Lincolnshire
COUNTY COUNCIL
Working for a better future

Lincolnshire Pension Fund Annual Report & Accounts 2018

Lincolnshire Pension Fund

Local Government Pension Scheme

Annual Report for the Year Ended 31st March 2018

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Management Arrangements

Administering Authority	Lincolnshire County Council

Pensions Committee Members as at 31st March 2018

County Councillors
B Adams
R D Butroid
P E Coupland (Vice Chairman)
M J Overton
S Rawlins
A J Spencer
E W Strengiel (Chairman)
Dr M E Thompson

District Council Representative
Cllr J Summers

Representative of Other Employers
J Grant

Employee Representative
A Antcliff (Unison)

Professional Advisors

County Council Officers

Executive Director of Finance & Public Protection	P Moore BA FCPFA
County Finance Officer	D C Forbes BSc CPFA
Pension Fund Manager	J Ray
Independent Advisor	P Jones
Fund Actuary	Hymans Robertson
Fund Consultant	Hymans Robertson
Voting Advisor	Manifest Voting Agency

External Investment Managers of Segregated Portfolios

Invesco Asset Management Ltd
Columbia Threadneedle Investments Ltd
Schroder Investment Management Ltd

Auditors	KPMG
Investment Custodian	JP Morgan Securities Services
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 31st March 2018 are listed on page 1.

All members of the Committee can exercise voting rights.

Corporate Governance and Responsible Investing

The Fund complies with corporate governance best practice by voting its direct shareholdings at all UK, developed Europe, US, Canada and Japan company meetings. To assist the Fund in being a responsible investor, 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 social, environmental and governance issues. The Fund has produced a Tier 1 Stewardship Code Statement, in accordance with the Financial Reporting Council's Stewardship Code, to explain how it acts as a responsible shareholder. This can be found on the Fund's shared website (details below).

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 months to 31st March 2018 produced a positive return to the Fund, with an increase in value of £73.9m to £2,189.4m. The Fund's investment return of 3.3% was marginally ahead of the Fund's specific benchmark return of 3.0%. Over the last ten years, the Fund's annualised investment performance of 8.3% is slightly behind the benchmark return of 8.5%.

Detail on the global markets over the year can be found in the Investment Background, on p23.

Manager Arrangements

During the financial year, two additional commitments were made to infrastructure funds. A £15m commitment was made to the Infracapital Greenfield Partners Fund in August 2017, and a further $21m commitment was made to the Pantheon Global Infrastructure Fund III in February 2018. Both of these funds will complement the existing infrastructure investments that the Fund has with Innisfree.

Pensions Administration

The shared service arrangement with West Yorkshire Pension Fund (WYPF) to provide Pensions Administration services for the Lincolnshire Fund is now three years old. A satellite office for WYPF is based in Lincoln, co-located with the LCC Pension Fund team. This arrangement was

made to improve efficiency and reduce costs in the provision of the Pensions Administration service, and this is now being seen. The move from an annual data return to a monthly process has considerably improved the quality of data held in the administration system, enabling a better service to be provided to scheme members. WYPF continues to work with the Lincolnshire Fund and its employers to improve all aspects of administering the scheme.

Local Pension Board

It is now three years since the introduction of the requirement for a Local Pension Board for the Lincolnshire Pension Fund, 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 p16.

Asset Pooling

The requirement to pool the Fund's assets with other LGPS Funds came into statute in November 2016. Lincolnshire has chosen to become part of the Border to Coast Pensions Partnership (Border to Coast), alongside 11 other partner LGPS funds. Much progress has been made in creating Border to Coast as the pooling vehicle to implement the investment strategy of the 12 partner funds. The result will be a £45bn+ asset pool, governed by a Local Government Joint Committee and Administering Authority shareholders. The outcome should reduce investment costs, improve performance and increase resilience across the Funds, over the long term. The expected go-live date is July 2018, with the Lincolnshire Pension Fund starting to transition its assets across from Q1 2019.

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 and Funding Strategy statements are all attached at the end of this report. These documents, and other related publications, can also be downloaded from the Pension Fund's shared website, at www.wypf.org.uk.

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

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

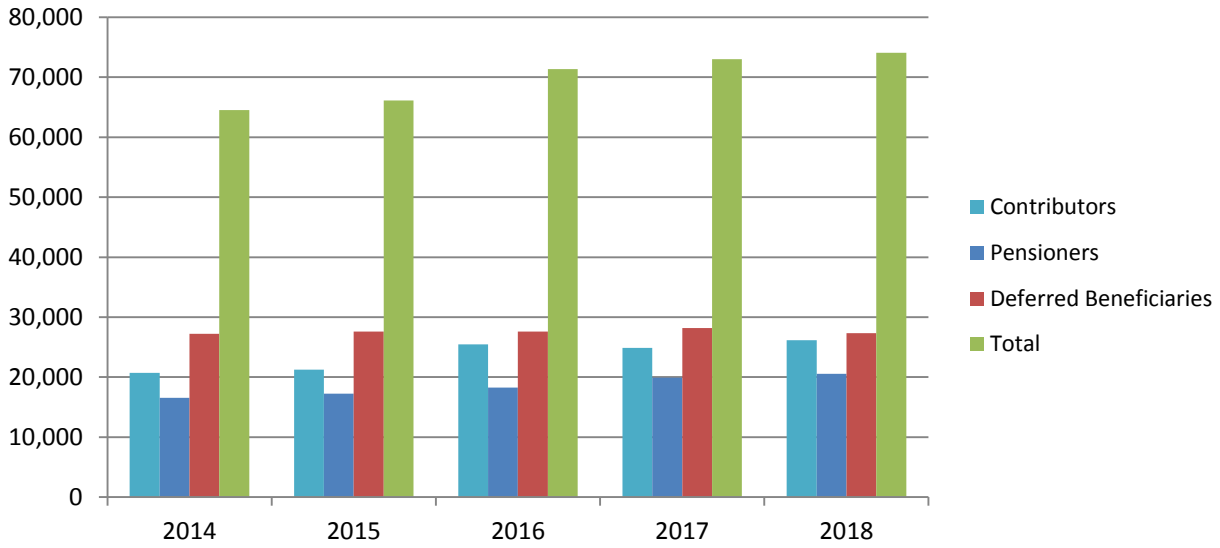
Councillor Eddie Strengiel
Chairman
Pensions Committee

Management Report of the Administering Authority

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

Local Government Pension Scheme Membership

As can be seen from the chart below, the active membership is still increasing, in part as a result of auto enrolment. 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 64.7% of the overall membership.



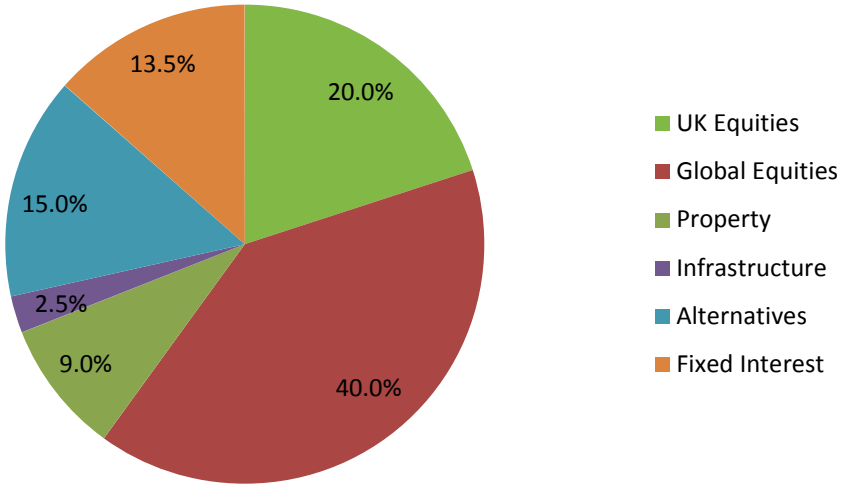
Year ended 31st March	2014	2015	2016	2017	2018
Contributors	20,697	21,262	25,451	24,893	26,153
Pensioners	16,577	17,264	18,281	19,916	20,543
Deferred Beneficiaries	27,246	27,577	27,618	28,182	27,356
Total	64,520	66,103	71,350	72,991	74,052

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

Investment Policy

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

Strategic Asset Allocation Benchmark



Asset class	Strategic Benchmark 31st March 2018 %	Actual Allocation 31st March 2018 %
UK Equities	20.0	18.5
Global Equities	40.0	43.0
Total Equities	60.0	61.5
Property	9.0	9.5
Infrastructure	2.5	1.6
Alternative (incl. Private Equity)	15.0	14.2
Fixed Interest	13.5	12.1
Cash (incl. net current assets)	0.0	1.1
Total	100.0	100.0

Investment Performance

The twelve month period ended 31st March 2018 saw the value of the Fund increase by £73.9m to £2,189.4m. The overall investment return of 3.3% was ahead the Fund's specific benchmark return of 3.0%. Over the last ten years, the Fund's annualised investment performance of 8.3% is slightly behind the benchmark return of 8.5%.

Annual investment performance over the previous ten years is set out in the table below. The Fund's annual return of 3.3% compares to a rise in retail prices of 3.3% and an increase in public sector earnings of 2.6%.

Investment Performance of the Fund 1st April 2008 to 31st March 2018

	Lincolnshire Fund Return	Comparative Benchmark Return	Retail Price Inflation	Public Sector Increase in earnings
	%	%	%	%
2008/09	(18.6)	(20.0)	(0.4)	3.4
2009/10	29.7	36.7	4.4	4.0
2010/11	7.9	7.8	5.3	2.2
2011/12	1.5	2.4	3.6	1.8
2012/13	12.6	11.3	3.3	1.1
2013/14	6.3	6.2	2.5	1.1
2014/15	12.3	12.4	0.9	(0.9)
2015/16	1.0	1.8	1.6	1.9
2016/17	19.8	19.3	3.1	1.3
2017/18	3.3	3.0	3.3	2.6
10 years annualised	8.3	8.5	2.8	1.9

Investment Management Arrangements

The arrangements for segregated management of the Fund's assets are set out below. Portfolio values include cash at 31st March.

Segregated Investment Management Mandates

Asset Class	Manager	Market value £m's	% of the Fund
Global Equities - (Ex UK)	Invesco	502.3	22.9
Global Equities	Schroders	123.9	5.7
Global Equities	Columbia Threadneedle	132.6	6.1
UK Equities	Internally managed	0.0	0
Total Segregated Equities		758.8	34.7

The Fund also invests in a number of asset classes by means of collective investment vehicles, also known as pooled funds. Pooled fund values exclude cash held at an asset class level with the custodian.

