does not perform its functions in accordance with the agreement.	Performance Indicators, bi-monthly meetings with WYPF, internal controls and audits, collaboration agreement, process management, customer surveys, reporting to Committee and Board.
Cyber security breach.	WYPF and Bradford Council policies, LCC policies and training, external provider control reports
Employers exiting.	Admission agreement, pass-through policy, exit credit policy, bonds, covenant monitoring, employer communication, PFR roles.
Fraud risk not managed.	Separation of duties, internal and external audit, monthly reporting, reconciliation procedures, regular National Fraud Initiative reporting.

Changes in legislation not implemented correctly, currently McCloud and Pensions Dashboard.	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.
PEOPLE	
Loss of key staff and loss of knowledge and skills.	Diversified staff / team, look at other authorities with best practices to ensure LCC positions still desirable, attendance at pensions user groups, procedural notes, section meetings / appraisals, B2C and partner funds relationships, training requirements and qualifications.

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. LCC's internal audit team undertook one audit in 2022/23 which covered the key control testing for the Fund's investments, and it received high assurance. 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 2022/23 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 2022/23:

Subject	Context	2022/23 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. Committee and Board agendas were reviewed, and the structure of the meetings changed for 23/24 to make them more fit for purpose.

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.	Oversight meetings held at officer, S151 and Joint Committee levels. Continued development on the property funds.
Alternative Investments	The alternative investments are currently managed in a discretionary mandate by Morgan Stanley. Border to Coast offer a number of alternative funds covering private equity, private credit and infrastructure. A decision needs to be made on whether this should transition to Border to Coast.	Decision made on the alternative investments to retain Morgan Stanley for the medium term.
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. Work undertaken to look at the options for the administration service as the shared service arrangement comes to the end of its term in March 2024, with a recommendation brought to the March 2023 Committee.
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 expected. The accounts opinion has yet to be received.

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 received regular updates and information on RI activity undertaken by managers. The Stewardship Code submission was made to the FRC in October 2022 for the financial year to 31 March 2022 and was successful. Work continued with external managers and Border to Coast to ensure that RI is embedded across all investment decisions.
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. 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.
Staffing and Structure Review	The workloads and requirements of the team have expanded considerably over the last few years, therefore a review of the current staffing and structure is required to ensure it is fit for purpose.	Following the workload review in 2022, a new post was agreed for a Principal Investment, Accounting and Governance Officer. Unfortunately, the recruitment to this post was unsuccessful, so a career grade post has been identified to grow someone into the role.
Triennial Valuation	The three yearly valuation of the Pension Fund's assets and liabilities is as of 31 March 2022. This will set the employer rates for the three years from to 1 April 2024.	The Triennial Valuation process went as planned, with good quality data submitted on time, and employers receiving and accepting their new contribution rates – all employers returned signed declarations. The updated Funding Strategy Statement was taken to the March Pensions Committee, following consultation with employers.

The budget and actual expenditure for operating the Lincolnshire Pension Fund for 2022/23 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 Shared Service with West Yorkshire Pension Fund.
- **Investment 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 2022/23 £000	Actuals 2022/23 £000	Variance £000
Administration Costs			
Charge from Shared Service Administrator	1,287	1,385	98
Other	1	1	0
Investment Management Expenses			
Management Fees	9,500	8,391	(1,109)
Performance Related Fees	1,500	1,889	389
Other Fees	1,000	1,165	165
Oversight and Governance Costs			
Contracted Services	450	416	(34)
Recharge of Actuarial Services	(160)	(94)	66
Recharge from Administering Authority (incl. staff costs)	258	267	9
Border to Coast Governance Costs	315	304	(11)
Other Costs	30	21	(9)
Total	14,181	13,745	(436)

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 2022/23 was £16.72 per member. The cost per member was lower than originally charged to the Fund (£17.67 per member), but the overall charge increased due to increased member numbers. The cost included additional system development costs for the McCloud remedy, and further costs associated with the McCloud remedy will be charged to the Fund in future years.

- **Investment Management Expenses:** Investment management fees are lower than the original budget as the Fund has moved more assets into Border to Coast where fees are lower than with previous managers. In addition, the fee with the private markets manager was renegotiated, which reduced costs further. Performance related fees are mainly paid to the Private Markets manager, where the higher spend reflected the positive performance. This element is very hard to predict as it varies year on year. The other fees element increased due to the transaction costs involved in transitioning assets between managers.
- **Oversight and Governance Costs:** Costs relating to contracted services were lower than originally budgeted for as the cost of the actuarial work was lower than expected, but less of the work was recharged to employers as it related to the triennial valuation.

Employer Contribution Rates

Analysis of Active and Ceased Employers in the Fund:

	Active	Ceased	Total
Scheduled Body	231	15	246
Admitted Body	25	26	51
Total	256	41	297

The employers' contribution rates (including deficit cash or percentage of payroll amounts where applicable) applying in the year ended 31 March 2023, for all employers are set out below, alongside actual cash contributions received from both the employer and the employees for each body.

Scheduled and Admitted Bodies Contributing to the Fund as at 31 March 2023:

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
SCHEDULED BODIES				
County and District Councils				
LCC (non-Schools)	17.5%	£10,890k	33,090	10,609
LCC (Schools)	17.5%	9.4%	13,073	459
Boston Borough Council	17.7%	£745k	1,783	389
City of Lincoln Council	17.3%	£2,147k	5,084	1,094
East Lindsey District Council	17.5%	£1,067k	2,942	704
North Kesteven District Council	17.6%	£1,010k	3,161	813
South Holland District Council	17.4%	£894k	2,405	590
South Kesteven District Council	17.5%	£1,566k	4,145	953
West Lindsey District Council	17.2%*	£1,119k	2,397	559
Internal Drainage Boards				
Black Sluice Internal	18.2%*	£66k	220	66
Lindsey Marsh Internal	18.5%*	£30k	345	137
North East Lindsey Internal	20.7%	£1k	11	3
South Holland Internal	19.3%	9.4% + £150k	254	24
Upper Witham Internal	19.7%	£54k	130	27
Welland and Deeping Internal	19.2%	£118k	275	57
Witham First Internal	20.5%	-1.2%	56	20
Witham Fourth Internal	19.4%	£80k	275	69
Witham Third Internal	18.9%	£27k	195	67
Parish and Town Councils				
Nettleham Parish Council	21.1%	1.4%	8	2
Ingoldmells Parish Council	21.1%	1.4%	4	1
Sleaford Town Council	21.1%	1.4%	66	18
Crowland Parish Council	21.1%	1.4%	2	-
Sudbrooke Parish Council	21.1%	1.4%	2	-
Cherry Willingham Parish Council	21.1%	1.4%	5	1
Horncastle Town Council	21.1%	1.4%	22	6
Skegness Town Council	21.1%	1.4%	67	18
Washingborough Parish Council	21.1%	1.4%	13	4
Deeping St James Parish Council	21.1%	1.4%	14	4
Stamford Town Council	21.1%	1.4%	36	10

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
North Hykeham Town Council	21.1%	1.4%	15	4
Louth Town Council	21.1%	1.4%	16	4
Mablethorpe & Sutton Town Council	21.1%	1.4%	25	9
Bourne Town Council	21.1%*	1.4%	21	6
Market Deeping Town Council	21.1%	1.4%	11	3
Skellingthorpe Parish Council	21.1%	1.4%	8	2
Woodhall Spa Parish Council	21.1%	1.4%	7	2
Gainsborough Town Council	21.1%	1.4%	32	9
Welton-by-Lincoln Parish Council	21.1%	1.4%	8	2
Greetwell Parish Council	21.1%	1.4%	1	-
Billingham Parish Council	21.1%	1.4%	4	1
Bracebridge Heath Parish Council	21.1%	1.4%	13	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%	7	2
Thorpe On The Hill Parish Council	21.1%	1.4%	3	1
Langworth Parish Council	21.1%	1.4%	2	1
Scotter Parish Council	21.1%	1.4%	3	1
Fiskerton Parish Council	21.1%	1.4%	1	-
North Thoresby Parish Council (joined 01/05/2022)	21.1%	1.4%	3	1
Further Education Establishments				
Bishop Grosseteste University	23.5%*	£76k	1,006	272
Boston College	23.8%	-	974	244
Grantham College	23.8%	£44k	696	175
Lincoln College	24.5%	£278k	1,200	225
Other Scheduled Bodies				
Acorn Free School Ltd	19.5%	-3.0%	37	11
Public Sector Partnership Services Ltd	19.9%	£96k	1,445	439
Police Chief Constable and Police & Crime Commissioner (pooled rates also with Mitie)	17.5%	-1.2% & £1,874k	6,565	1,883
ACADEMIES				
Aegir Specialist Academy	21.0%	£39k	183	41
Alford Queen Elizabeth Selective Academy	21.2%*	-	97	29
All Saints Academy Waddington	21.1%	£9k	100	24
Anthem Schools Trust Central (joined 01/02/2022)	20.2%	20.2%	31	10
Aspire Schools Trust (joined 01/10/2022)	22.9%	-	2	1
Bassingham Primary School	22.0%	£8k	45	10
Beacon Primary Academy	19.1%	-	59	18
Bingham Primary Academy	19.9%	See Ambergate	13	4
Boston Grammar School	20.1%	£8k	158	44
Boston High School	21.2%*	£30k	173	44
Boston St Mary's RC Primary Academy	20.3%	£4k	58	15
Boston West Academy	21.0%	-1.8%	86	25
Bourne Abbey C of E Academy	20.9%	£10k	355	97
Bourne Academy	21.1%	£14k	327	95
Bourne Grammar	21.3%	£31k	248	65
Bracebridge Infant and Nursery School	20.7%	£2k	35	9
Branston C of E Infants School	20.8%	£2k	32	8
Branston Community Academy	20.9%	-	267	73

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Branston Junior Academy	21.9%	£14k	52	10
Browns Church of England Primary School	21.9%	£3k	34	8
Caistor Grammar	21.0%*	-	129	32
Caistor Yarborough Academy	20.0%	£3k	138	39
Carlton Academy	19.8%	£4k	138	40
Caythorpe Primary	19.9%	See Ambergate	34	10
Chapel St Leonards Primary School	19.9%	See Ambergate	59	18
Cherry Willingham Primary School	20.3%	-	45	12
David Ross Educational Trust	20.4%	£118k	758	183
Donington Thomas Cowley High School	20.8%	£19k	191	51
Eastfield Infant and Nursery School (Academy)	19.4%	See Springwell	104	31
Edenham Church of England School	21.8%	£6k	24	5
Ermine Primary Academy	20.3%	£10k	157	42
Fosse Way Academy	20.7%	-	156	42
Foxfields Academy (joined CIT pool 01/04/2021)	19.9%	See Ambergate	96	29
Friskney All Saints CofE (Aided) Primary Academy	22.3%	£1k	40	9
Frithville Primary School	20.2%*	See Banovallum	17	5
Gainsborough Benjamin Adlard Community School	20.4%	-1.8%	91	28
Gainsborough Hillcrest Early Years Academy	19.4%	£12k	100	26
Gainsborough Parish Church Academy	20.3%	£12k	104	26
Gedney Church End Primary Academy (joined 01/09/2021)	22.4%*	-	29	8
Giles Academy	19.5%	£7k	125	35
Gipsey Bridge Academy	20.9%	£4k	26	6
Gosberton House Academy	18.9%	£22k	137	36
Grantham Ambergate School	19.9%	£271k	546	88
Grantham Huntingtower Primary Academy	20.3%	-	129	36
Grantham Isaac Newton Primary School	19.9%	See Ambergate	116	33
Grantham Kings School	21.6%*	£2k	181	55
Grantham National CofE Junior School	20.6%*	£18k	85	20
Grantham Sandon School	19.9%	See Ambergate	141	41
Grantham Walton Girls	21.2%	£10k	178	46
Greenfields Academy	19.9%	See Ambergate	79	23
Harbour Learning Trust – Central Office	21.2%	-	37	13
Harrowby Church of England Infant School	20.6%*	£2k	21	5
Hartsholme Academy	17.8%	£10k	80	22
Heighington Millfield Primary Academy	20.3%	-	70	20
Holbeach Academy	20.4%	£12k	121	31
Holbeach Bank Academy	20.7%	£2k	29	7
Holy Trinity Church of England Primary	21.2%	£6k	31	7
Horncastle Banovallum	20.2%*	£70k	165	30
Horncastle Community Primary Academy (joined 01/09/2021)	19.4%	£1k	100	29
Horncastle Education Trust (Head Office)	20.2%*	See Banovallum	191	67
Horncastle Queen Elizabeth Grammar School	20.2%*	See Banovallum	45	15
Huttoft Primary School	19.7% / 20.2%	See Banovallum	47	13

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Infinity Academies Trust (Joined 01/10/2021)	20.1%	-	32	12
John Spendluffe Technology College	20.7%	£21k	233	60
Keelby Primary Academy	21.4%	£14k	65	13
Kesteven & Sleaford High School Selective Academy	21.2%*	£18k	152	41
Kesteven and Grantham Academy	21.4%	£35k	269	64
Keystone Academy Trust	21.2%*	£3k	217	64
King Edward VI Grammar School (Louth)	21.3%	£58k	222	47
Kirkby La Thorpe	20.0%	£2k	40	10
Lacey Gardens Junior School (Academy)	19.4%	See Springwell	114	34
Leadenham Primary Academy	19.6%	-	14	3
Linchfield Community Primary School	19.9%	See Ambergate	95	27
Lincoln Anglican Academy Trust	17.7%	-1.3%	170	82
Lincoln Castle Academy	21.1%	£20k	135	29
Lincoln Christs Hospital School (Academy)	21.2%	£35k	328	84
Lincoln Manor Leas Infants School	21.0%	-	40	10
Lincoln Our Lady of Lincoln Catholic Primary School	20.6%	-	52	14
Lincoln St Giles Academy	19.5%	£30k	138	32
Lincoln St Hugh's Catholic Primary School	21.5%	£7k	91	22
Lincoln UTC	18.7%	£7k	70	28
Lincoln Westgate Academy	20.5%	£3k	95	26
Little Gonerby Church of England Infants School	21.2%	£3k	65	17
Long Bennington Church of England Academy	21.6%*	£10k	73	18
Long Sutton Primary School	24.8%*	£13k	161	36
Louth Academy	20.5%	£45k	173	36
Louth Kidgate Academy	19.6%	£12k	115	30
Lutton St. Nicholas Primary Academy	22.6%*	-	40	11
Mablethorpe Primary Academy	20.8%	£14k	124	31
Manor Farm Academy	18.7%	-	43	13
Manor Leas Junior	21.3%	£7k	56	13
Market Rasen De Aston School (Academy)	20.7%	-	225	65
Morton Church of England Primary School	21.0%	£12k	63	14
Mount Street Academy	20.2%	£10k	107	27
Nettleham Infants School	19.9%	£12k	63	15
New York Primary School	20.2%*	See Banovallum	29	9
North Hykeham Ling Moor Academy	20.3%	-	102	28
North Kesteven School	21.6%*	£62k	216	47
North Thoresby Primary School	20.6%	-	26	7
Pinchbeck East CofE Primary Academy (joined 01/03/2021)	22.8%	£4k	99	24
Poplar Farm School	19.9%	See Ambergate	86	24
Priory Federation of Academies	20.3%	-	1,413	413
Rauceby Church of England Primary School	22.2%	£6k	51	12
Redwood Primary School	20.3%	-	68	19
Ruskington Chestnut Street C of E Primary School	20.6%	£24k	85	16
Scothern Ellison Boulters Church of England Academy	20.3%	£2k	72	19

