Lincolnshire
COUNTY COUNCIL
Working for a better future

Lincolnshire Pension Fund Annual Report & Accounts 2022

Lincolnshire Pension Fund

Local Government Pension Scheme

Annual Report for the Year Ended 31 March 2022

Contents

Management Arrangements

Administering Authority	Lincolnshire County Council

Pensions Committee Members as at 31 March 2022

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

District Council Representative
R Waller

Representative of Other Employers
S Larter

Employee Representative
A Antcliff (Unison)

Professional Advisors

County Council Officers

Executive Director of Resources	A Crookham BSc CPFA
Head of Pensions	J Ray
Independent Advisor	P Jones
Fund Actuary	Barnett Waddingham
Fund Investment Consultant	Hymans Robertson

Asset Pool and Operator

Border to Coast Pensions Partnership

Investment Managers of the Fund as at 31 March 2022

Equities:	Border to Coast Legal and General
Bonds:	Blackrock Border to Coast
Alternatives:	Morgan Stanley
Multi Asset Credit:	Border to Coast

Private Equity:	Aberdeen Standard
	Capital Dynamics
	Pantheon
Infrastructure:	Infracapital
	Innisfree
	Pantheon
Property:	Aberdeen Standard
	Allianz
	Aviva
	Blackrock
	Franklin Templeton
	Hearthstone
	Igloo
	Royal London
	Rreef

Auditors	Mazars LLP
Investment Custodian	Northern Trust
AVC Provider	Prudential
Fund Banker	Barclays
Benefits Administration	West Yorkshire Pension Fund

Report of the Pensions Committee

Introduction

The Pensions Committee of Lincolnshire County Council is responsible for the management of the Pension Fund, covering administration, investments and governance. It approves the investment policy of the Fund and monitors its implementation during the year. The Committee generally meets eight times a year, including two manager presentation meetings and two training meetings. Special meetings are convened if considered necessary.

Members of the Committee as at 31 March 2022 are listed on page 1.

All members of the Committee can exercise voting rights.

Corporate Governance and Responsible Investing

The Fund expects its appointed investment managers to act as responsible investors and that they fully integrate environmental, social and governance (ESG) issues into their investment process. It has produced a Responsible Investment Policy and Responsible Investment Beliefs that can be found on the Pension Fund's shared website, at www.wypf.org.uk. The Fund works closely with Border to Coast, and the other Partner Funds of the asset pool, to agree its approach to RI and stewardship. The Fund is a member of the Local Authority Pension Fund Forum (LAPFF), an organisation that monitors the governance of companies. The LAPFF seeks to protect and enhance shareholder returns by engaging with companies on a wide range of ESG issues and encouraging improvement, where required.

The Fund's Stewardship Code Statement for 2020/21 was successful in meeting the new standard required under the Financial Reporting Council's 2020 Stewardship Code, to explain how it acts as a responsible shareholder, and is published on the Fund's shared website.

Investment Performance

The Fund has an investment objective to meet its liabilities over the long term and to produce a return of 0.75% p.a. over the return produced by the strategic asset allocation benchmark.

The twelve month period ended 31 March 2022 saw the value of the Fund' investment assets increase by £283.7m to £3,031.3m. The overall investment return of 10.7% was ahead the Fund's specific benchmark return of 9.4%%. Over the last ten years, the Fund's annualised investment performance of 8.8% is slightly ahead the benchmark return of 8.7%.

Detail on the global markets over the year can be found in the Investment Background, on page 36.

Manager Arrangements

There have been two manager changes over the last 12 months:

- In July 2021 the Fund made a commitment to a residential property fund managed by Allianz.
- In October 2021, the Fund transitioned assets from its multi asset credit manager, Pimco, to the Border to Coast Multi Asset Credit (MAC) Fund. It also redeemed units from the overweight positions in Border to Coast's Global Equity Alpha Fund and UK Equity Fund to invest in the MAC Fund.

Pensions Administration

The pensions administration service is performed in a shared service arrangement with West Yorkshire Pension Fund (WYPF). A satellite office for WYPF is based in Lincoln, co-located with the LCC Pension Fund team. More information on the performance of the pensions administrator can be found at page 42. The Fund works closely with its employers and WYPF to improve all aspects of administering the scheme.

The current arrangement with WYPF runs until 31 March 2024.

Local Pension Board

The Local Pension Board for the Lincolnshire Pension Fund was set up in April 2015, as prescribed in the Public Service Pensions Act 2013 and the Local Government Regulations 2013. Its oversight role to ensure that the Fund is meeting all the requirements for administration and governance, as set out in the various regulations and by the Pensions Regulator, has been a welcome addition to the governance structure of the Pension Fund. The annual report of the Board can be found on page 32.

Asset Pooling

The requirement to pool the Fund's assets with other LGPS Funds came into statute in November 2016. Lincolnshire chose to become part of the Border to Coast Pensions Partnership (Border to Coast), alongside ten other partner LGPS funds. Progress has continued to ensure that Border to Coast is able to implement the investment strategy of the eleven partner funds, over the long term.

The oversight of the asset pool is carried out by a Local Government Joint Committee, on which the Chairman of the Pensions Committee sits, and by the Administering Authority as a shareholder. The objective of Border to Coast is to reduce investment costs, improve performance and increase resilience across the Funds, over the long term. Border to Coast went live in July 2018, with assets from three of the partner funds with internally managed assets. Work continues with Border to Coast in creating the sub-fund range that will be available to the Fund. As mentioned above, assets have continued to be transferred from existing managers into Border to Coast managed funds.

Coronavirus Pandemic

The business continuity plans of the Lincolnshire Pensions Team and WYPF, as the administrators, were put into action in March 2020, and have continued throughout most of 2021/22. All aspects of managing the Fund continued to be fulfilled over the year. The Lincolnshire team returned to working in the office two days a week from February 2022, and WYPF are returning to their offices from April 2022, in a hybrid working pattern.

Fund Governance and Communication Statements and the Investment Strategy Statement

The Fund's investments are managed in accordance with the Investment Strategy Statement (ISS).

The Fund's ISS, Governance Compliance Statement, Communications Policy, Funding Strategy Statement and Administration Strategy are all attached at the end of this report. These documents, and other related publications, can also be downloaded from the Pension Fund's shared website, at www.wypf.org.uk.

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

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

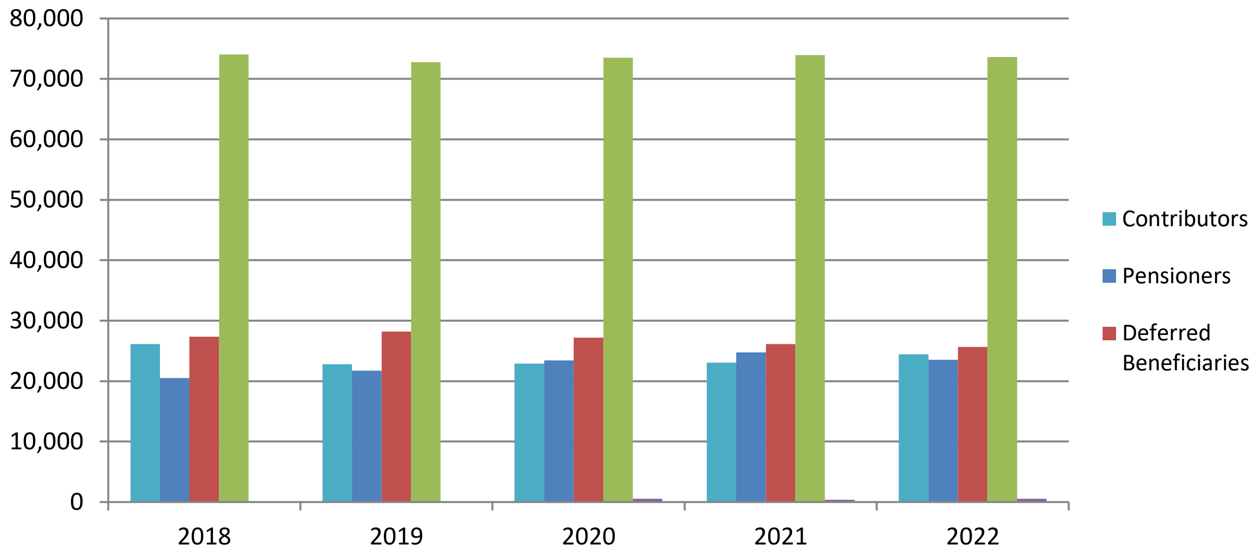
Councillor Eddie Strengiel
Chairman
Pensions Committee

Management Report of the Administering Authority

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

Local Government Pension Scheme Membership

As can be seen from the chart below, the active membership has risen slightly over the year. The Fund has matured over the last five years, with pensioner and deferred members (those that are no longer in the Scheme but will be entitled to a pension at some point in the future) making up 66.8% of the overall membership, but the past year has seen an increase in contributing members and a fall in pensioner members, reversing the trend of the last five years.



Year ended 31March	2018	2019	2020	2021	2022
Contributors	26,153	22,820	22,890	23,038	24,422
Pensioners	20,543	21,715	23,438	24,746	23,536
Deferred Beneficiaries	27,356	28,221	27,201	26,160	25,650
Total	74,052	72,756	73,529	73,944	73,608
Undecided Leavers*	-	-	529	383	532

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

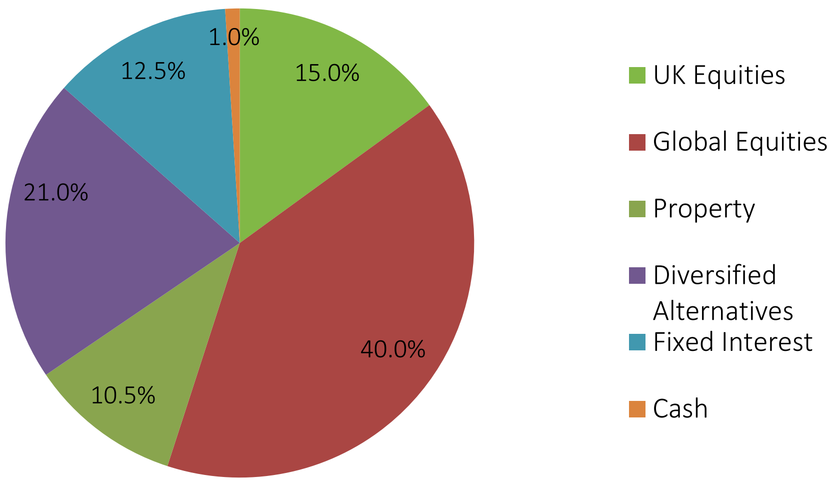
(Note: The numbers disclosed in the table above reflect individual pension records within the County Council's database at a point in time. Current and past members of the LGPS may have more than one pension record as a result, for example, of having more than one part time contract of employment with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

Investment Policy

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

Strategic Asset Allocation Benchmark

The asset allocation below reflects the long-term asset allocation agreed by the Pensions Committee, however this will be implemented over time as the Fund transitions assets to Border to Coast. In the interim, the actual asset allocation may be quite different to the final strategic allocation. For performance measurement purposes the strategic allocation is amended as assets are moved.



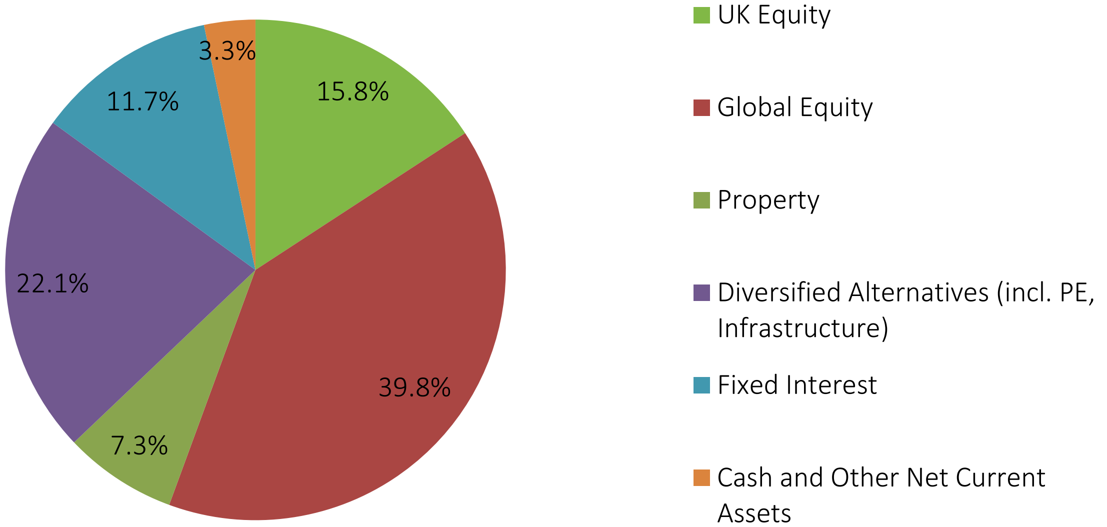
Asset class	Strategic Benchmark 31 March 2022 %	Strategic Benchmark 31 March 2021 %
UK Equities	15.0	15.0
Global Equities	40.0	40.0
Total Equities	**55.0**	**55.0**
Property	10.5	10.5
Infrastructure	-	-
Diversified Alternatives (incl. Private Equity, Infrastructure, Multi Asset Credit)	21.0	21.0
Fixed Interest	12.5	12.5
Cash	1.0	1.0
Total	**100.0**	**100.0**

Total Actual Asset Distribution

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

Asset Class	Market Value £'m	31/3/22 %	31/3/21 %
UK Equity	477.8	15.8	16.1
Global Equity	1,207.3	39.8	41.0
Total Equities	1,685.1	55.6	57.8
Property	220.0	7.3	7.4
Diversified Alternatives (incl. Private Equity, Infrastructure)	671.4	22.1	20.2
Fixed Interest	355.2	11.7	12.7
Cash & Other Net Current Assets	99.6	3.3	2.6
Net Investment Assets	3,031.3	100.0	100.0

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



Fund Investment Performance

The twelve month period ended 31 March 2022 saw the value of the Fund' investment assets increase by £283.7m to £3,031.3m. The overall investment return of 10.7% was ahead the Fund's specific benchmark return of 9.4%%. Over the last ten years, the Fund's annualised investment performance of 8.8% is slightly ahead the benchmark return of 8.7%. The biggest impact was the outperformance of the Morgan Stanley Diversified Alternatives portfolio.

Annual investment performance over the previous ten years is set out in the table below. The Fund's ten year annualised return of 8.8% compares to a rise in retail prices of 3.0% and an increase in public sector earnings of 2.3%.

Investment Performance of the Fund 1 April 2012 to 31 March 2022

	Lincolnshire Fund Return %	Comparative Benchmark Return %	Retail Price Inflation %	Public Sector Increase in earnings %
2012/13	12.6	11.3	3.3	1.1
2013/14	6.3	6.2	2.5	1.1
2014/15	12.3	12.4	0.9	(0.9)
2015/16	1.0	1.8	1.6	1.9
2016/17	19.8	19.3	3.1	1.3
2017/18	3.3	3.0	3.3	2.6
2018/19	8.2	8.1	2.4	2.7
2019/20	(5.8)	(3.9)	2.6	3.0
2020/21	23.3	22.1	1.5	6.0
2021/22	10.7	9.7	9.0	3.3
10 years annualised	8.8	8.7	3.0	2.3

Manager/Asset Class Performance of the Fund

Asset Class	1 Year		3 Years annualised		5 Years annualised	
	FM %	BM %	FM %	BM %	FM %	BM %
Equities						
LGIM Global Equity (inception Feb 21)	13.1	13.2	n/a	n/a	n/a	n/a
Border to Coast Global Equity (inception Oct 19)	7.6	12.4	n/a	n/a	n/a	n/a
Border to Coast UK Equity (inception July 20)	12.2	13.0	n/a	n/a	n/a	n/a
Fixed Interest						
Blackrock	(2.1)	(2.1)	1.5	1.5	2.0	1.9
Border to Coast Investment Grade Credit (inception Feb 20)	(4.1)	(5.2)	n/a	n/a	n/a	n/a
Property/Infrastructure						
Property Unit Trusts	26.1	23.1	9.1	8.1	7.5	7.8
Property Other and Infrastructure**	1.5	7.0	(2.3)	7.0	1.6	7.0
Diversified Alternatives						
Morgan Stanley	25.3	4.0	13.3	4.4	10.0	4.5
Legacy Private Equity	5.1	4.6	5.6	4.6	7.8	4.6
Infrastructure**	12.5	6.0	6.4	6.0	n/a	n/a

Multi Asset Credit						
PIMCO* (inception Aug 20)	2.4	2.7	n/a	n/a	n/a	n/a
Border to Coast Multi Asset Credit * (inception Nov 21)	(5.1)	1.4	n/a	n/a	n/a	n/a
Total	10.7	9.4	8.8	8.7	7.5	7.4

* Border to Coast Multi Asset Credit Fund replaced PIMCO at the end of October 2021.

** Infrastructure performance was comingled with property returns until 1/4/2019

Top Holdings

Listed below are the top twenty holdings in the Pension Fund, including both pooled investments and direct holdings in the segregated account, as at 31 March 2022. These account for £2,897.0m and make up 95.1% of the Fund's investments.