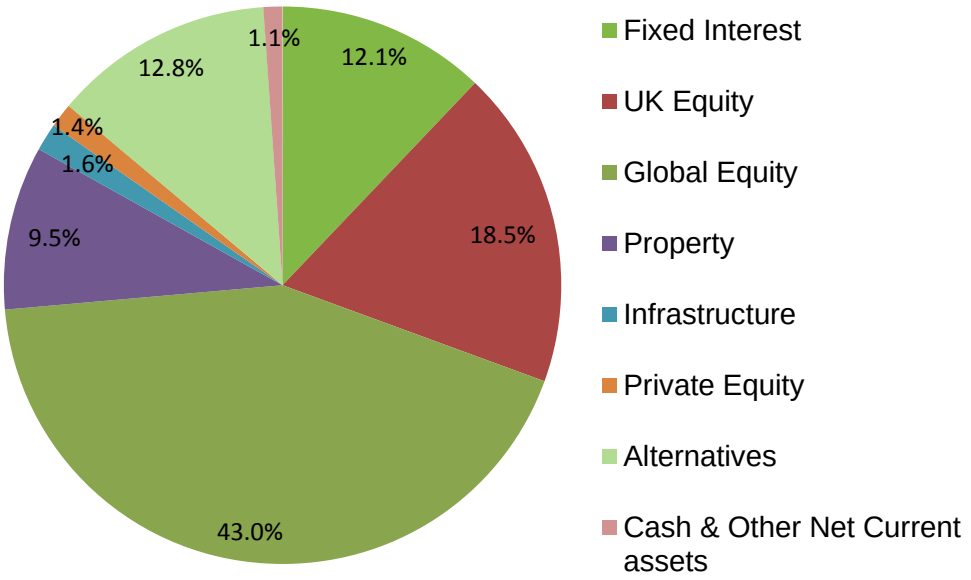
Pooled Funds

Asset Class	Manager	Market value £m's	% of the Fund
Property	Franklin Templeton	3.9	0.2
	Igloo	2.5	0.1
	Aviva	46.6	2.1
	Royal London	23.5	1.1
	Rreef	0.5	0.0
	Blackrock	41.4	1.9
	Standard Life	76.0	3.5
	Total Property	194.4	8.9
Infrastructure	Innisfree	32.5	1.5
	Infracapital	1.5	0.1
	Pantheon	1.5	0.1
	Total Infrastructure	35.5	1.7
Private Equity	Capital Dynamics	5.7	0.3
	Pantheon	16.5	0.8
	Standard Life	7.1	0.3
	EIG	0.0	0.0
	Total Private Equity	29.3	1.4
Alternatives	Morgan Stanley	268.2	12.2
UK Equities	Legal and General	264.1	12.1
Global Equities	Morgan Stanley	178.7	8.2
Fixed Interest	Blackrock	403.8	18.4
Total Pooled Vehicles		1,374.0	62.9

Total Asset Distribution

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

Asset Class	Market Value £'000	31/3/18 %	31/3/17 %
Fixed Interest	264,097	12.1	12.4
UK Equity	403,797	18.5	18.9
Global Equity	937,527	42.8	42.8
Property	207,569	9.5	8.8
Infrastructure	35,420	1.6	1.5
Private Equity	31,634	1.4	2.0
Alternatives	280,664	12.8	11.6
Cash & Other Net Current Assets	28,649	1.3	2.0
	2,189,357	100.0	100.0



Top Holdings

Listed below are the top twenty holdings in the Pension Fund, including pooled investments, as at 31st March 2018. These account for £1,409.7m and make up 64.4% of the Fund's investments.

	Market Value £m's	Proportion of Fund %
Legal & General UK Equity Index Fund	403.8	18.4
Morgan Stanley Alternatives	268.2	12.2
Morgan Stanley Global Brands Fund	178.7	8.2
Blackrock Aquila Life <5 year Corporate Bonds Fund	126.3	5.8
Blackrock Aquila Life Corporate Bond Fund	68.1	3.1
Standard Life Property Fund	64.0	2.9
Aviva Property Fund	46.6	2.1
Blackrock Aquila Life Over 5 Year Index Linked Gilt Fund	42.3	1.9
Blackrock Property Fund	41.4	1.9
Blackrock Aquila Gilts Fund	27.5	1.3
Royal London Asset Management Property Fund	23.5	1.1
Innisfree Secondary Fund	16.6	0.8
JPMorgan Chase	16.1	0.7
Apple	15.6	0.7
Microsoft	13.0	0.6
Alphabet	12.9	0.6
Bank of America	12.5	0.6
Standard Life European Property Growth Fund	12.0	0.5
Amazon	12.0	0.5
Facebook	8.6	0.4
Total	1,409.7	64.3

Stewardship Responsibilities

As a responsible shareholder, the Lincolnshire Pension Fund has produced a Tier 1 Stewardship Code statement, in compliance with the Financial Reporting Council's Stewardship Code, and encourages its external managers and service providers to produce their own codes, and to report their engagement and stewardship activity to the Fund.

The Pensions Committee agree 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 policy and Corporate Governance and Voting policy can be found on the shared website at www.wypf.org.uk. These policies are aligned with those of Border to Coast, who will be responsible for implementing them once assets are transferred.

The Fund votes on all direct company holdings in the UK, developed Europe, US, Canada and Japan. Votes are filed via a third party agent, Manifest Voting Agency, in accordance with a template agreed by the Pensions Committee. The votes cast are reported to the Pensions Committee on a quarterly basis, and this information is available on the Lincolnshire County Council website in the relevant Committee documents. Over the year, the Fund voted at 530 company meetings, and cast votes in respect of 7,666 resolutions.

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary organisation of over 70 public sector Pension Funds based in the UK. 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 on their website at www.lapfforum.org. LAPFF engages with companies across a wide range of issues that can broadly be grouped into five engagement themes:

- Environmental and carbon risk;
- Social risk;
- Governance risk;
- Reliable accounts; and
- LGPS and Stewardship.

Risk Management

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

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

Key risk identified:	A range of controls are in place including:
Assets do not cover liabilities	Triennial valuation, diversification of investments, regular monitoring and reporting, professional advisors.
The inability to deliver the Pensions Administration Service, due to failure in the shared service agreement	Performance and management indicators, regular meetings, internal and external audits, service level agreement and benchmarking.
Paying pensions correctly	Process controls, audits, reconciliations, task management.
Collecting contributions correctly	Employer contribution monitoring, monthly contribution data returns, audits, employer training, reconciliations.
Not meeting statutory requirements	Pension Board oversight, checklist against the Pensions Regulator requirements, regular reporting to Committee and Board.
Loss of key staff, knowledge and skills	Diversified staff/team, pensions user groups, procedural notes, appraisals.
Asset Pooling – the management of the relationship with Border to Coast Pensions Partnership, as a client and a shareholder	Joint Committee, officer operations group, senior officers group, regular meetings with Border to Coast.

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

Funding Position and Contribution Rates

The employers' contribution rates (including deficit cash amounts where applicable) applying in the year ended 31st March 2018, for employers with more than 100 employees participating in the LGPS, are set out below.

Employers' Contribution Rates 2017/18

Employer	Rate as a % of pay	Deficit cash payment £'000
Lincolnshire County Council	16.4	4,541
and LCC schools	21.9	
Priory Federation of Academies	18.2	
City of Lincoln Council	16.0	1,389
South Kesteven District Council	16.5	860
Lincolnshire Police	16.3	948
North Kesteven District Council	16.3	590
Boston College	21.5	74
Boston Witham Federation	18.2	54
East Lindsey District Council	16.3	662
Boston Borough Council	16.6	440
Bishop Grosseteste University	20.9	80
West Lindsey District Council	16.2	704
Lincoln College	22.3	435
South Holland District Council	16.5	860
Abbey Academies Trust	19.0	3
Grantham College	21.0	83
Compass Point Business Services	21.8	
G4S	16.3	
Serco	21.9	
Sleaford St Georges Academy	19.1	
Welton William Farr CE Academy	19.2	47
New College Stamford	20.6	62
Malcolm Sargeant Primary Academy	18.5	
Branston Community Academy	20.9	
University Academy Holbeach	19.1	38
Magna Vitae Trust	16.3	161
St Bernards Academy	19.0	56
Greenwich Leisure Limited	21.9	
Deepings Academy	19.7	
West Grantham Academy	18.6	11
Lincoln Christ Hospital Academy	19.5	29
Giles Academy	18.2	28
Gainsborough Parish Church Academy	18.5	12

The Lincolnshire Pension Fund's latest triennial valuation was as at 31st March 2016. 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.

	31st March 2013	31st March 2016
Past Service Liabilities	£2,092m	£2,288m
Market Value of Assets	£1,495m	£1,759m
Surplus/(Deficit)	(£597m)	(£529m)
Funding Level	71.5%	76.9%

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).

Lincolnshire Pension Fund's Solution

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

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

This new entity was to be a fully regulated asset management company, jointly owned by the twelve partner funds' administering authorities, with each Fund having an equal share in that company. It would have capabilities for internal management and appointing external managers. Its role would be to implement the investment strategies of the partner funds, through a range of investment sub-funds offering internally and externally managed solutions. The new entity was called Border to Coast Pensions Partnership Ltd (BCPP), and the proposal was approved by Government in December 2016. Much work has been undertaken since then to create the company and ensure that it is ready to start managing assets from July 2018.

Border to Coast Pensions Partnership

BCPP is based in Leeds and, once fully staffed, will have around 70 employees. This will include a large team to directly manage assets, alongside a team to select external managers. As a FCA (Financial Conduct Authority) regulated company, BCPP will have to comply with all the requirements that any other asset manager has to, and will also be subject to company legislation.

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

Governance

BCPP has twelve LGPS funds – Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, Northumberland, North Yorkshire, South Yorkshire, Surrey, Teesside, Tyne & Wear and Warwickshire, with assets of circa £45bn as at March 2018. The Chairs of the Pensions Committees of these funds sit on a Joint Committee, to exercise oversight of the investment performance of the company. This is also reported back to Pension Committees. The Joint Committee represents the Funds as investors in BCPP. As BCPP 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 BCPP to ensure that the company can provide the investment vehicles the funds need to implement their investment strategies.

The Lincolnshire Fund is expecting to start transitioning assets across into BCPP in Quarter 1 2019, and will start with its Global Equity mandates.

Annual Report of the LGPS Local Pension Board 2017/2018

Introduction

I am pleased to present the report of the Local Pension Board of Lincolnshire County Council (LCC) for the year 2017/2018.

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

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

Purpose

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

- Securing compliance with the Scheme Regulations and any other legislation relating to the governance and administration of the Scheme.
- Securing compliance with the requirements imposed by the Pension 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.
- Such other matters as the Scheme Regulations may specify.

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

Constitution and Membership

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

- **Independent Chair** (non-voting)
  Roger Buttery
- **2 Employer Representatives** (both voting)
  Councillor Mark Whittington (Lincolnshire County Council)
  Kirsty McGauley (Grantham College)
- **2 Member Representatives** (both voting)
  David Vickers
  Ian Crowther

Four meetings were held within the period – 25th July, 18th October, 15th January, 2017 and 26th March 2018.

All the Board Members have completed the Pension Regulator's Public Service toolkit.

Other training attended is shown below:

- Two members attended the LGPS Fundamentals 1 and 2 in October and November.
- Several members attended the "LGPS Pension Boards – 2 Years On" Seminar organised by Barnet Waddingham.
- Two Members attended the BCPP Members' Training Day in September 2017.
- Two Members attended the Barnet Waddingham/CIPFA LGPS Local Pension Board Members' Spring Seminar.
- Board Members also attended several internal training sessions on LGPS Asset Pooling, General Data Protection Regulation, aspects of the Pension Fund Report and Accounts, ESG and Sustainable Investing Overview and Equity Protection.

The Work Programme

At the July meeting, the Board considered a report which demonstrated Lincolnshire's compliance to the Code of Practice produced by tPR.

The Board considered the eleven elements in detail, namely:

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
k) Scheme advisory board

A checklist of 99 items covering the above was produced at that meeting in a traffic lights format. It is pleasing to report that Lincolnshire was largely compliant with 90 green. There were 6 partially compliant and 3 not yet relevant. At the meeting in March 2018, a further report was considered and the position had improved with 94 green and 1 not relevant. There were still 4 partially compliant and progress continues to achieve green. The Board considered that the compliance to tPR's Code was very good.

The Board also received a detailed presentation from representatives of the West Yorkshire Pension Fund (WYPF) on the Internal Dispute Resolution Procedure (IDRP) covering Regulatory Requirements, LGPS IDRP Two-Stage process, WYPF Process, Pension Decision, Stage 1 Adjudicator's Responsibilities, Stage 2 Adjudicator's Role, the Pensions Advisory Service, the Pensions Ombudsman and finally examples of Stage 1 Appeals.

The Pension Fund Manager presented the WYPF's quarterly update on administration issues. In response to questions, the Pension Fund Manager confirmed that there were no concerns with the administrator of the fund. However, improvements could be made by employers in the fund so that the information required was not only received by the relevant deadline but that it was accurate. It was noted that WYPF was undertaking employer audits to improve the data quality held within the administration system and it was acknowledged that Lincolnshire County Council (LCC), as the largest employer, still had some way to go in ensuring its data was fully up-to-date. The Pensions Team was also improving its contribution monitoring process to include the quality of data, as well as timeliness of data and contributions.