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Seathorne Primary Academy	24.6%	£17k	129	26
Sir Robert Pattinson Academy	20.6%	£26k	272	71
Skegness Academy	20.0%	£16k	360	105
Sleaford Carres Grammar School (Academy)	21.2%*	£38k	226	59
Sleaford Our Lady of Good Counsel	19.9%	-2.0%	34	10
Sleaford St Georges Academy	20.9%	-	457	130
Sleaford William Alvey	20.4%	£2k	146	40
Somercotes Academy	18.7%	£29k	113	25
South Witham Academy	21.5%*	£8k	21	4
Spalding Grammar School	21.1%	£29k	188	46
Spalding Parish C of E Day School	24.6%	£11k	161	35
Spalding Primary Academy	21.7%	£6k	113	29
Spalding Sir John Gleed School	21.7%	£66k	336	74
Spilsby Primary School	21.2%	£26	118	25
Springwell City Academy	19.4%	£39k	394	108
St Bernards School (Louth)	19.7%	£58k	264	60
St Lawrence School (Horncastle)	19.3%	£29k	204	53
St Mary's Catholic Primary Voluntary Academy Grantham	21.2%	£7k	72	17
St Michaels Church of England Primary School	20.1%	£15k	88	21
St Nicholas Primary Academy, Boston	25.5%	£7k	75	15
St Norberts Catholic Primary School (Academy)	20.5%	£3k	48	12
St Paul Community Primary School	19.9%	See Ambergate	72	21
St Peter and St Paul Catholic Voluntary Academy	20.8%	£13k	157	40
St Thomas C E Primary Academy	20.1%	£15k	115	29
St. John's Primary Academy	21.1%	£14k	133	33
Stamford Malcolm Sargent Primary	20.8%	-	246	67
Stamford St Augustines	20.1%	£2k	46	12
Stamford St Gilberts Church of England Primary School	21.0%	£11k	78	18
Stamford The Bluecoat School	21.9%	£5k	90	22
Surfleet Seas End Primary Academy	22.8%*	£1k	27	7
Tall Oaks Academy Trust	20.3%	£11k	245	67
The Deepings Academy	21.1%	-1.4%	268	83
The Gainsborough Academy	20.5%	-	106	31
The Garth School, Spalding	19.9%	See Ambergate	45	13
The Ingoldmells Academy	20.1%	£2k	54	14
The John Fielding Special School, Boston	19.9%	See Ambergate	199	57
The Marton Academy	21.4%	£6k	30	6
The Priory Pembroke	20.3%	-	132	37
The Priory School, Spalding	19.9%	See Ambergate	57	17
The Skegness Infant Academy	20.4%	£12k	106	26
The Skegness Junior Academy	20.9%	£7k	114	30
Theddlethorpe Primary School	21.2%	£3k	41	10
Thurlby Community Primary School	23.8%*	£1k	46	11
Tower Road Academy (Primary)	20.3%*	£5k	157	46
Tulip Academy	19.9%	See Ambergate	160	46
University Academy Holbeach	20.9%	£41k	370	98

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
University Academy Long Sutton	20.7%	£22k	183	47
Utterby Primary School	21.7%	£2k	27	6
Voyage Education Partnership	19.4%	£29k	1,019	310
Wainfleet Magdalene C of E Academy	20.6%	£14k	87	20
Warren Wood Specialist Academy	20.5%	£26k	140	31
Washingborough Academy	21.0%	£6k	87	23
Welbourn Sir William Robertson Academy	21.0%	£21k	245	65
Welland Academy, Stamford	21.7%	-1.1%	122	35
Welton St Marys Church of England Primary Academy	21.3%	£6k	73	18
Welton William Farr CE Comprehensive School	21.4%	£36k	337	80
West Grantham Federation	20.2%	£15k	275	77
Weston St Marys Primary School	20.2%	£1k	7	2
Whaplode Drove C of E Primary School	20.6%	£6k	45	11
William Lovell Church of England Academy	21.0%	£29k	109	22
Willoughby School	20.3%	-	222	64
Witham St Hughs Academy	20.3%	£2k	93	26
Woodhall Spa St Andrews Church of England Academy	20.4%	£1k	84	23
Woodlands Academy	19.9%	See Ambergate	94	28
Wyberton Primary Academy	20.0%	£12k	75	18
ADMITTED BODIES				
Active Lincolnshire	21.6%	-	6	2
Active Nation	33.1%	-	7	1
Adults Supporting Adults	31.1%	-2.0%	5	1
Balfour Beatty	17.5%	9.4%	128	32
Carlton Cleaning (Kidgate Academy)	19.6%	-	2	1
Caterlink - DRET (joined 01/04/2022)	31.6%	-	14	2
Caterlink (South Witham) (left Fund 29/09/2022 – contributions are refund)	32.0%	-	-8	-
Caterlink (Walton Girls High School)	28.8%	-	10	2
Danfo UK Ltd	30.3%	-	6	1
Easy Clean Contractors (Linchfield)	31.7%	-	2	-
Edwards and Blake Ltd	32.7%	£5k	18	2
Future Cleaning Services	32.8%	-	3	1
GLL	17.5%	9.4%	386	88
Independent Cleaning Services (Caistor Grammar)	26.1%	-	2	-
Lincolnshire Housing Partnership	29.7%	£143k	217	23
Lincolnshire Road Car Company Ltd. (Stagecoach)	17.3%	-	4	1
Magna Vitae Leisure Trust	21.1%	-4.6%	170	71
Mellors Catering Services (left Fund 31/08/2022)	25.7%	£1k	2	-
Mellors Catering (Lincoln Castle)	21.1%	-	3	1
Mitie (Lincolnshire Police) (joined April 2022)	16.3%	-	64	25
Nightingale Cleaning Limited	32.3%	-	2	-
Outspoken Training	35.5%	-	2	-
Platform Housing Group	28.2%	£392k	578	43
Reef Cleaning (Bourne Academy) (joined April 2022)	25.0%	-	3	1

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
SERCO	17.5%	9.4%	619	151
Taylor Shaw (Branston Academy)	33.9%	-	8	1
Vertas (Walton Academy) (joined May 2022)	19.8%	-	23	7
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 submissions (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 2023 there were eight fines raised to employers (one in 2021/22). 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) has been awaited since a consultation in 2019 but has still not been received. It is now expected to be issued for further consultation in 2023/24.

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 138 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 the same requirements as any other asset manager and is subject to company legislation. At the end of March 2023, Border to Coast had £28.3bn under management across nine collective investment vehicles, and £12bn 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 2023, 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.

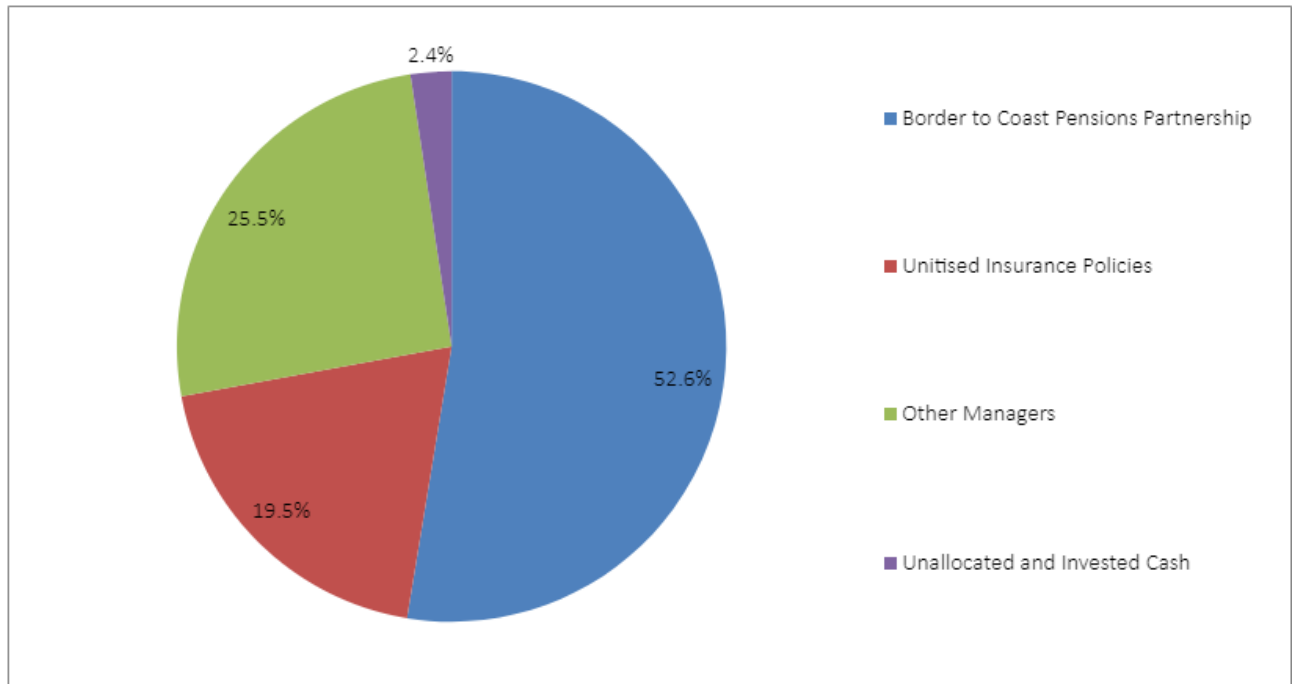
In July 2020, approximately £380m was transferred from a passive UK equity mandate managed by Legal and General into the Border to Coast UK Equity sub-fund. In February 2021, an additional investment of approximately £196m was made into the Global Equity Alpha sub-fund, following the termination of Invesco's 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 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 2023, at 52.6%. This compares to 51.6% invested at 31 March 2022, 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	
	£m	%
Border to Coast Pensions Partnership	1,591.4	52.6
Unitised Insurance Policies	588.8	19.5
Other Managers	772.6	25.5
Unallocated and Invested Cash	73.0	2.4
Net Investment Assets	3,025.8	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 2018/19	2019/20	2020/21	2021/22	2022/23
Border to Coast (£m)	0	525	1,350	1,564	1,591
Passive/Other (not to be pooled) (£m)	574	585	564	614	589
Other (£m)	1,770	1,092	833	875	846
Total AUM £m	2,344	2,202	2,748	3,053	3,026
Border to Coast	0%	24%	49%	51%	53%
Passive / Other (not to be pooled)	24%	27%	21%	20%	19%
Other	76%	49%	30%	29%	28%
Total AUM %	100%	100%	100%	100%	100%

Total pooled assets

Total assets pooled in line with the Government Directive, which includes assets not directly managed by Border to Coast but also passive funds with a manager where fees have been negotiated by the pool, stood at **£2,055.3m or 67.3%**. This includes all assets managed in Border to Coast funds and the investment with LGIM.

Assets not managed directly by Border to Coast

There are four areas that are currently not managed by Border to Coast, as set out below, with the reasons as to why they have not been transitioned at this time.

Passive Bonds – managed by Blackrock (5% allocation)

As these are passively managed, there is no suitable product available within Border to Coast. However, a decision was made as part of the strategic asset allocation review in March 2023 to sell out of this position and to invest the proceeds into the Border to Coast Sterling Investment Grade Fund. This transaction was undertaken in April 2023.

Passive Equities – managed by LGIM (15% allocation)

As these are passively managed, there is no suitable product available within Border to Coast. Border to Coast negotiated a pool rate for this investment, therefore it is included under the total pooled asset figure.

Property – managed across a number of funds (10.5% allocation)

Border to Coast are still developing their property offerings for global and UK property. Once these are available, investments will be made and transition of legacy assets will take place where appropriate.

Alternatives – managed by Morgan Stanley (14% allocation)

A decision was made by the Pensions Committee at its meeting in June 2022 to retain Morgan Stanley for the management of the private markets investments for the medium term. This was due to a number of reasons:

- The holistic approach Morgan Stanley offered in managing all cash-flows and administration within the private markets allocation, currently unavailable with Border to Coast.
- The ability for the Fund to direct the focus of investments made, rather than it being reached by consensus across the eleven partner funds at Border to Coast.
- Higher expected returns than Border to Coast funds.
- Access to smaller/mid-sized areas of the market that Border to Coast are unable to access due to their larger commitment size.

In agreeing to retain Morgan Stanley, a fee reduction was agreed and the mandate tilted to be more private market focused than originally set-up, with an expectation that 50% of new investments would be targeted to positive social/environmental impact, with no negative impact on potential returns.

Legacy Infrastructure – managed across a number of funds (2.5% allocation)

These are closed ended vehicles that were invested in prior to Border to Coast's vehicles being available. New infrastructure investments are made through Morgan Stanley's private market allocation.

Border to Coast costs and savings for Lincolnshire

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

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

The table below details the net savings to date.

Border to Coast Costs and Savings	Cumulative				
	to 18/19 Actual £m	2019/20 Actual £m	2020/21 Actual £m	2021/22 Actual £m	2022/23 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	0.30
Development Costs	0.01	0.06	0.05	0.07	0.04
Project Costs	-	0.09	0.14	0.18	0.20
Total Set-up and Operating Costs	1.44	0.34	0.78	0.55	0.54
Transition Costs	-	0.42	(0.01)	0.03	0.0
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	1.40	1.56
Fee Savings – Public Markets (add. costs)	-	-	(0.06)	(0.05)	(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	1.44	1.85
Net Position	(1.38)	(0.36)	3.57	0.87	0.96
Cumulative Net Position	(1.38)	(1.74)	1.82	2.69	3.65

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 2022/2023

Introduction

I am pleased to present the report of the Local Pension Board of Lincolnshire County Council (LCC) for the year 2022/2023.

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

Four meetings were held within the period – 14 July, 22 September and 1 December 2022, and 16 March 2023.

All the Board Members have completed the Pension Regulator’s Public Service toolkit. In addition, Board Members have either completed, or part completed, the six modules of the Hymans LGPS Online Learning Academy. Board Members have also attended a variety of externally organised conferences and seminars throughout the year as well as internal training sessions on Asset Classes, Shared Service Administration and Investment Strategy.