	Market Value £m's	Proportion of Fund %
Border to Coast Global Equity Alpha Fund	743.2	24.4%
Border to Coast UK Listed Equity Fund	477.8	15.7%
Legal and General Future World Fund	464.0	15.2%
Morgan Stanley Alternative Investments	445.6	14.6%
Border to Coast Investment Grade Credit Fund	204.9	6.7%
Border to Coast Multi-Asset Credit Fund	138.2	4.5%
Aberdeen Standard Property Fund	83.3	2.7%
Blackrock Aquila Corporate Bond Fund	75.4	2.5%
Blackrock Property Fund	47.7	1.6%
Blackrock Aquila Life >5 Year ILG Fund	44.7	1.5%
Aviva Property Fund	34.2	1.1%
Blackrock Aquila Gilts Fund	30.2	1.0%
Royal London Asset Management Property Fund	28.7	0.9%
Innisfree Secondary Fund	16.8	0.6%
Standard Life European Property Growth Fund	14.1	0.5%
Infracapital Greenfield Partners	12.5	0.4%
Pantheon Global Infrastructure III Fund	11.2	0.4%
Innisfree Continuation Fund	9.8	0.3%
Innisfree Secondary Fund 2	9.0	0.3%
Hearthstone Residential Property Fund	5.6	0.2%
Total	2,896.9	95.1%

Investment Management Arrangements

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

Pooled Funds

Asset Class	Manager	Market value £m's	%
Fixed Interest	Blackrock	150.3	4.9
	Border to Coast	204.9	6.7
	Total Fixed Interest	355.2	11.6
UK Equities	Border to Coast	477.8	15.7
Global Equities	Border to Coast	743.2	24.4
	LGIM	464.0	15.2
	Total Equities	1,685	55.3
Property	Abrdn	97.3	3.2
	Allianz	5.3	0.2
	Aviva	34.2	1.1
	Blackrock	47.7	1.6
	Franklin Templeton	0.3	0.0
	Hearthstone	5.6	0.2
	Igloo	0.2	0.0
	Royal London	28.7	0.9
	Rreef	0.1	0.0
	Total Property	219.4	7.2
Infrastructure	Infracapital	12.5	0.4
	Innisfree	35.6	1.2
	Pantheon	11.2	0.4
	Total Infrastructure	59.3	2.0
Private Equity	Abrdn	1.2	0.0
	Capital Dynamics	0.6	0.0
	Pantheon	6.1	0.2
	Total Private Equity	7.9	0.2
Alternatives	Morgan Stanley	445.6	14.6
Multi Asset Credit	Border to Coast	138.2	4.5
Total Pooled Vehicles		**2,910.6**	**95.4**

Investment Administration and Custody

The Fund's investment managers are responsible for the administration of the assets held within their portfolios, and the Council's officers are responsible for the administration of the pooled fund investments.

The Fund's custodian at 31 March 2022 was Northern Trust, with responsibility for safeguarding the segregated assets, in addition to providing investment accounting and performance measurement services.

Funding

The Lincolnshire Pension Fund's latest triennial valuation was as at 31 March 2019. The results from this are published on the Fund's shared website.

The table below summarises the latest triennial valuation's financial position in respect of benefits earned by members up to this date, compared with the previous valuation.

	31 March 2016	31 March 2019
Past Service Liabilities	£2,288m	£2,536m
Market Value of Assets	£1,759m	£2,353m
Surplus/(Deficit)	(£529m)	(£183m)
Funding Level	77%	93%

The funding level of the Fund is monitored each quarter on a roll forward basis, and this is reported to the Pensions Committee.

Stewardship Responsibilities

The Lincolnshire Pension Fund was successful in submitting its Stewardship Code statement for 2020/21, meeting the requirements of the Financial Reporting Council's (FRC) Stewardship Code. The FRC produced the new code in 2020, requiring more detail and examples of outcomes of stewardship. The stewardship code statement can be found on the Fund's shared website at www.wypf.org.uk.

The Fund encourages its external managers and service providers to produce their own statements against the FRC code and requires them to report their engagement and stewardship activity to the Fund.

The Pensions Committee believe that the adoption of good practice in Corporate Governance will improve the management of companies and thereby increase long term shareholder value. The Fund's Responsible Investment (RI) policy and Corporate Governance and Voting policy can be found on the shared website at www.wypf.org.uk. These policies are aligned with those of our asset pool, Border to Coast, who is responsible for implementing them across the assets that they manage for the Fund. In addition to this, the Committee reviewed its Responsible Investment Beliefs in February 2022, and these can also be found on the shared website. Any investment decisions that the Committee make are made with consideration of these beliefs.

The Fund requests that its equity managers vote on all company holdings, wherever possible. Information on the votes cast by these managers is reported to the Pensions Committee on a quarterly basis, and this information is available on the Lincolnshire County Council website in the relevant Committee documents.

The Fund works closely with Border to Coast and the other partner funds within the asset pool to ensure that they integrate RI into all of their investment activity. An update on the three year plan of Border to Coast, with their developments against the agreed principles and the current support they provide Partner Funds and what they intend to do going forwards, is shown below. Further information on the RI work that Border to Coast does can be found on their website at www.bordertocoast.org.uk.

Principle	Border to Coast Strategic Development	Partner Fund Support
Integrating ESG	Embed investment process and enhance ESG tools including Robeco portal ✓ Training programme for PMs on thematic issues ✓ External manager monitoring framework ✓ Develop frameworks for new asset classes (bonds, property, private markets) ✓	Current: education (e.g. climate working party); transparency of reporting; oversight of (pooled) managers ✓ Future: centralised procurement of climate change advice; oversight of LGIM (as dominant passive manager in pool) ✓
Active Ownership	Create holistic engagement framework to enable tracking of milestones across portfolios ✓ Clear process for setting engagement themes ✓	Current: common policy agreed and implemented for all Border to Coast holdings; education; LAPFF - representation at business meetings ✓ Future: training ✓
Require Disclosure	Review of industry initiatives to prioritise ✓ Gap analysis of portfolios and remedial plan ✓ Review Border to Coast disclosure ✓	Current: engagement in respect of Border to Coast portfolio holdings and support for wider initiatives ✓ Future: Share review of wider disclosure developments
Promoting PRI	External manager engagement framework ✓ Review wider procurement framework for ESG ✓	Current: training for officers and committees ✓ Future: materials for websites
Collaboration	Develop collaboration capability by working with Robeco on an engagement ✓ Continue to build network and external profile ✓	Current: collaborate in respect of Border to Coast engagement themes and portfolio holdings ✓
Reporting	Enhance reporting on engagement and themes ✓ Standardise reporting across external managers ✓ Improve transparency ✓	Current: disclosure on our website of voting and engagement activity, RI policy and voting guidelines ✓ Future: review of Partner Fund websites and development of checklist / materials for sharing

✓ Completed/ongoing ✓ Progress/ongoing

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary organisation comprising of 82 LGPS Funds and seven of the LGPS asset pools. LAPFF exists to promote the investment interests of Local Authority Pension Funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance in the companies in which they invest. Further information on the work of the LAPFF can be found at www.lapfforum.org. LAPFF engages with companies across a wide range of issues that can broadly be grouped into five engagement themes:

- Climate risk;
- Social risk;
- Governance risk;
- Reliable accounting risk; and
- LGPS and Stewardship.

Risk Management

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

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

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

Failure to meet requirements as a responsible investor, across all ESG risks, including climate change and a transition to a low carbon economy	Stewardship Code compliance, RI reporting by managers and to Committee, Voting and RI policies.

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

Lincolnshire County Council's (LCC) internal audit team undertake audits across different aspects of the Fund's management and administration. The timing and frequency of their work is determined by a risk-based assessment, which is reviewed annually. Internal audits undertaken in 2021/22 by LCC's internal audit team covered the pensions administration service. The output from audits is reported to the Council's Audit Committee and brought to the Pension Board and Committee as appropriate. In addition, the internal audit team work with the internal auditors of West Yorkshire Pension Fund, from Bradford Council, to provide additional assurance over the administration function.

Assurance from the service suppliers and fund managers appointed by Lincolnshire Pension Fund is obtained thorough the receipt and monitoring of control reports – e.g. ISAE 3402 (AAF 01/06) or SSAE16/70. For 2021/22 reasonable assurance was obtained from all third-party operations.

Business Plan and Budget

The Fund's Business Plan is brought to the Pensions Committee each March for approval. The business plan sets out the Fund's objectives, the resources and budget, the key tasks for the year ahead, the key risks and a forward plan of Committee and Board meetings.

The table below shows the reviews the progress of the key tasks for the year 2021/22:

Subject	Context	2021/22 Review
Pensions Committee and Board meetings	The responsibility for the Pension Fund is delegated to the Pensions Committee, with the Pension Board providing an oversight role on the administration and governance of the Fund.	All Pension Committee and Board meetings held as expected.
Asset Pooling with Border to Coast	Border to Coast Pensions Partnership has been created to meet the Government's investment reform criteria. In accordance with regulations and statutory guidance, assets should transition to the management of Border to Coast as appropriate vehicles become available.	Investment made into the Multi Asset Credit sub-fund. All transitions undertaken successfully. Oversight meetings held at officer, S151 and Joint Committee levels. Continued development on the property funds and alternative options.

Administration Service (including employer data quality)	A good performing administration service is key to our stakeholders and for ensuring the quality of information held is appropriate for calculating benefits and liabilities.	Strong KPI figures generally throughout the year and positive customer survey responses, as reported to Committee and Board each quarter.
Annual Report and Accounting	The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors.	Delayed receipt of external audit opinion due to an issue with the Council's accounts meant Pension Fund accounts were published by 1 December without the opinion, but with an unqualified opinion was expected. The accounts opinion was received in mid-December.
Responsible Investment (RI)	There is continued focus on how LGPS Funds can best address and manage RI issues such as environmental, social and governance matter (ESG).	The Committee and Board received additional information and training to understand RI requirements. A training session was held to revisit the Committee's Investment and RI beliefs. A Stewardship Code submission was successfully made to the FRC in October 2021, under the new 2020 code. Work continued with external managers and Border to Coast to ensure that it is embedded across all investment decisions.
Investment Consultancy Services Tender	The contract with the Fund's Consultant expires in December 2021. The national framework for investment consultancy services will be used to call off in the summer.	The National Framework was used to call off and appoint an Investment Consultant. The Fund undertook a successful tender exercise and reappointed Hymans Robertson.

Work by the Scheme Advisory Board (SAB)	The SAB have a number of projects underway to improve the management /governance of LGPS Funds.	Unfortunately the Good Governance project was delayed as a result of the pandemic. The Fund responded to any requests from SAB throughout the year.
Employer Accounting	Employers within the Fund require pensions accounting information at various times of the year, for inclusion in their statutory accounts.	All employers received appropriate accounting reports as required.

The budget and actual expenditure for operating the Lincolnshire Pension Fund for 2021/22 are set out in the table below. They are split between Administration Costs, Investment Management Expenses and Oversight and Governance Costs.

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

	Original Budget 2021/22 £000	Actuals 2021/22 £000	Variance £000
Administration Costs			
Charge from Shared Service Administrator	1,050	1,186	136
Other	1	3	2
Investment Management Expenses			
Management Fees	7,422	9,680	2,258
Performance Related Fees	1,500	1,749	249
Other Fees	791	772	(19)
Oversight and Governance Costs			
Contracted Services	425	317	(108)

Recharge of Actuarial Services	(174)	(93)	81
Recharge from Administering Authority (incl. staff costs	249	258	9
Border to Coast Governance Costs	280	300	20
Other Costs	27	19	(8)
Total	11,571	14,191	2,620

At the end of the year variances between the original budget and actual expenditure included:

- **Administration Costs:** At the end of the financial year the charge for the administration service from West Yorkshire Pension Fund is reviewed and updated to reflect the actual number of members and the annual charge per member. The actual cost for 2021/22 was £14.87 per member. The cost per member was higher than originally charged to the Fund (£14.18 per member), this was due to additional system development costs for the McCloud remedy, further costs associated with the McCloud remedy will be charged to the Fund in future years. The Fund also saw an increase in actual membership verses the estimate.

- **Investment Management Expenses:** Investment management and performance related fees are in excess of the original budget. This reflects the strong growth in investment asset values of the last two years, which has led to higher fees as these are mainly calculated on the value of assets under management.

- **Oversight and Governance Costs:** Costs relating to contracted services were lower than originally budgeted for as was the recharge for actuarial services. During the last two years the Fund has retendered for actuarial and investment consultancy services. This, along with the volume of work commissioned from these advisors during 2021/22, has reduced the spending in this area and the amount to be recharged to employers.

Employer Contribution Rates

Analysis of Active and Ceased Employers in the Fund:

	Active	Ceased	Total
Scheduled Body	230	14	244
Admitted Body	30	24	54
Total	260	38	298

The employers' contribution rates (including deficit cash or percentage of payroll amounts where applicable) applying in the year ended 31 March 2022, for all employers are set out below, alongside actual cash contributions received from both the employer and the employees for each body.

Scheduled & Admitted Bodies Contributing to the Fund as at 31 March 2022:

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
SCHEDULED BODIES				
County and District Councils				
LCC (non-Schools)	17.5%	£9,540k	30,122	6,656
LCC (Schools)	17.5%	8.40%	11,283	3,511
Boston Borough Council	17.7%	£670k	1,560	319
City of Lincoln Council	17.3%	£1,959k	4,707	1,016
East Lindsey District Council	17.5%	£968k	2,563	589
North Kesteven District Council	17.6%	£901k	2,825	734
South Holland District Council	17.4%	£818k	2,035	474
South Kesteven District Council	17.5%	£1,393k	3,958	923
West Lindsey District Council	17.2%*	£1,028k	2,161	485
Internal Drainage Boards				
Black Sluice Internal	18.2%*	£64k	211	62
Lindsey Marsh Internal	18.5%*	£29k	323	126
North East Lindsey Internal	20.7%	£1k	10	3
South Holland Internal	28.7%	9.4% and £150k	246	21
Upper Witham Internal	19.7%	£53k	127	26
Welland and Deeping Internal	19.2%	£115k	268	55
Witham First Internal	20.5%	-1.2%	55	20
Witham Fourth Internal	19.4%	£77k	271	69
Witham Third Internal	18.9%	£26k	170	58
Parish and Town Councils				
Nettleham Parish Council	21.1%	1.4%	8	2
Ingoldmells Parish Council	21.1%	1.4%	5	1
Sleaford Town Council	21.1%	1.4%	53	14
Crowland Parish Council	21.1%	1.4%	5	1
Sudbrooke Parish Council	21.1%	1.4%	2	0
Cherry Willingham Parish Council	21.1%	1.4%	4	1
Horncastle Town Council	21.1%	1.4%	18	5
Skegness Town Council	21.1%	1.4%	64	17
Washingborough Parish Council	21.1%	1.4%	12	3
Deeping St James Parish Council	21.1%	1.4%	11	3

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Stamford Town Council	21.1%	1.4%	32	8
North Hykeham Town Council	21.1%	1.4%	18	5
Louth Town Council	21.1%	1.4%	16	4
Mablethorpe & Sutton Town Cncl	21.1%	1.4%	21	7
Bourne Town Council	21.1%*	1.4%	17	5
Market Deeping Town Council	21.1%	1.4%	11	3
Skellingthorpe Parish Council	21.1%	1.4%	10	3
Woodhall Spa Parish Council	21.1%	1.4%	5	1
Gainsborough Town Council	21.1%	1.4%	33	9
Welton-by-Lincoln Parish Council	21.1%	1.4%	8	2
Greetwell Parish Council	21.1%	1.4%	1	0
Billinghay Parish Council	21.1%	1.4%	4	1
Bracebridge Heath Parish Council	21.1%	1.4%	10	3
Gedney Parish Council	21.1%	1.4%	5	1
Sutton Bridge Parish Council	21.1%	1.4%	8	2
Pinchbeck Parish Council	21.1%	1.4%	8	2
Thorpe On The Hill Parish Council	21.1%	1.4%	2	1
Langworth Parish Council (joined 01/07/2021)	21.1%	1.4%	1	0
Scotter Parish Council (joined 01/06/2021)	21.1%	1.4%	3	1
Fiskerton Parish Council (joined 01/10/2021)	21.1%	1.4%	1	0
Further Education Establishments				
Bishop Grosseteste University	23.5%*	£76k	1,050	293
Boston College	23.8%	-	913	229
Grantham College	23.8%	£43k	710	175
Lincoln College	24.5%	£271k	1,211	231
Other Scheduled Bodies				
Acorn Free School Ltd	19.5%	-3.0%	24	8
BG Lincoln Ltd (left 01/08/2022)	20.7%	-	9	2
Public Sector Partnership Services Ltd	19.9%	£93k	1,367	410
Police Chief Constable and Police & Crime Commissioner (pooled rates also with G4S)	16.3%	£1,657k	4,105	928
ACADEMIES				
Aegir Specialist Academy	21.0%	£38k	193	45
Alford Queen Elizabeth Selective Academy	21.2%*	-	89	27
All Saints Academy Waddington	21.1%	£9k	83	20
Anthem Schools Trust Central (joined 01/02/2022)	20.2%	-	5	2
Bassingham Primary School	22.0%	£8k	43	9
Beacon Primary Academy	19.1%	-	52	16
Boston Grammar School	20.1%	£7k	131	37
Boston High School	21.2%*	£29k	147	37
Boston St Mary's RC Primary Academy	20.3%	£4k	52	13
Boston West Academy	21.0%	-1.8%	75	22
Boston Witham Academies Federation	19.4%	£29k	916	283
Bourne Abbey C of E Academy	20.9%	£10k	282	76
Bourne Academy	21.1%	£14k	274	80