The Board also gave consideration to a report which presented information on the internal audits undertaken over recent years on the Lincolnshire Pension Fund, as well as audits of the administration service provided by WYPF. The audit on the transfer of the Pensions Administration Service gave an "effective" assurance opinion which, by definition, gave the auditors "a high level of confidence on service delivery arrangements, management of risks and the operation of controls and/or performance". The assurance for the recent key controls audit covering the Pension Fund's investments was also given as "high" which had a similar definition to "effective".

At the October meeting, consideration was given to the Pension Fund's Annual Report and Accounts for 2016/2017 which had been approved by the Pensions Committee on 21 September 2017. Mike Norman, KPMG, LCC's Auditor, was in attendance. Although KPMG had issued an unqualified opinion on the Report & Accounts, two significant risks had been identified, namely:

a) Significant changes in the pension liability due to the triennial valuation; and

b) The continuing weaknesses in the accounting system control and financial reporting arrangements.

It was noted that the issues with the accounting system were improving but the payroll system remained an area of concern. It was also noted that there had been 160 cases of the late payment of contributions. This had not been an issue during the audit as all cases had been resolved satisfactorily or an explanation provided as to why the information was inaccurate. The Board concluded that the Report and Accounts was an excellent document.

A WYPF representative gave a presentation on administration issues. The Board was pleased that WYPF had reviewed all the key performance indicators (KPIs) and in a number of cases had changed them to 95% rather than 85% norm. It is pleasing to report that the vast majority of KPIs were being achieved and the reasons for the underperforming ones were explained. The Board concluded that the administration was sound and would continue to improve. It was also noted that the partnership between LCC and WYPF continued to develop well.

At the meeting in January 2018, and following concerns raised at the previous Board meeting, there was a presentation on the action being taken by an employer in the fund (LCC) to clear a large backlog in the provision of detailed leaver information to the Fund's administrator. After a lengthy discussion with LCC, Serco and WYPF, the Board did not feel confident that LCC was

able provide any real assurance that the issue would be resolved. In addition, concerns were expressed that LCC was not undertaking appropriate monitoring of its payroll provider to ensure that it was meeting all the pension related requirements set out within the LGPS Regulations. As a result, the Board was minded to report LCC to tPR. However, it was agreed to write to LCC in the first instance, advising that they would be allowed one month to provide further assurance that the process of clearing backlogs in LGPS pensions related data was being sufficiently managed and that as an employer of the fund, LCC was fulfilling its responsibilities to the Pension Fund.

A special meeting was arranged for late February to assess progress on the Improvement Plan. In the event, the meeting had to be cancelled because of the adverse weather. However, at the meeting in March, there was a further presentation on progress with the Improvement Plan. Although some progress had been made, the Board recommended LCC to report itself to tPR. This was done in early April.

At the March meeting, the Board also considered the quarterly pensions administration report, a pension fund update and progress on asset pooling. Consideration was also given its work programme for year 2018/2019 – specific areas agreed so far are a further update on pooling particularly the governance aspects, reports from internal audit at both LCC and WYPF, Annual Report & Accounts, the LCC improvement plan on leavers, late contributions as well as the usual administration updates and the pension fund reports.

Conclusion

This is the third report of the Board. 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 2016/2017 is an excellent document and there was an unqualified audit report. The Board is keeping a close watch on the LCC Improvement Plan concerning outstanding leavers as well as those employers paying contributions late. The Board will continue to monitor the LGPS pooling arrangements as the proposals unfold.

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

Roger Buttery
Pension Board Chair
April 2018

Any questions regarding the Pensions Board or its work can be addressed through the Pension Fund Manager.

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

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

Lincolnshire County Council Pension Fund Actuarial Statement for 2017/18

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS) dated March 2017. In summary, the key funding principles are as follows:

- to ensure the long-term solvency of the Fund, using a prudent long term view. This will ensure that sufficient funds are available to meet all members'/dependents' benefits as they fall due for payment;
- to ensure that employer contribution rates are reasonably stable where appropriate;
- to minimise the long-term cash contributions which employers need to pay the Fund, by recognising the link between assets and liabilities and adopting an investment strategy which balances risk and return (NB: this will also minimise costs to be borne by Council Tax payers);
- to reflect the different characteristics of different employers in determining contribution rates. This involves the Fund having a clear and transparent funding strategy to demonstrate how each employer can best meet its own liabilities over future years; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the Council Tax payer from an employer defaulting on pension obligations.

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to return their portion of the Fund to full funding over 20 years if the valuation assumptions are borne out. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is still around a 66% chance that the Fund will return to full funding over 20 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2016. This valuation revealed that the Fund's assets, which at 31 March 2016 were valued at £1,759 million, were sufficient to meet 77% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £529 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS. Individual employers' contributions for the period 1 April 2017 to 31 March 2020 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2016 valuation report.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date, and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2016 valuation were as follows:

Financial assumptions	31 March 2016
Discount rate	4.0%
Salary increase assumption	2.6%
Benefit increase assumption (CPI)	2.1%

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.4 years
Future Pensioners*	24.1 years	26.6 years

* aged 45 at the 2016 valuation

Copies of the 2016 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

Experience over the period since 31 March 2016

Since the last formal valuation, real bond yields have fallen placing a higher value on the liabilities and there have been strong asset returns, particularly during 2016/17. Both events are of broadly similar magnitude with regards to the impact on the funding position.

The next actuarial valuation will be carried out as at 31 March 2019. The Funding Strategy Statement will also be reviewed at that time.

Prepared by **Peter Summers FFA**
For and on behalf of Hymans Robertson LLP
2 May 2018

Hymans Robertson LLP, 20 Waterloo Street, Glasgow, G2 6DB

Investment Background

Returns for Major Markets

The twelve months to 31st March 2018 produced positive returns across all asset classes, with property performing the best, returning 11.3% for investors.

Equity market returns were mixed, ranging from 1.2% in the UK to 8.8% in the Emerging Markets.

Bond asset returns were minimal, with UK Gilts and Index Linked Gilts returning 0.5% and UK Corporate Bonds returning 1.6%.

Property, after cash, was the worst performing asset class, returning 3.8% for investors.

Investment Returns to sterling based investors 1st April 2017 to 31st March 2018

Asset Class	Index	Index return to sterling investors %
Equities		
United Kingdom	FTSE All Share	1.2
Global Equities	FTSE World	2.9
United States	S&P 500	1.6
Europe ex UK	FTSE Developed Europe	4.1
Japan	TOPIX	8.3
Emerging Markets	FTSE Emerging	8.8
Fixed Interest		
UK Gilts	FTSE UK Gilts	0.5
UK Index Linked Gilts	FTSE Index–Linked	0.5
UK Corporate Bonds	IBoxx Sterling Non-Gilts All Stocks	1.6
Property	CBRE Index	11.3
Cash	LIBID Seven Day Rate (compounded)	0.2

World Equity Markets

Global equity markets reported gains over the reporting period (12 months up to March 2018 in GBP terms), with European equities outperforming their US counterparts, when measured in GBP.

A brief summary of the highlights of each quarter of the financial year is shown below:

Quarter 2 2017

Global equity markets ended the second quarter of 2017 in positive territory, in local currency terms. All the main regions reported their strongest first quarter earnings growth in nearly six years, helped by a rebound in global economic activity particularly during the first half of the quarter. European equity markets continued their advance in April and May. The shift in tone from central banks drove global financial markets in June. The US Federal Reserve (Fed) voted to raise interest rates by 0.25 percentage points, bringing them to their highest level since 2008. The European Central Bank (ECB) kept its interest rate policy unchanged, yet there were subtle changes in its guidance and forecasts. Despite some lingering uncertainty over US economic policies, Japan's equity market ended the quarter higher, with solid earnings expectations providing support. For emerging markets, an improving economic landscape and some upbeat earnings results provided a comforting backdrop.

Quarter 3 2017

In the third quarter, global equity markets moved beyond geopolitical tensions and ended in positive territory. During July, macro-economic data largely supported the global growth story and investor's appetite for risk remained robust. In August, geopolitical tensions and the struggles of the Trump administration dominated headlines. Towards the end of the quarter, markets drew strength from the continuing global economic upswing and were dominated by the chance of major corporate tax cuts in the US. The US equity market indicated confidence in the economy being able to handle rising interest rates as it drove higher based on the Fed's announcement to allow some of its bond holdings to mature.

Quarter 4 2017

Global equity markets ended the calendar year near all-time highs amid solid corporate earnings and accelerating economic activity. Global economic growth continued to be robust and broad-based, driven by industrial activity and investment. Performance towards the end of the quarter helped global equity markets achieve their best annual performance since 2013. In the US, returns were boosted by President Trump's end-of-year tax-cutting package and promised infrastructure spending. Economic growth indicators in the euro-area remained strong and picked up additional momentum over the quarter. The economic uptick continued to be broad-based, driven by a booming manufacturing sector as well as a robust services sector. In October, the ECB decided to prolong its asset purchase program for nine months. Japan's equity market ended the quarter with solid gains, with the market benefiting from the large victory of the ruling coalition in the snap election at the end of October.

Quarter 1 2018

A technology-led rout dominated global equity markets in March 2018 rounding off the worst quarter for global equities in more than two years. While markets enjoyed a good start into the new year supported by strength in corporate earnings, a pick-up in economic growth and optimism over US tax cuts, global equity markets witnessed a sharp correction in the first half of February. The catalyst for the weakness was an increase in government yields in major markets, especially in the US. This increase in yields was driven by investor concerns over rising inflation as recent data on wage growth in the US had been ahead of market expectations, and increased government budget deficits caused by the recent tax cut package. President Trump's decision to put tariffs on China heightened concerns that a trade war could hurt global economic growth. As

a result, in the US the share prices of the sectors that have benefited the most from strength in the global economy saw the sharpest falls.

Fixed Interest

A brief summary of each quarter of the financial year is shown below.

Q2 2017

Continued accommodative monetary policy, positive economic data and still subdued inflation provided a healthy backdrop for bonds over the quarter. Demand for risk assets was strong to the benefit of corporate and emerging market (EM) bonds. Inflation had still not taken hold convincingly though, either in the US or Europe. The quarter saw doubts emerging around the Trump "reflation trade", with the administration still yet to make a meaningful fiscal policy announcement. This helped to keep longer-dated US Treasury yields anchored, though the two-year yield rose steadily from mid-April onwards pricing in another rate hike ahead of the decision in June. Government bond yields were well supported for most of the quarter, but a sell-off in the final week reversed earlier gains for German Bunds and UK Gilts and pared gains for US Treasuries. This sell-off was drawn by comments from central bank leaders in the US, Europe and the UK, taken as signalling increased hawkishness. The move was more pronounced in Europe and the UK than in the US, with the euro and sterling rising against the US dollar. Corporate bonds performed strongly, well ahead of government bonds.

Q3 2017

Bond yields oscillated over the quarter and, with the exception of the UK which sold-off sharply in September, were ultimately little changed against a largely unchanged global economic backdrop. While the late-June selloff initially continued in July, it came to a halt as growing expectations of a hawkish shift among central banks were reined in. Yields moved lower in August, precipitated by safe haven buying, before reversing course once more in September as risk appetite returned. The global economic upswing continued with data confirming the US second quarter growth rebound. The "Goldilocks" scenario of moderate expansion combined with only moderate inflation, allowing for a gradual withdrawal of monetary stimulus, remained in place. The quarter saw a marked escalation in tensions between the US and North Korea, which were a key factor behind the temporary rotation into lower-risk assets in August. For the UK, the economy showed clear signs of slowing down, while inflation picked up, reaching 2.9% in August. During the quarter the Bank of England struck a more hawkish note with Governor Carney and a number of members of the Monetary Policy Committee openly discussing rate rises. This occurred against a backdrop of above target inflation and low unemployment, leading to a significant increase in UK government bond yields and a rally in sterling against both the euro and the dollar. Corporate bonds made positive returns, outperforming government bonds.