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 – 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 the Pensions Regulator (TPR). At the December 2022 meeting the reported scores were Common data 95.97% and Scheme Specific data 86.04%. Both scores showed only marginal changes to those recorded six months previously. The target is 100%, particularly for Common data. At the December meeting, the PB received a further update from WYPF on the data scores for the improvement plan. Much of the missing data is historic and therefore currently it is not reported in the data fields. The pensions team face immense pressure in actioning this work alongside the work relating to the McCloud ruling. WYPF is expecting a significant improvement in the Scheme Specific scores in 2023. The PB 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 continuing 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.

At the December meeting, the PB received a comprehensive presentation on services to members approaching retirement. Although there was a view that the letters sent to members could be simplified and made clearer, the PB concluded that WYPF offers a good service for members approaching retirement.

The PB also received a report and presentation on “Freedom and choice, pension scams and transfers”. The PB obtained comfort that WYPF was on top of these issues and acting appropriately. The PB members undertook to study TPR’s latest module on transfer scams as part of their own training needs.

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 37 cases of the late payment of contributions (approx. 3,300 received in the year) and 68 cases of the late submission of monthly returns (approx. 2,200 received in 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. Even so, during the financial year, eight fines were issued. 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 2021/2022. A progress report on the external audit work outstanding and findings from the work completed was considered at the September meeting. Staffing issues were cited by Mazars as contributing to the delay in the sign off of the Accounts. At the December meeting, the PB was informed that the external auditor was expected to give an unqualified audit opinion on the Pension Fund Statement of Accounts. This was however delayed because of national issues impacting the Council's accounts, which have to be signed off in conjunction with the Pension Fund Accounts, on the treatment of infrastructure and the impact of triennial valuations being completed ahead of the accounts sign off. The Board congratulated the Head of Pensions on producing an excellent document. At the time of writing this report, the Council's accounts, and therefore the Pension Fund Accounts, were still awaiting sign-off.

There is still a concern that the low level of audit fees for the external audit might compromise the quality of the audit. Discussions continue at national level to try and improve both the quality and speed of the external audit provision for public sector organisations generally.

Internal audit activity - the Board reviewed an exempt report by Bradford Council's Internal Audit Team on the internal audit of several aspects of the pensions service, including Shared Service Partner Administration and New Pensions and Lump Sums for deferred members. Both topics received a good rating. There were a few recommendations which management accepted and have been actioned. In addition, LCC's Internal Audit Team had undertaken two reviews, the first covering various aspects of the pensions administration service and the second covered Key Control Testing. The overall conclusion of the review was that LCC's Internal Audit Team continue to be able to place reliance on robust nature of the audits completed by Bradford's Internal Audit Team and therefore provided a high assurance opinion.

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 2023, there were 94 green and one not relevant. There were four partially compliant – one related to knowledge and understanding. Whilst all Board members have completed this training, two new members had recently been appointed to the Pensions Committee and they have a period of six months to complete their training. The other three related to certain aspects which 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 2021/2022 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 Kempton, 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. In particular, I would like to thank Gerry Tawton who retires in July at the end of his four year term, for his substantial contribution and support.

Roger Buttery
Pension Board Chair
May 2023

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

Jo Kempton, Head of Pensions

Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL

Tel: 01522 553656 | email: jo.kempton@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 2023 produced a range of returns across the asset classes.

Equity market returns were mixed, with the laggard being Emerging Markets at a negative 3.9% and European (ex UK) Equities leading the pack at 8.5%.

Bond asset returns were all negative, ranging from -10.6% to -26.7%.

UK Commercial Property also suffered, with returns of -26.4%.

Investment Returns to 1 April 2022 to 31 March 2023

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	2.9
Global Equities	FTSE World	(0.9)
United States	S&P 500	(1.7)
Europe ex UK	FTSE Developed Europe	8.5
Japan	TOPIX	2.7
Emerging Markets	FTSE Emerging	(3.9)
Fixed Interest		
UK Gilts	FTSE UK Gilts	(16.3)
UK Index Linked Gilts	FTSE Index-Linked	(26.7)
UK Corporate Bonds	IBoxx Sterling Non-Gilts All Stocks	(10.6)
UK Commercial Property	MSCI/AREF UK Property Fund Index - All Balanced Fund Index	(26.4)
Cash	12 Month SONIA	4.6

Asset Class Performance Narrative

Global Overview

Global stock and bond markets fell in local-currency terms after a tough 12 months for financial markets and the global economy. The pound's weakness, particularly against an initially strong US dollar, translated into a more modest fall in global bonds and a marginally negative return from global equities when viewed in sterling terms.

Inflation dominated the period. Central banks in Western economies raised interest rates faster and further than previously anticipated in response to multi-decade-high inflation, caused in large part by soaring energy prices after Russia's invasion of Ukraine. Stock markets fell heavily in the first half of 2022 amid fears of a sharp economic slowdown. Meanwhile, the combination of high inflation and rising rates was a major headwind for bond markets after years of falling interest rates (and rising bond prices) — the sell-off in bond markets over the first half of 2022 was one of the largest on record.

The gloom began to clear from late summer. US and eurozone inflation peaked in the autumn, prompting hopes that an end to interest-rate rises might be in sight. The new year started on a highly positive note amid expectations that rates had indeed reached the top for this cycle. However, robust economic data in February, including strong US employment numbers, caused investors to consider whether rates may have to remain higher for longer. The collapse of two regional US banks and the forced sale of Credit Suisse to rival UBS in March evoked fears of a banking crisis. Stock markets recovered after an initial sell-off, while bond markets benefited from a flight to safety and a reduction in expectations for peak interest rates.

UK Equities

The UK stock market, as represented by the FTSE All-Share Index, rose in sterling terms over the period. The FTSE 100 Index, home of multinational companies that often benefit from a weak pound, held up well in the initial global market sell-off. In contrast, the FTSE 250 Index, which contains smaller companies typically more focused on the domestic UK economy, fell markedly and finished lower over the 12-month period.

Several factors explained the FTSE 100's relative resilience. As well as benefiting from currency effects, it is home to many so-called defensive shares that tend to hold their value better when the stock market falls. It also contains several energy and mining companies. These were boosted by high commodity prices, particularly after the outbreak of war in Eastern Europe.

Inflation loomed large on the UK economic landscape. The annual consumer inflation rate increased steadily, hitting a 41-year high of 11.1% in October, before it began to recede. The Bank of England (BoE) reacted to surging inflation with successive interest rate rises, taking its base rate from 0.25% at the start of 2022 to 3.50% by the calendar year's end. In 2023, the Bank increased its base rate by 0.50% in February and 0.25% in March. In part due to surging food prices, UK inflation has remained stubbornly high, despite 11 straight interest-rate rises.

US Equities

US share prices, as measured by the broad S&P 500 Index, fell in US dollar terms over the 12-month period; the dollar's strength and the pound's weakness led to a more modest fall in sterling terms.

A combination of higher interest rates and surging inflation – due in part to a booming jobs market – caused US share prices to fall sharply in the first half of 2022. Growth-focused stocks, such as technology companies, which had been among the strongest stock market performers in the years leading up to 2022, were particularly hard hit. These stocks are more sensitive to higher interest rates.

As US inflation touched a 40-year high, the Federal Reserve (Fed) became increasingly aggressive in its response. The Fed implemented a series of 0.75% rate hikes from June to November. Signs of progress in the inflation fight emerged in November, when the annual consumer inflation figure showed an unexpected drop to 7.7%. Further falls in inflation increased investor confidence that price pressures were subsiding, and the Fed eased the scale of rate rises. However, faced with an economy that maintained its good momentum despite rate hikes, the central bank continued to raise rates in 2023. The latest 0.25% increase in March 2023 took the target range for the fed funds rate to 4.75-5.00%, its highest level since 2007.

US stock markets began to recover from July onwards, even shaking off turmoil in the banking sector in March, when two regional banks, Silicon Valley Bank and Signature Bank, collapsed.

European Equities

Continental Europe's stock markets, as measured by the FTSE World Europe ex UK Index, rose over the 12-month period in both euro and sterling terms. The region's equity markets were buffeted in 2022 by surging inflation, higher interest rates and the shock of the Russia-Ukraine war. European share prices were already under pressure before Russia invaded Ukraine, sending energy prices surging and casting a shadow over the likes of the German and Italian economies, which were previously heavily reliant on Russia for their energy supplies. European indices continued to trend downward over the first half of 2022.

European equities recovered some ground in the final quarter of 2022. Share prices climbed in November, as global markets were buoyed by better-than-expected US inflation data. European markets then outperformed other major developed markets in the first quarter of 2023, recording a double-digit gain in euro terms. The new year brought increased optimism amid falling inflation, lower energy prices and dwindling fears of economically disruptive energy shortages across the continent.

On the economic front, soaring inflation proved a major challenge for European policymakers. The eurozone annual inflation rate reached its highest level since the introduction of the euro, hitting a peak of 10.7% in October before it began to drop. The European Central Bank (ECB) kept its main interest rate unchanged for longer than the Fed and BoE, finally reacting to elevated prices with a 0.50% hike in July, its first rate rise in over 11 years. The central bank followed with a series of rate rises in 2022 and 2023, as it strived to bring the annual inflation rate down to its 2.0% target.

Asian Pacific Equities

Stock markets in the Asia Pacific (excluding Japan) region fell over the 12-month period in both local-currency and sterling terms, although they recovered some ground from late summer. Early stock market falls occurred against a backdrop of high inflation globally, with fears that the world economy may be tipped into a recession by interest-rate hikes. Higher commodity prices and uncertainty caused by Russia's invasion of Ukraine added to investor fears.

Within the region, Chinese stock markets suffered large initial losses as the Chinese economy stumbled in 2022, in part due to the government's strict 'zero-Covid' policy. Ongoing virus flare-ups continued to affect investor sentiment, while investors also fretted over pressures in the country's highly indebted property sector, tensions with the US and an ongoing regulatory crackdown.

December saw the Chinese government effectively drop the 'zero-Covid' policy in a major policy shift. Chinese stock markets rose sharply in January amid greater optimism after the reopening of the Chinese economy and signs that the latest wave of Covid-19 infections may have peaked. Chinese markets suffered from profit-taking in February but made further gains in March amid signs that China's economic reboot was gathering momentum. These positive developments in the crucial Chinese economy helped other Asian stock markets enjoy a strong first quarter of 2023.

Japanese Equities

Bucking the trend in global stock markets, the Japanese stock market, as measured by the Topix Index, rose in yen terms over the 12-month period; it increased more modestly in sterling terms due to the depreciation of the yen.

The Bank of Japan (BoJ) faced milder inflationary pressures than the world's other major central banks. Consequently, it left its key interest rate unchanged at -0.1% over the period. Consumer inflation remained relatively subdued for most of 2022. However, it did climb to elevated levels by Japanese standards, hitting its highest rate since 1981. The reasons for rising inflation included the weakness of the yen, which made imports more expensive, and rising energy costs.

The BoJ left interest rates unchanged in Governor Kuroda's final meeting in March, as annual inflation fell to 3.3% in February from 4.3% in January. Annual core inflation fell to 3.1% in February from 4.2% in January but exceeded the BoJ's 2.0% target for the 11th consecutive month. Japanese financial stocks sold off in March after the failure of two US regional banks, but the market still finished higher.

Fixed Interest

Corporate Bonds

Corporate bond prices fell in a particularly tough period for bond investors, with investment-grade bonds underperforming riskier high-yield bonds. A backdrop of sharply rising interest rates, stubbornly high inflation and a worsening economic outlook created challenging market conditions. Credit spreads — the yield premium received by investors in return for the typically greater risk of lending to companies rather than governments — widened until autumn as the economic environment deteriorated. Spreads then tightened until March as investors' appetite for riskier assets began to return.

In September, UK corporate bonds suffered a particularly difficult month after a badly received mini-Budget from the short-lived Truss cabinet. In October, the speedy reversal of the mini-Budget and Rishi Sunak's subsequent appointment as prime minister created calmer bond market conditions.

Growing expectations that global inflation pressures may be peaking, leading to hopes that the current cycle of interest-rate rises may be nearing its end, helped corporate bonds to perform better in the second half of the period. Turbulence in the global banking sector in March caused credit spreads to widen to levels last seen at the start of 2023. However, the negative effect of wider credit

spreads was offset by lower government bond yields amid a flight to safety. Consequently, investment-grade corporate bonds enjoyed gains in March, although riskier UK and European high-yield bonds fell.

Government Bonds

Global government bonds recorded a highly disappointing 12-month performance. After years of record-low interest rates, many central banks raised rates, often faster and further than expected, as they tried to contain soaring inflation. This caused a major sell-off in government bonds.

Faced with the highest inflation level in the US in decades, the Fed adopted an increasingly tough approach to its interest-rate policy. Having started its programme of rate rises with a 0.25% increase in March 2022, its first rate hike since 2018, the central bank soon followed with a 0.50% increase in May and (previously uncommon) 0.75% rises in June, July, September, and November. Drawing encouragement from lower inflation readings, the Fed hiked rates by a less aggressive 0.50% in December. The central bank then increased its main rate by a further 0.25% in February and March, as the strong momentum in the US economy continued.

The BoE increased its base rate eight times over the course of 2022 and three more times in the year to date as inflation in the UK continued to climb, hitting a 41-year-high annual rate of 11.1% before slowly receding. In October, UK government bond (Gilt) prices fell sharply after an ill-fated mini-Budget from the short-lived Truss government. October's swift reversal of the mini-Budget and Rishi Sunak's appointment as prime minister settled investor nerves and caused Gilt prices to recover some ground.

Despite soaring inflation also affecting European economies, the ECB kept its main interest rate unchanged for longer than the Fed and BoE. It finally raised rates by 0.50% in July. The central bank followed with back-to-back 0.75% hikes in September and October, before implementing a more modest 0.50% rate rise in December on signs of easing inflationary pressures in the region. The ECB continued to raise rates in early 2023, with further 0.50% increases in February and March.

In contrast, the Japanese central bank maintained its ultra-loose monetary policy, marked by a negative base rate, arguing that underlying demand in the Japanese economy remained too weak for it to begin raising rates. However, in a major policy development in December, the BoJ announced a surprise increase in its cap on Japanese government bond yields. This effectively tightened monetary conditions and caused the yen to strengthen after its weakness earlier in 2022.

UK Commercial Property

Total returns for UK commercial real estate were -14.7% over the 12 months to the end of March (the latest data available). The industrials sector was the weakest, returning -21.2%, while residential was the strongest, with a return of 3.9%.

