



Lincolnshire Pension Fund Business Plan 2022/23



INTRODUCTION

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

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

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

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

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

OBJECTIVES

The Fund's overarching objectives are:

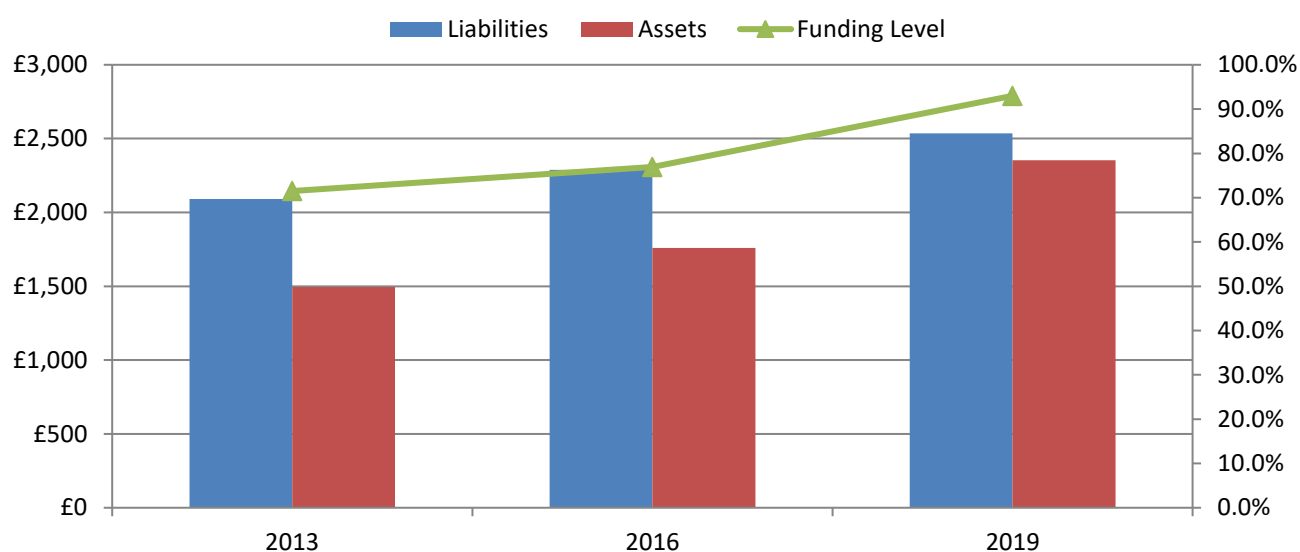
- **Governance:** To act with integrity and be accountable to stakeholders for decisions, ensuring that they are robust, well based and undertaken by people who have the appropriate knowledge and expertise;
- **Investments and Funding:** To maximise returns from investments within reasonable risk parameters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

PENSION FUND STATISTICS

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

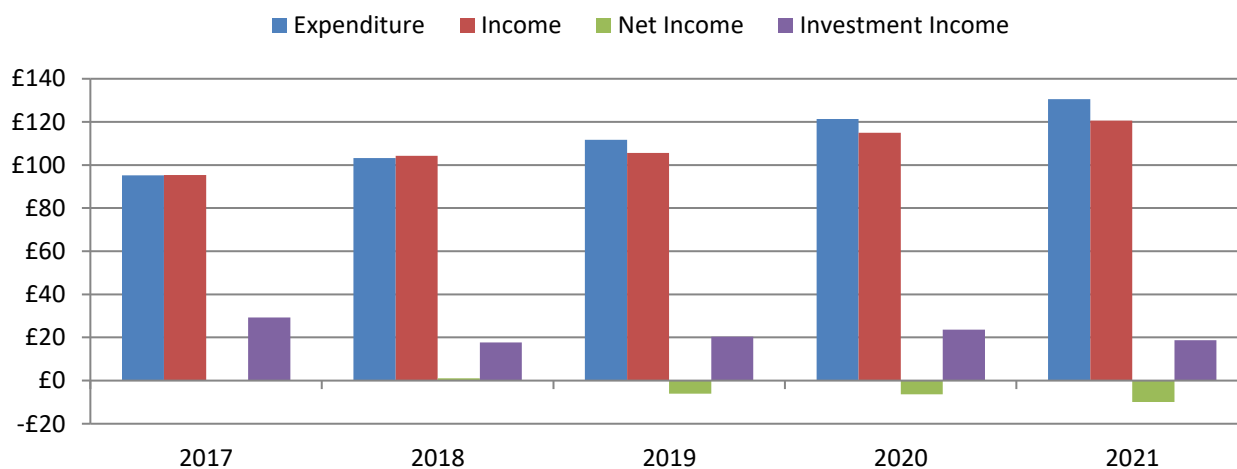
Actuarial valuations are carried out every three years, with the latest being as at 31 March 2019. The valuation provides a value for the liabilities and assets of the Fund and for each employer, to determine the overall funding level and to calculate individual employer contribution rates. The chart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