Q4 2017

US Treasury yields rose over the quarter, amid growing momentum behind a tax reform bill which was expected to stimulate growth and inflation. December saw yield volatility around this as doubts led to yields initially dropping before reversing in the run-up to the bill being approved by the Senate. In Europe, positive economic momentum continued unabated, with manufacturing activity at multi-year highs. The ECB announced the reduction of asset purchases, but extended

the programme, which proved a significant boost to bond yields. Government yields in Spain, Italy and France performed well on the announcement, but the moves were either reduced or undone later on due to political factors. In the UK, ten-year gilt yields were down, with less pronounced decreases for five and two-year maturities. A November rate hike by the Bank of England was well anticipated and was accompanied by dovish guidance. Economic activity remained subdued and political uncertainty continued. Corporate bonds capped a good year with positive total returns, outperforming government bonds. Investment grade credit saw stronger returns than high yield, aside from in Europe, as the latter experienced challenging conditions in November having reached elevated valuations.

Q1 2018

US Treasury yields rose markedly across the curve over the quarter as expectations of growth, inflation and interest rates shifted higher. Volatility returned to markets, picking up sharply from low levels and impacting risk assets. In March, sentiment was negatively impacted by rising trade tensions between the US and China. The US yield curve continued to flatten modestly with shorter-dated maturities impacted by a rate hike and substantial issuance in March. UK Gilts saw more pronounced curve flattening, whilst German Bund yields rose slightly, French 10-years were modestly lower and Italian and Spanish 10-year yields fell. Corporate bonds made negative total returns and underperformed government bonds. Investment grade credit saw larger negative returns than high yield, notably in US dollar, while sterling high yield performed well. In emerging markets, local currency sovereign bonds made strong total returns as the US dollar declined, but hard currency sovereign and corporate bonds saw negative total returns.

UK Commercial Property

A brief summary of each quarter of the financial year is shown below.

Q2 2017

The second quarter saw a continuation of the trends of the first quarter as UK commercial property markets clawed back more of the falls in value seen after the vote to leave the EU. Since the referendum, domestic investor activity was focused on industrial and logistics properties where values had risen significantly. Strong demand for Central London offices from overseas, particularly Chinese investors, helped to lift the value of this segment despite weakening tenant demand. Retail properties saw the weakest bounce back in values over the last 12 months. Prime shops in the larger regional centres performed better than the broader market, whereas secondary shopping centres remained out of favour. Alternative investment properties, such as primary healthcare and student accommodation, continued to deliver strong and stable returns underpinned by sustained rental growth. Across the UK as a whole development activity remained subdued, with the exception of Central London offices and industrial/logistics properties. In the former, vacancy had been increasing, whereas, the strength of tenant demand for industrial/logistics properties kept void rates for this sector low and driving continued rental growth.

Q3 2017

The UK property market remained resilient in the third quarter of 2017 as demand for real estate assets, particularly from overseas investors, remained robust. However, there was considerable dispersion between the various parts of the market, where Central London shops, Industrials and

Alternatives all recorded significantly higher values whilst the value of shopping Centres and out of town retail remained subdued. Transaction activity across Europe as a whole was down, with the focus moving away from the UK. That said, overseas investors remained active in the Central London office market, accounting for a record share of activity in the 3rd quarter. The Central London office market became increasingly polarised with large transactions dominating activity, with 20 transactions above £100 million vs just six in the same quarter a year ago. Domestic investors remained in the market for Industrial properties and Alternatives such as hotels, student accommodation and healthcare properties. Demand for long leased, indexed linked assets remained particularly strong, pushing up the prices of these assets.

Q4 2017

UK commercial real estate delivered positive performance during the fourth quarter, concluding a relatively rewarding year for investors. Income returns remained strong, supported by robust occupational demand, while capital values also strengthened over the year. Investor appetite also remained strong and continued to be concentrated on 'prime' assets, including those with long income producing leases with the potential for strong rental growth. Whilst European real estate markets performed strongly in 2017, market data suggested the UK regained its title as the largest property investment market in Europe, supported by Asian capital flows. Demand for industrial assets was particularly buoyant, as favourable fundamentals and the security of long-lease income continued to attract investors. As a result, the sector delivered its best returns over the quarter and indeed the year. Political and structural headwinds remained; with Brexit, rising base rates and reduced consumer spending all potentially weighing on occupational activity, investment demand and property returns. However, there was optimism with positive momentum driven by a growth in lending, new capital sources, greater clarity over Chinese capital flows, and a broad based global economic recovery.

Q1 2018

Following strong performance in 2017, UK commercial real estate delivered further modest capital growth in early 2018. However, there was a marked difference in performance between sectors. On a positive note, industrials continued to benefit from structural support for demand from e-commerce expansion and tight supply in urban areas. By contrast, the retail sector had a difficult start to the year, reflected in weak performance and limited investor interest in large-scale assets. The collapse of Toys R Us and Maplin, New Look's company voluntary agreement (CVA) and Carpetright's potential CVA all hit the headlines.

Administration of Benefits

Lincolnshire County Council has a shared service arrangement with West Yorkshire Pension Fund (WYPF) to administer LGPS benefits and other services. 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 not been met. Performance is reported quarterly to the Pensions Committee, and regular meetings are held between LCC and WYPF to understand and manage any performance issues.

Event	No. Cases	Target Days to Complete	No. Cases Target Met	Minimum Target %	Target Met %
AVC in-house	329	10	316	85	96
Age 55 Increase	3	20	3	85	100
Change of address	1,359	5	1,316	85	96.8
Change of bank details	574	5	528	85	92
Death grant nomination received	3,001	20	2,992	85	99.7
DWP request for information	59	10	53	85	89.8
Death grant set up	131	5	115	85	87.8
Death in retirement	518	5	455	85	87.8
Death in service	28	5	25	85	89.3
Death in deferment	59	5	51	85	86.4
Deferred benefits into payment – actual	751	5	676	90	90
Deferred benefits into payment – quote	823	35	763	85	92.7
Deferred benefits set up on leaving	2,311	20	2,011	85	87
Divorce quote	214	20	206	85	96.3
Divorce settlement – pension sharing order implemented	5	80	5	100	100
General Payroll Changes	273	5	267	85	97.8
Life certificate received	1,217	10	1,141	85	93.8
Monthly posting	2,997	10	1,933	95	64.5
NI modification	28	20	26	85	92.9
Pension estimate	1,106	10	854	75	77.2
Refund payment	613	10	597	95	97.4
Refund quote	737	35	687	85	93.2
Retirement actual	569	3	520	90	91.4

Retirement quote	731	10	663	85	90.7
Spouse – set up new pension	249	5	206	85	82.7
Spouse potential	32	20	24	85	75
Transfer in payment received	98	35	84	85	85.7
Transfer in quote	127	35	125	85	98.4
Transfer out payment	59	35	52	85	88.1
Transfer out quote	513	20	467	85	91

As can be seen from the table above, overall performance has met or exceeded targets. Those below target are shown below:

One area is highlighted in red:

- Monthly posting – all employers are required to submit their data on a monthly basis, however over the year this KPI was at 64.5% against a target of 95%. The KPI is to be able to process the data from the employers within 10 working days of receipt. Much work has been put into ensuring the timeliness of payments and data submissions, and work continues with the employers and their payroll providers to improve the data quality, and therefore the ability for straight through processing. Employer numbers are rising each year, with the growing numbers of academies and out-sourcings, so this is an ever-increasing challenge. The Fund is working closely with WYPF to get the message across to employers on the importance of clean and accurate data.

Two areas are highlighted in amber:

- Spouses potential – This is 75% against a target of 85%. These are potential spouse's pensions identified from the information provided by the National Fraud Initiative, where the Fund has no details of next of kin, so require further investigation.
- Spouse – set up new pension – this is slightly below the KPI target due to queries on cases (e.g. bank details, correct certificates etc.).

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

A satellite office for WYPF 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 are always able to 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 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 p16) on all aspects of the administration service.

The Pension Fund Manager is part of the overall shared service management team, and attends the bi-monthly management review meetings held in Bradford. In addition, as part of the overall governance of the service, the County Finance Officer and the Pension Fund Manager sit on the Collaboration Board of the shared service, alongside the senior management of WYPF, to ensure that the original aims of the partnership with WYPF are met.

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 1st 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 1st April 2014 are based on actual pensionable pay using the pay band table below. The bands are increased each April in line with inflation by the Ministry for Housing, Communities and Local Government. The bands, as they stood at 31st March 2018, are shown below.

Full Time Equivalent Pay	Contribution Rate
Up to £13,700	5.5%
More than £13,700 and up to £21,400	5.8%
More than £21,400 and up to £34,700	6.5%
More than £34,700 and up to £43,900	6.8%
More than £43,900 and up to £61,300	8.5%
More than £61,300 and up to £86,800	9.9%
More than £86,800 and up to £102,200	10.5%
More than £102,200 and up to £153,300	11.4%
Over £153,300	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 1/49th 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.

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 5th 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 1st 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 1/160ths accrual of the member's membership.

Supplementary Pensions

Scheme members may purchase additional pension of up to a maximum of £6,755 per annum, in blocks of £250, through Additional Pension Contributions (APCs.). As an alternative, Scheme members 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 1st April 2008 to 31st 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 14th 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 1/60th of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over (no age restriction for ill-health) were increased each April in line with inflation.

Lump Sum Payments

On service from 1 April 2008 there was no automatic lump sum, but members had the option to commute pension at the rate of £12 cash lump sum for every £1 pension given up, subject to maximum tax free lump sum of 25% of capital value of accrued benefits at retirement.

Ill Health Retirement

There were three tiers of benefits. The benefits were calculated as for normal retirement with additional service under tiers one and two.

Death-benefits

Death in service attracted a tax free lump sum of three time's final pensionable pay. An annual pension was payable to a spouse/civil partner/co-habiting partner (when meeting certain criteria)

and eligible children, however civil partners and 'nominated' dependent partners pensions are based on post 5th 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 1/160ths accrual of the member's membership.

Supplementary Pensions

Scheme members could purchase additional pension of up to a maximum of £6,755 per annum, in blocks of £250, through Additional Pension Contributions (APCs). As an alternative, Scheme members could increase their benefits by paying Additional Voluntary Contributions (AVCs). The AVC provider, appointed by the County Council as the administering authority, was Prudential.

Membership up to 31st 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 14th 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 1/80th of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over were linked to the movement in inflation.

Lump Sum Payments

A member received a tax free lump sum payment in retirement of three times their pension, with an option to take a bigger lump sum by exchanging part of their pension. Up to 25% of the capital value of a member's pension could be taken as tax free cash.

Ill Health Retirement

Benefits were as for normal retirement but with additional years added dependent on the length of pensionable membership.

Death-benefits

Death in service attracted a lump sum grant equivalent to up to twice final pensionable pay. An annual pension was payable to the surviving spouse and any eligible children. For death after retirement a single payment was made of five times the member's annual pension (less any pension paid since retirement). The surviving spouse was entitled to an annual pension of up to 50% of the member's pension for the rest of their life.

Supplementary Pensions

Scheme members could purchase additional membership within the Scheme up to a maximum of 6 2/3rd years. As an alternative, Scheme members could increase their benefits by paying Additional Voluntary Contributions, up to limits prescribed in scheme rules, to an AVC provider appointed by the County Council as the administering authority. The Lincolnshire AVC provider was Prudential plc.

The principal points of contact in respect of questions about the LGPS are:

Pensions Administration	West Yorkshire Pension Fund WYPF, PO Box 67, Bradford, BD1 1UP Tel: 01274 434999 | Email: pensions@wypf.org.uk
Pension Fund and Investments	Jo Ray, Pension Fund Manager Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL Tel: 01522 553656 | Email : jo.ray@lincolnshire.gov.uk

Pension Fund Knowledge and Skills Policy and Report

As an administering authority of the Local Government Pension Scheme, Lincolnshire County Council recognises the importance of ensuring all staff and individuals charged with the financial management and decision making with regard to the Pension Fund, are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them. Within the management of the Pension Fund, LCC seeks to appoint individuals who are both capable and experienced, and will provide and arrange training for staff and individuals involved to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills.

An annual training plan is agreed by the Pensions Committee each year, setting out what training will be covered over the coming year and linking it back to the CIPFA Knowledge and Skills Framework. Knowledge and skills are acquired and maintained through 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 Pension Fund Manager.

The County Finance Officer is the delegated officer responsible for ensuring that policies and strategies are implemented.