It was a year of two halves in 2022. The positive performance that UK real estate recorded at the start of the year was unwound in the second half, as capital value declines weighed on performance given a weaker macroeconomic environment and rising debt costs. Yields moved out across all sectors, particularly in lower-yielding areas of the market (such as industrials). Given the magnitude and speed of correction seen in some sectors – including supermarkets, industrial and logistics, and areas of the long-income market – market pricing for these areas was likely to find a floor much quicker than in previous cycles. A recovery in performance was expected in the first half of 2023 as UK real estate once again looked attractive on a relative pricing basis and the Bank of England halting

its monetary policy hiking cycle. Given a weakening UK economy, investors are likely to focus on occupational strength and the resilience of income within portfolios. Tight supply levels in many areas of the market will continue to support prospects for rental value growth. However, any rental growth is likely to be restricted to the prime end of the market, where fundamentals for best-in-class space remain more supportive. Income is expected to be the predominant driver of real estate returns in the near term.

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. Members can visit County Offices and speak to someone regarding their pension arrangements.

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 34) 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 sits 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
Age 55 Increase to Pension	3	20	3	85	100.00	1.33	↔
AVC In-house (General)	169	20	168	85	99.41	2.28	↑
Change of Address	876	20	840	85	95.89	1.98	↑
Change of Bank Details	313	20	299	85	95.53	2.96	↑
Death Grant to Set Up	156	10	142	85	91.03	9.21	↑
Death In Retirement	587	10	498	85	85.00	11.4	↑
Death In Service	23	10	19	85	82.61	19.19	↓
Death on Deferred	47	10	40	85	85.11	5.91	↑
Deferred Benefits Into Payment Actual	982	5	940	90	95.72	3.36	↑
Deferred Benefits Into Payment Quote	1,161	35	822	85	70.80	61.16	↓
Deferred Benefits Set Up on Leaving	1,963	20	1,283	85	65.36	49.49	↓
Dependant Pension To Set Up	312	5	295	90	94.55	4.89	↑
Divorce Quote	155	40	149	85	96.13	9.19	↑
Divorce Settlement Pension Sharing order Implemented	7	80	7	100	100.00	19.71	↔
DWP request for Information	2	20	2	85	100.00	2	↑
Estimates for Deferred Benefits into Payment	25	10	22	90	88.00	12.88	↓
General Payroll Changes	394	20	391	85	99.24	1.94	↔

Event	No. Cases	Target Days to Complete	Cases Target Met	Minimum Target %	Target Met %	Average Days Taken	Travel
Initial letter Death in Retirement	587	10	583	85	99.32	1	↑
Initial Letter Death in Service	23	10	23	85	100.00	1	↔
Initial letter Death on Deferred	47	10	47	85	100.00	3.66	↑
Interfund Linking In Actual	148	35	96	85	64.86	131.18	↓
Interfund Linking In Quote	246	35	171	85	69.51	62.51	↑
Interfund Out Actual	458	35	332	85	72.49	14.11	↑
Interfund Out Quote	457	35	416	85	91.03	14.52	↑
Life Certificate	39	10	39	85	100.00	2.58	↑
Monthly Posting	3,203	10	3,005	95	93.82	3.88	↓
NI adjustment to Pension at State Pension Age	50	20	50	85	100.00	12.51	↔
Pension Estimate	477	10	352	90	73.79	14.57	↓
Pension Saving Statement	1	20	1	100	100.00	1	↔
Phone Call Received	4,111	3	3,980	95	96.81	2.08	↑
Refund Actual	562	10	559	90	99.47	2.93	↑
Refund Quote	824	35	666	85	80.83	38.3	↓
Retirement Actual	606	10	594	90	98.02	3.35	↑
Transfer In Actual	166	35	160	85	96.39	18.17	↑
Transfer In Quote	287	35	285	85	99.30	8.56	↑
Transfer Out Payment	53	35	51	85	96.23	14.98	↑
Transfer Out Quote	474	35	428	85	90.30	18.23	↑

Event	No. Cases	Target Days to Complete	Cases Target Met	Minimum Target %	Target Met %	Average Days Taken	Travel
Update Member Details	2,457	20	2,162	100	87.99	23.33	↓

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.

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	99.3
Letter detailing transfer out quote	10	86.0
Process and pay refund	5	98.6
Letter notifying estimate of retirement benefit	10	90.1
Letter notifying actual retirement benefit	5	97.1
Process and pay lump sum retirement grant	5	96.0
Letter acknowledging death of a member	5	96.0
Letter notifying amount of dependants' benefit	5	75.5
Calculate and notify deferred benefit	10	55.9

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	2022/23 Member numbers
Active Status	
Normal	277
Early	341
Late	109
Ill health	26
Redundancy	30
Total active	783
Deferred status	
Normal	382
Early	400
Late	18
Ill health	6
Total deferred	806

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	2022/23 £'000
Annual payroll	89,597
Overpayments value	54
Overpayments written off	0
Overpayments recovered (incl. bf recovered)	54

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

Analysis of overpayments	2022/23 Number of payments
Pensions paid during period	279,855
Cases overpaid	46
Cases written off	0
Cases recovered (incl. bf recovered)	46

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
2022/23	329,082	2,379 0.7%	24	0	10
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 (2021/22) for all LGPS funds administration costs shows that LPF pensions administration cost per member is £15.01, the 5th lowest cost amongst 86 LGPS funds and well below the national average of £26.68.

In 2021/22 LPF had a below average total cost per members (administration, investment and oversight & governance) at £179.14, the national average for LGPS in 2021/22 was £320.21.

Cost per member 2020/21	Position	Lincolnshire Pension Fund	LGPS Lowest*	LGPS Highest*	LGPS Average
Administration	5th	£15.01	£0.00	£121.01	£26.68
Investment	18th	£154.02	£18.02	£1,023.22	£282.32
Oversight and governance	33rd	£10.11	£0.00	£58.94	£11.21
Total Cost per member	11th	£179.14	£34.06	£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 2022/23 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 £17.42;
- Investment management cost per member is £143.83;
- Oversight and governance cost per member is £11.49; and
- Total management cost per member is £172.74.

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)	2018/19	2019/20	2020/21	2021/22	2022/23
Service Centre	59.5	54.8	52.4	57.7	65.3
Payroll	17.6	16.1	17.3	21.4	22.4
ICT	14.4	15.4	14.4	12.6	14.6
Finance	14.5	12.0	11.8	15.8	19.8
Business support	28.8	28.4	27.4	35.1	39.1
Technical	4.9	4.9	5.0	5.6	5.6
Total	139.7	131.6	128.3	148.2	166.8

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:

- Final pay – ‘the deep dive’
- Understanding CPP (Care pay)
- Ill Health
- Annual Allowance
- Introduction to the LGPS
- Roles and Responsibilities
- Employer Discretions
- Internal Dispute Resolution Process
- Authorised Contacts and Outsourcing your Payroll
- March return: ‘steps to success’
- Understanding Final Pay
- Understanding Assumed Pensionable Pay
- Authorised Contacts and Year-end Responsibilities

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 2022/23 year an increase of 3.1% was applied on 11 April 2022.

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 fund administration costs shows that LPF pensions administration cost per member is £15.01, this is the 5th lowest cost amongst 86 LGPS funds and well below national average of £26.68.

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, and update personal details. Members are being encouraged to sign up as the service moves to more online communications.

Data quality

LGPS Funds 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. Both purpose-built data centres are protected by redundant power, UPS, a backup generator and cooling.

In the event of WYPF office accommodation becoming unavailable, staff will be relocated to other council offices or work remotely, including the remote office 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 to monitor satisfaction with the shared service by the end users. The table below shows the scores for the year.

April – June 2022	July - Sept 2022	Oct - Dec 2022	Jan - March 2023
80.2%	90.4%	81.3%	89.9%

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 Department for Levelling Up, Housing and Communities. The bands, as they stood at 31 March 2023, are shown below.

Full Time Equivalent Pay	Contribution Rate
Up to £15,000	5.5%
More than £15,000 and up to £23,600	5.8%
More than £23,600 and up to £38,300	6.5%
More than £38,300 and up to £48,500	6.8%
More than £48,500 and up to £67,900	8.5%
More than £67,900 and up to £96,200	9.9%
More than £96,200 and up to £113,400	10.5%
More than £113,400 and up to £170,100	11.4%
Over £170,100	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 £7,579 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.

III 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 times 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 amount 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 Kempton, Head of Pensions Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL Tel: 01522 553656 Email : jo.kempton@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 2022/23

A full training plan was taken to Pensions Committee in July 2022 to identify training requirements over the coming year. The training plan was linked to specific areas within the CIPFA Knowledge and Skills Framework, which was last updated in 2021.

The eight areas within the Knowledge and Skills Framework 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

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)
9 June 2022		
Reports	External Manager Presentations	6,7
	- Morgan Stanley Alternatives	
	- Border to Coast Fixed Income Funds	
14 July 2022		
Reports	Independent Advisor Market Update	7
	Pension Board Report	2
	Fund Update	2,6,8
	Responsible Investment Update	6
	Pensions Administration Report	1,4
	McCloud Paper and Presentation	1,4
	Employer Monthly Submissions Report	4
	2022 Valuation Assumptions	3
	Risk Register Annual Review	6
	Annual Training Plan and Policy	1,2
	Draft Annual Report and Accounts	2,5
	Annual Property and Infrastructure Report	6,7
	Investment Performance Report	6,7
22 September 2022		
Reports	Independent Advisor Market Update	7
	Pension Board Report	2
	Fund Update	2,6,8
	Responsible Investment Update	6
	Pensions Administration Report	1,4
	Employer Monthly Submissions Report	4
	Performance Measurement Annual Report	6
	2022 Valuation – Whole Fund Results	3
	Investment Performance Report	6,7
13 October 2022		
Training	Hymans Robertson – Investment Strategy	6
	Introduction to LGPS Online Learning Academy	2
1 December 2022		
Reports	Independent Advisor Market Update	7
	Pension Board Report	2
	Fund Update	2,6,8
	Responsible Investment Update	6
	Pensions Administration Report	1,4
	Data Quality Report	1,4
	Employer Monthly Submissions Report	4
	Committee Meetings and Delegations	2

Date	Subject matter	KSF area(s)
	Border to Coast RI and Corporate Governance Voting Policies	2,6
	Border to Coast Governance Review	2
	Funding Strategy Statement	3
	External Audit Completion Report	5
	Investment Performance Report	6
5 January 2023		
Reports and Training	External Manager Presentation	6,7
	- Border to Coast Equity Funds	
	Training	6,7
	- Hymans Robertson – Investment Products (ARB, ABS, MAC, Private Debt)	
9 February 2023		
Training	WYPF – Shared Administration Service	4
	Hymans Robertson – Investment Strategy	6
16 March 2023		
Reports	Independent Advisor Market Update	7
	Pension Board Report	2
	Fund Update	2,6,8
	Responsible Investment Update	6
	Pensions Administration Report	1,4
	Employer Monthly Submissions Report	4
	2022 Valuation and Funding Strategy Statement	3
	Fund Policies Review	1,2
	LPF Business Plan 23/24	2,5,6
	Annual Accounting Policies Review	5
	Investment Performance Report	6
	Investment Strategy Review	6
	Pensions Administration Service Provider	4,8

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 2022/23

All meetings were held in person, however on occasion Committee members attended virtually as observers. The table below shows attendance of each of the twelve 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. Members that are either no longer on the Committee or had not been members of the Committee at that time are marked with a dash (-). Non-attendance is shown with an X.

There was some change to the Committee over the year, with the sad passing of Cllr Newton in August, Cllr Parkin leaving the Committee in October, Cllr Griggs leaving the Committee in February and being replaced by Cllr Ashleigh-Morris, and Cllr Thompson resigning as a Councillor in March. One new position was created on the Committee for an Academy Sector representative and was approved at Full Council in December 2022. Tom Hotchin, from Market Rasen De Aston School, was appointed in February 2023. The March meeting was the last for Cllr Waller, the District Councils representative, who was not standing as a Councillor at the May local elections. His replacement will be appointed in May 2023, following the district council's AGM.

As at 31 March 2023, there were three County Councillor vacancies.

	June 22	July 22	Sep 22	Oct 22	Dec 22	Jan 23	Feb 23	Mar 23
Cllr E W Strengiel (Chairman)	✓	✓	✓	✓	✓	✓	✓	✓
Cllr P E Coupland (Vice Chairman)	✓	X	✓	✓	✓	X	✓	✓
Cllr M G Allan	✓	✓	✓	✓	✓	✓	✓	✓
Cllr P Ashleigh-Morris	-	-	-	-	-	-	-	X
Cllr M Griggs	X	X	X	X	X	X	X	-
Cllr Mrs A M Newton MBE	✓	X	-	-	-	-	-	-
Cllr S Parkin	X	X	X	-	-	-	-	-
Cllr T Smith	X	✓	✓	✓	✓	✓	✓	✓
Cllr Dr M E Thompson	✓	✓	✓	✓	✓	✓	X	X
Cllr R Waller	✓	✓	✓	✓	X	✓	X	✓
S Larter	X	✓	✓	✓	✓	✓	X	✓
T Hotchin	-	-	-	-	-	-	-	✓
A Antcliff	✓	✓	✓	✓	✓	✓	X	X
Total Attendance	7	7	8	8	7	7	4	7
Total Committee size	11	11	11	11	11	11	11	12

All members of the Pensions Committee have full voting rights.

Fund Account – Year Ended 31 March 2023

	See note	2021/22 £000	2022/23 £000
Contributions and Benefits			
Contributions Receivable	6	(120,601)	(135,108)
Transfers In from other Pension Funds	7	(7,977)	(10,049)
		(128,578)	(145,157)
Benefits Payable	8	101,369	105,863
Payments To and On Account of Leavers	9	6,236	8,661
		107,605	114,524
Net (additions)/withdrawals from dealings with Fund Members		(20,973)	(30,633)
Management Expenses	10	14,191	13,745
Net (additions)/withdrawals including Management Expenses		(6,782)	(16,888)
Returns on Investments			
Investment Income	11	(8,372)	(15,170)
(Profit)/Loss on Disposal of Investments and Change in the Value of Investments	12A	(295,668)	20,407
(Profit)/Loss on Forward Foreign Exchange	13	17,444	30,180
Net Returns on Investments		(286,596)	35,417
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(293,378)	18,529
Opening Net Assets of the Fund		(2,777,535)	(3,070,913)
Closing Net Assets of the Fund		(3,070,913)	(3,052,384)

Net Asset Statement as at 31 March 2023

	See note	31 March 2022 £000	31 March 2023 £000
Long Term Investment Assets	12	1,182	1,182
Investment Assets	12	3,053,018	3,025,747
Investment Liabilities	12	(1)	-
Total Net Investments		3,054,199	3,026,929
Current Assets	19	24,038	28,682
Current Liabilities	20	(7,324)	(3,227)
Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period		3,070,913	3,052,384

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 256 contributing employer organisations in the Fund including the County Council and just over 79,500 members, as detailed below (information reported based on March processed data):

	31 March 2022	31 March 2023
Number of Employers with Active Members	260	256
Number of Employees in the Fund		
Lincolnshire County Council	9,525	10,140
Other Employers	14,897	16,551
Total Active Members	24,422	26,691
Number of Pensioners		
Lincolnshire County Council	15,483	17,813
Other Employers	8,053	9,418
Total Pensioner Members	23,536	27,231
Number of Deferred Pensioners		
Lincolnshire County Council	16,731	16,659
Other Employers	8,919	8,992
Total Deferred Pensioners	25,650	25,651
Total number of Members in the Scheme:	73,608	79,573

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 2022/23 were determined at the 2019 Valuation, or when a new employer joins the scheme. Rates paid during 2022/23 ranged from 16.3% to 25% 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 between April 2008 and March 2014
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 2022/23 financial year and its position at year end as at 31 March 2023.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 consider obligations to pay pensions and other benefits that fall due after the end of the financial year, nor do they consider 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 2023/24 the Code introduces the following changes to the accounting standards:

- IFRS 16 Leases;
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021; and
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

It is not thought that any of these changes will have a significant impact on the Pension Fund Accounts for 2023/24.