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received Employer (£k)	Employee (£k)
Bourne Grammar	21.3%	£30k	214	57
Bracebridge Infant and Nursery School	20.7%	£2k	33	8
Branston C of E Infants School	20.8%	£2k	23	5
Branston Community Academy	20.9%	-	237	64
Branston Junior Academy	21.9%	£14k	48	9
Browns Church of England Primary School	21.9%	£2k	26	6
Caistor Grammar	21.0%*	-	89	27
Caistor Yarborough Academy	20.0%	£3k	117	34
Carlton Academy	19.8%	£4k	125	35
Caythorpe Primary	19.9%	See Grantham Ambergate	30	8
Chapel St Leonards Primary School	19.9%	See Grantham Ambergate	60	18
Cherry Willingham Primary School	20.3%	-	40	11
David Ross Educational Trust	20.4%	£115k	659	154
Donington Thomas Cowley High School	20.8%	£18k	177	48
Eastfield Infant and Nursery School (Academy)	19.4%	See Springwell City Academy	87	26
Edenham Church of England School	21.8%	£6k	24	5
Ermine Primary Academy	20.3%	£10k	161	42
Fosse Way Academy	20.7%	-	137	36
Foxfields Academy (joined CIT pool 01/04/2021)	19.9%	See Grantham Ambergate	45	13
Friskney All Saints CofE (Aided) Primary Academy (joined 01/05/2021)	22.3%	£0.7k	38	10
Frithville Primary School	20.2%*	See Horncastle Banovallum	16	5
Gainsborough Benjamin Adlard Community School	20.4%	-1.8%	73	23
Gainsborough Hillcrest Early Years Academy	19.4%	£12k	87	23
Gainsborough Parish Church Academy	20.3%	£12k	106	25
Gedney Church End Primary Academy (joined 01/09/2021)	22.4%*	-	16	4
Giles Academy	19.5%	£7k	133	37
Gipsey Bridge Academy	20.9%	£4k	24	5
Gosberton House Academy	18.9%	£22k	140	37
Grantham Ambergate School	19.9%	£265k	502	76
Grantham Huntingtower Primary Academy	20.3%	-	113	31
Grantham Isaac Newton Primary School	19.9%	See Grantham Ambergate	104	30
Grantham Kings School	21.6%*	£2k	166	51
Grantham National CofE Junior School	20.6%*	£17k	87	23
Grantham Sandon School	19.9%	See Grantham Ambergate	125	36
Grantham the Phoenix School	19.9%	See Grantham Ambergate	69	20
Grantham Walton Girls	21.2%	£10k	131	34
Harrowby Church of England Infant School	20.6%*	£2k	20	5

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Hartsholme Academy	17.8%	£10k	99	31
Heighington Millfield Primary Academy	20.3%	-	67	19
Holbeach Academy	20.4%	£12k	91	22
Holbeach Bank Academy	20.7%	£2k	21	5
Holy Trinity Church of England Primary	21.2%	£6k	31	7
Horncastle Banovallum	20.2%*	£68k	179	35
Horncastle Community Primary Academy (joined 01/09/2021)	19.4%	See Springwell City Academy	53	16
Horncastle Education Trust (Head Office)	20.2%*	See Horncastle Banovallum	114	40
Horncastle Queen Elizabeth Grammar School	20.2%*	See Horncastle Banovallum	73	22
Huttoft Primary School	19.7%	-	48	13
Infinity Academies Trust (Joined 01/10/2021)	20.1%	-	12	4
John Spendluffe Technology College	20.7%	£20k	220	56
Keelby Primary Academy	21.4%	£14k	55	11
Kesteven & Sleaford High School Selective Academy	21.2%*	£18k	138	36
Kesteven and Grantham Academy	21.4%	£34k	241	57
Keystone Academy Trust	21.2%*	£3k	181	53
King Edward VI Grammar School (Louth)	21.3%	£57k	207	43
Kirkby La Thorpe	20.0%	£2k	35	9
Lacey Gardens Junior School (Academy)	19.4%	See Springwell City Academy	99	29
Linchfield Community Primary School	19.9%	See Grantham Ambergate	90	26
Lincoln Anglican Academy Trust	17.7%	-1.3%	141	65
Lincoln Castle Academy	21.1%	£20k	160	39
Lincoln Christs Hospital School (Academy)	21.2%	£34k	284	71
Lincoln Manor Leas Infants School	21.0%	-	43	11
Lincoln Our Lady of Lincoln Catholic Primary School	20.6%	-	52	14
Lincoln St Giles Academy	19.5%	£30k	143	33
Lincoln St Hugh's Catholic Primary School	21.5%	£7k	81	19
Lincoln UTC	18.7%	£7k	80	24
Lincoln Westgate Academy	20.5%	£3k	104	28
Little Gonerby Church of England Infants School	21.2%	£2k	57	15
Long Bennington Church of England Academy	21.6%*	£10k	64	16
Long Sutton Primary School	24.8%*	£13k	136	30
Louth Academy	20.5%	£44k	160	32
Louth Kidgate Academy	19.6%	£12k	103	27
Lutton St. Nicholas Primary Academy (joined 01/09/2021)	22.6%*	£0.1k	24	6
Mablethorpe Primary Academy	20.8%	£14k	118	30
Manor Farm Academy	18.7%	-	35	11
Manor Leas Junior	21.3%	£7k	51	12
Market Rasen De Aston School (Academy)	20.7%	-	190	55

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received Employer (£k)	Employee (£k)
Morton Church of England Primary School	21.0%	£12k	56	12
Mount Street Academy	20.2%	£10k	122	32
Nettleham Infants School	19.9%	£12k	58	13
New York Primary School	20.2%*	See Horncastle Banovallum	23	7
North Hykeham Ling Moor Academy	20.3%	-	90	25
North Kesteven School	21.6%*	£60k	199	43
North Thoresby Primary School	20.6%	-	22	6
Pinchbeck East CofE Primary Academy (joined 01/03/2021)	22.8%	£4.1k	97	22
Poplar Farm School	19.9%	See Grantham Ambergate	56	16
Priory Federation of Academies	20.3%	-	1,225	358
Rauceby Church of England Primary School	22.2%	£6k	40	9
Redwood Primary School	20.3%	-	63	18
Ruskington Chestnut Street C of E Primary School	20.6%	£23k	76	14
Scothern Ellison Boulters Church of England Academy	20.3%	£1k	59	16
Seathorne Primary Academy	24.6%	£17k	185	25
Sir Robert Pattinson Academy	20.6%	£25k	228	60
Skegness Academy	20.0%	£16k	295	84
Sleaford Carres Grammar School (Academy)	21.2%*	£37k	220	60
Sleaford Our Lady of Good Counsel	19.9%	-2.0%	29	9
Sleaford St Georges Academy	20.9%	-	412	119
Sleaford William Alvey	20.4%	£2k	108	30
Somercotes Academy	18.7%	£29k	88	18
South Witham Academy	21.5%*	£8k	24	4
Spalding Grammar School	21.1%	£28k	158	38
Spalding Parish C of E Day School	24.6%	£11k	149	32
Spalding Primary Academy (joined 01/03/2021)	21.7%	£5.4k	91	23
Spalding Sir John Gleed School	21.7%	£65k	292	62
Spilsby Primary School	21.2%	£26k	103	21
Springwell City Academy	19.4%	£38.3k	357	97
St Bernards School (Louth)	19.7%	£56k	232	54
St Lawrence School (Horncastle)	19.3%	£29k	183	47
St Mary's Catholic Primary Voluntary Academy Grantham	21.2%	£7k	61	14
St Michaels Church of England Primary School	20.1%	£14k	87	20
St Nicholas Primary Academy, Boston	25.5%	£7k	74	15
St Norberts Catholic Primary School (Academy)	20.5%	£3k	38	9
St Paul Community Primary School	19.9%	See Grantham Ambergate	69	20
St Peter and St Paul Catholic Voluntary Academy	20.8%	£13k	138	35
St Thomas C E Primary Academy	20.1%	£15k	118	30

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
St. John's Primary Academy	21.1%	£14k	117	28
Stamford Malcolm Sargent Primary	20.8%	-	212	58
Stamford St Augustines	20.1%	£2k	39	11
Stamford St Gilberts Church of England Primary School	21.0%	£10k	69	16
Stamford The Bluecoat School (joined 01/01/2021)	21.9%	£5.1k	88	22
Surfleet Seas End Primary Academy (joined 01/03/2021)	22.8%*	£1.1k	25	6
Tall Oaks Academy Trust	20.3%	£11k	202	54
The Deepings Academy	21.1%	-1.4%	262	80
The Gainsborough Academy	20.5%	-	112	33
The Garth School, Spalding	19.9%	See Grantham Ambergate	112	33
The Ingoldmells Academy	20.1%	£2k	46	12
The John Fielding Special School, Boston	19.9%	See Grantham Ambergate	158	46
The Marton Academy	21.4%	£6k	25	5
The Priory Pembroke	20.3%	-	107	30
The Priory School, Spalding	19.9%	See Grantham Ambergate	126	37
The Skegness Infant Academy	20.4%	£11k	94	23
The Skegness Junior Academy	20.9%	£6k	107	27
Theddlethorpe Primary School	21.2%	£3k	31	7
Thurlby Community Primary School	23.8%*	£1k	59	10
Tower Road Academy (Primary)	20.3%*	£5k	131	39
University Academy Holbeach	20.9%	£40k	336	88
University Academy Long Sutton	20.7%	£22k	160	41
Utterby Primary School	21.7%	£2k	25	6
Wainfleet Magdalene C of E Academy	20.6%	£14k	75	16
Warren Wood Specialist Academy	20.5%	£25k	132	30
Washingborough Academy	21.0%	£6k	79	20
Welbourn Sir William Robertson Academy	21.0%	£20k	207	54
Welland Academy, Stamford	21.7%	-1.1%	113	26
Welton St Marys Church of England Primary Academy	21.3%	£6k	72	18
Welton William Farr CE Comprehensive School	21.4%	£35k	314	73
West Grantham Federation	20.2%	£14k	243	67
Weston St Marys Primary School	20.2%	£1k	5	1
Whaplode Drove C of E Primary School	20.6%	£6k	43	10
William Lovell Church of England Academy	21.0%	£28k	102	17
Willoughby School	20.3%	-	189	54
Witham St Hughs Academy	20.3%	£2k	87	24
Woodhall Spa St Andrews Church of England Academy	20.4%	£1k	72	20
Woodlands Academy	19.9%	See Grantham Ambergate	71	21
Wyberton Primary Academy	20.0%	£12k	73	17

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received Employer (£k)	Employee (£k)
ADMITTED BODIES				
Active Lincolnshire	21.6%	-	15	5
Active Nation	33.1%	-	13	2
Adults Supporting Adults	31.1%	-2.0%	5	1
Balfour Beatty	17.5%	8.4%	117	30
Cater Link (West Grantham Academy) (left 01/07/2021)	32.2%	-	3	0
Caterlink - DRET (joined 01/04/2022)	31.6%	-	42	8
Caterlink (South Witham)	32.0%	-	5	1
Caterlink (Walton Girls High School)	28.8%	-	13	2
Danfo UK Ltd	30.3%	-	6	1
Easy Clean (Baston Primary) (left 01/10/2021)	37.3%	-	3	0
Easy Clean Contractors (Linchfield)	31.7%	-	2	0
Edwards and Blake Ltd	32.7%	£5k	17	2
Future Cleaning Services	32.8%	-	6	1
G4S	16.3%	-	568	227
GLL	17.5%	8.4%	378	88
Independent Cleaning Services (Caistor Grammar)	26.1%	-	2	0
Lincolnshire Housing Partnership	29.7%	£143k	222	24
Lincolnshire Road Car Company Ltd. (Stagecoach)	17.3%	-	4	1
Magna Vitae Leisure Trust	21.1%	-4.60%	181	71
Making Space	30.4%	-	6	1
Mellors Catering Services	25.7%	£1k	9	2
Nightingale Cleaning Limited	32.3%	-	1	0
Outspoken Training	35.5%	-	2	0
Platform Housing Group	28.2%	£392k	772	56
SERCO	17.5%	8.4%	633	155
Taylor Shaw (Branston Academy)	33.9%	-	9	1
Vinci Construction UK Limited	35.2%	-	13	2

* indicates employer has ill health insurance with Legal and General therefore the actual rate paid is reduced by 1.75% for the insurance premium

Contribution payments are paid by the employers directly into the Lincolnshire Pension Fund bank account, and monthly data submissions are sent to the Fund's administrator, WYPF, through a secure portal.

The timely receipt of contribution payments and data submissions is monitored closely. Late payers (either in paying cash or in submitting data after the Funds deadline of the 19 of the month following payroll, or where the two elements do not agree) are reported quarterly to both the Pensions Committee and the Pension Board.

A policy is in place to fine employers where they are late in three of any six months over a rolling period, to cover additional administrative costs. However the Fund and its administrator work closely with employers to ensure that employers understand their responsibilities and the processes required to meet them. Over the year to 31 March 2022 there was only one fine raised to employers (seven in 2020/21). The Fund has not opted to levy interest on overdue contributions.

Asset Pooling

Introduction

In the LGPS (Management and Investment of Funds) Regulations 2016, enacted in November 2016, the Government required all Local Government pension funds to combine their assets into a small number of asset pools, in line with guidance issued by the Secretary of State and meeting the four criteria set out below:

a. Benefits of scale - a minimum asset size of £25bn;

b. Strong governance and decision making;

c. Reduced costs and value for money; and

d. Improved capacity to invest in infrastructure.

These regulatory changes do not affect the sovereignty of the Lincolnshire Pension Fund, and the pooling of LGPS assets will have no impact on the employee contribution rates or pension entitlement of members of the fund (pensioners, current employees and previous employees who are yet to draw their pension).

New guidance from the Department of Levelling Up, Housing and Communities (DLUHC) was not received as expected in 21/22 but is now expected to be issued for consultation in Autumn 2022/23.

Lincolnshire Pension Fund's Solution

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

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

The new entity was created by the partner funds, with experts appointed to ensure the structure would meet the needs of the Funds, the requirements of the Financial Conduct Authority (FCA) and the criteria set by Government.

Border to Coast Pensions Partnership

Border to Coast Pensions Partnership Ltd (Border to Coast) went live in July 2018 as a fully regulated asset management company, jointly owned by eleven partner funds' administering authorities, with each Fund having an equal share in the company. Border to Coast's role is to implement the investment strategies of the partner funds, through a range of investment sub-funds offering internally and externally managed solutions.

Border to Coast is based in Leeds and has 111 employees. This includes a large team to directly manage assets, alongside a team to select external managers. As an FCA regulated company, Border to Coast must comply with all the requirements that any other asset manager has to and is subject to company legislation. At the end of March 2022, Border to Coast had £28.6bn under management across eleven collective investment vehicles, and £9.7bn of Private Market commitments from partner funds.

Oversight and Governance

Border to Coast has eleven LGPS partner funds – Bedfordshire, Cumbria, Durham, East Riding, Lincolnshire, North Yorkshire, South Yorkshire, Surrey, Teesside, Tyne & Wear and Warwickshire. The Chairs of the Pensions Committees of these funds sit on a Joint Committee, to exercise oversight of the investment performance of the company and report back to, and take feedback from, the various Pensions Committees. In addition there is a scheme member representative that has a non-voting seat on the Joint Committee, who is nominated by the eleven Partner Funds' Local Pension Boards. The Joint Committee represents the Funds as investors in Border to Coast. As Border to Coast is jointly owned by the administering authorities of the Pension Funds, there is also a shareholder role that the authorities provide, and the responsibilities are all set out in a shareholder agreement. Pension Fund Officers provide day-to-day oversight and work closely with Border to Coast to ensure that the company provides the investment vehicles the funds need to implement their investment strategies.

Asset Transitions

As at 31 March 2022, the Lincolnshire Fund had transitioned assets into four sub-funds.

The first transition took place in October 2019, when approximately £420m was transferred from three global equity managers (Columbia Threadneedle, Morgan Stanley and Schroders) to the Border to Coast Global Equity Alpha sub-fund. In February 2020, the second wave of assets was transitioned, with approximately £190m transferring from a passive bond portfolio managed by Blackrock to the Border to Coast Investment Grade Credit sub-fund.