Activity in 2017/18

A full training plan was taken to Pensions Committee in July 2017 to identify training requirements over the coming year. The training plan was linked to specific areas within the CIPFA Knowledge and Skills Framework.

The 6 areas within the Knowledge and Skills Framework are:

1. Pensions Legislative and Governance Context
2. Pensions Auditing and Accounting Standards
3. Financial Services Procurement and Relationship Management
4. Investment Performance and Risk Management
5. Financial Markets and Products Knowledge
6. Actuarial Methods, Standards and Practices

The table below details the various areas covered in training and Committee presentations during the year, and the areas within the Knowledge and Skills Framework that they relate to.

Date	Subject matter	KSF area(s)
26th May 2017		
Training	Basic Overview of LPF and Committee Member Responsibilities	1,4,5
1st June 2017		
Reports	External Manager Presentations	4,5
13th July 2017		
Reports	Independent Advisor Market Update	4,5
	Pensions Administration Report	1
	Fund Update	1,3,4
	Investment Management Report	4,5
	Annual Property and Infrastructure Report	4,5
	Policies Review Report	1,4
	Risk Register Annual Review	1,4
	Annual Training Plan and Policy	1
21st September 2017		
Reports	MiFID II Report	4,5
	Draft Annual Report and Accounts	2
5th October 2017		
Reports	Independent Advisor Market Update	4,5
	Pensions Administration Report	1
	Pensions Administration Strategy	1
	Fund Update	1,3,4
	Investment Management Report	4,5
	Annual Fund Performance Report	4
	Border to Coast Responsible Investment Policy and Voting Guidelines	1,4
	Audit Governance Report	2
14th December 2017		
Reports	External Manager Presentations	4,5
	Border to Coast – CEO presentation	1,4,5
11th January 2018		
Reports	Independent Advisor Market Update	4,5
	Pensions Administration Report	1
	General Data Protection Regulations and Pensions Administration	1
	Fund Update	1,3,4
	Investment Management Report	4,5
	LPF AVC Provider – Prudential Presentation	1
22th March 2018		
Reports	Independent Advisor Market Update	4,5
	Pensions Administration Report	1
	Fund Update	1,3,4
	Investment Management Report	4,5

	Asset Pooling Update	1
	Equity Voting Template	1,4
Training	Equity Protection	4,5
	Responsible Investment	1,5

As the officer responsible for ensuring that the training policies and strategies are implemented, the County Finance Officer 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.

Lincolnshire Pension Fund

Pension Fund Account - Year Ended 31 March 2018

	See note	2016/17 £000	2017/18 £000
Contributions and Benefits			
Contributions Receivable	6	(90,083)	(97,471)
Transfers In	7	(5,170)	(6,861)
		(95,253)	**(104,332)**
Benefits Payable	8	80,219	86,584
Leavers	9	3,209	4,605
		83,428	**91,189**
Net additions from dealings with Fund members		**(11,825)**	**(13,143)**
Management Expenses	10	11,841	11,978
Net additions including management expenses		**16**	**(1,165)**
Returns on Investments			
Investment Income	11	(29,264)	(17,743)
Profit/Loss on Forward Foreign Exchange	14	37,156	(19,943)
Change in Market Value of Investments	13A	(364,274)	(35,084)
Net Returns on Investments		**(356,382)**	**(72,770)**
Net Increase in the Fund During the Year		(356,366)	(73,935)
Opening Net Assets of the Fund		(1,759,056)	(2,115,422)
Closing Net Assets of the Fund		**(2,115,422)**	**(2,189,357)**

Net Asset Statement as at 31 March 2018

	See note	2016/17 £000	2017/18 £000
Investments			
Investment Assets	13	2,104,148	2,169,901
Investment Liabilities	13	(4,383)	(2,018)
Total Net Investments		**2,099,765**	**2,167,883**
Current Assets	20	19,188	23,853
Current Liabilities	21	(3,531)	(2,379)
Net Assets of the Fund available to fund benefits at the end of the reporting period		**2,115,422**	**2,189,357**

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 19.

Notes to the Pension Fund Account

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 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 and Local Pension Board.

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
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include charitable organisations and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 219 contributing employer organisations in the Fund including the County Council (a list of employers is shown in Note 29) and over 74,000 members, as detailed below:

	31 March 2017	31 March 2018
Number of Employers with Active Members	**225	**219
Number of Employees in the Scheme		
Lincolnshire County Council	11,457	12,193
Other Employers	13,436	13,960
Total	**24,893**	**26,153**
Number of Pensioners in the Scheme		
Lincolnshire County Council	13,913	13,768
Other Employers	6,003	6,775
Total	**19,916**	**20,453**
Deferred Pensioners		
Lincolnshire County Council	21,206	19,540
Other Employers	6,976	7,816
Total	**28,182**	**27,356**

**Number of employers will differ from those listed in note 29 due to academies within Multi Academy Trusts and prime account schools

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. The last valuation was 31 March 2016, and employer primary contribution rates were set ranging from 15.9% to 29.1% of pensionable pay. In addition, the majority of employers are paying secondary deficit contributions as cash payments.

Benefits

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Price Index.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised below:

	Service pre April 2008	Service post April 2008
Pension		
	Each year is worth 1/80 x final pensionable salary	Each year is worth 1/60 x final pensionable salary
Lump Sum		
	Automatic lump sum of 3/80 x salary In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details, please refer to our shared pensions website at www.wypf.org.uk.

2 Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017-18 financial year and its position at year end as at 31 March 2018.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18, which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits due. The accounts do not take into account liabilities to pay pensions and other benefits after the end of the financial year. These liabilities are dealt with through the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined by these valuations.

The accounting policies set out below have been applied consistently to all periods presented within these financial statements.

3 Significant Accounting Policies

Fund account - revenue recognition

a) Contributions income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the day on which they are payable under the schedule of contributions set by the Fund actuary or on receipt if earlier than due date.

Employer augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. 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 during the financial year and are calculated in accordance with the LGPS Regulations 2013. Transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

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.

Income includes the amortisation of any discount or premium, transaction costs (where material) or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

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) **Movement in the net market value of investments**
Changes in the net market value of investments (including investment properties) are recognised as income 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 a Fund expense as it arises.

f) Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Council discloses its Pension Fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

Administrative expenses

All administrative expenses are accounted for on an accruals basis. 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.

Oversight and Governance

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with the governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment expenses

All investment management expenses are accounted for on an accruals basis.

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 the following managers that an element of their fee be performance related:

- Invesco Asset Management - Global Equities (ex UK)
- Schroder Investment Management - Global Equities
- Threadneedle Asset Management - Global Equities
- Morgan Stanley Investment Management Ltd - Alternative Investments

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.

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.

Net assets statement

g) Financial assets

Financial 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. From this date, any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

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 15). 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).

h) Foreign currency transactions

Dividend, interest, purchases and sales of investments in foreign currencies have been accounted for at the spot rates at the date of the transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. The exchange rates used at 31 March 2018 are shown in Note 30.

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 (see note 14).

j) Cash and cash equivalents

Cash comprises of cash in hand, deposits and includes amounts held by external managers. Cash equivalents 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

Financial liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial liability is recognised in the net asset statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

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.

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 (Note 19).

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 only (Note 22).

n) Contingent assets and contingent liabilities

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.

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.

Contingent assets and liabilities are not recognised in the net assets statement but are disclosed by way of narrative in the Pension Fund notes.

Accounting standards that have been issued but have not yet been adopted

On an annual basis the pension fund is required to consider the impact of accounting standards that have been issued but have not yet adopted. For the 2018/19 IFRS9 Accounts Financial Instruments will be introduced. The standard introduces changes to the way financial instruments are classified and measured in the accounts. The impact on the pension fund accounts from this new standard is not thought to be significant due to the nature of the financial instruments held.

4 Critical Judgements in Applying Accounting Policies

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines.

This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in Note 18.

These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

5 Assumptions Made About the Future and Major Sources of Estimation Uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

The items in the accounts for the year ended 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits (Note 19)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liability of £310m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by approximately £24m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by approximately £276m. 4) a one-year increase in assumed life expectancy would increase the liability by approximately £134m.
Private Equity (Note 15)	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the Fund are £29m. There is a risk that these may be over or understated in the accounts by £8m.

6 Contributions Receivable

Contributions receivable are analysed below:

	2016-17 £000	2017-18 £000
Employers		
Normal	60,252	55,197
Deficit Funding	9,401	21,334
Additional – Augmentation	1,198	1,519
Members		
Normal	19,001	19,341
Additional Years	231	80
	90,083	**97,471**

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

	2016-17 £000	2017-18 £000
Lincolnshire County Council	36,193	37,659
Scheduled Bodies	47,975	48,461
Admission Bodies	5,915	11,351
	90,083	**97,471**

7 Transfers In From Other Pension Funds

	2016-17 £000	2017-18 £000
Individual Transfers from Other Schemes	5,170	6,861
Group Transfers from Other Schemes	0	0
	5,170	**6,861**

There were no material outstanding transfers due to the Pension Fund as at 31 March 2018.

8 Benefits Payable

	2016-17 £000	2017-18 £000
Pensions	66,666	68,800
Commutations and Lump Sum Retirement Benefits	11,920	14,482
Lump Sum Death Benefits	1,633	3,302
	80,219	**86,584**

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

	2016-17 £000	2017-18 £000
Lincolnshire County Council	43,169	45,951
Scheduled Bodies	33,758	36,214
Admission Bodies	3,292	4,419
	80,219	**86,584**

9 Payments To and On Account of Leavers

	2016-17 £000	2017-18 £000
Individual Transfers to Other Schemes	2,988	4,390
Group Transfers from Other Schemes	0	0
Refunds to Members Leaving Service	221	215
	3,209	**4,605**

There were no material outstanding transfers due from the Pension Fund as at 31 March 2018.

10 Management Expenses

This analysis of the costs of managing the Lincolnshire Pension Fund during the period has been prepared in accordance with CIPFA guidance.

The external Audit fee for the year was £0.024m (£0.024m in 2016/17):

	2016-17 £000	2017-18 £000
Administrative Costs	1,130	1,047
Investment Management Expenses	10,038	10,476
Oversight and Governance Costs	673	455
Total Management Expenses	**11,841**	**11,978**

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

	2016-17 £000	2017-18 £000
Transaction Costs	837	690
Management Fees	6,883	6,982
Performance Related Fees	1,499	2,146
Custody Fees	819	658
Total Investment Management Expenses	**10,038**	**10,476**

11 Investment Income

	2016-17 £000	2017-18 £000
Equities	27,954	16,173
Pooled Investments		
Property	840	1,384
Infrastructure	72	(7)
Alternatives	(2)	3
Cash Deposits	78	61
Stock Lending	322	129
	29,264	**17,743**

12 Taxes on Income

	2016-17 £000	2017-18 £000
Withholding Tax - Equities	1,283	1,355
	1,283	**1,355**

13 Investments

	2016-17 £000	2017-18 £000
Investment Assets		
Equities	726,451	751,286
Pooled Investments		
Property	187,038	194,461
Infrastructure	31,381	35,420
Private Equity	43,334	29,345
Bonds	262,168	264,097
Equities	577,302	582,508
Alternatives	245,375	258,167
Cash Deposits	26,609	38,746
Investment Income Due	4,189	4,412
Amounts Receivable from Sales	301	1,409
Open Forward Foreign Exchange (FX)	0	50
Total Investment Assets	**2,104,148**	**2,169,901**
Investment Liabilities		
Open Forward Foreign Exchange (FX)	(3,668)	0
Investment Income payable	(1)	(2)
Amounts Payable for Purchases	(714)	(2,016)
Total Investment Liabilities	**(4,383)**	**(2,018)**
Net Investment Assets	**2,099,765**	**2,167,883**