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 the Private Markets portfolio) that an element of their fee will be performance related.

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

Net assets statement

g) Financial assets

All investment assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. Any amounts due or payable in respect of trades entered into, but not yet completed at 31 March each year are accounted for as financial instruments held at amortised cost. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund and are classified as Fair Value through Profit and Loss (FVPL).

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

Alternatives, private equity, property venture and infrastructure valuations are based on the most recent 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 are not produced by the manager at 31 March, then the latest available valuation is used, adjusted for purchases and sales which occur between the valuation date and 31 March.

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 considering 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 2023 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)	<p>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.</p> <p>A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.</p>	<p>The effects of changes in the individual assumptions can be measured. For example:</p> <ol style="list-style-type: none"> 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liabilities by c. £219m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by c. £9m. 3) a 0.25% increase in the pension increase rate would increase the value of liabilities by c.£114m. 4) a one-year increase in assumed life expectancy would increase the liability by c. £113m.
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 +/- £10.2m on a carrying value of £126.9m.
Unquoted Assets (including Alternatives, Infrastructure, Other Property and Private Equity) (Note 14)	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the Special Guidance issued in March 2020 concerning the impact of Covid-19 on valuations. These instruments are not publicly listed and as such there is a degree of estimation involved in the valuation.	<p>Unquoted Assets at 31 March 2023 are valued at £436.2m in the financial statements. There is a risk that these investments may be under or overstated in the accounts.</p> <p>Private Markets by +/-15% or £48.1m on a carrying value of £350.9m</p> <p>Infrastructure by +/-15% or £10.0m on a carrying value of £66.7m</p> <p>Property Venture by +/-18% or £7.6m on a carrying value of £42.0m.</p> <p>Private Equity by +/-23% or £1.5m on a carrying value of £6.6m</p>

Note 6. Contributions Receivable

Contributions receivable are analysed below:

	2021-22 £000	2022-23 £000
Employers		
Normal	68,777	77,979
Deficit Recovery Funding	26,595	29,532
Additional – Augmentation	1,498	823
Members		
Normal	23,651	26,661
Additional Years	80	113
Total Contributions Receivable	120,601	135,108

These contributions are analysed by type of Member Body as follows:

	2021-22 £000	2022-23 £000
Lincolnshire County Council - Administering Authority	51,573	57,232
Scheduled Bodies	65,305	75,111
Admission Bodies	3,723	2,765
Total Contributions Receivable	120,601	135,108

Note 7. Transfers In From Other Pension Funds

	2021-22 £000	2022-23 £000
Individual Transfers from Other Schemes	7,940	10,049
Group Transfers from Other Schemes	37	-
Total Transfers In from Other Pension Funds	7,977	10,049

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 2023.

Note 8. Benefits Payable

	2021-22 £000	2022-23 £000
Pensions	82,895	87,322
Commutations and Lump Sum Retirement Benefits	16,177	15,688
Lump Sum Death Benefits	2,297	2,853
Total Benefits Payable	101,369	105,863

These benefits are analysed by type of Member Body as follows:

	2021-22	2022-23
	£000	£000
Lincolnshire County Council - Administering Authority	52,274	55,296
Scheduled Bodies	43,918	45,767
Admission Bodies	5,177	4,800
Total Benefits Payable	101,369	105,863

Note 9. Payments To and On Account of Leavers

	2021-22	2022-23
	£000	£000
Individual Transfers to Other Schemes	5,302	8,347
Group Transfers to Other Schemes	667	-
Refunds to Members Leaving Service	267	315
Total Payments To and On Account of Leavers	6,236	8,662

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 2023.

Note 10. Management Expenses

	2021-22	2022-23
	£000	£000
Administrative Costs	1,189	1,386
Investment Management Expenses	12,201	11,445
Oversight and Governance Costs	801	914
Total Management Expenses	14,191	13,745

The External Audit fee for the year was £0.030m (£0.019m in 2021/22).

A further breakdown of the investment management expenses is shown below:

2022/23	Total	Management Fees	Performance Related Fees	Transaction Costs
	£000	£000	£000	£000
Managed by Border to Coast	4,126	3,879	-	247
Unitised Insurance Policies	706	706	-	-
Unit Trusts	1,233	882	20	331
Other Managed Funds	5,103	2,924	1,869	310
Cash	1	-	-	1
	11,169	8,391	1,889	889
Custody Fees	276			
	11,445			

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			

Note 11. Investment Income

	2021-22 £000	2022-23 £000
Equities	339	179
Managed by Border to Coast		
Bonds	68	-
Unitised Insurance Policies		
Global Equities	60	-
Unit Trusts:		
Property	2,199	2,455
Other Managed Funds:		
Property	294	703
Infrastructure	2,891	4,199
Private Markets	2,287	5,293
Interest on Cash Deposits	233	2,341
Total Investment Income	8,372	15,170

Note 12. Investments

	2021-22 £000	2022-23 £000
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	1,182
Total Long Term Investment	1,182	1,182

	2021-22 £000	2022-23 £000
Investment Assets		
Pooled Investment Vehicles:		
Managed by Border to Coast:		
Global Equities	743,227	763,782
UK Equities	477,827	462,066
Multi Asset Credit	138,224	146,217
Bonds	204,927	219,309
Unitised Insurance Policies:		
Global Equities	464,046	463,892
Bonds	150,282	124,858
Unit Trusts:		
Property	193,810	140,502
Other Managed Funds:		
Private Markets	465,138	459,140
Infrastructure	61,136	66,741
Private Equity	7,593	6,580
Property	25,427	87,499
Total Pooled Investment Vehicles	2,931,637	2,940,586
Other Investment Assets:		
Derivatives:		
Open Forward Foreign Exchange (FX)	2,758	7,545
Cash Deposits	115,609	75,666
Investment Income Due	2,011	1,950
Amount Receivable for Sales	1,003	-
Total Other Investment Assets	121,381	85,161
Total Investment Assets	3,053,018	3,025,747
Investment Liabilities		
Derivatives:		
Open Forward Foreign Exchange (FX)	-	-
Investment Income Payable	(1)	-
Amount Payable for Purchases	-	-
Total Investment Liabilities	(1)	-
Total Net Investment Assets	3,053,017	3,025,747

Note 12A. Reconciliation of Movements in Investments

2022/23	Market Value 31 March 2022	Purchases and derivative payments	Sales and derivative receipts	Change in market value during the year	Market Value 31 March 2023
	£000	£000	£000	£000	£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

2022/23	Market Value 31 March 2022	Purchases and derivative payments	Sales and derivative receipts	Change in market value during the year	Market Value 31 March 2023
	£000	£000	£000	£000	£000
Pooled Investment Vehicles:					
Managed by Border to Coast	1,564,205	47,500	(51,055)	30,724	1,591,374
Unitised Insurance Policies	614,328	29,151	(29,845)	(24,884)	588,750
Unit Trusts	193,810	1,156	(20,668)	(33,796)	140,502
Other Managed Funds	559,294	246,982	(193,865)	7,549	619,960
	2,931,637	324,789	(295,433)	(20,407)	2,940,586
Other Investments:					
Derivatives:					
Open Forward Foreign Exchange (FX)	2,748	4,061,063	(4,026,096)	(30,180)	7,545
	2,934,395	4,385,852	(4,321,529)	(50,587)	2,948,131
Other Investment Balances:					
Cash Deposits	115,609				75,666
Amount Receivable for Sales	1,003				-
Investment Income Due	2,010				1,950
Amount Payable for Purchases	-				-
Total Net Investment Assets	3,053,017			(50,587)	3,025,747

2021/22	Market Value 31 March 2021	Purchases and derivative payments	Sales and derivative receipts	Change in market value during the year	Market Value 31 March 2022
	£000	£000	£000	£000	£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	Purchases and derivative payments	Sales and derivative receipts	Change in market value during the year	Market Value 31 March 2022
	£000	£000	£000	£000	£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	77,661	(189,283)	104,890	559,294
	2,660,284	248,240	(272,555)	295,668	2,931,637
Other Investments:					
Derivatives:					
Open Forward Foreign Exchange (FX)	(1,964)	3,135,252	(3,113,086)	(17,444)	2,758
	2,658,320	3,383,492	(3,385,641)	278,244	2,934,395
Other Investment Balances:					
Cash Deposits	97,725				115,609
Amount Receivable for Sales	-				1,003
Investment Income Due	2,023				2,010
Amount Payable for Purchases	(10,464)				-
Total Net Investment Assets	2,747,604			278,224	3,053,017

Note 12B. Analysis of Investments

Fund Manager	31 March 2022		31 March 2023	
	£000	%	£000	%
Investments managed by Border to Coast				
Pensions Partnership:				
Global Equity Alpha Sub-fund	743,227	24.3	763,782	25.3
Listed UK Equity Sub-fund	477,829	15.7	462,066	15.3
Multi-Asset Credit Sub-fund	138,224	4.5	146,217	4.8
Investment Grade Credit Sub-fund	204,927	6.7	219,309	7.3
Unitised Insurance Policies				
Legal and General (Future World Fund)	464,046	15.2	463,892	15.3
Blackrock (Bond Portfolio)	150,282	4.9	124,858	4.1
Investments managed outside of the asset pool:				
Morgan Stanley (Private Markets)	485,548	16.0	470,092	15.5
Morgan Stanley (Legacy Private Equity)	8,240	0.3	7,348	0.2
Internally Managed (Property Unit Trusts)	194,136	6.4	140,579	4.7
Internally Managed (Infrastructure)	61,377	2.0	67,095	2.2
Internally Managed (Property)	25,577	0.8	87,502	2.9
Internally Managed (Cash managed by LCC Treasury Management Team)	53,000	1.7	58,000	1.9
Unallocated Cash	46,606	1.5	15,007	0.5
Total	3,053,017	100.0	3,025,747	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 2022		31 March 2023	
	£000	%	£000	%
Border to Coast (Global Equity Alpha)	743,227	24.2	763,782	25.0
Border to Coast (Listed UK Equity)	477,827	15.6	462,066	15.1
Border to Coast (Investment Grade Credit)	204,927	6.7	219,309	7.2
Legal and General (Future World Fund)	464,046	15.1	463,892	15.2
Morgan Stanley (Private Markets)	465,138	15.1	459,140	15.0

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	1,788	AUD	3,255	23	
	GBP	12,691	CAD	21,103	83	
	GBP	12,536	EUR	14,152	67	
	GBP	445,832	USD	542,843	7,433	
	USD	13,658	GBP	11,091		(61)
Total					7,606	(61)
Net Forward Currency Contracts at 31 March 2023						7,545

Prior Year Comparative	
Open forward currency contracts at 31 March 2022	3,089 (331)
Net Forward Currency Contracts at 31 March 2022	2,758

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 2022/23 this was a loss of £30.180m (£17.444m loss in 2021/22).

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 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

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
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. private markets, 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 2023.

	Potential variation in fair value (+/-)	Value at 31 March 2023 £000	Potential value on increase £000	Potential value on decrease £000
Hedge Funds	8%	126,945	137,101	116,789
Infrastructure	15%	66,741	76,752	56,730
Private Markets	15%	320,852	368,980	272,724
Property Venture	18%	42,033	49,599	34,467
Private Equity	23%	6,580	8,093	5,067

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 2023	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Observable Fair Value	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets at fair value through profit and loss:				
<u>Pooled Investment Vehicles:</u>				
Managed by Border to Coast		1,591,374		1,591,374
Unitised Insurance Policies	588,750			588,750
Unit Trusts		140,502		140,502
Other Managed Funds	11,343	45,466	563,151	619,960
Derivatives: Forward Foreign Exchange		7,545		7,545
Cash	4,390			4,390
	604,483	1,784,887	563,151	2,952,521
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
	-	-	1,182	1,182
Net Investment Assets	604,483	1,784,887	563,151	2,953,703

Values at 31 March 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Observable Fair Value	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets at fair value through profit and loss:				
<u>Pooled Investment Vehicles:</u>				
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	65,211	46,590	426,338	559,294
Derivatives: Forward Foreign Exchange		2,758		2,758
Cash	17,666			17,666
	697,205	1,806,363	426,338	2,952,061

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
	-	-	1,182	1,182
Net Investment Assets	697,205	1,806,363	449,675	2,953,243

Note 14B. Reconciliation of Fair Value Measurements within Level 3

Period 2022/23						
	Market value at 31 March 2022	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 2023
	£000	£000	£000	£000	£000	£000
Infrastructure	61,136	5,359	(3,241)	2,695	792	66,741
Private Equity	7,593	-	(1,621)	(695)	1,303	6,580
Private Markets	368,397	114,982	(45,911)	675	9,653	447,796
Property Venture	11,367	34,622	(493)	271	(733)	42,034
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	-	1,182
Total	449,675	151,963	(51,266)	2,946	11,015	564,333

Period 2021/22						
	Market value at 31 March 2021	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
Infrastructure	50,793	7,190	(2,187)	4,941	399	61,136
Private Equity	13,712	5	(5,887)	(3,903)	3,666	7,593
Alternatives	306,562	58,179	(79,752)	68,864	14,544	368,397
Other Property	6,878	7,751	(2,625)	(637)	-	11,367
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	-	1,182
Total	379,127	73,125	(90,451)	69,265	18,609	449,675

* 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.