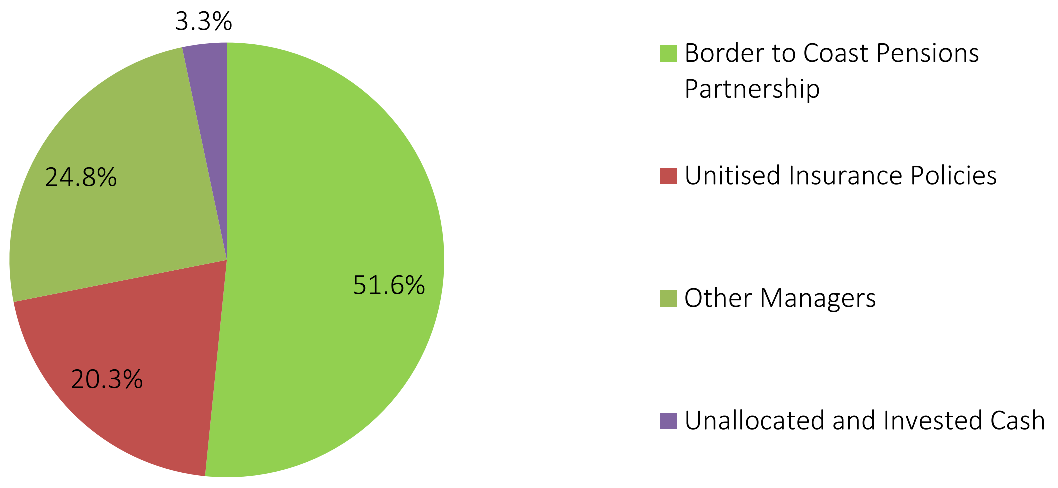
In July 2020, approximately £380m was transferred from a passive UK equity mandate managed by Legal and General into the Border to Coast UK Equity sub-fund. In February 2021, an additional investment of approximately £196m was made into the Global Equity Alpha sub-fund, following the termination of Invesco's global equity mandate.

In October 2021, the Fund transitioned its multi asset credit assets from PIMCO to the Border to Coast Multi Asset Credit sub-fund, with additional investment through redeeming the overweight positions in Global Equity Alpha and the UK Equity funds.

Work continues on the property and alternatives solutions.

The chart and table below show the proportion of the Fund that has now been invested into Border to Coast vehicles as at 31 March 2022, at 51.6%. This compares to 49.8% invested at 31 March 2021, and shows the positive direction of travel. Further detail on this can be found in the Accounts section of this report at note 12C.

Asset Class	Market Value £'000	Market Value £'m	Market Value %
Border to Coast Pensions Partnership	1,564,205	1,564.2	51.6%
Unitised Insurance Policies	614,328	614.3	20.3%
Other Managers	753,187	753.2	24.8%
Unallocated and Invested Cash	99,606	99.6	3.3%
Net Investment Assets	3,031,326	3,031	100.0%



Assets under management, costs and savings prior to 2018/19 are shown as a cumulative value, as Border to Coast Pensions Partnership went live in July 2018.

Border to Coast Assets Under Management (AUM) for Lincolnshire Pension Fund	Cumulative to 18/19	2019/20	2020/21	2021/22
Border to Coast	0	525	1,350	1,564
Passive / Other (not to be pooled)	574	585	564	614
Other	1,770	1,092	833	853
Total AUM £m	2,344	2,202	2,748	3,031
Border to Coast	0%	24%	49%	52%
Passive / Other (not to be pooled)	24%	27%	21%	20%
Other	76%	49%	30%	28%
Total AUM %	100%	100%	100%	100%

Border to Coast costs and savings for Lincolnshire

Border to Coast worked with the Partner Funds during 2020/21 to gather data, agree assumptions, and build a savings model and process that will enable consistent reporting against this key metric going forwards. This supports one of the original objectives of pooling i.e. to reduce costs and deliver value for money.

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

The table below details the net savings to date.

Border to Coast Costs and Savings	Cumulative to 18/19 Actual £m	2019/20 Actual £m	2020/21 Actual £m	2021/22 Actual £m
Implementation Costs – pre-incorporation	0.19	-	-	
Implementation Costs – post-incorporation	0.24	-	-	
Share Purchase/Subscription	0.83	-	0.35	
Share Purchase/Subscription (adj.)	-	-	-	
Governance Costs	0.17	0.19	0.23	0.30
Development Costs	0.01	0.06	0.05	0.07
Project Costs	-	0.09	0.14	0.18
Total Set-up and Operating Costs	1.44	0.35	0.78	0.55
Transition Costs	-	0.42	(0.01)	0.14
Fee savings due to pooling	0.06	0.05	0.21	0.10
Fee Savings – Private Markets	-	-	-	-
Fee Savings – Public Markets	-	0.35	0.91	1.36
Fee Savings – Public Markets (add. costs)	-	-	(0.06)	-
Fee Savings – Real Estate UK	-	-	-	-
Fee Savings – Real Estate Global	-	-	-	-
One Offs (Crossing deals)	-	-	3.28	-
Other Savings	-	-	-	-
Total Fee Savings	0.06	0.40	4.34	1.46
Net Position	(1.38)	(0.37)	3.57	0.77
Cumulative Net Position	(1.38)	(1.74)	1.82	2.60

Border to Coast contact details:

Border to Coast Pensions Partnership
5th Floor, Toronto Square, Leeds, LS1 2HJ

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

Annual Report of the LGPS Local Pension Board 2021/2022

Introduction

I am pleased to present the report of the Local Pension Board of Lincolnshire County Council (LCC) for the year 2021/2022.

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

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

Purpose

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

- Securing compliance with the Scheme Regulations and any other legislation relating to the governance and administration of the Scheme;
- Securing compliance with the requirements imposed by the Pensions Regulator (TPR) in relation to the Scheme;
- Ensuring any breach of duty is considered and followed under the Scheme's procedure for reporting to TPR and to the Scheme Manager;
- Assisting the Scheme Manager to ensure the effective and efficient governance and administration of the Scheme; and
- Such other matters as the Scheme Regulations may specify.

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

Constitution and Membership

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

- **Independent Chair** (non-voting)
  Roger Buttery
- **2 Employer Representatives** (both voting)
  Councillor Mark Whittington (Lincolnshire County Council)
  Gerry Tawton (Boston College)

- **2 Member Representatives** (both voting)
  David Vickers
  Kim Cammack

Four meetings were held within the period – 15 July and 14 October 2021, 6 January and 17 March 2022.

All the Board Members have completed the Pension Regulator's Public Service toolkit. All the Board Members have also attended a variety of externally organised conferences and seminars throughout the year as well as two internal training sessions on Investment Strategy and Responsible Investment; Investment Beliefs and the 2022 Actuarial Valuation.

The Work Programme

The Board has an annual work programme. At each of the four meetings, the Board considered several standard reports, including:

Service Provision during the pandemic – the Board received assurances from the West Yorkshire Pension Fund (WYPF) that the pensions administration service had continued to be provided during the pandemic lockdowns. The Administration Team transitioned successfully and seamlessly to working from home and provided continued support to the membership. The Board congratulated the Team for their efforts.

Each quarter, the Board considered a report from WYPF on current administration issues within the Lincolnshire Pension Fund. The Key Performance Indicators (KPIs) are an important consideration. Throughout the year, the Board has been comfortable with the performance of WYPF and most of the KPIs have been in the 95% range.

At alternative meetings during the year, the representative from WYPF was questioned on the data scores as reported to TPR. At the January meeting, the reported scores were Common data 95.78% and Scheme Specific data 84.38%. Both scores showed only marginal changes to those recorded six months previously, namely 95.86% and 84.32%, respectively. The target is 100%, particularly for Common data. At the March meeting, WYPF reported an improvement of 2% in the scheme specific data arising from the data improvement plan. Much of the missing data is historic but WYPF stated that the issue was being addressed. The Board will continue to monitor WYPF's progress against the data improvement plan.

The Board also noted that around 99% of the Annual Benefit Statements had been issued to members by the statutory deadline. This was considered to be an excellent achievement. However, the Board expressed concern at the apparent low number of members who had accessed the statements. WYPF stated that a report was being developed to identify the number of scheme members viewing annual benefit statements.

Although there is a concern over meeting the TPR's targets on data quality, overall, the Board's conclusion was that the administration of the scheme continues to be sound.

Employer monthly submissions and contribution monitoring - at each meeting, the Board considered a report from the Head of Pensions on any current issues within the fund including investment matters and the employers' monthly submissions and contribution monitoring. As regards the latter, for the vast majority of employers, the payment of contributions and the data submissions are made on a timely basis but there are a few outliers. During the year, there were 25 cases of the late payment of contributions and 43 cases of the late submission of monthly returns, out of over 6,000 returns and cash payments received over the year. This is both disappointing and unacceptable but there is a recognition that it is important to work with the employers to attempt to resolve issues before taking further action. Efforts will therefore continue to remind employers/payroll providers of their duties and responsibilities through individual contacts, either in person, by email or telephone. The Board will keep this issue under close review.

Annual Report & Accounts and External Audit - At the July meeting, consideration was given to the Pension Fund's draft Annual Report & Accounts for 2020/2021 A progress report on the external audit work outstanding and findings from the work completed was considered at the October meeting. The Board was advised that a combination of Covid-19 implications and staffing issues were cited by Mazars as contributing to the delay in the sign-off of the Accounts. An unqualified audit opinion was eventually issued on the Pension Fund Statement of Accounts. The Board congratulated the Head of Pensions on producing an excellent document.

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

Internal audit activity - the Board reviewed an exempt report on the internal audit of several aspects of the pensions service, including scheme contributions, transfers out, new pensions and lump sums for flexible retirement, pensioner payroll, transfers in, mitigation of pension scams and life existence. Four of the topics received an excellent rating and three good. There were a few recommendations which management accepted and have been actioned. The overall conclusion of the review was that LCC's Internal Audit Team continue to be able to place reliance on the assurance work of the pensions administration function undertaken by the WYPF.

Prudential AVCs - for many years, Prudential has provided an excellent service for members with AVC funds. However, Prudential's administration platform was changed recently resulting in major problems and a poor service to members. These included long delays in the divesting of AVC pots invested with Prudential and delays in Prudential posting contributions to members' individual AVC pots. Both Lincolnshire and WYPF reported Prudential to the Pensions Regulator. Almost all LGPS funds using Prudential for AVCs appear to have been affected by these delays including WYPF and therefore Lincolnshire. In December 2021, Prudential attended the LGPS Scheme Advisory Board (SAB) meeting and reported on the action being taken to rectify the problems. Prudential confirmed that it had reported itself to the Pensions Regulator after failing to meet its statutory deadlines. Prudential advised the SAB that its performance in certain areas was improving. Both the Regulator and the Financial Conduct Authority are aware of the problems and have had meetings with Prudential. The latest experience from WYPF is that member retirements are being dealt with on a timelier basis. In addition, the annual members' statements for 2020/2021 were issued to Lincolnshire members in January 2022. Although the service is returning to normal, communication from Prudential remains disappointing.

The pension regulator's code of practice - Lincolnshire's compliance to the Code is regarded as a very important report.

The eleven elements of the Code are:

a) Reporting duties;

b) Knowledge and understanding;

c) Conflicts of interest;

d) Publishing information about schemes;

e) Managing risk and internal controls;

f) Maintaining accurate member data;

g) Maintaining contributions;

h) Providing information to members and others;

i) Internal dispute resolution;

j) Reporting breaches of the law; and

k) Scheme advisory board.

A checklist of 99 items covering the above was produced in a traffic lights format. It is pleasing to report that Lincolnshire was largely compliant throughout the year. As at March 2022, there were 95 green and 1 not relevant. There were 3 partially compliant because certain aspects are outside direct control. The Board considered that the compliance to tPR's Code was very good.

Conclusion

The Board considers the governance and administration of the Scheme to be sound. Lincolnshire's compliance to the vast majority of TPR's Code of Practice is particularly impressive. The Report and Accounts for 2020/2021 was an excellent document and there was an unqualified audit report. The Board will continue to monitor various national initiatives if any proposals unfold.

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

Roger Buttery
Pension Board Chair
May 2022

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

Jo Ray, Head of Pensions
Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL
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Information on Board membership and meetings can be found on the Council's website:
http://lincolnshire.moderngov.co.uk/

Investment Background

Returns for Major Markets

The twelve months to 31 March 2022 produced a range of returns across the asset classes.

Equity market returns were generally positive, with the laggard being Emerging Markets at a negative 3.3% and US Equities leading the pack at 21.2%.

Bond asset returns were mixed, with UK Gilts and UK Corporate Bonds negative at -5.1 and -5.5 respectively, UK Index Linked Gilts positive returning 5.1%.

UK Commercial Property was the best performing asset, with returns at 23.1% over the year.

Investment Returns to 1 April 2021 to 31 March 2022

The table below shows index returns that investors could have achieved, based in sterling.

Asset Class	Index	Index return to sterling investors %
Equities		
United Kingdom	FTSE All Share	13.0
Global Equities	FTSE World	12.7
United States	S&P 500	21.2
Europe ex UK	FTSE Developed Europe	6.5
Japan	TOPIX	(2.7)
Emerging Markets	FTSE Emerging	(3.3)
Fixed Interest		
UK Gilts	FTSE UK Gilts	(5.1)
UK Index Linked Gilts	FTSE Index–Linked	5.1
UK Corporate Bonds	IBoxx Sterling Non-Gilts All Stocks	(5.5)
UK Commercial Property	MSCI/AREF UK Property Fund Index - All Balanced Fund Index	23.1
Cash	12 Month SONIA	1.6

Asset Class Performance Narrative

Global Equity Overview

Global stock markets rose significantly over the past 12 months, led by the strong-performing US market.

Driven by economic optimism, vaccine rollouts, continued accommodative policy and a solid corporate reporting season, equity markets advanced largely unchecked through the spring and summer of 2021. The MSCI World Index reached a record high in August but sold off in September, as concerns grew over inflation and the need for interest rate hikes. Markets began to rally again in October on the back of strong corporate results. Despite selling off in late November amid the emergence of the new Omicron variant of Covid-19, they continued their rise into the end of the year as Omicron fears receded.

January brought a turbulent start to 2022 for financial markets. Global stock and bond markets fell heavily on concerns that developed world interest rates will have to rise faster and further than previously anticipated. Having initially dismissed surging inflationary pressures as 'transitory', despite the highest inflation rates in decades, the major Western central banks adopted a tougher tone in recent months. Further rate rises are expected in the US, UK, and Europe this year. Central banks have also begun winding down their bond-buying programmes.

February also brought major market volatility after Russia invaded Ukraine. Energy markets were especially affected, with oil and natural gas prices rocketing and food prices also climbing sharply. Equities fell in February, although hopes of a negotiated settlement meant developed stock markets recovered slightly in March. The Russian stock market and currency collapsed after Western economies imposed a series of severe sanctions upon the country's economy. Rising energy and food costs following the Russian invasion are expected to compound existing global inflationary pressures unless there is a resolution to the conflict.

UK Equities

The UK stock market recorded double-digit gains over the 12-month period. Investors continued to grapple with the economic fallout from the coronavirus pandemic as well as mounting concerns about inflation. However, the easing of lockdown restrictions following an effective vaccine rollout maintained the positive economic and stock market momentum for most of the period.

The UK equity market advanced steadily through the spring and summer of 2021, albeit stocks suffered a slight setback in July on higher Covid-19 numbers. The market dipped again in November following the emergence of the Omicron variant but quickly recovered in December as fears about the latest virus strain began to recede.

The broad UK stock market displayed relative resilience in a tough start to 2022 for global stock markets. The 'value' bias of the UK stock market and its exposure to energy and commodity stocks helped it hold up much better than most other developed stock markets during the volatility in January and February.

Inflation continued to rise in the UK, with annual consumer prices hitting a three-decade high of 6.2% in February. High energy costs, post-pandemic supply shortages caused by kinks in global supply chains and labour shortages are among the main reasons for escalating prices. The Bank of England

(BoE) reacted to spiking inflation by increasing its base rate at three consecutive meetings from December.

US Equities

US equities made significant gains during the last 12 months due to a successful vaccine rollout, economic reopening and strong company earnings. Progress faltered towards the end of the period, as the prospect of higher interest rates against a backdrop of surging inflation caused share prices to fall sharply in January 2022. US shares fell further in February as Russia's invasion of Ukraine rattled global stock markets. Nonetheless, the 12-month period was still marked by double-digit returns for the S&P 500 index.

Share prices continued to climb throughout the spring and into the summer of 2021, driven mainly by investors' ongoing optimism regarding the distribution of Covid-19 vaccines and generally positive economic data.

In November, the S&P 500 Index, fuelled by a robust results season, hit new highs for eight consecutive days – a record streak last achieved in 1997. The rally broke late in the month, as the headlines became dominated by news of the Omicron variant of Covid-19. Share prices started to move up again in December, as concerns surrounding the impact of the new variant eased.

With annual consumer inflation hitting successive multi-decade highs (including 7.9% in February), market expectations of interest rate rises mounted. Growth stocks, such as technology companies, which are especially sensitive to higher interest rates, were particularly hard hit in January's sell-off, with the tech-heavy Nasdaq Index falling sharply. US stocks fell again in February, although recovered some ground in March.

The Federal Reserve (Fed) raised interest rates by 0.25 percentage points in March, its first rate hike since 2018, and signalled as many as six further rate rises this year as the central bank seeks to dampen inflationary pressures caused by rising energy costs, supply chain challenges and a booming jobs market.

European Equities

European shares (excluding the UK) finished higher over the 12 months although have struggled in 2022. The region's equity markets performed well through the spring and summer months of 2021, despite ongoing lockdown measures and rising Covid-19 cases. After rising for seven consecutive months, European shares finally fell in September, with German equities among the worst performers.