13A Reconciliation of Movements in Investments

Period 2017/18	Market Value 31 March 2017 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2018 £000
Equities	726,451	347,673	(330,951)	8,113	751,286
Pooled Investments					
Property	187,038	82	(17,625)	24,966	194,461
Infrastructure	31,381	4,211	(7,190)	7,018	35,420
Private Equity	43,334	663	(3,300)	(11,352)	29,345
Bonds	262,168	4,578	(4,578)	1,929	264,097
Equities	577,302	0	(1,650)	6,856	582,508
Alternatives	245,375	53,814	(28,576)	(2,446)	268,167
	2,073,049	**411,021**	**(393,870)**	**35,084**	**2,125,284**
Cash deposits	26,609				38,746
Other Investment balances:					
Open Forward FX	(3,668)				50
Amounts receivable for sales	301				1,409
Investment income due	4,188				4,410
Amounts payable for purchases	(714)				(2,016)
Net investment assets	**2,099,765**				**2,167,883**

Period 2016/17	Market Value 31 March 2016 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2017 £000
Equities	951,839	321,843	(789,482)	242,251	726,451
Pooled Investments					
Property	171,951	15,208	(4,972)	4,851	187,038
Infrastructure	27,355	1,015	(3,100)	6,111	31,381
Private Equity	56,338	774	(19,838)	6,060	43,334
Bonds	227,600	159,941	(142,904)	17,531	262,168
Equities	99,033	436,053	(2,654)	44,870	577,302
Alternatives	183,434	88,467	(69,126)	42,600	245,375
	1,717,550	**1,023,301**	**(1,032,076)**	**364,274**	**2,073,049**
Cash deposits	24,570				26,609
Other Investment balances:					
Open Forward FX	(2,354)				(3,668)
Amount receivable for sales	499				301
Investment income due	5,183				4,188
Amounts payable for purchases	(1,307)				(714)
Net Investment Assets	**1,744,141**				**2,099,765**

13B Analysis of Investments

Geographical Analysis of Fund Assets as at 31 March 2018:

	UK £000	Non-UK £000	Global £000	Total £000
Equities	403,797	498,160	431,837	1,333,794
Bonds	264,097	0	0	264,097
Alternatives incl. PE, Property & Infrastructure	212,465	43,795	271,133	527,393
Cash and Equivalents	38,746	0	0	38,746
Other Investment Balances - Assets				5,871
Total Investment Assets	**919,105**	**541,955**	**702,970**	**2,169,901**
Other Investment Balances - Liabilities				(2,018)
Total				**2,167,883**

Geographical Analysis of Fund Assets as at 31 March 2017:

	UK £000	Non-UK £000	Global £000	Total £000
Equities	398,290	489,866	415,597	1,303,753
Bonds	262,168	0	0	262,168
Alternatives incl. PE, Property & Infrastructure	199,260	40,769	267,099	507,128
Cash and Equivalents	26,609	0	0	26,609
Other Investment Balances - Assets				4,489
Total Investment Assets	**886,327**	**530,635**	**682,696**	**2,104,147**
Other Investment Balances - Liabilities				(4,382)
Total	**886,327**	**530,635**	**682,696**	**2,099,765**

An analysis of the type of pooled investment vehicles is given below:

	2016-17 £000	2017-18 £000
Property		
Unit Trusts	161,526	175,574
Other Managed Funds (LLP's)	25,512	18,887
Infrastructure		
Other Managed Funds (LLP's)	31,381	35,420
Private Equity		
Other Managed Funds (LLP's)	43,334	29,345
Bonds		
Other Managed Funds	262,168	264,097
Equities		
Other Managed Funds	577,302	582,508
Alternatives		
Other Managed Funds	245,375	268,167
Total Pooled Vehicles	**1,346,598**	**1,373,998**

13C Investments Analysed by Fund Manager

Fund Manager	31 March 2017 £'000	%	31 March 2018 £'000	%
Externally Managed				
Invesco	495,686	23.7	504,993	23.4
Schroders	117,615	5.6	123,942	5.7
Columbia Threadneedle	121,890	5.8	133,095	6.1
Morgan Stanley (Global Brands)	179,016	8.6	178,705	8.2
Morgan Stanley (Alternatives)	246,032	11.8	280,716	12.9
Morgan Stanley (Private Equity)	45,394	2.2	31,634	1.5
Blackrock	262,168	12.5	264,122	12.2
Legal & General	398,286	19.0	403,793	18.6
Internally Managed				
Property	194,607	9.3	207,567	9.6
Infrastructure	31,381	1.5	35,650	1.6
UK Equity	4	0	334	0
Unallocated Cash	0	0	3,322	0.2
Total	**2,092,079**	**100.0**	**2,167,883**	**100.0**

It is required to disclose where there is a concentration of investment (other than in UK Government Securities) which exceeds 5% of the total value of the net assets of the scheme. The investments that fall into this category as follows:

Investment	31 March 2017 £000	%	31 March 2018 £000	%
Legal & General UK Equity Fund	398,286	18.8	403,793	18.4
Blackrock 1-5yr Corporate Bond Fund	125,928	6.0	268,167	12.2
Morgan Stanley Alternative Investments	245,375	11.6	178,715	8.2
Morgan Stanley Global Brands	179,016	8.5	126,293	5.8

13D Stock Lending

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, JPMorgan. The total amount of stock on loan at the year-end was £37.464m (£20.761m at 31 March 2017) and this value is included in the net assets statement to reflect the Funds continuing economic interest in the securities on loan. As security for the stocks on loan, the Fund was in receipt of collateral at the year-end valued at £40.314m (£22.876m at 31 March 2017), which represented 107.6% of the value of securities on loan.

Stock-lending commissions are remitted to the Fund via the custodian. During the period the stock is on loan, the voting rights of the loaned stock pass to the borrower. Income received from stock lending activities, before costs, was £0.123m for the year ending 31 March 2018 (£0.362m at 31 March 2017) and is included within the 'Investment Income' figure detailed on the Pension Fund Account. There are no liabilities associated with the loaned assets.

14 Analysis of Derivatives

Objectives and policies for holding 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. In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets.

Open forward Currency Contracts

Settlement	Currency Brought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to one month						
	GBP	14	DKK	120	0	0
	USD	197	JPY	21,000	0	0
Over one month						
	GBP	596	AUD	1,089	2	0
	GBP	1,670	CAD	3,064	0	(20)
	GBP	8,144	EUR	9,273	0	(7)
	GBP	223,786	USD	314,865	75	0
Total					**77**	**(27)**
Net Forward Currency Contracts at 31 March 2018						**50**
Prior Year Comparative						
					4,646	(8,314)
Net Forward Currency Contracts at 31 March 2017						**(3,668)**

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 2017/18 this was a gain of £19.943m (£37.156m loss in 2016/17).

15 Fair Value – Basis of Valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published bid market price ruling on the final day of the accounting period	Not required	Not required
Exchange traded pooled investments	Level 1	Closing bid value on published exchanges	Not required	Not required
Forward foreign exchange derivatives	Level 2	Market forward exchange rates at the year-end	Exchange rate risk	Not required
Pooled investments	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required
Private Equity	Level 3	Comparable valuation of similar companies in accordance with *International Private Equity and Venture Capital Valuation Guidelines (2012)*	EBITDA multiple Revenue multiple Discount for lack of marketability Control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having analysed historical data and current market trends, and consulted with independent investment advisors and investment managers, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2018.

	Assessed valuation range (+/-)	Value at 31 March 2017 £000	Value on increase £000	Value on decrease £000
Private Equity	26%	29,345	36,975	21,715

15A Fair Value Heirachy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2

Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3

Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data.

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 2018	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Non-tiered £000	Total £000
Financial Assets					
Fair value through profit and loss	1,603,710	229,931	297,512	0	2,131,153
Loans and receivables	0	0	0	62,599	62,599
Total Financial Assets	**1,603,710**	**229,931**	**297,512**	**62,599**	**2,193,752**

Financial Liabilities					
Fair value through profit and loss	0	0	0	(2,016)	(2,016)
Measured at amortised cost	0	0	0	(2,379)	(2,379)
Total Financial Liabilities	**0**	**0**	**0**	**(4,395)**	**(4,395)**
Net Investment Assets	**1,603,710**	**229,931**	**297,512**	**58,204**	**2,189,357**

Values at 31 March 2017	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Non-tiered £000	Total £000
Financial Assets					
Fair value through profit and loss	1,570,410	218,419	288,709		2,077,538
Loans and receivables				45,797	45,797
Total Financial Assets	**1,570,410**	**218,419**	**288,709**	**45,797**	**2,123,335**
Financial Liabilities					
Fair value through profit and loss				(4,382)	(4,382)
Measured at amortised cost				(3,531)	(3,531)
Total Financial Liabilities				**(7,913)**	**(7,913)**
Net Investment Assets	**1,570,410**	**218,419**	**288,709**	**37,885**	**2,115,422**

15B Reconciliation of Fair Value Measurements within Level 3

Period 2017/18	Market value at 31 March 2016	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value at 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	£000
Private Equity	43,334	0	0	663	(3,300)	(26,693)	15,341	29,345
Alternatives	245,375	0	0	53,814	(28,576)	(24,408)	21,962	268,167
Total	**288,709**	**0**	**0**	**54,477**	**(31,876)**	**(51,101)**	**37,303**	**297,512**

Period 2016/17	Market value at 31 March 2015	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses)	Realised gains/(losses)	Market value at 31 March 2016
	£000	£000	£000	£000	£000	£000	£000	£000
Private Equity	56,338	0	0	774	(19,838)	(10,486)	16,546	43,334
Alternatives	183,434	0	0	88,467	(69,126)	18,230	24,370	245,375
Total	**239,772**	**0**	**0**	**89,241**	**(88,964)**	**7,744**	**40,916**	**288,709**

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.

16 Financial Instruments

16A 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 2017			31 March 2018		
	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000	£000	£000	£000	£000	£000
Financial Assets						
Equities	726,451	0	0	751,286	0	0
Pooled investments						
Property	187,038	0	0	194,461	0	0
Infrastructure	31,381	0	0	35,420	0	0
Private Equity	43,334	0	0	29,345	0	0
Bonds	262,168	0	0	264,097	0	0
Equities	577,302	0	0	582,508	0	0
Alternatives	245,375	0	0	268,167	0	0
Cash		37,490	0	0	54,894	0
Other investment balances	4,489	0	0	5,869	0	0
Debtors	0	8,307	0	0	7,705	0
	2,077,538	**45,797**	**0**	**2,131,153**	**62,599**	**0**
Financial Liabilities						
Other Investment Balances	(4,382)	0	0	(2,016)	0	0
Creditors	0	0	(3,531)	0	0	(2,379)
	(4,382)	**0**	**(3,531)**	**(2,016)**	**0**	**(2,379)**
Grand Total	**2,073,156**	**45,797**	**(3,531)**	**2,129,137**	**62,599**	**(2,379)**

16B Net Gains and Losses on Financial Instruments

	2016/18 £000	2017/18 £000
Financial Assets		
Designated at fair value through profit and loss	364,274	35,084
Loans and receivables	0	0
Financial Liabilities		
Fair value through profit and loss	0	0
Financial liabilities at amortised cost	0	0
Total	**364,274**	**35,084**

The authority has not entered into any financial guarantees that are required to be accounted for as financial instruments.

17 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). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund 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.

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.

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 the 2017-18 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Asset Type	Potential Market Movements (+/-)
UK Bonds	6.0%
UK Equities	10.0%
Overseas Equities	10.0%
Property	16.0%
Infrastructure	18.0%
Private Equity	26.0%
Alternatives	10.0%

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits would have been as follows (the prior year comparative is shown below):

Asset Type	Value at 31 March 2018 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Bonds	264,097	6.0%	279,943	248,251
UK Equities	403,796	10.0%	444,176	363,416
Overseas Equities	929,997	10.0%	1,022,997	836,997
Property	194,461	16.0%	225,575	163,347
Infrastructure	35,420	18.0%	41,796	29,044
Private Equity	29,345	26.0%	36,795	21,715
Alternatives	268,167	10.0%	294,984	241,350
Total	**2,125,283**		**2,346,446**	**1,904,120**

Asset Type	Value at 31 March 2017 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Bonds	262,168	8%	283,141	241,195
UK Equities	398,290	13%	450,068	346,512
Overseas Equities	905,463	12%	1,014,119	796,807
Property	187,038	13%	211,353	162,723
Infrastructure	31,381	13%	35,461	27,301
Private Equity	43,334	21%	52,434	34,234
Alternatives	245,375	8%	265,005	225,745
Total	**2,073,049**		**2,311,580**	**1,834,518**

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or

future cash flows of a financial instrument will fluctuate because of changes to market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair values.