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 2023				
	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	1,591,374			
Unitised Insurance Policies	588,750			
Unit Trusts	140,502			
Other Managed Funds	619,960			
Derivatives: Forward Foreign Exchange	7,545			
Cash	4,390	95,199		
Other Investment Balances		1,950		
Sundry Debtors		26		
	2,952,521	97,175	-	1,182
Financial Liabilities				
Derivatives: Forward Foreign Exchange	-			
Other Investment Balances			-	
Sundry Creditors			(2,459)	
			(2,459)	
Grand Total	2,952,521	97,175	(2,459)	1,182

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	559,294			
Derivatives: Forward Foreign Exchange	2,758			
Cash	17,666	113,674		
Other Investment Balances		3,014		
Sundry Debtors		248		
	2,952,061	116,936	-	1,182
Financial Liabilities				
Derivatives: Forward Foreign Exchange			-	
Other Investment Balances			(1)	
Sundry Creditors			(5,868)	
	-	-	(5,869)	-
Grand Total	2,952,061	116,936	(5,869)	1,182

15B Net Gains and Losses on Financial Instruments

	2021/22	2022/23
	£000	£000
Financial Assets		
Fair Value through Profit and Loss	295,668	-
Financial Liabilities		
Fair Value through Profit and Loss	-	(20,407)
Total	295,668	(20,407)

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 2023/24; 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 2023 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
UK Equities	462,066	16%	535,997	388,135
Overseas Equities	1,227,674	16%	1,424,102	1,031,246
Bonds	344,167	7%	369,259	320,075
Multi Asset Credit	146,217	7%	156,452	135,982
UK Property	183,304	18%	215,119	149,489
Overseas Property	45,697	18%	53,922	37,472
Infrastructure	66,741	15%	76,752	56,730
Private Equity	222,948	23%	274,226	171,670
Private Debt	56,035	13%	63,320	48,750
Private Real Assets	47,495	16%	55,094	39,896
Other Alternatives	12,297	15%	14,142	10,452
Hedge Funds	126,945	8%	137,101	116,789
Total Assets Available	2,940,586		3,374,486	2,506,686

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	204,848	21%	247,866	161,830
Overseas Property	14,389	18%	16,979	11,799
Alternatives – Hedge Funds	88,884	8%	95,995	81,773
Alternatives - Other	376,254	10%	413,879	338,629
Multi Asset Credit	138,224	10%	152,046	124,402
Infrastructure	61,136	14%	69,695	52,577
Private Equity	7,593	20%	9,112	6,074
Total	2,931,637		3,303,108	2,560,166

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 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:

Exposure to Interest Rate Risk	Value at 31 March 2023	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000		£000	£000
Cash and cash equivalents	75,666	-	75,666	75,666
Cash balances	23,923	-	23,923	23,923
Bonds	344,167	3,442	347,609	340,725
Total	443,756	3,442	447,198	440,314

Exposure to Interest Rate Risk	Value at 31 March 2022	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£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

Income Exposed to Interest Rate Risk	Interest Receivable 2022/23	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000	%	£000	£000
Cash deposits, cash and cash equivalents	2,341	23	2,364	2,318
Bonds	-	-	-	-
Total	2,341	23	2,364	2,318

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

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 (7% in 2021/22). A 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 set out over the page.

Currency risk – sensitivity analysis

Assets Exposed to Currency Risk	Value at 31 March 2023	Percentage Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Hedge Funds	126,945	8,886	135,831	118,059
Overseas Infrastructure	14,502	1,015	15,517	13,487
Overseas Other Alternatives	12,297	861	13,158	11,436
Overseas Private Debt	55,037	3,853	58,890	51,184
Overseas Private Equity	222,948	15,606	238,554	207,342
Overseas Property	45,697	3,199	48,896	42,498
Overseas Private Real Assets	47,165	3,302	50,487	43,863
Total	524,591	36,722	561,313	487,869

Assets Exposed to Currency Risk	Value at 31 March 2022	Percentage Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas Alternatives	433,316	30,332	463,648	402,984
Overseas Infrastructure	12,176	852	13,028	11,324
Overseas Private Equity	7,593	532	8,125	7,061
Overseas Property	14,389	1,007	15,396	13,382
Total	467,474	32,723	500,197	434,751

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 2023 the balance at Barclays was £80.423m (£67.731m at 31 March 2022).

The Pension Fund closely monitors employer contributions each month. All contributions from employers due to the Fund for March 2023 were received by the beginning of May 2023. 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 2023, these assets totalled £2,033.907m (£2,040.309m as at 31 March 2022), with a further £99,589m held in cash (£131.340m as at 31 March 2022).

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 2022 and the next valuation is due to take place as at 31 March 2025.

Description of Funding Policy

Details of the funding policy are set out in the Funding Strategy Statement (FSS), in summary, the key points are to:

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;
- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and

- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

Further details are contained in the Funds FSS.

Actuary's Statement

The last full triennial valuation of the Lincolnshire Pension Fund (the Fund) was carried out as at 31 March 2022 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 30 March 2023.

Asset value and funding level

The results for the Fund at 31 March 2022 were as follows:

- The market value of the Fund's assets as at 31 March 2022 was £3,071m; and
- The Fund had a funding level of 101% i.e. the value of assets for valuation purposes was 101% 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 surplus of £18m.

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 24.1% 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 2023.

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 5 of the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2022 are summarised below:

Financial Assumptions	Assumptions used for the 2022 Valuation
Market Date	31 March 2022
CPI inflation	2.9% p.a.
Long-term salary increases	3.9% p.a.
Discount rate	4.0% p.a.

Demographic Assumptions	Assumptions used for the 2022 Valuation
Post-retirement mortality:	
Base tables	S3PA tables
Projection model	CMI 2021
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements:	1.0% p.a.
2022/21 weighting parameter	5%

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 2022 valuation report.

Updated position since the 2022 valuation

Assets

In the 12 months to 31 March 2023 the investment return on the Scheme's assets is estimated to have been -0.8% per annum. As the Fund has a positive cash flow the market value of assets at 31 March 2023 are unchanged since the formal valuation.

Liabilities

Inflation over the year to 31 March 2023 was higher than the long-term average assumed at the 2022 valuation. However, the projection for the future rate of long-term inflation from 31 March 2023 has reduced since the previous valuation.

Future investment returns from 31 March 2023 are expected to have increased slightly since the previous actuarial valuation, mainly due to a significant increase in bond yields.

Therefore, the actuary estimate that the liabilities are broadly similar to that at the formal valuation.

Overall position

The funding position as at 31 March 2023 is similar to the funding level at the previous valuation.

Barry McKay FFA
Partner, Barnett Waddingham LLP

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 adopting methods and assumptions that are consistent with IAS19 on an annual basis.

Pension Account Disclosure as at 31 March 2023 (prepared in accordance with IAS26)

Introduction

Pension expense calculations have been undertaken in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2023. The calculations take into account 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 regulations 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 the actuary's understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers, they 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 2023. A copy of this can be requested from the Fund.

Valuation Data

Data Used

The following items of data have been used in the calculations:

- 31 March 2022 - results of the latest funding valuation;
- 31 March 2022 - results of the previous IAS26 report;
- 31 March 2023 - actual Fund returns to;
- 31 March 2023 - Fund asset statement;
- 31 March 2023 - Fund income and expenditure items to; and
- 31 March 2023 - details of any new unreduced early retirement payments out to.

The data is provided by the administering authority and has been checked for reasonableness by the actuary and is sufficient for this purpose. Although some of these data items have been estimated, the actuary does not believe that they are likely to have a material effect on the results of this report. There have not been any material changes or events since the data was prepared.

Employer Membership Statistics

The table below summarises the membership data, as at 31 March 2022.

Member Data Summary	Number	Salaries/Pensions £000	Average Age
Active Members	24,013	397,111	46
Deferred Members	28,653	30,628	49
Pensioners	25,949	85,232	72

Payroll

The total estimated pensionable payroll for the employers in the Fund is £432,477,000 for the year to 31 March 2023.

Unfunded benefits

Unfunded benefits are excluded from the calculations as these are liabilities of employers rather than the Fund.

Early retirements

The calculations include 46 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 £254,000.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2023 is calculated to be -0.8% based on the Fund asset statements and cashflows as set out in the data section above. The estimated asset allocation for Lincolnshire Pension Fund as at 31 March 2023 is as follows (noting that due to roundings they may not total 100%):

Asset Breakdown	31 March 2022		31 March 2023	
	£000	%	£000	%
Equities	2,223,948	72	1,689,740	56
Bonds	385,387	13	400,202	13
Property	322,305	10	228,002	8
Cash	139,274	5	96,506	3
Infrastructure	-	0	114,236	4
Absolute Return Fund	-	0	497,064	16
Total	3,070,915	100	3,025,750	100

Infrastructure and Absolute return fund were previously not identified separately in the 31 March 2022 report and were included within the other asset classes.

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2023 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

Financial Assumptions	31 March 2021	31 March 2022	31 March 2023
	% p.a.	% p.a.	% p.a.
Discount Rate	2.00	2.60	4.80
Pensions Increases	2.80	3.20	2.85
Salary Increases	3.10	4.20	3.85

In addition, actual pension increases up to and including the 2023 Pension Increase Order have been allowed for. This is reflected in the experience loss/(gain) on defined benefit obligation figure in the results. Actual CPI inflation experienced from September 2022 to March 2023 has also been allowed for.

The demographic assumptions adopted are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2022. These assumptions have been updated from those adopted at the last accounting date. Details of the post-retirement mortality assumption are set out below; further details of the demographic assumptions adopted can be found in the briefing note corresponding to this report, and the Fund's actuarial valuation report.

Post Retirement Mortality	31 March 2022	31 March 2023
Base table	S3PA	S3PA
Multiplier (MF)	130%/120%	130%/120%
Future Improvements model	CMI 2021	CMI 2021
Long term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.0
Initial additional parameter	0.0% p.a.	0.0% p.a.
2020 weight parameter	5%	5%
2021 weight parameter	5%	5%

The assumed life expectancies, based on the assumptions set out above, are set out in the table below:

Life Expectancy from age 65 years	31 March 2022	31 March 2023
Retiring Today		
Males	19.8	19.8
Females	22.9	22.9
Retiring in 20 years		
Males	21.0	21.1
Females	24.3	24.4

Fund Duration

The estimated duration of the Fund as at the accounting date, using the assumptions set out above is 17 years.

Results

The net surplus as at 31 March 2023 is estimated to be £176,598m.

Net Pension Asset in the Statement of Financial Position as at:	31 March 2021 £000	31 March 2022 £000	31 March 2023 £000
Present value of the defined benefit obligation	(4,257,607)	(4,169,246)	(2,848,783)
Fair value of Fund assets (bid value)	2,733,384	3,070,915	3,025,750
Net liability in balance sheet	(1,524,223)	(1,091,545)	176,967

The present value of the defined benefit obligation consists of £2,814,706,000 in respect of vested obligation and £34,077,000 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 2022 triennial funding valuation (as Note 17) because IAS19 stipulates the discount rate applied.

Note 19. Current Assets

	31 March 2022 £000	31 March 2023 £000
Short Term Debtors		
Contributions due - Employers	5,614	3,172
Contributions due - Employees	1,442	727
Debtors relating to Members	704	719
VAT Debtor	299	115
Sundry Debtors	248	26
Total Short Term Debtors	8,307	4,759
Cash Balances	15,731	23,923
Cash Balances	15,731	23,923
Total Current Assets	24,038	28,682

Note 20. Current Liabilities

	31 March 2022 £000	31 March 2023 £000
Creditors		
Contributions – paid in advance	(42)	(34)
Creditors relating to Members	(1,414)	(734)
Sundry Creditors	(5,868)	(2,459)
Total Current Liabilities	(7,324)	(3,227)

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 2022/23 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 £0.267m (£0.258m in 2021/22) 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 £46,164m (£41,404m in 2021/22) to the Fund in 2022/23. 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 £67.390m (£69.945m in 2021/22) and interest of £1.587m (£0.199m in 2021/22) was earned over the year.

Pensions Committee

Each member of the Pension Fund Committee is required to declare their interests at each meeting and also is asked to sign an annual declaration disclosing any related party transactions. Three Committee members: A Antcliff (Employee Representative), S Larter (Small Scheduled Bodies Representative) and T Hotchin (Academy Sector Representative) were contributing members of the Pension Fund during 2022/23. Cllr R Waller's daughter and partner (District Council Representative) were also contributing members of the scheme during 2022/23. S Larter (Small Scheduled Bodies Representative) is also a deferred member of the scheme and Cllr M Allan 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 2021/22) 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 2022/23 the Fund paid Border to Coast £4.126m (£3.421m in 2021/22) 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: £0.137m short term benefits (£0.136m in 2021/22) and £0.024m post-employment benefits (£0.024m in 2021/22).

Note 24. Contingent Liabilities and Contractual Commitments

At 31 March 2023 the fund had outstanding capital commitments (investments) to fourteen investment vehicles, amounting to £37.755m (£79.172m as at 31 March 2022). 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

Seven 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 2022/23 (or 2021/22).

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

To follow – the Pension Fund External Auditor has confirmed their work is complete and that they expect to issue an unqualified opinion for the Pension Fund Accounts 2022/23 and 'consistent with' opinion for the Annual Report 2023 shortly.

Additional Information Available

Additional information regarding the Pension Fund and the scheme is available by going to the Council's [website](#).

The following documents are also included in this report.

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. There have been no changes made over the year.

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. There have been no changes over the year.

ADDITIONAL DOCUMENTS REMOVED FROM REPORTING PACK AS PREVIOUSLY SEEN BY COMMITTEE/BOARD



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Audit Strategy Development Update

Lincolnshire Pension Fund

May 2023

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Appendix B

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

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

May 2023

Dear Audit Committee Members

Audit Strategy Development Update – May 2023

We are pleased to present our Audit Strategy Development Update for the Lincolnshire Pension Fund for the year ending 31 March 2023. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 6 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

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- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Lincolnshire County Council Pension Fund which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. We will present our finalised Audit Strategy Memorandum at an Audit Committee later in the year. This document also contains appendices that outline our key communications with you during the course of the audit and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019). Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0738 724 2052.