Progression of funding position:



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

Cashflow:

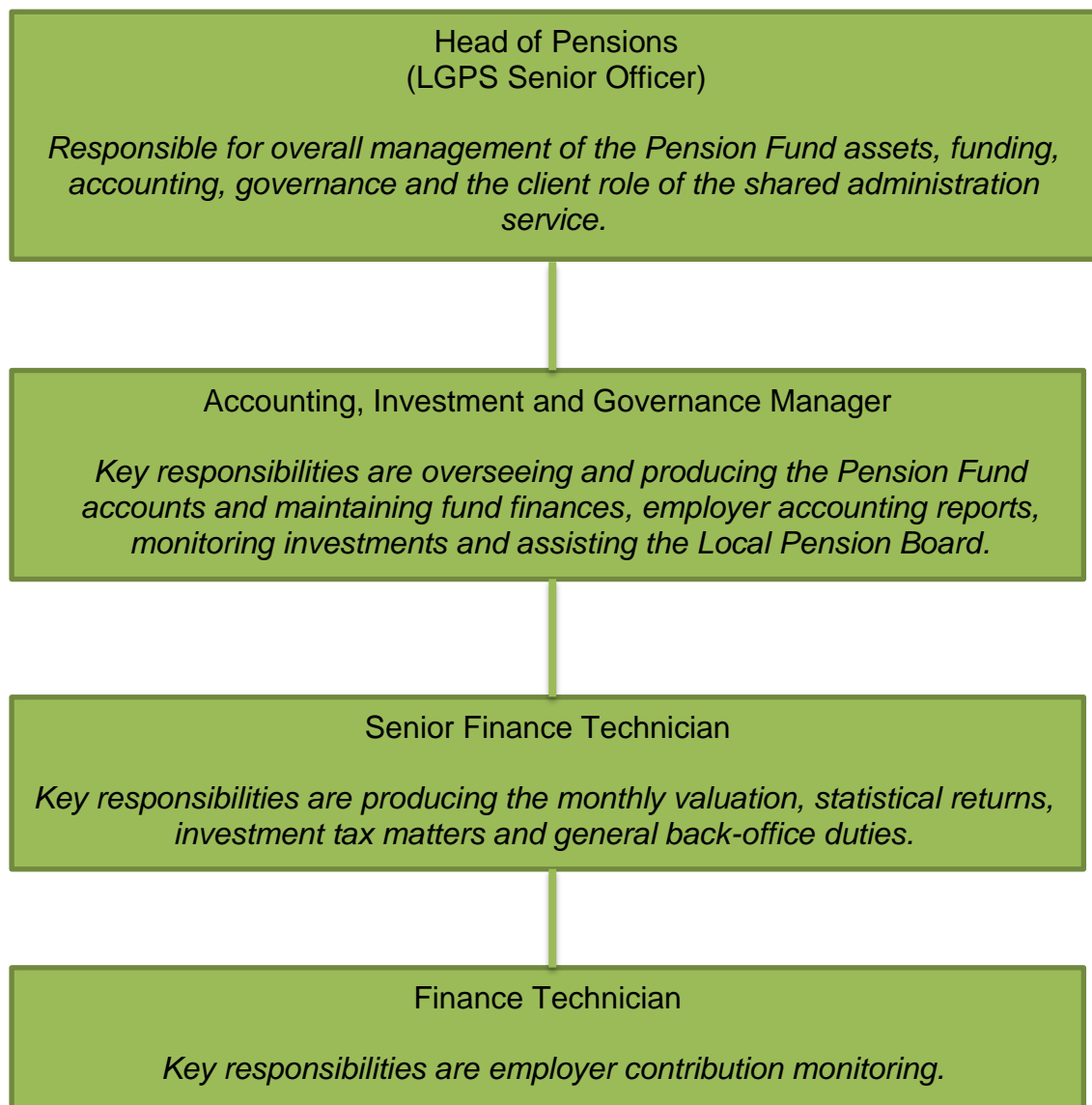


Axis - Left hand side - £m

NB: Expenditure includes all costs of managing the Fund

RESOURCES AND BUDGET

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



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

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

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

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

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

* Other Fees include Custody Fees and Transaction Costs.

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

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

KEY TASKS 2022/23

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

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



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



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



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

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



KEY RISKS

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

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



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



FORWARD PLAN – 2022/2023 COMMITTEE AND BOARD MEETINGS

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

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



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



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

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