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.

Assets Exposed to Interest Rate Risk	Value at 31 March 2018 £000	Percentage Movement on 1% change in interest Rates	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	38,746	0	38,746	38,746
Cash balances	16,148	0	16,148	16,148
Bonds	264,097	2,641	266,738	261,456
Total	**318,991**	**2,641**	**321,632**	**316,350**

Assets Exposed to Interest Rate Risk	Value at 31 March 2017 £000	Percentage Movement on 1% change in interest Rates	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	26,609	0	26,609	26,609
Cash balances	10,881	0	10,881	10,881
Bonds	262,168	2,622	264,790	259,546
Total	**299,658**	**2,622**	**302,280**	**297,036**

Income Exposed to Interest Rate Risk	Value at 31 March 2018 £000	Percentage Movement on 1% change in interest Rates %	Value on Increase £000	Value on Decrease £000
Cash deposits, cash and cash equivalents	61	1	62	60
Bonds	0	0	0	0
Total	**61**			

Income Exposed to Interest Rate Risk	Value at 31 March 2017 £000	Percentage Movement on 1% change in interest Rates %	Value on Increase £000	Value on Decrease £000
Cash deposits, cash and cash equivalents	78	1	79	77
Bonds	0	0	0	0
Total	**76**	**1**	**77**	**75**

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. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

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 financial instruments that are denominated in any currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

Currency risk - sensitivity analysis

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be 8%, as measured by one standard deviation (13% in 2016-17).

An 8% fluctuation in the currency is considered reasonable based on an analysis of historical movements in volatility of exchange rates. This analysis assumes that all other variables, in particular interest rates, remain constant.

An 8% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Assets Exposed to Currency Risk	Value at 31 March 2018	Percentage Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas/Global Equities	751,282	60,103	811,385	691,179
Pooled Investments:				
Overseas/Global Equities	178,715	14,297	193,012	164,418
Overseas/Global Property	15,918	1,273	17,191	14,645
Overseas/Global Infrastructure	1,498	120	1,618	1,378
Overseas/Global Private Equity	29,345	2,348	31,693	26,997
Overseas/Global Alternatives	268,167	21,453	289,620	246,715
Total	**1,244,925**	**99,594**	**1,344,519**	**1,145,331**

Assets Exposed to Currency Risk	Value at 31 March 2017	Percentage Market Movement	Value on Increase	Value on Decrease
	£000	£000	£000	£000
Overseas/Global Equities	726,447	94,438	820,885	632,009
Pooled Investments:				
Overseas/Global Equities	179,016	23,272	202,288	155,744
Overseas/Global Property	19,159	2,491	21,650	16,668
Overseas/Global Private Equity	43,335	5,634	48,969	37,701
Overseas/Global Alternatives	245,375	31,899	277,274	213,476
Total	**1,213,332**	**157,734**	**1,371,066**	**1,055,598**

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. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the fund's financial assets and liabilities.

The Fund is additionally exposed to credit risk through securities lending and its daily treasury activities.

The securities lending programme is run by the Fund's custodian, JPMorgan, who manage and monitor the counterparty risk, collateral risk and the overall lending programme. The minimum level of collateral for securities on loan is 102%, however more collateral may be required depending upon type of transaction. This level is assessed daily to ensure it takes account of market movements. To further mitigate risk, JPMorgan provide an indemnity to cover borrower default, overnight market risks, fails on return of loaned securities and entitlements to securities on loan. Securities lending is capped by investment regulations and statutory limits are in place to ensure that no more than 25% of eligible assets can be on loan at any one time.

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.

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 Council takes steps to ensure that the Fund 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 equities - instruments that can be liquidated at short notice, normally three working days. As at 31st March 2018, these assets totalled £1,598m (£1.566m as at 31 March 2017), with a further £54.893m held in cash (£37.489m as at 31 March 2017). 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.

d) Outsourcing risk

An additional area of risk is in the outsourcing of services to third party service organisations.

The main service areas that the Pension Fund outsources, and the controls in place to monitor them, are:

Pensions Administration

This service is performed by West Yorkshire Pension Fund (WYPF), through a shared service agreement. WYPF present to the Pensions Committee on a quarterly basis and both the County Finance Officer and the Pension Fund Manager sit on the Collaboration Board which meets quarterly.

Custody, Accounting and Performance Measurement

JPMorgan are the Pension Fund's appointed Custodian, with responsibility for safeguarding the assets of the Fund. JPMorgan are a global industry leader, with more than $22 trillion in assets under custody. They have been the Fund's Custodian since 2004, and were reappointed at the end of their seven year contract in March 2011. Monthly reconciliations of holdings are performed to ensure that the Custodian's records match those of the managers. Regular meetings and conference calls are held to discuss performance, and quarterly key performance indicators are produced.

Fund Management

The Fund appoints a number of segregated and pooled fund managers to manage portions of the Pension Fund. All appointments meet the requirements set out in the LGPS (Management and Investment of Funds) Regulations 2016. Managers report performance on a monthly basis to officers and performance is reported to the Pensions Committee on a quarterly basis. All segregated managers present in person to the Committee at least once a year. Regular meetings and discussions are held between officers and managers.

18 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 2016 and the next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

1) to ensure the long-term solvency of the fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
2) to ensure that employer contribution rates are as stable as possible

3) to minimise the long-term cost of the scheme by recognising the link between assets and adopting an investment strategy that balances risk and return

4) to reflect the different characteristics of employing bodies in determining contribution rates where reasonable to do so, and

5) to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

The aim is to achieve 100% solvency over a period of 20 years and to provide stability in employer contribution rates, where possible. Solvency is achieved when the funds held, plus future expected investment returns and future contributions, are sufficient to meet expected future pension benefits payable. When an employer's funding level is less than the 100% funding target, then a deficit recovery plan will be put in place requiring additional employer contributions.

At the 2016 actuarial valuation, the Fund was assessed as 76.9% funded (71.5% at the March 2013 valuation). This corresponded to a deficit of £529m (2013 valuation: £597m) at that time.

The table below summarises the whole Fund Primary and Secondary Contribution rates at this triennial valuation. The Primary rate is the payroll weighted average of the underlying individual employer primary rates and the Secondary rate is the total of the underlying individual employer secondary rates (before any pre-payment or capitalisation of future contributions), calculated in accordance with the Regulations and CIPFA guidance.

Primary Rate (% of pay) 1 April 2017-31 March 2020	Secondary Rate (£000) 2017/18	2018/19	2019/20
17.4%	18,004	20,539	23,222

At the previous formal valuation at 31 March 2013, a different regulatory regime was in force. Therefore a contribution rate that is directly comparative to the rates above is not provided.

Individual employers' rates will vary from the common contribution rate depending on the demographic and actuarial factors particular to each employer. Full details of the contribution rates payable can be found in the 2016 Actuarial Valuation report on the Fund's website.

The market value of the Fund's assets as at the valuation date are compared against the value placed on the Fund's liabilities in today's terms (calculated using a market-based approach). By maintaining a link to the market in both cases, this helps ensure that the assets and liabilities are valued in a consistent manner. The calculation of the Fund's liabilities also explicitly allows for expected future pay and pension increases. The principal assumptions were as follows.

Financial Assumptions

Future Assumed Returns at 2016	%
UK Equities	5.9
Overseas Equities	5.5
Fixed Interest GILTS	2.2
Index Linked GILTS	2.2
Corporate Bonds	3.4
Property	3.8
Cash	2.5

Other Financial Assumptions	31 March 2013 % p.a.	31 March 2016 % p.a.
Discount rate	4.6	4.0
Price inflation (RPI)	3.3	3.2
Pay increases*	3.8	2.6
Pension increases	2.5	2.1
Revaluation of deferred pension	2.5	2.1
Revaluation of accrued CARE pension	2.5	2.1
Expenses	0.4	0.5

*An allowance is also made for promotional pay increases

Demographic Assumptions

The baseline longevity assumptions are a bespoke set specifically tailored to fit the membership profile of the Fund. These base tables are then projected using the CMI 2013 Model, allowing for a long-term rate of improvement of 1.25% per year. The assumed life expectancy from age 65 is as follows:

		31 March 2013	31 March 2016
Male			
	Current Pensioners	22.2 years	22.1 years
	Future Pensioners	24.5 years	24.1 years
Female			
	Current Pensioners	24.4 years	24.4 years
	Future Pensioners	26.8 years	26.6 years

Commutation assumption

It is assumed that future retirees will take 50% of the maximum additional tax-free lump sum up to HMRC limits for pre-April 2008 service and 75% of the maximum for post-April 2008 service.

50:50 option

It is assumed that 2% of active members (evenly distributed across age, service length and salary range) will take up the 50:50 option in the LGPS 2014 scheme.

19 Actuarial Present Value of Promised Retirement Benefits

Below is the note provided by the Fund's Actuary, Hymans Robertson; to provide the Actuarial present value of the promised retirement benefits as required under the Code. The report titled 'Actuarial Valuation as at 31 March 2018 for IAS19 purposes' referred to in the note can be obtained from the Pensions section at the County Council.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2016/17 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Lincolnshire Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

Present value of promised retirement benefits

Year ended	31 March 2018	31 March 2017
Active members (£m)	1,465	1,347
Deferred members (£m)	750	755
Pensioners (£m)	1,128	1,174
Total (£m)	**3,343**	**3,276**

The promised retirement benefits at 31 March 2018 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2018 and 31 March 2017. I estimate that the impact of the change in financial assumptions to 31 March 2018 is to decrease the actuarial present value by £66m. There is no impact from any change in the demographic and longevity assumptions because they are identical to the previous period.

Financial assumptions

Year ended (% p.a.)	31 March 2018	31 March 2017
Pension Increase Rate	2.4%	2.4%
Salary Increase Rate	2.8%	2.8%
Discount Rate	2.7%	2.6%

Longevity assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	22.1 years	24.4 years
Future pensioners (assumed to be aged 45 at the latest formal valuation)	24.1 years	26.6 years

Please note that the longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Commutation assumptions

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the liabilities are set out below:

Sensitivity to the assumptions for the year ended 31 March 2017	Approximate % increase to liabilities	Approximate monetary amount (£m)
0.5% p.a. increase in the Pension Increase Rate	8%	276
0.5% p.a. increase in the Salary Increase Rate	1%	49
0.5% p.a. decrease in the Real Discount Rate	10%	345

The principal demographic assumption is the longevity assumption. For sensitivity purposes, I estimate that a 1 year increase in life expectancy would approximately increase the liabilities by around 3-5%.

Professional notes

This paper accompanies my covering report titled 'Actuarial Valuation as at 31 March 2018 for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by: Anne Cranston AFA

30 April 2018
For and on behalf of Hymans Robertson LLP

20 Current Assets

Debtors are recorded in the accounts when income due to the Pension Fund, for example from sales of investments or dividend payments, has not actually been received. Long term debtors are amounts due to the Pension Fund that will not be received within 12 months. The Pension Fund only has one long term debtor, the Magistrates Court, who are funding the cost of their pensioner and deferred member liabilities over a 10 year period. Debtors includes £3.839m relating to contributions due from employers (£4.701m in 2016/17) and £1.288m for contributions due from employees (£1.411m in 2016/17).

Current Assets	31 March 2017 £000	31 March 18 £000
Debtors	7,028	6,852
Long term debtors	1,279	853
Cash balances	10,881	16,148
Total	**19,188**	**23,853**

Analysis of Debtors

	31 March 2017 £000	31 March 18 £000
Debtors		
Central Government Bodies	345	1,792
Other Local Authorities	6,007	3,684
Other Entities and Individuals	676	1,376
Total	**7,028**	**6,852**
Long Term Debtors		
Central Government Bodies	1,279	853
Total	**1,279**	**853**

21 Current Liabilities

Creditors are recorded where services supplied to the Pension Fund, or purchases of investments have been made by 31 March, but payment is not made until the following financial year.