Yours faithfully

Signed: 

Cameron Waddell

Mazars LLP

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

01

Section 01:

Engagement and responsibilities summary

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1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Lincolnshire Pension Fund (the Fund) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

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

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

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

Consistency statement

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

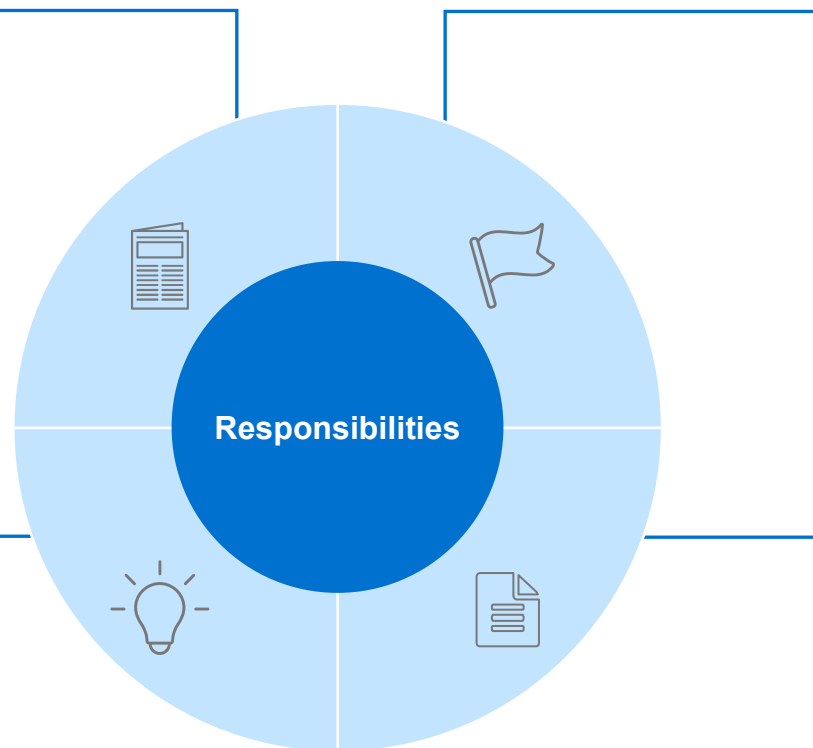
Fraud

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

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

Wider reporting and electors' rights

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



02

Section 02:

Your audit engagement team

2. Your audit engagement team

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Cameron Waddell
Engagement Partner

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



John Pressley
Engagement Manager

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

Engagement and responsibilities summary	Your audit engagement team	Audit scope, approach and timeline	Significant risks and key judgement areas	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendix
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03

Section 03:

Audit scope, approach and timeline

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3. Audit scope, approach and timeline

Audit scope

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

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

Audit approach

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

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

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

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



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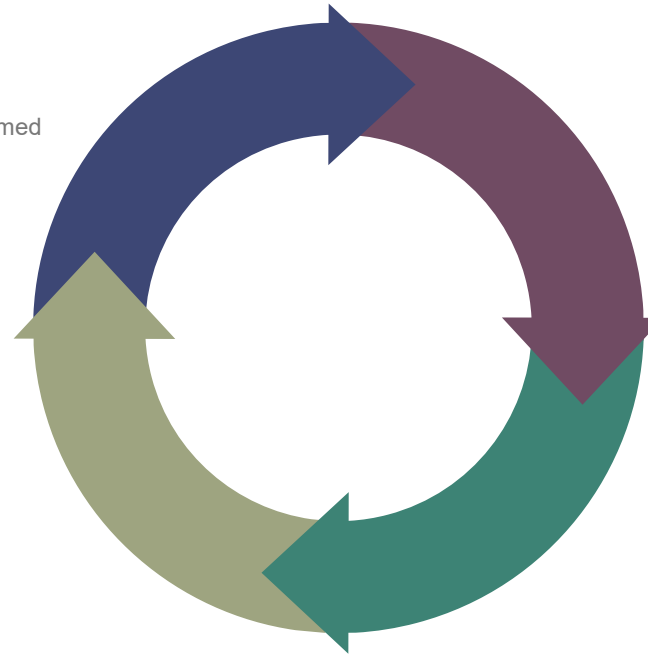
3. Audit scope, approach and timeline

Planning February

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

Completion November - December

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



Interim March - June

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

Fieldwork July - October

- Receiving and reviewing draft financial statements
- Accounting Technical Services (ATS) review of draft financial statements
- Reassessment of audit plan and revision if necessary
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting

3. Audit scope, approach and timeline

Reliance on internal audit

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

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

Management’s and our experts

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

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

Service organisations

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

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



04

Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

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

Significant risk

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

Enhanced risk

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

key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and

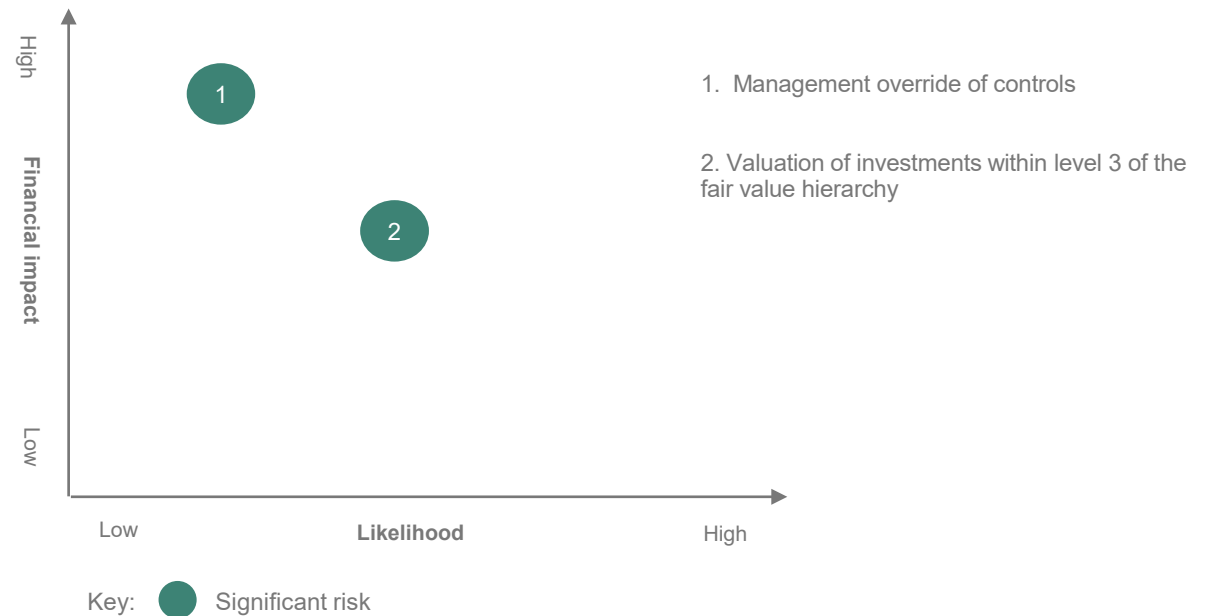
other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

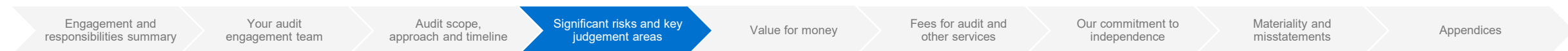
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the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

Summary risk assessment

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



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4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

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

Significant risks

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

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4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Valuation of investments within level 3 of the fair value hierarchy</p> <p>At 31 March 2022 the Pension Fund held investments which were not quoted on an active market with a fair value of £448.5 million, accounting for 14.7 per cent of the Fund's net investment assets. This included: Alternatives (£368.4 million), Property (£11.4 million), Infrastructure (£61.1 million) and Private Equity (£7.6 million). Inherently these assets are harder to value, as they do not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances for 2022/23 due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>	○	●	●	<p>We plan to address this risk by completing the following additional procedures on a sample basis:</p> <ul style="list-style-type: none"> • agree holdings from fund manager reports to the global custodian's report; • agree valuations included in the Pension Fund's underlying financial systems to the most up-to date supporting documentation at the time of audit including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; • agree the investment manager valuations to audited accounts or other independent supporting documentation, where available; • where audited accounts are available, check that they are supported by an unmodified opinion; • review the valuation methodologies through review of accounting policies within audited financial statements and challenge of the fund manager, where required; and • where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Pension Fund's financial statements.

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Other key areas of management judgement and enhanced risks

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



05

Section 05:

Fees for audit and other services

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5. Fees for audit and other services

Fees for work as the Pension Fund's appointed auditor

Area of work	2022/23 Proposed Fee	2021/22 Actual Fee
Code Audit Work		
Scale fee ¹	£22,500	£18,750
Fee variations	TBC ⁴	£6,000 ²
Audit related fees		
Pension assurance letters to employer auditors	£13,440	£11,200 ³

¹ The scale fee is set by the PSAA.

² The additional audit cost in 2021/22 relates to enhanced procedures required due to increased regulatory expectations, primarily related to the audit of level 3 investments. This work is required on an annual basis so an additional fee will be required until the scale fee fully reflects the audit time needed.

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

⁴ The Fund's financial statements for the year ended 31 March 2023 will be the first to include disclosures based on the 2022 triennial valuation. As a result, we will need to perform audit procedures relating to the triennial valuation as part of our audit of the Fund's 2022-23 financial statements. This work is in addition to the annual audit procedures that we undertake and will therefore be subject to a separate fee that will be based on the time taken to complete the additional audit testing.

Fees for non-PSAA work

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

06

Section 06:

Our commitment to independence

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6. Our commitment to independence

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

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

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

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

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

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

No threats to our independence have been identified.

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

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07

Section 07: **Materiality and misstatements**

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7. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £m
Overall materiality	30.5
Performance materiality	24.4
Specific materiality: Fund Account	13.5
Performance Materiality: Fund Accounts	10.8
Trivial threshold for errors to be reported to the Audit Committee	0.9

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Materiality

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

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

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

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

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

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

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

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

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

Our provisional materiality is set based on the draft 2022/23 accounts. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

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

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7. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 1% of net assets. Based on asset values in the draft accounts for 2022/23 we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £29.3m (£27.4m in the prior year).

Our provisional specific materiality for the fund account is set based on a benchmark of contributions receivable. We expect to set a materiality threshold at 10% of contributions receivable. Based on the draft accounts for 2022/23 we anticipate the fund account specific materiality for the year ending 31 March 2023 to be in the region of £13.5m (£12.1m in the prior year).

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

Performance Materiality

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

Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £0.9m based on 3% of overall materiality. If you have any queries about this, please do not hesitate to raise these with Cameron Waddell.

Reporting to the Audit Committee

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

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



Appendices

A: Key communication points

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B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Appendix A: Key communication points

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

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

Form, timing and content of our communications

We will present the following reports:

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

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

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

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

- Responsibilities for preventing and detecting errors.
- Materiality and misstatements.
- Fees for audit and other services.

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

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

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Appendix A: Key communication points

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

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

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Appendix A: Key communication points

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

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Appendix A: Key communication points

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

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Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Pension Fund's 2022/23 audit.

The most significant changes relevant to the Pension Fund's audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means documentation and evidence requirements are also enhanced.

Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.

Implications for the audit

Our risk assessment procedures will be more granular than in the prior year and we will be seeking more information from the Pension Fund to ensure that we can document our detailed understanding of the Fund and the environment that it operates in. This will build on the existing strong knowledge of the Fund we already have in place from our previous years' audits. In documenting our risk assessment, we will need to input additional time to assess inherent risks of the spectrum that the auditing standard requires.

In terms of IT, we have established a good understanding of the Fund's IT environment. We will keep this under review as part of our work. We do not plan to test ITGCs as we have designed our approach to gain assurance from substantive testing, which in our view remains the most efficient approach to take.

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Cameron Waddell

Mazars

The Corner
Bank Chambers
66 Mosley Street
Newcastle upon Tyne
NE1 1DF

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

*where permitted under applicable country laws.

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

Report to:	Pensions Committee
Date:	13 July 2023
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 2024.

Recommendation(s):

That the committee:

- 1) approve the training policy;
- 2) discuss and agree the proposed areas for training future 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 in 2021, is expected to be put into statutory guidance in this financial year. This is expected to include a mandatory level of training for Pensions Committee members that will be required to 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.

LGPS Online Learning Academy (LOLA) - Upgrade

10. 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. The Fund subscribed to this last year.
11. The online platform, LGPS Online Learning Academy (LOLA) was created and designed to support the training needs of Pension Committees, Pension Boards and Fund Officers, and supplement training plans for all LGPS funds.

12. Hymans Robertson have been updating the offering, and the latest version of LOLA is now available to transition to. The key changes on the LOLA version 2.0 are:
 - Eight core modules, rather than the previous six.
 - A fund only 'channels' area on the platform. This is where additional training material or fund specific policies can be uploaded.
 - Modules have been streamlined and are now shorter and quicker to complete.
 - The printable and accessible slides, and jargon buster have been moved to the new additional resource section (underneath the video), to provide a slimmer, easy to follow user experience.
 - Additional videos have been created to populate the new learning plan set up, to keep users up to date and aware of each module's requirement.
 - Introduction of badges to increase user engagement.
13. In addition, external training can be recorded on the platform, to be extracted for quarterly meetings, annual reports or if requested by TPR. This area is being developed further this year to improve the report.
14. The date for transition has yet to be agreed with Hymans Robertson, and the Committee will be informed once this has been done.
15. Users will be expected to work through all modules in the new plan, as previous LOLA progress will not count towards the new learning plan. However, any external training recorded will automatically transfer over.
16. Whilst some members may have completed the previous modules, continued learning of both core and fund specific topics are expected from the Pension Regulator, Scheme Advisory Board, and other interested parties such as members and employers. Therefore, there is an expectation that users would 'redo' the core learning plan at least annually or biennially.
17. The deadline for moving to the new plan is 14 December 2023.

Training Policy

18. The training policy was last agreed at the July 2022 meeting of this Committee. It sets out the policy concerning the training and development of:
 - the members of the Pensions Committee; and
 - officers of Lincolnshire County Council responsible for the management of the LGPS.

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 can 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, where possible, 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 LGPS Online Learning Academy (LOLA) within twelve months of joining the Committee, to keep up-to-date with new modules or current issues as required, and to refresh all modules at least every two years;
 - 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 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. Members of the Committee attended the training sessions and Committee meeting held at Border to Coast's offices in Leeds on 8 June. Feedback from this is that it was very useful to have the direct contact with employees of Border to Coast, and that this should become a regular event. Following consideration, an annual visit to Border to Coast's offices has been built into the training policy, and this will be held separately to any Committee meetings. It will be a full day training session to assist both Committee and Board members to gain a better understanding of the structure and governance of the company and asset pooling generally, and to receive training across the areas of investments and stewardship.

24. Under the new Committee meeting structure there is now an element of training offered at each meeting, and relevant topics will be suggested at the prior meetings to ensure all training is relevant and appropriate. Committee members are asked to agree the topic for training for the meeting in September (Investments and RI) and October (Admin and Governance) and to consider any other areas that they feel training would be beneficial. It is suggested that one area that might be considered for the September meeting is Private Market Investments as Morgan Stanley, the Alternatives manager, will be presenting their annual update to the Committee and could be asked to extend that with a training session.
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 approve the training policy and plan, and to agree training requirements for forthcoming meetings.

Consultation

a) Risks and Impact Analysis

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

Background Papers

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

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

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

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PENSIONS COMMITTEE TRAINING POLICY AND COMMITTEE TRAINING PLAN JULY 2023 TO JUNE 2024

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.