European markets recovered in October before being hit in November by the Omicron scare. European stocks then rallied into the year-end but sold off sharply alongside global markets in January on the prospect of higher interest rates. This weakness extended into February after Russia's invasion of Ukraine towards the end of the month saw investors dump equities for lower-risk assets such as gold. European shares edged higher in March on hopes of a negotiated settlement to the conflict.

On the economic front, in common with the US and UK, soaring inflation is proving a challenge to European policymakers: eurozone annual inflation has been running at its highest level since the introduction of the euro, hitting 7.5% in March. Unlike the Fed and BoE, however, the European Central Bank has kept its main interest rate unchanged at emergency low levels.

Nevertheless, the central bank adopted a more hawkish tone and ended its Pandemic Emergency Purchase Programme in March 2022, while ECB President Christine Lagarde has not ruled out rate hikes in 2022.

Asian Pacific Equities

Equity markets in the Asia Pacific (excluding Japan) region fell over the 12-month period. Asian stocks initially gained ground, with markets supported by loose monetary policy by Asian central banks, improving economic data and vaccine rollouts. Several Asian markets reached record highs as a result. However, regional markets corrected thereafter, as a jump in bond yields dented investor confidence, while fresh waves of Covid-19 infections prompted renewed restrictions across several countries.

Volatility persisted throughout markets in the second half of the period, amid growing worries that inflation may persist even after global growth has peaked. Meanwhile, the emergence of the new Omicron variant and monetary-tightening measures by central banks further weighed on markets into the end of the period. Asian stock markets slipped further in February and March amid the global market volatility and higher commodity prices caused by Russia's invasion of Ukraine.

Looking at individual markets, Chinese equities sold off heavily. Aside from persistent tensions with the US, Chinese stocks were also buffeted by increased regulatory scrutiny across sectors, a slowing economy, and a resurgence in Covid-19 cases; the Chinese government's 'zero-Covid-19' policy led to lockdowns of the major cities of Shanghai and Shenzhen in March. Investors also fretted over property developer Evergrande's unresolved debt crisis, which led to worries of wider systemic risk within the real estate and financial sectors.

Elsewhere, the Indian market enjoyed strong gains, buoyed by the country's vaccine rollout and improving macro backdrop.

Japanese Equities

The Japanese stock market was slightly up over the 12 months (in local-currency terms), although underperformed other major developed markets and was down in sterling terms due to a weaker yen.

Early in the period, Japanese shares benefited from positive investor sentiment arising from vaccine breakthroughs and positive economic data. However, fears of rising infections, the slow vaccination programme and Tokyo entering its third emergency lockdown then weighed on markets. Japan was one of the strongest major developed markets in August and September, as investors reacted positively to the change in the political landscape and an improving Covid-19 picture.

Former Prime Minister Yoshihide Suga's approval rating sunk to a record low due to the government's handling of Covid-19, and the decision to go ahead with staging the Olympics during a global pandemic. He was replaced by Fumio Kishida as leader of the ruling Liberal Democratic Party. Against expectations, the party comfortably retained power in the general election at the end of October. Kishida's ascent to power was initially welcomed by investors due to expectations of an additional economic stimulus. However, investors became concerned that the new prime minister would raise taxes on financial income, primarily for the wealthy.

In common with global stock markets, Japanese equities sold off abruptly in January, with technology-related stocks especially weak. Unlike the US Fed, however, the Bank of Japan is not under pressure to raise interest rates. Japanese inflation remains relatively subdued despite higher energy costs.

Fixed Interest

Corporate Bonds

A sell-off in investment-grade and high-yield bonds in January 2022 on the back of fears of rising interest rates, followed by further weakness in February and March after Russia's invasion of Ukraine, meant corporate bonds experienced a challenging 12- month period.

Fears over the impact of Covid-19 on the credit market, particularly high-yield bonds, had dissipated somewhat by the beginning of the period. Economies had emerged from the first lockdown and the major central banks were purchasing corporate bonds through their stimulus programmes.

Early in the period, as government bond yields stabilised, corporate bonds performed relatively well through to August, even as the Fed said it would begin offloading corporate bonds bought through its pandemic support plan. However, corporate bonds fell in September as minutes from the Fed's rate-setting committee suggested an increasingly hawkish approach from policymakers.

Bonds recovered somewhat in the final quarter of 2021, despite continuing bond market volatility, but fell heavily in the opening quarter of 2022. Spreads for global investment grade corporate bonds widened significantly over the first quarter as, first, expectations of higher interest rates, followed by the outbreak of war in Ukraine, rattled bond investors. The conflict also further increased inflationary pressures globally, contributing to a large increase in government yields, with the 10-year US Treasury yield rising to 2.40% by the end of the period.

Government Bonds

Global government bonds endured a challenging 12 months as investors were forced to face up to a dramatic change in the interest rate environment. An end to bond-buying stimulus programmes in 2022 and the prospect of central banks raising interest rates faster and further than previously anticipated led to a major sell-off in government bonds in the opening quarter of 2022. US Treasuries experienced their worst quarter on record.

Global government bond prices largely fell from July onwards amid concerns about a withdrawal of central bank support. Meanwhile, the Bank of Canada surprised investors by ending its quantitative easing programme in September. Soon after, minutes from the US Fed's rate-setting committee signalled changes were on the way. This came to fruition in November as the Fed started to scale back its bond purchases in the face of multi-decade high inflation numbers, which jumped to 6.8% in November, a then 40-year high. The Fed held interest rates at its December meeting but announced that it would accelerate the reduction of its bond-buying programme.

The trend of falling government bond prices reversed in November as news of the Omicron variant hit bond markets, with investors selling equities and buying government debt. But this was short-lived due to more central banks starting to show their hand through December in a bid to combat rising inflation. The BoE was the first major central bank to raise rates since the

pandemic. It increased its base rate from 0.10% to 0.25% in December and followed with two more rate increases in February and March, as UK annual consumer price inflation continued to climb, hitting a 30-year high of 6.2%, based on February's data.

The Fed raised interest rates by 0.25 percentage points in March, its first rate hike since 2018, and signalled as many as six further rate rises this year as the US central bank seeks to dampen inflationary pressures caused by rising energy costs, supply chain challenges and a booming jobs market – annual consumer price inflation hit 7.9% in February. The US Treasury yield curve briefly inverted during March; a move often considered a signal of a pending recession.

UK Commercial Property

Total returns from UK commercial real estate were 21.8% over the 12 months to the end of February. Offices were the weakest, returning 5.8%, while industrials outperformed with a return of 40.2%. Investment activity was high over the period, although polarisation between and within sectors was acutely visible, with the industrial and logistics sector the most favoured sector, while retail picked up as restrictions eased.

The office sector is likely to face some major structural challenges ahead. Performance for the sector has held up over the 12 months, but polarisation between the very best and the rest will become more evident in 2022/2023, with the forecast profile reflecting gradual declines in values and rents.

Meanwhile, according to Colliers, UK real estate investment spend is expected to hit £65 billion in 2022, with transaction volumes already at £12.3 billion over the first three months of the year. Elsewhere, offices in the UK have seen incremental rises in occupancy at the beginning of 2022, with the return to offices happening slowly as the Government's 'Work from Home' guidance is lifted.

Administration of Benefits

The shared service arrangement with West Yorkshire Pension Fund (WYPF) to provide Pensions Administration services for the Lincolnshire Pension Fund began in April 2015. This arrangement was made to improve efficiency and reduce costs in the provision of the Pensions Administration service, and this is being seen.

A satellite office for the WYPF administration team is based in Lincoln, co-located with the LCC Pension Fund team, to enable scheme members to have a point of contact in Lincolnshire. Under normal circumstances, members can visit County Offices and speak to someone regarding their pension arrangements. However for the last two years, due to the Covid pandemic, staff have generally been working from home, and all contact has been via telephone and email.

The monthly data return from employers is a considerable benefit to the administration process, and has improved the quality of data held in the administration system, enabling a better service to be provided to scheme members. However some employers and their payroll providers still need to improve their own processes for submitting accurate data. WYPF continues to work with the Lincolnshire Fund and its employers to improve all aspects of administering the scheme.

The Pensions Committee and Pension Board take a keen interest in the administration of the Fund, and receive regular reports and presentations (see the Board's annual report on page 32) on all aspects of the administration service.

The Head of Pensions attends the bi-monthly shared service meetings, with all shared service partners. In addition, as part of the overall governance of the service, the Head of Pensions sit on the Collaboration Board of the shared service, alongside the senior management of WYPF and other shared service partners, to ensure that the original aims of the partnership with WYPF are met.

The service is monitored through a number of performance indicators. These are detailed in the table below, showing the performance achieved over the last year against the expected performance, and highlighted with a red, amber, or green to show where expectations have been met. Performance is reported quarterly to the Pensions Committee and Pension Board, and regular meetings are held with WYPF to understand and manage any performance issues. The critical business areas impacting on pensioners and their family take priority, these being members requiring immediate payment for retirements, redundancies, dependants' pensions, and death grants.

Key Service Performance Indicators and Direction of Travel

Event	No. Cases	Target Days to Complete	Cases Target Met	Minimum Target %	Target Met %	Average Days Taken	Travel
AVC in-house	141	20	138	85	97.87	2.28	↑
Age 55 Increase	2	20	2	85	100	19	↔
Change of address	1,071	10	1,034	85	96.55	2.05	↑
Change of bank details	267	10	255	85	95.51	3.19	↑
Death grant nomination received	1,427	20	1,144	85	80.17	10.63	↓
DWP request for information	8	20	7	85	87.5	7.88	↓
Death grant set up	131	5	111	85	84.73	4.9	↓
Death in retirement	539	5	481	85	89.24	4.49	↓
Death in service	22	5	22	85	100	5	↑
Death in deferment	49	5	46	85	93.88	4.65	↓
Deferred benefits into payment – actual	963	5	925	90	96.05	1	↓
Deferred benefits into payment – quote	1,169	35	1,033	85	88.37	14.47	↓
Deferred benefits set up on leaving	1,866	20	1,363	85	73.04	19.74	↓
Divorce quote	144	20	134	85	93.06	12.41	↑
Divorce settlement – pension sharing order implemented	4	80	4	100	100	1	↔
Enquiry	18	5	17	85	94.44	1.56	NEW
Estimates for deferred benefits into payment	11	10	11	90	100	2.91	↑
General Payroll Changes	354	10	351	85	99.15	1	↑
Initial letter death in service	22	5	22	85	100	1	↔
Initial letter death in retirement	556	5	528	85	94.96	1.77	↓
Initial letter death in deferred	49	5	43	85	87.76	4.18	↓

Event	No. Cases	Target Days to Complete	Cases Target Met	Minimum Target %	Target Met %	Average Days Taken	Travel
Interfund Linking In Actual	238	35	183	85	76.89	26.29	NEW
Interfund Linking In Quote	272	35	162	85	59.56	33.46	NEW
Interfund Out Actual	346	35	144	85	41.62	93.38	NEW
Interfund Out Quote	346	35	306	85	88.44	13.08	NEW
Monthly posting	3,182	10	2,990	95	93.97	2.89	↓
NI adjustment at state pension age	56	20	56	85	100	18.68	↑
Payment of spouses - child benefits	290	5	270	90	93.1	5	↓
Pension estimate	629	10	511	90	81.24	5.42	↓
Pension Saving Statement	2	20	2	100	100	1	↔
Phone Call Received	4,129	3	4,044	95	97.94	1	↓
Refund payment	508	10	500	95	98.43	1.07	↓
Refund quote	846	35	836	85	98.82	1.72	↓
Retirement actual	721	3	707	90	98.06	1	↑
Spouse potential	23	20	21	85	91.3	10.87	↑
Transfer in payment received	85	35	81	85	95.29	6.55	↓
Transfer in quote	140	35	139	85	99.29	2.64	↓
Transfer out payment	62	35	57	85	91.94	13.26	↓
Transfer out quote	445	20	399	85	89.66	8.53	↑
Update Member Details	2,591	20	2,591	100	100	1	↑

As can be seen from the table above, overall performance has generally met or exceeded targets (green direction of travel arrow).

There are some areas that have a red direction of travel arrow, where the performance target has not been met and that has declined over the year:

- Death Grant Nomination Form Received

- Death Grant to Set Up
- Deferred Benefits Set Up on Leaving
- Interfund In / Out
- Monthly Posting
- Pension Estimate

KPI's are brought to the Committee and Board quarterly and any areas that do not meet the standard required are discussed. The Fund understands the reasons behind any underperformance and what is being done to rectify the situation, and this does not provide the Fund with any cause for concern.

Industry standard performance indicators

The service is also monitored against industry standards. These are not directly comparable to the figures above as they are measured at different points, but they do provide a useful indicator of the overall level of service for comparison to other Funds.

Industry Standard Performance Indicators	Target days	Achieved %
Letter detailing transfer in quote	10	99.7
Letter detailing transfer out quote	10	57.5
Process and pay refund	5	95.4
Letter notifying estimate of retirement benefit	10	95.9
Letter notifying actual retirement benefit	5	92.9
Process and pay lump sum retirement grant	5	89.9
Letter acknowledging death of a member	5	96.9
Letter notifying amount of dependants benefit	5	91.4
Calculate and notify deferred benefit	10	96.2

New Pensions Paid

New pensions paid over the financial year are shown below, both from an active member status and a deferred member status. This is split across the various types of events that can cause a retirement:

- Normal – retirement at normal retirement age (NRA)
- Early – retirement before NRA – generally with reduced benefits
- Late – retirement after NRA – generally with increased benefits
- Ill health – release of pension through certified ill health
- Redundancy – release of pension from age 55 when made redundant

New pensions paid	2021/22 Member numbers
Active Status	274
Normal	431
Early	124
Late	35
Ill health	35
Redundancy	38
Total active	902
Deferred status	
Normal	412
Early	558
Late	18
Ill health	8
Total deferred	996

Pension Overpayments

Occasionally, pensions are paid in error. When this happens, processes are in place to recover the overpayments. The table below shows a summary of the value of the overpayments involved. Every effort is made to recover these, whilst managing the financial impact on the overpaid pensioners.

Overpayments	2021/22 £'000
Annual payroll	84,922
Overpayments value	28
Overpayments written off	0
Overpayments recovered (incl. bf recovered)	28

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

Analysis of overpayments	2021/22 Number of payments
Pensions paid during period	263,990
Cases overpaid	45
Cases written off	0
Cases recovered (incl. bf recovered)	45

Fraud Prevention – National Fraud Initiative

Lincolnshire Pension Fund, West Yorkshire Pension Fund, Hounslow Pension Fund and Barnett Pension Fund are in shared service arrangement hosted by West Yorkshire Pension Fund. The Funds participate twice a year in the National Fraud Initiative (NFI). The data that is submitted includes pensioners, beneficiaries and deferred member information for the Local Government Pension Scheme.

A summary of the latest NFI results for the **whole shared service** is shown below:

Pensioners, beneficiaries and deferred members	No. of records sent	No. and percentage of mismatches		Over payments identified	Possible frauds	Mismatches carried forward at 31 March
2021/22	288,636	1,685	0.6%	15	0	22
2020/21	286,429	963	0.3%	4	0	1
2019/20	277,293	3,845	1.4%	17	2	10
2018/19	260,387	3,339	1.3%	3	2	2
2017/18	229,994	518	0.2%	35	2	10

Value for money - Cost per member

The latest published data (2020/21) for all LGPS funds administration costs shows that LPF pensions administration cost per member is £12.82, the 3rd lowest cost amongst 86 LGPS funds and well below the national average of £24.16

In 2020/21 LPF had a below average total cost per members (administration, investment and oversight & governance) at £150.94, the national average for LGPS in 2020/21 was £274.31.

Cost per member 2020/21	Position	Lincolnshire Pension Fund	LGPS Lowest*	LGPS Highest*	LGPS Average
Administration	3rd	£12.82	£1.08	£158.29	£24.16
Investment	12th	£128.30	£17.25	£1,029.58	£238.43
Oversight and governance	33rd	£9.82	£0.00	£53.00	£11.74
Total Cost per member	11th	£150.94	£33.63	£1,088.82	£274.33

* the lowest and highest costs at each category are individual funds, and at the total level are the overall lowest and highest costs funds

The 2021/22 annual cost of managing the Lincolnshire Pension Fund per member, as summarised in note 10 in the accounts, is set out below:

- Administration cost per member is £13.32;
- Investment management cost per member is £133.36;
- Oversight and governance cost per member is £10.21; and
- Total management cost per member is £156.89.

Staffing

The table below identifies the numbers of staff across the areas of the shared service providing the administration service.

Shared service staff full time equivalent (FTE)	2017/18	2018/19	2019/20	2020/21	2021/22
Service Centre	58.1	59.5	54.8	52.4	57.7
Payroll	19.0	17.6	16.1	17.3	21.4
ICT	13.7	14.4	15.4	14.4	12.6
Finance	16.0	14.5	12.0	11.8	15.8
Business support	27.4	28.8	28.4	27.4	35.1
Technical	3.9	4.9	4.9	5.0	5.6
Total	138.1	139.7	131.6	128.3	148.2

Key activities undertaken during the year

Employer training

This year the workshops were delivered virtually in bite size webcasts by the shared service WYPF staff and are designed to give employers a good understanding of the pension scheme. Feedback from participants on these events has been very positive.