Current Liabilities	31 March 2017 £000	31 March 18 £000
Creditors	(3,531)	(2,379)

Analysis of Liabilities

	31 March 2017 £000	31 March 18 £000
Creditors		
Central Government Bodies	9	(19)
Other Local Authorities	(4)	(27)
Other Entities and Individuals	(3,536)	(2,333)
Total	**(3,531)**	**(2,379)**

22 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 year end, the value of AVC investments (excluding any final bonus) amounted to £8.651m (£8.902m in 2016-17). Member contributions of £1.021m (£1.020m in 2016/17) were received by the Prudential in the year to 31st March and £1.814m (£1.954m in 2016/17) was paid out to members. The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

23 Related Party Transactions

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. Consequently there is a strong relationship between the Council and the Pension Fund.

During the reporting period, the council incurred costs of £0.172m 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 £28.386m to the Fund in 2017/18. All monies owing to and due from the Fund were paid in year.

The Treasury Management section of the County 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 County 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 £15.8m and interest of £71.5k was earned over the year.

Governance

Under legislation introduced in 2003-04, Councillors had been entitled to join the Scheme, however this changed from the 1st April 2014 and no new Councillors are now able to join the scheme. Following the Council elections in May 2017, any Councillors who were contributing members became deferred members in the scheme. One Committee member, A Antcliff (employee representative), is a contributing member of the Pension Fund as at 31st March 2018.

Each member of the Pension Fund Committee is required to declare their interests at each meeting.

24 Key Management Personnel

Paragraph 3.9.4.2 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Schedule 1 of the Accounts and Audit (England) Regulations 2015)

satisfy the key management and personnel disclosure requirements of paragraph 16 of IAS24. This applies in equal measure to the accounts of Lincolnshire Pension Fund.

This disclosure can be found in the main accounts of Lincolnshire County Council at Note 34, which are available on the Council's website at www.lincolnshire.gov.uk/finance.

25 Contingent Liabilities and Contractual Commitments

Investment commitments have been made to a number of pooled vehicles that make private equity, property or infrastructure investments. At the year end, the value of outstanding commitments to the 21 investment vehicles amounted to £46.743m.

26 Contingent Assets

Six 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.

27 Impairment Losses

The Fund has no recognised impairment losses.

28 Dividend Tax Claims

The County Council has lodged a number of claims with HM Revenue and Customs for the recovery of dividend tax credits relating to earlier years. Claims relate to Foreign Income Dividends paid by UK companies and certain dividends paid by overseas companies. The claims are based on interpretations of European Union law and a number of recent relevant judgements. The County Council is participating with other pension funds in progressing a legal test case to support the claims.

The table below summarise the position of the claims as at 31st March 2018. It is expected that resolution of these claims will take a number of years and, if unsuccessful, the Fund could incur a share of the costs of the Commissioners of the Inland Revenue.

Territory	Claim Period	Amount (local currency)	Submitted	Status
Fokus Bank Claims				
Netherlands	2004-2006	€130,076	Jan 2010	Claims repaid in Jan 2010
Germany	2007-2010	€191,946	Dec 2011	There has been no response from the German Tax Authorities. Litigation has been initiated by a Canadian resident pension fund. The Court issued a positive decision, finding that the Canadian-resident pension fund was comparable to a German-resident Pension Funds. This may be helpful to UK pension fund claims.
Spain	Q4 2007-Q4 2009	€85,072	Jan 2012	Claim repaid except for Q4 2007 (claim amount €10,545) awaiting decision from Spanish tax authorities
Total		**€407,094**		
FID- Mannimen claims	1994-1998	£793,497	Aug 2006	The test case is being progressed by Pinsent Masons. Statutory Claims - Court of Appeal - the court has proceeded to make a positive final order, however, the claims are held to be out of time by this court and need to proceed to the High Court to recover these periods. High Court claimants may be able to benefit from the provisions of the Limitation Act 1980 which would allow an extended time limit for claims. Pinsent Masons are currently liaising with the test claimant and Counsel regarding these proceedings.
Stock lending claims	2004-2014	£1,422,421	Feb 2010 Feb 2011 Jul 2012 Aug 2016	The test case is being progressed by Pinsent Masons. The test case was heard at the Upper Tier (UT) Tribunal in February 2018 and it is expected that there will be a decision by the end of May. Although it is notoriously difficult to make predictions based on the hearing we were encouraged by how the arguments progressed and questions asked by the UT. It is possible the UT will decide a reference to the Court of Justice of the EU (CJEU).
Total		**£2,215,918**		

29 Scheduled & Admitted Bodies

Analysis of Active and Ceased Employers in the Fund:

	Active	Ceased	Total
Scheduled Body	195	17	212
Admitted Body	20	12	32
Total	**215**	**29**	**244**

Scheduled & Admitted Bodies Contributing to the Fund as at 31 March 2018:

County and District Councils	Skegness TC	Vinci
Lincolnshire County Council	Skellingthorpe PC	
(incl. LCC Schools)	Sleaford TC	**Academies**
Boston Borough Council	Stamford TC	Aegir Community Academy
East Lindsey District Council	Sutton Bridge PC	Alford Queen Elizabeth
City of Lincoln Council	Sudbrooke PC	Barnes Wallis Academy
North Kesteven District Council	Washingborough PC	Bassingham Primary Academy
South Kesteven District Council	Woodhall Spa PC	Beacon Primary
South Holland District Council		Boston Grammar
West Lindsey District Council	**FE Establishments**	Boston High School
	Bishop Grosseteste University	Boston John Fielding
Internal Drainage Boards	Boston College	Boston West Academy
Black Sluice	Grantham College	Boston Witham Federation
Lindsey Marsh	Lincoln College	Bourne Abbey Academies Trust
North East Lindsey	Stamford College	Bourne Academy
South Holland		Bourne Grammar
Upper Witham	**Other Scheduled Bodies**	Bourne Westfield Primary
Welland and Deeping	Acorn Free School	Bracebridge Infant and Nursery
Witham First	BG Lincoln	Branston CofE Infant School
Witham Fourth	Compass Point	Branston Community Academy
Witham Third	Lincs Police Chief Constable	Branston Junior Academy
	Police & Crime Commissioner	Browns CofE Academy
Parish and Town Councils		Caistor Grammar Academy
Billinghay PC	**Admitted Bodies**	Caistor Yarborough
Bourne TC	Active Lincolnshire	Carlton Academy
Bracebridge Heath PC	Active Nation	Castle Wood Academy
Cherry Willingham PC	Adults Supporting Adults	Caythorpe Primary Academy
Crowland PC	Aspens Services	Charles Read Academy
Deeping St James PC	Boston Mayflower	Coningsby St. Michaels CofE Primary Academy
Gainsborough TC	Caterlink	Cordeaux Academy
Gedney PC	Easy Clean Contractors Ltd	Edenham CofE Academy
Greetwell PC	Edwards & Blake	Ellison Boulters Academy
Heighington PC	G4S	Ermine Primary
Horncastle TC	GLL	Fosse Way Academy
Ingoldmells PC	Lincoln Arts Trust	Gainsborough Benjamin Adlard
Langworth PC	Lincoln BIG	Gainsborough Parish Church
Louth TC	Lincs HIA	Giles Academy
Mablethorpe & Sutton TC	Kier Group	Gipsey Bridge Academy
Market Deeping TC	Making Space	Gosberton House Academy
Metheringham PC	Magna Vitae	Grantham Ambergate
Nettleham PC	New Linx Housing	Grantham Isaac Newton Primary

North Hykeham TC	Outspoken Training	Grantham Kings School
Pinchbeck PC	Serco	Grantham Sandon
Academies (cont)	Manor Leas Infant Academy	St Lawrence Academy
Grantham Walton Girls	Manor Leas Junior Academy	Stamford Malcolm Sargent
Harrowby CofE Infants	Market Rasen De Aston	Stamford St Augustines
Hartsholme Academy	Marton Primary Academy	Stamford St Gilberts
Heighington Millfield Academy	Mercer's Wood Academy	Stamford Welland Academy
Hillcrest EY Academy	Morton CofE Academy	The Deepings Academy
Hogsthorpe Primary Academy	Mount Street Academy	The Gainsborough Academy
Holbeach Primary	National CofE Junior	The Garth School
Horncastle Banovallum	Nettleham Infants Academy	The Lincolnshire Teaching & Learning Centre
Horncastle QE Grammar	North Kesteven School	The Phoenix School
Huntingtower Community Primary	North Thoresby Primary	The Priory School
Huttoft Primary Academy	Phoenix Family Academy	Theddlethorpe Primary Academy
Ingoldmells Academy	Priory Federation of Academies	Thomas Cowley Academy
Ingoldsby Primary Academy	Rauceby CofE	Thomas Middlecott Academy
John Spendluffe Tech College	Ruskington Chestnut Street	Tower Road Academy
Keelby Primary Academy	Sir Robert Pattinson Academy	University Academy Holbeach
Kesteven & Grantham Academy	Sir William Robertson	Utterby Primary Academy
Kesteven & Sleaford High	Skegness Academy	Waddington All Saints Primary
Kidgate Primary Academy	Skegness Grammar	Wainfleet Magdalene Primary
Kirkby La Thorpe	Skegness Infant Academy	Warren Wood Specialist
Lincoln Castle Academy	Skegness Junior Academy	Washingborough Academy
Lincoln Christs Hospital School	Sleaford Carres Grammar	Welton William Farr CE
Lincoln Our Lady of Lincoln	Sleaford Our Lady of Good Counsel	Welton St Mary's CofE
Lincoln St Hugh's Catholic	Sleaford St Georges	West Grantham Federation
Lincoln St Peter & St Paul's	Sleaford William Alvey	Weston St Mary
Lincoln UTC	Somercotes Academy	Whaplode CofE Academy
Lincoln Westgate Primary	South Witham Community	White's Wood Academy
Lincoln Anglican Academies	Spalding Academy	William Lovell Academy
Ling Moor Academy	Spalding Grammar	Witham St Hughs Academy
Little Gonerby CofE	Spilsby Eresby	Woodhall Spa St Andrews
Long Bennington CofE	Spilsby King Edward Academy	Woodlands Academy Spilsby
Louth Academy	Spilsby Primary Academy	Woodhall Spa St Andrews
Louth King Edward VI Grammar	St Bernards Academy Louth	Woodlands Academy Spilsby
Mablethorpe Academy	St Giles Academy	
Manor Farm Academy	St John's Primary Academy	

30 Exchange Rates Applied

The exchange rates used at 31 March 2018 per £1 sterling were:

Australian Dollar	1.8288	Mexican Peso	25.6060
Brazilian Real	4.6624	Norwegian Krone	11.01330
Canadian Dollar	1.8086	New Zealand Dollar	1.9446
Swiss Franc	1.3433	Polish Zloty	4.8050
Danish Krone	8.5023	Swedish Krona	11.7482
Euro	1.1406	Singapore Dollar	1.8395
Hong Kong Dollar	11.0096	Thai Baht	43.8656
Indonesian Rupiah	19313.0503	Turkish Lira	5.5571
Israeli Shekel	4.9250	Taiwan Dollar	40.9015
Japanese Yen	149.1878	US Dollar	1.4028
Korean Won	1495.2446	South African Rand	16.6215

Audit Opinion

Additional Information Available

Additional information regarding the Pension Fund and the scheme is available by going to the shared service website **www.wypf.org.uk**

The following documents are included in this report, and can also be found by selecting Policy Statements on the home page, and then Lincolnshire Policies, on the WYPF shared website.

Funding Strategy Statement

This document is prepared in collaboration with the Fund's actuary, Hymans Robertson, and sets out the Fund's approach to funding its liabilities. It is reviewed in detail every three years.

Investment Strategy Statement

This document describes the key issues that govern the investment of the Pension Fund, including the approach to risk, the approach to pooling and the approach to environmental, social and governance (ESG) factors.

Communications Policy

This document details the methods of communication that the Pension Fund uses to comply with relevant legislation and to ensure that individuals and employers receive accurate and timely information about their pension arrangements.

Governance Compliance Statement

This document details how the Pension Fund is governed, and sets out where it complies with best practice guidance as published by the Ministry of Housing, Communities and Local Government.