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 where possible;
- Complete the on-line training program set out within the Hymans Robertson LGPS Online Learning Academy (LOLA) within twelve months of joining the Committee, to keep up-to-date with new modules or current issues as required, and to refresh all modules at least every two years;
- 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:

- Attend an annual training meeting at Border to Coast's offices in Leeds to gain a better understanding of the structure and governance of the company and asset pooling generally, and to receive training across the areas of investments and stewardship.
- 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 to officers as appropriate to feed into 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 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 relevant Committee meeting 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 2023 TO JUNE 2024

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. A discussion will be had at each Committee to agree the additional training for the next meeting

Date	Topic	KSF area(s)
Jul 2023 Administration and Governance Meeting Committee papers	Local Board Report Fund Update Report Pensions Administration Update Draft Annual Report and Accounts Annual Training Plan and Policy Review Training	2 1,2,3,6,8 1,4 5 1,2
Sept 2023 Investment and RI Meeting Committee papers	Stewardship Update Report Market Update Report Annual Property and Infrastructure Report Investment Management Report Strategic Asset Allocation - Equities Manager Presentation – Morgan Stanley Training	2,6 7 6,7 6,7 6,7 6

<p>Oct 2023 Administration and Governance Meeting Committee papers</p>	<p>Local Board Report Fund Update Report Pensions Administration Update Risk Register Review Annual Performance Report Annual External Audit Update Training</p>	<p>2 1,2,3,6,8 1,4 6 2,6 5</p>
<p>Dec 2023 Investment and RI Meeting Committee papers</p>	<p>Stewardship Update Report Market Update Report Border to Coast RI and Voting Policies Investment Management Report Manager Presentation – Border to Coast Equity Funds Training</p>	<p>2,6 7 2,6 6,7 6</p>
<p>Jan 2023 Administration and Governance Meeting Committee papers</p>	<p>Local Board Report Fund Update Report Pensions Administration Update Annual Employer Monitoring Report Training</p>	<p>2 1,2,3,6,8 1,4 1,2,4</p>
<p>Mar 2023 Administration and Governance Meeting Committee papers</p>	<p>Local Board Report Fund Update Report Pensions Admin Update Policies Review Annual Report and Accounts Business plan and budget setting Training</p>	<p>2 1,2,3,6,8 1,4 1,2 5 2,5</p>
<p>April 2024 Investment and RI Meeting Committee papers</p>	<p>Stewardship Update Report Market Update Report Investment Management Report Manager Presentation – Property or Infrastructure Funds Training</p>	<p>2,6 7 6,7 6</p>
<p>June 2024 Investment and</p>	<p>Stewardship Update Report</p>	<p>2,6</p>

RI Meeting Committee papers	Market Update Report Investment Management Report Manager Presentation – Border to Coast FI Funds Training	7 6,7 6
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*Committee papers may be subject to change.

Knowledge and skills framework for

LGPS committee members and LGPS officers

The **Chartered Institute of Public Finance and Accountancy** (CIPFA) is the professional body for people in public finance. Our 14,000 members work throughout the public services, in national audit agencies, major accountancy firms and other bodies where public money needs to be effectively and efficiently managed. As the world's only professional accountancy body to specialise in public services, CIPFA's qualifications are the foundation for a career in public finance. We also champion high performance in public services, translating our experience and insight into clear advice and practical services. Globally, CIPFA leads the way in public finance by standing up for sound public financial management and good governance.

Knowledge and skills framework for

LGPS committee members and LGPS officers

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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.

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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 members⁴

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 duties⁷** – 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 2020⁹ 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 function¹⁰** – while not explicitly referring to knowledge and skills, it is important to understand that pensions are not a local authority executive function¹¹ 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 collective¹³ 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 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 principle¹⁷ 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 Framework¹⁹* – 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 Authorities²⁰* – 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 LGPS²¹* – 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: Framework²²* – 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 Report²⁵* (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/guidance²⁶** 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 guidance²⁷** 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 practice²⁸** – 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 OFFICERS³¹

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 to 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.

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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 Code³⁹ 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 documentation⁴² 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.

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.

PART 1 – PENSION COMMITTEE MEMBERS’ FRAMEWORK

<p>Pensions legislations and guidance</p>	<p>General pensions framework</p> <p>A general understanding of the pensions legislative framework in the UK.</p> <p>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.</p> <p>Scheme-specific legislation</p> <p>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:</p> <ul style="list-style-type: none"> • a general understanding of the LGPS Regulations 2013 • a general understanding of the LGPS (Management and Investment of Funds) Regulations 2016. <p>An awareness of LGPS discretions and how the formulation of the discretionary policies impacts on the fund, employers and scheme members.</p> <p>A regularly updated awareness of the latest changes to the scheme rules and current proposals or potential changes to the scheme.</p> <p>Guidance</p> <p>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).</p> <p>A general understanding of the requirements of The Pensions Regulator code of practice.</p> <p>An awareness of the requirements of guidance from the Scheme Advisory Board.</p> <p>An awareness of the requirements of guidance from GAD.</p> <p>An awareness of other guidance relevant to the LGPS, such as from CIPFA.</p>
<p>Pensions governance</p>	<p>An awareness of the LGPS regulations’ main features, including any material developments and requirements relating to pension scheme governance.</p> <p>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.</p> <p>Pension regulators, Scheme Advisory Board and other bodies</p> <p>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.</p> <p>A general understanding of the role of the Scheme Advisory Board and how it interacts with other bodies.</p> <p>General constitutional framework</p> <p>A general understanding of the role of the administering authority in relation to the LGPS.</p> <p>A general understanding of the role of pension committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers.</p> <p>An awareness of the role and statutory responsibilities of the CFO and monitoring officer.</p> <p>Fund-specific governance</p> <p>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.</p> <p>A general understanding of how the asset pool was established, including the responsibilities of the joint governance committee (or equivalent).</p> <p>A general understanding of the stakeholders of the fund and the nature of their interests.</p> <p>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.</p>

	<p>A general understanding of the fund's strategies, policies and other key documents.</p> <p>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.</p> <p>A general understanding of how conflicts of interest are identified and managed.</p> <p>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.</p> <p>A general understanding of the fund's knowledge and skills policy and associated training requirements.</p> <p>An awareness of the fund's process for dealing with complaints, including its internal dispute resolution procedure.</p> <p>A general understanding of how the effectiveness of the fund's governance is reviewed.</p> <p>Service delivery</p> <p>A general understanding of the required budget and resources needed to manage and administer the fund.</p> <p>A general understanding of the annual business planning cycle and budget setting.</p> <p>A general understanding of the fund's key performance indicators and other performance measures.</p> <p>A general understanding of the fund's business continuity policy and cyber security policy across all areas of fund activity, including administration.</p>
Funding strategy and actuarial methods	<p>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.</p> <p>A general understanding of the role of the fund actuary.</p> <p>A general understanding of the funding strategy statement (including employer funding flexibilities) and the expected delivery of the funding objectives.</p> <p>A general understanding of the key risks to the fund relating to the funding strategy.</p> <p>Valuations</p> <p>A general understanding of the valuation process, including developing the funding strategy in conjunction with the fund actuary and inter-valuation monitoring.</p> <p>An awareness of the costs to the employer, including employer contributions and early retirement strain costs.</p> <p>An awareness of the different types of employers that participate in the fund</p> <p>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.</p> <p>A general understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy.</p> <p>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).</p> <p>New employer and exits</p> <p>A general understanding of the implications of including new employers in the fund and of the exit of existing employers.</p> <p>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.</p>

<p>Pensions administration and communications</p>	<p>An awareness of the LGPS regulations' main features and requirements relating to:</p> <ul style="list-style-type: none"> • 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). <p>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.</p> <p>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.</p> <p>A general understanding of best practice in pensions administration, eg performance and cost measures.</p> <p>A general understanding of the fund's processes and procedures relating to:</p> <ul style="list-style-type: none"> • member data maintenance and record keeping, including data improvement plans and relationships with employers for data transmission • contributions collection. <p>An awareness of how the fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances.</p> <p>A general understanding of additional voluntary contribution (AVC) arrangements, including:</p> <ul style="list-style-type: none"> • 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.
<p>Pensions financial strategy, management, accounting, report and audit standards</p>	<p>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.</p> <p>A general understanding of the various elements of income into and expenditure of the fund, including the operational budget.</p> <p>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.</p> <p>A general understanding of the role of both internal and external audit in the governance and assurance process.</p>
<p>Investment strategy, asset allocation, pooling, performance and risk management</p>	<p>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.</p> <p>Investment strategy</p> <p>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.</p> <p>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.</p> <p>A general understanding of the role of these asset classes in long-term pension fund investing.</p> <p>A general understanding of the fund's cash flow requirements and how these impact on the types of investments considered.</p>

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	<p>Financial markets</p> <p>A general understanding of the primary importance of the investment strategy decision.</p> <p>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.</p> <p>An awareness of the restrictions placed by legislation on the investment activities of LGPS funds.</p> <p>MiFID II</p> <p>A general understanding of MiFID II requirements relating to the knowledge of decision makers.</p> <p>Investment pool (England and Wales)</p> <p>A general understanding of the investment pool operator's approach to pooling and delivering access to the different asset classes and/or investment funds.</p> <p>A general understanding of which assets and investments may sit outside of the investment pool and why their nature and characteristics permit this.</p> <p>An awareness of how the fund interacts with the taxation system in the UK and overseas in relation to investments.</p>
Pension services procurement, contract management and relationship management	<p>Understanding public procurement</p> <p>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.</p> <p>Fund suppliers</p> <p>Awareness of the key decision makers in relation to the fund's procurements.</p> <p>A general understanding of the fund's suppliers and providers and their roles in the management of the fund.</p> <p>An awareness of how the fund's suppliers are monitored, including:</p> <ul style="list-style-type: none"> • the Myners principles • the need for strategic objectives for investment consultants. <p>Supplier risk management</p> <p>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.</p> <p>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.</p> <p>Investment pool (England and Wales)</p> <p>An awareness of the nature of the relationship with the investment pool parties and a general understanding of:</p> <ul style="list-style-type: none"> • 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 officer⁴⁶ 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.

<p>Funding strategy and actuarial methods</p>	<p>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.</p> <p>A detailed knowledge of the role of the fund actuary.</p> <p>A detailed knowledge of the funding strategy statement (including employer funding flexibilities) and the expected delivery of the funding objectives.</p> <p>A detailed knowledge of the key risks to the fund relating to the funding strategy.</p> <p>Valuations</p> <p>A detailed knowledge of the valuation process, including:</p> <ul style="list-style-type: none"> • 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. <p>A detailed knowledge of the costs to the employer, including employer contributions and early retirement strain costs.</p> <p>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.</p> <p>A strong understanding of any legislative and/or benefit uncertainty and the impact of this on the funding strategy.</p> <p>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).</p> <p>New employer and exits</p> <p>A strong understanding of the implications of including new employers into the fund and of the exit of existing employers.</p> <p>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.</p> <p>A strong understanding of the requirements of HM Treasury's 'fair deal' guidance and related guidance concerning outsourcing and bulk transfers.</p> <p>Other issues</p> <p>A strong understanding of other pension arrangements, particularly with regard to staff transfers.</p> <p>A strong understanding of the corporate and workforce ethos when working closely with HR colleagues to determine discretionary policies.</p>
<p>Pensions administration and communications</p>	<p>A detailed knowledge of the LGPS regulations' main features and requirements relating to:</p> <ul style="list-style-type: none"> • 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). <p>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.</p>

	<p>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.</p> <p>A strong understanding of best practice in pensions administration, eg performance and cost measures.</p> <p>A detailed knowledge of the fund's processes and procedures relating to:</p> <ul style="list-style-type: none"> • member data maintenance and record keeping, including data improvement plans and relationships with employers for data transmission • contributions collection. <p>A strong understanding of how discretionary powers operate.</p> <p>A strong understanding of how the fund interacts with the taxation system in relation to benefits administration, including the annual and lifetime allowances.</p> <p>A detailed knowledge of AVC arrangements, including:</p> <ul style="list-style-type: none"> • 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.
<p>Pensions financial strategy, management, accounting, report and auditing standards</p>	<p>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.</p> <p>A detailed knowledge of relevant pensions accounting standards as they apply to the scheme and to the employer:</p> <ul style="list-style-type: none"> • Pensions SORP • FRS 102 (IAS 19) • iFReM. <p>A detailed understanding of the approach to pensions external audit as set down in APB Practice Note 15.</p> <p>A detailed understanding of the various elements of income into and expenditure of the fund, including the operational budget.</p> <p>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.</p> <p>A detailed understanding of the role of internal and external audit in the governance and assurance process.</p> <p>A strong understanding of and compliance with the CIPFA <i>Statement of Expertise</i> as it applies to:</p> <ul style="list-style-type: none"> • 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	<p>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.</p> <p>Investment strategy</p> <p>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.</p> <p>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.</p> <p>A detailed knowledge of the role of these asset classes in long-term pension fund investing.</p> <p>A detailed knowledge of the fund's cash flow requirements and how these impact on the types on investments considered.</p> <p>Investment management</p> <p>A strong understanding of prevailing market conditions within UK and overseas equity markets and UK bond and property markets.</p> <p>A strong understanding of the principles of portfolio construction within both bond and equity mandates.</p> <p>A strong understanding of portfolio risk monitoring techniques.</p> <p>A strong understanding of trading systems and practices within bond and equity markets.</p> <p>A strong understanding of the importance of setting appropriate benchmark indices.</p> <p>Investment pool (England and Wales)</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Total fund</p> <p>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.</p> <p>A strong understanding of the merits of manager diversification.</p> <p>Performance of the committee</p> <p>A strong understanding of the Myners principles and the need to set targets for the committee and to report against them.</p> <p>A detailed knowledge of the range of support services provided to the committee, who supplies them, and the nature of the performance monitoring regime.</p>
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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

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.
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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	<p>A strong understanding of pensions, financial or HR matters (through council, personal and/or career experience).</p> <p>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).</p>	<p>Demonstrable evidence of knowledge kept up to date.</p> <p>Knowledge of pension funds and schemes.</p>
2. Work experience	<p>Political awareness in numerous political environments.</p> <p>Chairing high-level partnership meetings and achieving effective outcomes.</p> <p>Has operated for ten years at a senior level.</p> <p>Experience of risk and performance frameworks.</p>	<p>Previously chaired a pension committee or similar.</p>
3. Abilities, intelligence and special aptitudes	<p>Chairing skills.</p> <p>Influencing and consensus building.</p> <p>Listening skills.</p> <p>Able to assimilate complex information.</p> <p>Communication and engagement skills.</p>	<p>Mathematical/statistical literacy.</p> <p>Knowledge of public sector and local government finance.</p>
4. Adjustment and social skills	<p>Able to establish and maintain good working relationships with councillors, officers and advisors.</p> <p>Able to direct discussions in politically sensitive environments.</p> <p>Able to command respect and demonstrate strong leadership.</p> <p>Assertive in pursuing the correct course of action.</p> <p>Able to work effectively with colleagues who may have different levels of experience and understanding.</p>	<p>Diplomacy and tact.</p>
5. Motivation	<p>Enthusiastic, not easily deterred and able to convey enthusiasm to others.</p> <p>Committed to the aims and objectives of the fund.</p>	
6. Equal opportunities	<p>Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.</p>	

77 Mansell Street, London E1 8AN
+44 (0)20 7543 5600

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