The webcasts this year have covered:

- Processing pension statement blocks and quarantines
- Understanding final pay
- Final pay – 'the deep dive'
- Overview of the LGPS
- The Ill health process
- What is a leaver?
- How to get the most out of the employer portal
- Walk through the online leaver form
- Valuation and the importance of your data
- Understanding CPP (CARE pay)
- Completing your March return: 'steps to success'
- Blocks & Quarantines P1 (Theory)
- Blocks & Quarantines P2 (How to clear)
- Assumed Pensionable Pay

Workshop on 'Planning for a positive retirement'

The workshops run by Affinity Connect, to support and guide members who are considering what retirement might mean to them, continue to be well attended.

The workshops raise awareness of key issues to consider and the decisions that members need to make as they approach this new stage in their life. It is especially useful for members thinking of retiring in the next couple of years, but valuable even if they're not yet sure when they want to retire.

Pension Increase

Each year, LPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI). Deferred member's benefits are also increased by CPI. For the 2021/22 year an increase of 0.5% was applied on 12 April 2021.

Pension administration and cost

As in previous years, the workload for pension administrators continued to increase and member numbers continue to rise across the shared service with WYPF.

The shared service delivery continues to be underpinned by its accreditation to the International Organisation for Standardisation - ISO 9001:2000. The quality management systems ensure that the shared service is committed to providing the best possible service to customers, and will continue to ensure that it delivers best value to all stakeholders. The latest published data for all LGPS funds administration costs shows that LPF pensions administration cost per member is £12.82, this is the 3rd lowest cost amongst 86 LGPS funds and well below national average of £24.16.

Communications

The contact centre hosted in Lincoln and in Bradford continues to be a popular way for members to communicate with the Fund about their pensions.

All annual pension benefit statements for active and deferred members were produced on time giving members information on their benefits accrued to date and what their potential benefits will be at retirement age, as well as other useful information. Positive feedback was received from members with the inclusion of information on pensions payable at ages 55, 60, 65 and state pension age, which included any reduction for early payment. Statements were issued electronically through the member secure portal.

Regular newsletters continue to be produced to keep members informed of important pensions news.

The shared service has Facebook and Twitter accounts to encourage members of all ages to engage more with the Fund through social media.

MyPension

With the shared services 'MyPension' service (accessible on the shared website) members can view their pension record and statements & update personal details. Members are being encouraged to sign up as the service moves to more online communications.

Data quality

LGPS Fund are required to report on their data quality to the Pensions Regulator as part of the annual scheme returns. The Pensions Regulator has set a target of 100% accuracy for new common data received after June 2010.

Current data quality figures for LPF are shown below:

Common data field	Data score %
Forename	100.0
Surname	100.0
Membership status	100.0
Date of birth	100.0
NI number	99.9
Address	96.1
Postcode	100.0

Much work is being undertaken to improve address data and this work will continue over the next twelve months and beyond.

Disaster recovery and risk management monitoring

The shared service partnership systems are hosted by WYPF which is administered by Bradford Council. Bradford Council uses a pair of geographically separated data centres, which are 3.2km apart. Both purpose-built data centres are protected by redundant power, UPS, a backup generator and cooling. The data centres are connected by point-to-point council-owned fibre runs. Datacentres have secure access systems and are monitored 24/7 by Bradford's CCTV Unit. Both sites are permanently live and accessible to the internal end users who are networked to the sites via diverse fibre cable routes. Where possible, servers are virtualised, using Microsoft Hyper-V. The servers and data are replicated between the Hyper-V hosts at both sites to ensure a short recovery time.

Data is backed up to disk medium in a 24-hour cycle and written to tape archive on robotic tape libraries at both sites. An encrypted archive copy is sent to a dedicated offsite storage facility every week. WYPF's server, disk and core network infrastructure is monitored for errors and warnings, and these generate a ticket on the WYPF IT ITIL system for investigation and resolution. Critical data stores are also replicated at disk level between sites. In the event of serious system failures WYPF would re-provision testing hardware and infrastructure environment for live running.

In the event of WYPF office accommodation becoming unavailable, staff will be relocated to other council offices or work remotely, including the remote office is in Lincoln. WYPF is covered by Bradford Council's comprehensive disaster recovery plan for all services they deliver for the shared service.

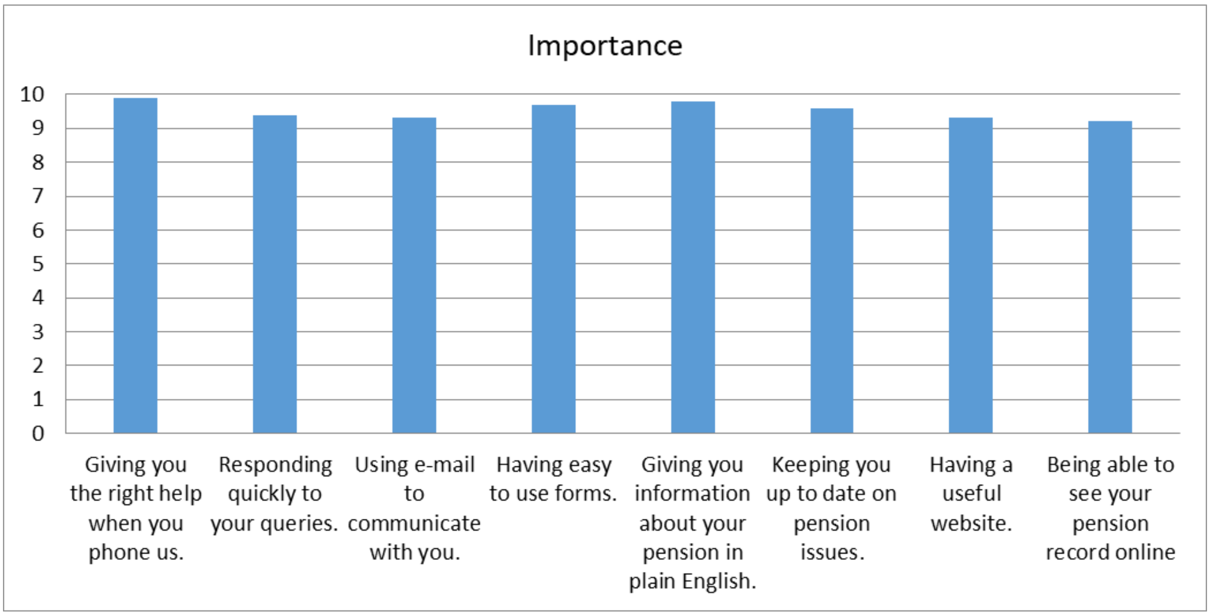
Customer satisfaction

Customer surveys are regularly sent to a sample of scheme members that have contacted the service centre or been involved in an event (e.g. retirement). In addition, the website has an online form for completion to obtain feedback.

The quarterly scores are presented to the Pensions Committee and Pension Board, in order to monitor satisfaction with the shared service by the end users. The table below shows the scores for the year.

April – June 2021	July - Sept 2021	Oct - Dec 2021	Jan - March 2022
81.7%	96.9%	91.5%	95.3%

The charts below show how members rate the importance of and satisfaction with the various services described below:



Summary of LGPS Contributions and Benefits

The LGPS is a defined benefit scheme, however there are three different benefit tranches, based on when scheme changes were brought in with new regulations. The three tranches are Pre 2008, April 2008 to March 2014 and Post April 2014. The benefits scheme members will be entitled to will depend upon when they joined and left the LGPS – and scheme members may have benefits across all three tranches.

Membership from 1 April 2014

Membership of the LGPS is available to all contracted employees of participating employers whether whole time or part time. Casual employees may also be members providing their contract of employment is for a minimum of three months. Whilst membership of the Scheme is not compulsory, employees of Scheme employers who are eligible are deemed to have joined unless they specifically opt out, whilst employees of transferred Admission Bodies are eligible only if they are employed in connection with the service transferred.

National legislation and regulation cover the LGPS including the benefit entitlements of Scheme participants and their families. Such benefits are not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits available are outlined below.

Contributions

Employee's contribution rates from 1 April 2014 are based on actual pensionable pay using the pay band table below. The bands are increased each April in line with inflation by the Ministry of Housing, Communities and Local Government. The bands, as they stood at 31 March 2022, are shown below.

Full Time Equivalent Pay	Contribution Rate
Up to £14,600	5.5%
More than £14,600 and up to £22,900	5.8%
More than £22,900 and up to £37,200	6.5%
More than £37,200 and up to £47,100	6.8%
More than £47,100 and up to £65,900	8.5%
More than £65,900 and up to £93,400	9.9%
More than £93,400 and up to £110,000	10.5%
More than £110,000 and up to £165,000	11.4%
Over £165,000	12.5%

Benefits

The retirement age for scheme members is their Normal Pension Age which is the same as their State Pension Age (but with a minimum of age 65). However, employees may retire and draw their pension at any time between age 55 and 75. If an employee chooses to retire before their Normal Pension

Age it will normally be reduced, as it is being paid earlier, and if taken later than Normal Pension Age then it will be increased, as it is being paid later. Retirement before age 55, other than on ill-health grounds, is not possible.

Annual Pensions

Pensions are calculated at a rate of 1/49 of the employee's pensionable pay in each scheme year. Inflation increases will be added to ensure that pension accounts keep up with the cost of living.

Lump Sum Payments

A member receives a tax free lump of three times their pension on service accrued prior to 1 April 2008. On service from 1 April 2008 there is no automatic lump sum, but members have the option to commute pension at the rate of £12 cash lump sum for every £1 pension given up, subject to maximum tax free lump sum of 25% of the capital value of accrued benefits at retirement.

Ill Health Retirement

There are three tiers of benefits. The benefits are calculated as for normal retirement with additional service under tiers one and two. The three tiers are explained below:

Tier 1 – The member is unlikely to be capable of gainful employment before Normal Pension Age. Benefits are based on the pension already built up at the date of leaving the scheme, plus the pension that would have built up, calculated on assumed pensionable pay, had they been in the main section of the scheme until reaching Normal Pension Age.

Tier 2 – The member is unlikely to be capable of gainful employment within three years of leaving, but is likely to be capable of undertaking such employment before Normal Pension Age. Benefits are based on the pension already built up at the date of leaving the scheme, plus 25% of the pension that would have built up calculated on assumed pensionable pay, had they been in the main section of the scheme until reaching Normal Pension Age.

Tier 3 – The member is likely to be capable of gainful employment within three years of leaving, or before Normal Pension Age if earlier. Benefits are based on the pension already built up at leaving. Payment of these benefits will be stopped after three years, or earlier if the member is in gainful employment or becomes capable of such employment, provided Normal Pension Age has not been reached by then.

Death-benefits

Death in service attracts a tax free lump sum of three times final pensionable pay. An annual pension is payable to a spouse/civil partner/co-habiting partner (when meeting certain criteria) and eligible children, however civil partners and co-habiting partners pensions are based on post 5 April 1988 membership only. If a member dies within ten years of their retirement (or up to age 75), a single lump sum payment is made of ten times the member's annual pension, less any pension paid since retirement. For a member who retired prior to 1 April 2008 and dies within five years of their retirement, a single lump sum payment is made of five times the member's annual pension less any pension paid since retirement. The surviving spouse is entitled to an annual pension based on 1/160 accrual of the member's membership.

Supplementary Pensions

Scheme members may purchase additional pension of up to a maximum of £6,822 per annum, in blocks of £250, through Additional Pension Contributions (APCs.). As an alternative, Scheme members may increase their benefits by paying Additional Voluntary Contributions (AVCs). The AVC provider, appointed by the County Council as the administering authority, is Prudential.

Membership from 1 April 2008 to 31 March 2014

Membership of the LGPS was available to all contracted employees of participating employers whether whole time or part time. Casual employees may also have been members, providing their contract of employment was for a minimum of three months. Whilst membership of the Scheme was not compulsory, employees of Scheme employers who were eligible were deemed to have joined unless they specifically opted out, whilst employees of transferred Admission Bodies were eligible only if they were employed in connection with the service transferred.

National legislation and regulation covered the LGPS, including the benefit entitlements of Scheme participants and their families. Such benefits were not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits under this tranche are outlined below:

Contributions

Employees contributed between 5.5% and 7.5% of their pensionable pay towards their pension.

Benefits

The retirement age for scheme members was 65. However, employees could retire between 60 and 65 but would suffer a reduction to their benefits (unless protected under the 85 year rule). Retirement before age 60*, other than on ill-health grounds, was not possible without the permission of the employer (*superseded by LGPS (Amendment) Regulations 2018, with effect from 14 May 2018, to enable deferred members to take their pension from age 55 (with reductions) without employer consent).

Annual Pensions

Pensions were calculated at a rate of 1/60 of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over (no age restriction for ill-health) were increased each April in line with inflation.

Lump Sum Payments

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

Ill Health Retirement

There are three tiers of benefits. The benefits are calculated as for normal retirement with additional service under tiers one and two. The three tiers are explained below:

Tier 1 – The member is unlikely to be capable of gainful employment before Normal Pension Age. Benefits are based on the pension already built up at the date of leaving the scheme, plus the pension that would have built up, calculated on assumed pensionable pay, had they been in the main section of the scheme until reaching Normal Pension Age.

Tier 2 – The member is unlikely to be capable of gainful employment within three years of leaving, but is likely to be capable of undertaking such employment before Normal Pension Age. Benefits are based on the pension already built up at the date of leaving the scheme, plus 25% of the pension that would have built up calculated on assumed pensionable pay, had they been in the main section of the scheme until reaching Normal Pension Age.

Tier 3 – The member is likely to be capable of gainful employment within three years of leaving, or before Normal Pension Age if earlier. Benefits are based on the pension already built up at leaving. Payment of these benefits will be stopped after three years, or earlier if the member is in gainful employment or becomes capable of such employment, provided Normal Pension Age has not been reached by then.

Death-benefits

Death in service attracted a tax free lump sum of three time's final pensionable pay. An annual pension was payable to a spouse/civil partner/co-habiting partner (when meeting certain criteria) and eligible children, however civil partners and 'nominated' dependent partners pensions are based on post 5 April 1988 membership only (now superseded to allow payment without a nomination form). If a member died within ten years of their retirement (or up to age 75), a single lump sum payment was made of ten times the member's annual pension, less any pension paid since retirement. The surviving spouse was entitled to an annual pension based on 1/160 accrual of the member's membership.

Supplementary Pensions

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

Membership up to 31 March 2008

Membership of the LGPS was available to all contracted employees of participating employers whether whole time, part time or casual.

National legislation and regulation covered the LGPS including the benefit entitlements of Scheme participants and their families. Such benefits were not linked to the investment performance of the Fund. Key features of the contributions payable and the benefits of this tranche are outlined below:

Contributions

Employees contributed 6% of their pensionable pay towards their pension, the exception being manual workers who were Fund members before 1 April 1998 who paid 5%.

Benefits

The normal retirement age for Scheme members was 65 but employees in the Scheme prior to 1 April 1998 could retire at 60* provided they had 25 years' service. Retirement before these ages, other than on ill-health grounds, was not possible without the permission of the employer (*superseded by LGPS (Amendment) Regulations 2018, with effect from 14 May 2018, to enable deferred members to take their pension from age 55 (with reductions) without employer consent).

Annual Pensions

Pensions were calculated at a rate of 1/80 of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over were linked to the movement in inflation.

Lump Sum Payments

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

Ill Health Retirement

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

Death-benefits

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

Supplementary Pensions

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

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

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

Pension Fund Knowledge and Skills Policy and Report

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

An annual training plan is agreed by the Pensions Committee each year, setting out what training will be covered over the coming year and linking it back to the CIPFA Knowledge and Skills Framework. Knowledge and skills are acquired and maintained through attendance at the regular Pensions Committees, as well as through additional training sessions targeting specific areas, and attendance at seminars and conferences. In addition, all members are offered the opportunity to attend the three-day fundamentals training arranged by the Local Government Association (or an equivalent course) and all new members are offered a one-to-one training session with the Head of Pensions. All Committee members are also required to complete the Pension Regulator's Public Sector Toolkit, to further extend their knowledge.

The Executive Director - Resources is the delegated officer responsible for ensuring that policies and strategies are implemented.

Activity in 2021/22

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

The 6 areas within the Knowledge and Skills Framework are:

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

The CIPFA Knowledge and Skills Framework was updated in 2021, and the 2022/23 training plan will reflect this.

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

Date	Subject matter	KSF area(s)
15 July 2021		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Responsible Investment Update	1,4
	Pensions Administration Report	1
	Employer Monthly Submissions Report	1
	Risk Register Annual Review	1,4
	Annual Training Plan and Policy	1
	Draft Annual Report and Accounts	1,2,4,5
	Annual Property and Infrastructure Report	4,5
	Investment Performance Report	4,5
16 September 2021		
Training	Border to Coast Responsible Investment	1,4,5
	Investment Strategy	1,4,5
14 October 2021		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Responsible Investment Update	1,4
	Pensions Administration Report	1
	Employer Monthly Submissions Report	1
	Annual Report and Accounts - External Audit Update	2
	Performance Measurement Annual Report	1,4
	Investment Performance Report	4,5
	Investment Strategy Review Report	1,4,5
	Investment Consultant Tender and Appointment Report	3
2 October 2021		
Training	Border to Coast Annual Conference	1,3,4,5
16 December 2021		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Responsible Investment Update	1,4
	Pensions Administration Report	1
		1

Date	Subject matter	KSF area(s)
	Data Quality Report	1
	Employer Monthly Submissions Report	1,4
	Border to Coast RI and Corporate Governance Voting Policies	2
	External Audit Completion Report	4,5
	Investment Performance Report	
6 January 2022		
Reports	External Manager Presentation	4,5
17 February 2022		
Training	Barnett Waddingham – Valuation	6
	Investment and Responsible Investment Beliefs Review	1,4,5
17 March 2022		
Reports	Independent Advisor Market Update	4,5
	Pension Board Report	1
	Fund Update	1,3,4
	Responsible Investment Update	1,4
	Pensions Administration Report	1
	Employer Monthly Submissions Report	1
	Investment and Responsible Investment Beliefs	1,4,5
	Fund Policies Review	1,4
	LPF Business Plan 22/23	1
	Annual Accounting Policies Review	2
	Investment Management Report	4,5
	AVC Provider Review	1,3

As the officer responsible for ensuring that the training policies and strategies are implemented, the Executive Director - Resources can confirm that the officers and individuals charged with the financial management of and the decision making for the Pension Fund collectively possess the requisite knowledge and skills necessary to discharge those duties and decisions required during the reporting period.

Committee Meeting Attendance 2021/22

As a result of the Coronavirus pandemic, all meetings were held in person, however on occasion Committee members attended virtually as observers. The table below shows attendance of each of the eleven members at each Committee meeting and training meeting held over the year. Actual attendance is shown with a black tick and virtual attendance is shown with a red tick.

	July 21	Sep 21	Oct 21	Dec 21	Jan 21	Feb 21	Mar 21
Cllr E W Strengiel (Chairman)	✓	✓	✓	✓	✓	✓	✓
Cllr P E Coupland (Vice Chairman)	✓	✓	✓		✓	✓	
Cllr M G Allan	✓	✓	✓	✓		✓	✓
Cllr M Griggs				✓			
Cllr Mrs A M Newton MBE	✓	✓		✓	✓		
Cllr S Parkin		✓	✓		✓		✓
Cllr T Smith	✓	✓	✓	✓	✓	✓	✓
Cllr Dr M E Thompson	✓	✓	✓	✓	✓	✓	✓
Cllr R Waller	✓	✓	✓	✓			✓
S Larter	✓	✓	✓	✓	✓		✓
A Antcliff	✓	✓	✓	✓	✓	✓	✓
Total Attendance	9	10	9	9	8	6	8

All members of the Pensions Committee have full voting rights.

Fund Account – Year Ended 31 March 2022

	See note	2020/21 £000	2021/22 £000
Contributions and Benefits			
Contributions Receivable	6	(113,558)	(120,601)
Transfers In from other Pension Funds	7	(7,081)	(7,977)
		(120,639)	**(128,578)**
Benefits Payable	8	98,215	101,369
Payments To and On Account of Leavers	9	20,694	6,236
		118,909	**107,605**
Net (additions)/withdrawals from dealings with Fund Members		**(1,730)**	**(20,973)**
Management Expenses	10	11,601	14,191
Net (additions)/withdrawals including Management Expenses		**9,871**	**(6,782)**
Returns on Investments			
Investment Income	11	(18,788)	(8,372)
(Profit)/Loss on Disposal of Investments and Change in the Value of Investments	12A	(519,604)	(273,977)
(Profit)/Loss on Forward Foreign Exchange	13	(29,687)	17,444
Net Returns on Investments		**(568,079)**	**(264,905)**
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(558,208)	(271,687)
Opening Net Assets of the Fund		(2,219,327)	(2777,535)
Closing Net Assets of the Fund		**(2,777,535)**	**(3,049,222)**

Net Asset Statement as at 31 March 2022

	See note	31 March 2021 £000	31 March 2021 £000
Long Term Investment Assets	12	1,182	1,182
Investment Assets	12	2,760,033	3,031,327
Investment Liabilities	12	(12,429)	(1)
Total Net Investments		**2,748,786**	**3,032,508**
Current Assets	19	31,779	24,038
Current Liabilities	20	(3,030)	(7,324)
Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period		**2,777,535**	**3,049,222**

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 18.

Notes to the Pension Fund Accounts

Note 1. Description of the Pension Fund

The Lincolnshire Pension Fund (the Fund) is part of the Local Government Pension Scheme and Lincolnshire County Council is the Administering Authority. Benefits are administered by West Yorkshire Pension Fund (WYPF) in a shared service arrangement.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (Management and Investment of Funds) Regulations 2016

It is a contributory defined benefit pension scheme to provide pensions and other benefits for pensionable employees of Lincolnshire County Council, the district councils in Lincolnshire and a range of other scheduled and admitted bodies within the county. Teachers, police officers and firefighters are not included as they come within other national pension schemes.

The Fund is overseen by the Lincolnshire County Council Pensions Committee, which is a committee of Lincolnshire County Council.

Membership

Membership of the LGPS is automatic for eligible employees, but they are free to choose whether to remain in the scheme or make their own personal arrangements outside of the scheme.

Organisations participating in the Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund; and
- Admitted bodies, which participate in the Fund under the terms of an admission agreement between the Fund and the relevant employer. Admitted bodies include charitable organisations and similar not-for-profit bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 260 contributing employer organisations in the Fund including the County Council and just under 73,600 members, as detailed below (information reported based on March processed data):

	31 March 2021	31 March 2022
Number of Employers with Active Members	**249**	**260**
Number of Employees in the Fund		
Lincolnshire County Council	9,228	9,525
Other Employers	13,810	14,897
Total Active Members	**23,038**	**24,422**
Number of Pensioners		
Lincolnshire County Council	16,369	15,483
Other Employers	8,377	8,053
Total Pensioner Members	**24,746**	**23,536**
Number of Deferred Pensioners		
Lincolnshire County Council	17,413	16,731
Other Employers	8,747	8,919
Total Deferred Pensioners	**26,160**	**25,650**
Total number of Members in the Scheme:	**73,944**	**73,608**

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. Rates paid by employers during 2021/22 were determined at the 2019 Valuation, or when a new employer joins the scheme. Rates paid during 2021/22 ranged from 16.3% to 35.2% of pensionable pay. In addition, the majority of employers are paying monetary amounts to cover their funding deficit.

Benefits

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

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

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

There are a range of other benefits provided under the scheme including early retirement, ill-health pensions and death benefits.

Note 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2021/22 financial year and its position at year end as at 31 March 2022.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounting policies set out below (at Note 3) have been applied consistently to all periods presented within these financial statements.

The accounts report the net assets available to pay pension benefits. The accounts do not take into account obligations to pay pensions and other benefits that fall due after the end of the financial year, nor do they taken into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net asset statement, in the notes to the account, or by appending an actuarial report prepared for this purpose. The Pension Fund has opted to disclose this information in Note 18.

The accounts have been prepared on a going concern basis.

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

On an annual basis the Code requires the Pension Fund to consider the impact of accounting standards that have been issued but have not yet been adopted and disclose information relating to the impact of these standards. For 2022/23 the Code introduces the following changes to the accounting standards:

- Adoption of the new accounting standard on leasing, IFRS 16 Leases, for those local authorities who have opted to adopt the standard from 2022/23;
- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme has changed four standards for 2022/23. These include: IFRS 1 (First-time adoption); IAS 37 (Onerous contracts); IFRS 16 (Leases) and IAS 41 (Agriculture). It is not envisaged that any of these changes will have a significant effect on pension fund financial statements; and
- Amendments to IAS 16 Property, Plant and Equipment relating to proceeds before intended use.

It is not thought that any of these changes will have a significant impact on the Pension Fund Accounts for 2022/23.

Note 3. Significant Accounting Policies

Fund account - revenue recognition

a) Contributions income

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

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

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustments certificate.

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

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

b) Transfers to and from other schemes

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

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

c) Investment Income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Changes in the net market value of investments

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

Fund account - expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

i) **Administrative expenses**
All staff costs of the pensions administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

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

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

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

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

In addition, the Fund has negotiated with Morgan Stanley Investment Management Ltd (for Alternative Investments) that an element of their fee will be performance related.

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

g) Financial assets

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

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

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

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

h) Foreign currency transactions

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

i) Derivatives

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

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

j) Cash and cash equivalents

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

k) Financial liabilities

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

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

l) Actuarial present value of promised retirement benefits

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

m) Additional voluntary contributions

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

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

n) Contingent assets and contingent liabilities

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

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

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

Note 4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies, which are described above in Note 3, the Fund is required to make judgements about transactions and the value of assets and liabilities where there is an element of uncertainty. Below the Fund has disclosed details of significant judgements, where if a different conclusion were reached, it would result in a material difference in the financial statements or disclosures made.

Pension Fund liability

The net Pension Fund liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. This estimate can be subject to significant variances based on changes to the underlying assumptions applied. The Fund relies on the appointed actuary's judgement to agree changes to these assumptions. At 31 March 2022 the actuary has reviewed and updated the funding position from the 2019 valuation, details of this are summarised in Pension Fund Note 17.

These assessments are important to the Fund because the triennial actuarial revaluations are used to set future contribution rates and underpin the Fund’s investment management policies, including the mix of investment assets held by the Fund to meet future pension liabilities.

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

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

The items in the accounts for the year ended 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liabilities by c. £387m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by c. £29m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by c.£178m. 4) a one-year increase in assumed life expectancy would increase the liability by c. £191m.
Hedge Funds (Note 14)	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	A fund manager estimates that the sensitivity of the valuation of these assets included at level 3 in the fair value hierarchy is +/-8%. This equates to a +/- £6.5m on a carrying value of £81.7m.
Unquoted Assets (including Alternatives, Infrastructure, Other Property and Private Equity) (Note 14)	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the Special Guidance issued in March 2020 concerning the impact of Covid-19 on valuations. These instruments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Unquoted Assets at 31 March 2021 are valued at £305.1m in the financial statements. There is a risk that these investments may be under or over stated in the accounts. Alternatives by +/-10% or £26.6m on a carrying value of £265.8m Infrastructure by +/-14% or £8.3m on a carrying value of £59.3m Other Property by +/-21% or £2.4m on a carrying value of £11.5m. Private Equity by +/-20% or £1.6m on a carrying value of £7.9m

Note 6. Contributions Receivable

Contributions receivable are analysed below:

	2020-21 £000	2021-22 £000
Employers		
Normal	66,028	68,777
Deficit Recovery Funding	23,655	26,595
Additional – Augmentation	1,182	1,498
Members		
Normal	22,618	23,651
Additional Years	75	80
Total Contributions Receivable	**113,558**	**120,601**

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

	2020-21 £000	2021-22 £000
Lincolnshire County Council - Administering Authority	48,066	51,573
Scheduled Bodies	61,797	65,305
Admission Bodies	3,695	3,723
Total Contributions Receivable	**113,558**	**120,601**

Note 7. Transfers In From Other Pension Funds

	2020-21 £000	2021-22 £000
Individual Transfers from Other Schemes	7,081	7,940
Group Transfers from Other Schemes	-	37
Total Transfers In from Other Pension Funds	**7,081**	**4,977**

During 2021/22 Foxfields Academy, a member of C.I.T. Multi-Academy Trust transferred from the Leicestershire Pension Fund into the Lincolnshire Pension Fund. All assets and liabilities relating to Foxfields Academy have been transferred into the Lincolnshire Pension Fund.

There were no material outstanding transfers due to the Pension Fund as at 31 March 2022.

Note 8. Benefits Payable

	2020-21 £000	2021-22 £000
Pensions	80,633	82,895
Commutations and Lump Sum Retirement Benefits	15,694	16,177
Lump Sum Death Benefits	1,888	2,297
Total Benefits Payable	**98,215**	**101,369**

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

	2020-21 £000	2021-22 £000
Lincolnshire County Council - Administering Authority	50,978	52,274
Scheduled Bodies	42,855	43,918
Admission Bodies	4,382	5,177
Total Benefits Payable	**98,215**	**101,369**

Note 9. Payments To and On Account of Leavers

	2020-21 £000	2021-22 £000
Individual Transfers to Other Schemes	4,986	5,302
Group Transfers to Other Schemes	15,481	677
Refunds to Members Leaving Service	227	267
Total Payments To and On Account of Leavers	**20,694**	**6,236**

During 2020/21 Stamford New College merged with Peterborough College. All assets and liabilities relating to Stamford New College have been transferred to the Cambridgeshire Pension Fund. The original asset transfer was based on estimated performance at 31 March 2021 and took place in 2020/21. The final transfer value, based on actual 31 March 2021 performance was made during 2021/22.

There were no material outstanding transfers due from the Pension Fund as at 31 March 2022.

Note 10. Management Expenses

	2020-21 £000	2021-22 £000
Administrative Costs	985	1,189
Investment Management Expenses	9,861	12,201
Oversight and Governance Costs	755	801
Total Management Expenses	**11,601**	**14,191**

The External Audit fee for the year was £0.019m (£0.019m in 2020/21).

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

2021/22	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000
Managed by Border to Coast	3,421	3,105	-	316
Unitised Insurance Policies	533	533	-	-
Unit Trusts	1,846	1,742	(19)	123
Other Managed Funds	6,179	4,301	1,768	110
Cash	-	-	-	-
	11,979	**9,681**	**1,749**	**549**
Custody Fees	222			
	12,201			

2020/21	Total £000	Management Fees £000	Performance Related Fees £000	Transaction Costs £000
Equities	1,473	541	-	932
Managed by Border to Coast	2,495	2,277	-	218
Unitised Insurance Policies	198	315	-	13
Unit Trusts	1,314	1,325	(16)	5
Other Managed Funds	4,029	3,645	279	105
Cash	-	-	-	-
	9,639	**8,103**	**263**	**1,273**
Custody Fees	222			
	9,861			

Note 11. Investment Income

	2020-21 £000	2021-22 £000
Equities	10,978	339
Managed by Border to Coast		
Bonds	-	68
Unitised Insurance Policies		
Global Equities	-	60
Unit Trusts:		
Property	2,572	2,199
Other Managed Funds:		
Property	221	294
Infrastructure	2,853	2,891
Alternatives	2,006	2,287
Interest on Cash Deposits	87	233
Stock Lending	71	-
Total Investment Income	**18,788**	**8,372**

Note 12. Investments

	2020-21 £000	2021-22 £000
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	1,182
Total Long Term Investment	**1,182**	**1,182**

	2020-21 £000	2021-22 £000
Investment Assets		
Pooled Investment Vehicles:		
Managed by Border to Coast:		
Global Equities	711,480	743,227
UK Equities	442,899	477,827
Multi Asset Credit	-	138,224
Bonds	195,898	204,927
Unitised Insurance Policies:		
Global Equities	410,865	464,046
Bonds	153,513	150,282
Unit Trusts:		
Property	179,603	193,810
Other Managed Funds:		
Alternatives	392,139	445,649
Multi Asset Credit	89,436	-
Infrastructure	50,793	59,349
Private Equity	13,712	7,903
Property	19,946	25,705
Total Pooled Investment Vehicles	**2,660,284**	**2,910,949**
Other Investment Assets:		
Derivatives:		
Open Forward Foreign Exchange (FX)	-	2,758
Cash Deposits	97,725	115,609
Investment Income Due	2,024	2,011
Total Other Investment Assets	**99,749**	**120,378**
Total Investment Assets	**2,760,033**	**3,031,327**
Investment Liabilities		
Derivatives:		
Open Forward Foreign Exchange (FX)	(1,964)	-
Investment Income Payable	(1)	(1)
Amount Payable for Purchases	(10,464)	-
Total Investment Liabilities	**(12,429)**	**(1)**
Total Net Investment Assets	**2,747,604**	**3,031,326**

Note 12A. Reconciliation of Movements in Investments

2021/22	Market Value 31 March 2021 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2022 £000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
Total Long Term Investment	**1,182**	**-**	**-**	**-**	**1,182**

2021/22	Market Value 31 March 2021 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2022 £000
Investment Assets					
Pooled Investment Vehicles:					
Managed by Border to Coast	1,350,277	164,023	(42,957)	92,862	1,564,205
Unitised Insurance Policies	564,378	5,623	(6,278)	50,605	614,328
Unit Trusts	179,603	933	(34,037)	47,311	193,810
Other Managed Funds	566,026	77,662	(188,281)	83,199	538,606
	2,660,284	**248,241**	**(271,553)**	**273,977**	**2,910,949**
Other Investments:					
Derivatives:					
Open Forward Foreign Exchange (FX)	(1,964)	3,135,252	(3,113,086)	(17,444)	2,758
	2,658,320	**3,383,493**	**(3,384,639)**	**256,533**	**2,913,707**
Other Investment Balances:					
Cash Deposits	97,725				115,609
Amount Receivable for Sales	-				-
Investment Income Due	2,023				2,010
Amount Payable for Purchases	(10,464)				-
Total Net Investment Assets	**2,747,604**			**256,533**	**3,031,326**

2020/21	Market Value 31 March 2020 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2021 £000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	349	-	-	1,182
Total Long Term Investment	**833**	**349**	**-**	**-**	**1,182**

2020/21	Market Value 31 March 2020 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2021 £000
Equities	495,761	152,141	(826,708)	178,806	-
Pooled Investment Vehicles:					
Managed by Border to Coast	525,304	564,024	(2,075)	263,024	1,350,277
Unitised Insurance Policies	584,719	420,203	(466,257)	25,713	564,378
Unit Trusts	175,601	1,162	(1,324)	4,164	179,603
Other Managed Funds	384,709	229,640	(96,220)	47,897	566,026
	2,166,094	**1,367,170**	**(1,392,584)**	**519,604**	**2,660,284**
Other Investments:					
Derivatives:					
Open Forward Foreign Exchange (FX)	8,335	2,692,776	(2,732,762)	29,687	(1,964)
	2,174,439	**4,059,946**	**(4,125,346)**	**549,291**	**2,658,320**
Other Investment Balances:					
Cash Deposits	23,939				97,725
Investment Income Due	3,705				2,023
Amount Payable for Purchases	(127)				(10,464)
Total Net Investment Assets	**2,201,946**			**549,291**	**2,747,604**

Note 12B. Analysis of Investments

Fund Manager	31 March 2021 £000	%	31 March 2022 £000	%
Investments managed by Border to Coast Pensions Partnership:				
Global Equity Alpha Sub-fund	711,480	26.0	743,227	24.4
Listed UK Equity Sub-fund	442,899	16.2	477,829	15.8
Multi-Asset Credit Sub-fund			138,224	4.6
Investment Grade Credit Sub-fund	195,898	7.2	204,927	6.8
Unitised Insurance Policies				
Legal and General (Future World Fund)	410,865	15.0	464,046	15.3
Blackrock (Bond Portfolio)	153,513	5.6	150,282	5.0
Investments managed outside of the asset pool:				
Invesco (Global Equities ex. UK)	2,258	0.1	-	-
Morgan Stanley (Alternative Investments)	398,499	14.1	465,057	15.3
Morgan Stanley (Private Equity)	14,438	0.5	8,549	0.3
PIMCO (Multi-Asset Credit)	89,436	3.3	-	-
Internally Managed (Property Unit Trusts)	182,326	6.7	194,136	6.4
Internally Managed (Infrastructure)	52,800	1.9	59,590	2.0
Internally Managed (Other Property)	21,328	0.8	25,855	0.9
Internally Managed (Cash managed by LCC Treasury Management Team)	50,000	1.8	53,000	1.7
Unallocated Cash	21,864	0.8	46,606	1.5
Total	**2,747,604**	**100.0**	**3,031,326**	**100.0**

The following table sets out where there is a concentration of investments which exceeds 5% of the total value of the net assets of the scheme (excluding holdings in Government Securities).

Fund Manager	31 March 2021		31 March 2022	
	£000	%	£000	%
Border to Coast (Global Equity Alpha)	711,480	25.7	743,227	24.4
Border to Coast (Listed UK Equity)	442,899	16.0	477,827	15.7
Border to Coast (Investment Grade Credit)	195,898	7.1	204,927	6.7
Legal and General (Future World Fund)	410,865	14.9	464,046	15.2
Morgan Stanley Alternative Investments	392,139	12.9	455,649	14.6

Note 13. Analysis of Derivatives

The holding in derivatives is used to hedge exposures to reduce risk in the Fund. The use of any derivatives is managed in line with the investment management agreements in place between the Fund and the various investment managers.

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. The Fund's alternative investment manager uses forward foreign exchange contracts to reduce exposure to fluctuations in foreign currency exchange rates.

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to one month	None					
Over one month	GBP	1,587	AUD	2,876		(56)
	GBP	11,522	CAD	19,268		(196)
	GBP	15,369	EUR	18,225		(79)
	GBP	399,838	USD	522,235	3,087	
	AUD	247	GBP	139	2	
Total					**3,089**	**(331)**
Net Forward Currency Contracts at 31 March 2022						**2,758**
Prior Year Comparative						
Open forward currency contracts at 31 March 2021					**98**	**(2,062)**
Net Forward Currency Contracts at 31 March 2021						**(1,964)**

Profit (Loss) of Forward Currency Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of normal trading of the Fund's managers who manage multi-currency portfolios. For 2021/22 this was a loss of £17.444m (£29.687m profit in 2020/21).

Note 14. Fair Value – Basis of Valuation

All investment assets are valued using fair value techniques based on the characteristics of each instrument, where possible using market-based information. There has been no change in the valuation techniques used during the year.

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level One – where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities, comprising quoted equities, quoted bonds and unit trusts.

Level Two – where quoted market prices are not available, or where valuation techniques are used to determine fair value based on observable data.

Level Three – where at least one input that could have significant effect on the instrument's valuation is not based on observable market data.

The basis of the valuation of each class of investment asset is set out below.

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level One			
Quoted equities and pooled fund investments	Published bid market price ruling on the final day of the accounting period.	Not required	Not required
Quoted fixed income bonds and unit trusts	Quoted market value based on current yields.	Not required	Not required
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required	Not required
Level Two			
Unquoted equity investments	Average of broker prices.	Evaluated price feeds	Not required
Unquoted fixed income bonds and unit trusts	Average of broker prices.	Evaluated price feeds	Not required
Unquoted pooled fund investments	Average of broker prices.	Evaluated price feeds	Not required
Forward foreign exchange derivatives	Market forward exchange rates at the year-end.	Exchange rate risk	Not required
Pooled property funds and hedge funds where regular trading takes place	Closing bid price where bid and offer process are published. Closing single process where single price published.	NAV-based pricing set on a forward pricing basis	Not required
Level Three			
Pooled property funds and hedge funds where regular trading does not take place	Valued by investment managers on a fair value basis each year using PRAG guidance.	NAV-based pricing set on a forward pricing basis.	Valuations are affected by any changes to the value of the financial instrument being hedged against.

Other unquoted and private equities (inc. alternatives, infrastructure and private equity)	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	EBITDA multiple; Revenue multiple; Discount for lack of marketability; and Control premium.	Valuations could be affected by changes to expected cashflows, or by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	Estimated value of the pension fund's share of net assets held by the pool, based on relative percentage of shares held and voting rights.	Current estimates of future dividend income.	Valuation could be affected by future trading income, post-balance sheet events, or changes to expected cashflows.

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level three investments are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2022.

	Potential variation in fair value (+/-)	Value at 31 March 2022 £000	Potential value on increase £000	Potential value on decrease £000
Alternatives – Hedge Funds	8%	81,679	88,213	75,145
Alternatives – Unquoted Holdings	10%	265,762	292,338	129,186
Infrastructure	14%	59,349	67,658	51,040
Other Property	21%	11,645	14,090	9,200
Private Equity	20%	7,903	9,484	6,322

Note 14A. Fair Value Hierarchy

The following table provides an analysis of the financial assets and liabilities of the Pension Fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2022 Observable Fair Value	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	 Total £000
Financial assets at fair value through profit and loss:				
Pooled Investment Vehicles:				
Managed by Border to Coast		1,564,205		1,564,205
Unitised Insurance Policies	614,328			614,328
Unit Trusts		193,810		193,810
Other Managed Funds	65,695	46,573	426,338	538,606
Derivatives: Forward Foreign Exchange		2,758		2,758
Cash	17,666			17,666
	697,689	**1,807,346**	**426,338**	**2,931,373**
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		-		-
	-	-	-	-
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership				
	-	-	1,182	1,182
Net Investment Assets	**697,689**	**1,807,346**	**427,520**	**2,932,555**

Values at 31 March 2021 Observable Fair Value	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	 Total £000
Financial assets at fair value through profit and loss:				
Equities	-			-
Pooled Investment Vehicles:				
Managed by Border to Coast		1,350,277		1,350,277
Unitised Insurance Policies	564,378			564,378
Unit Trusts		179,603		179,603
Other Managed Funds	60,112	127,969	377,945	566,026
Derivatives: Forward Foreign Exchange				-
Cash	26,269			26,269
	650,759	**1,657,849**	**377,945**	**2,686,553**
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		(1,964)		(1,964)
		(1,964)		**(1,964)**

Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
			1,182	**1,182**
Net Investment Assets	**650,759**	**1,655,885**	**379,127**	**2,685,771**

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

Period 2021/22	Market value at 31 March 2021	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
Other Property	6,878			7,751	(2,625)	(359)	-	11,645
Infrastructure	50,793			7,190	(2,187)	3,154	399	59,349
Private Equity	13,712			5	(5,887)	(3,593)	3,666	7,903
Alternatives	306,562			58,179	(79,752)	47,908	14,544	349,441
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182			-	-	-	-	1,182
Total	**379,127**			**73,125**	**(90,451)**	**47,110**	**18,609**	**427,520**

Period 2020/21	Market value at 31 March 2020	Transfers into Level 3	Transfers out of Level 3	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Property Unit Trusts **	175,602	-	(171,668)	544	(662)	(3,816)	-	-
Other Property **	15,170	-	(13,483)	6,265	(897)	(148)	(29)	6,878
Infrastructure	46,347	-	-	4,163	(1,308)	1,597	(6)	50,793
Private Equity	16,559	-	-	708	(7,007)	(192)	3,644	13,712
Alternatives	260,560	-	-	54,101	(33,401)	21,231	4,071	306,562
Unquoted Equity Holding in Border to Coast Pensions Partnership	833	-	-	349	-	-	-	1,182
Total	**515,071**	**-**	**(185,151)**	**66,130**	**(43,275)**	**18,672**	**7,680**	**379,127**

** Unrealised and realised gains and losses are recognised in the profit and losses on disposal and change in market values line of the Fund account.*

*** The Funds four UK Commercial Property Funds and the European Growth Fund transferred from level 3 to level 2 at the end of September 2020 when the 'material valuation uncertainty clause' was removed by the valuers of these Funds.*

Note 15. Financial Instruments

Note 15A. Classification of Financial Instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	31 March 2022			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£000	£000	£000	£000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
Managed by Border to Coast	1,564,205			
Unitised Insurance Policies	614,328			
Unit Trusts	193,810			
Other Managed Funds	538,606			
Derivatives: Forward Foreign Exchange	2,758			
Cash	17,666	113,674		
Other Investment Balances		2,011		
Sundry Debtors		248		
	2,931,373	**115,933**	**-**	**1,182**
Financial Liabilities				
Derivatives: Forward Foreign Exchange			-	
Other Investment Balances			(1)	
Sundry Creditors			(5,868)	
	-	**-**	**(5,869)**	**-**
Grand Total	**2,931,373**	**115,933**	**(5,869)**	**1,182**

	31 March 2021			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£000	£000	£000	£000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
Managed by Border to Coast	1,350,277			
Unitised Insurance Policies	564,378			
Unit Trusts	179,603			
Other Managed Funds	566,026			
Derivatives: Forward Foreign Exchange	-			
Cash	26,269	96,522		
Other Investment Balances		2,204		
Sundry Debtors		431		
	2,686,553	**98,977**	**-**	**1,182**
Financial Liabilities				
Derivatives: Forward Foreign Exchange	(1,964)			
Other Investment Balances			(10,465)	
Sundry Creditors			(2,510)	
	(1,964)	**-**	**(12,975)**	**-**
Grand Total	**2,684,589**	**98,977**	**(12,975)**	**1,182**

15B Net Gains and Losses on Financial Instruments

	2020/21 £000	2021/22 £000
Financial Assets		
Fair Value through Profit and Loss	519,604	273,977
Total	**481,558**	**273,977**

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

Note 16. Nature and Extent of Risks Arising from Financial Instruments

Risk and Risk Management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. the promised benefits payable to members). The aim of investment risk management is to minimise the risk of an overall reduction in the value of the whole fund portfolio and to maximise the opportunity for gains across the Fund. This is achieved through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Council manages these investment risks as part of its overall Pension Fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pensions Committee. Risk management policies have been established to identify and analyse the risks faced by the pension fund's operations. These are reviewed regularly to reflect changes in activity and market conditions.

a) Market Risk

Market risk is the loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future prices and yield movements and the asset mix. . The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, while optimising investment return.

To mitigate market risk, the Pension Fund invests in a diversified pool of assets to ensure a reasonable balance between different categories, having taken advice from the Fund's Investment Consultant. The management of the assets is split between a number of managers with different performance targets and investment strategies. Risks associated with the strategy and investment returns are included as part of the quarterly reporting to the Pensions Committee where they are monitored and reviewed.

Other Price Risk

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instrument.

The Fund’s investment managers mitigate this price risk through diversification, and the selection of securities and other financial instruments is monitored by the Council to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in market price are reasonably possible for 2022/23; assuming that all other variables, in particular foreign exchange rates and interest rates remain the same (prior year comparatives are shown below):

Asset Type	Value at 31 March 2022 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	477,827	14%	544,723	410,931
Overseas Equities	1,207,273	14%	1,376,291	1,038,255
Bonds	355,209	6%	376,522	333,896
UK Property	205,125	21%	248,201	162,049
Overseas Property	14,390	18%	16,980	11,800
Alternatives – Hedge Funds	88,609	8%	95,698	81,520
Alternatives - Other	357,040	10%	392,744	321,336
Multi Asset Credit	138,224	10%	152,046	124,402
Infrastructure	59,349	14%	67,658	51,040
Private Equity	7,903	20%	9,484	6,322
Total	**2,910,949**		**3,280,349**	**2,541,551**

Asset Type	Value at 31 March 2021 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
UK Equities	442,899	17%	518,192	367,606
Overseas Equities	1,122,345	17%	1,313,144	931,546
Bonds	349,411	5%	366,882	331,940
Property	199,549	18%	235,468	163,630
Alternatives – Hedge Funds	79,483	6%	84,252	74,714
Alternatives - Other	312,656	10%	343,922	281,390
Multi Asset Credit	89,436	10%	98,380	80,492
Infrastructure	50,793	16%	58,920	42,666
Private Equity	13,712	22%	16,729	10,695
Total	**2,660,284**		**3,035,889**	**2,284,679**

Interest rate risk

The Fund recognises that interest rates can vary and can affect both income to the Fund and carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A Fund Manager and experience and suggests that a movement of less than +/- 100 bases points (+/- 1%) in interest rates from one year to the next is likely.

Interest rate risk - sensitivity analysis

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates. This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Assets Exposed to Interest Rate Risk	Value at 31 March 2022	Percentage Movement on 1%	Value on Increase	Value on Decrease

		change in interest Rates		
	£000		£000	£000
Cash and cash equivalents	115,609	-	115,609	115,609
Cash balances	15,731	-	15,731	15,731
Bonds	355,209	3,552	358,761	351,657
Total	**486,549**	**3,552**	**490,101**	**482,997**

Assets Exposed to Interest Rate Risk	Value at 31 March 2021	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000		£000	£000
Cash and cash equivalents	97,725	-	97,725	97,725
Cash balances	25,066	-	25,066	25,066
Bonds	349,411	3,494	352,905	345,917
Total	**472,202**	**3,494**	**475,696**	**468,708**

Income Exposed to Interest Rate Risk	Interest Receivable 2021/22	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000	%	£000	£000
Cash deposits, cash and cash equivalents	233	2	235	231
Bonds	-	-	-	-
Total	**233**	**2**	**235**	**231**

Income Exposed to Interest Rate Risk	Interest Receivable 2020/21	Percentage Movement on 1% change in interest Rates	Value on Increase	Value on Decrease
	£000	%	£000	£000
Cash deposits, cash and cash equivalents	87	1	88	86
Bonds	-	-	-	-
Total	**87**	**1**	**88**	**86**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets not denominated in UK sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

Following analysis of historical data and in consultation with an investment manager, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 7%, as measured by one standard deviation (8% in 2020/21). An 7% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net asset available to pay benefits as follows:

Currency risk – sensitivity analysis

Assets Exposed to Currency Risk	Value at 31 March 2022 £000	Percentage Market Movement £000	Value on Increase £000	Value on Decrease £000
Overseas Alternatives	413,846	28,969	442,815	384,877
Overseas Infrastructure	11,243	787	12,030	10,456
Overseas Private Equity	7,903	553	8,456	7,350
Overseas Property	14,390	1,007	15,397	13,383
Total	**447,382**	**31,316**	**478,698**	**416,066**

Assets Exposed to Currency Risk	Value at 31 March 2021 £000	Percentage Market Movement £000	Value on Increase £000	Value on Decrease £000
Overseas Equities	-	-	-	-
Pooled Investments:				
Overseas Alternatives	366,004	29,280	395,284	336,724
Overseas Infrastructure	7,254	580	7,834	6,674
Overseas Private Equity	13,712	1,097	14,809	12,615
Overseas Property	13,654	1,092	14,746	12,562
Total	**400,624**	**32,049**	**432,673**	**368,575**

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. Assets potentially affected by this are investment assets and cash deposits. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The Fund is additionally exposed to credit risk through its daily treasury activities. Credit risk may also occur if an employing body not supported by central government does not pay its contributions promptly, or defaults on its obligations.

The Pension Fund's bank account is held at Barclays, which holds an 'A' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices. At 31 March 2022 the balance at Barclays was £67.731m (£74.066m at 31 March 2021).

The Pension Fund closely monitors employer contributions each month. All contributions from employers due to the Fund for March 2022 where received by the beginning of May 2022. The Fund's current policy for all new employers into the scheme is to obtain a guarantee that will ensure all pension obligations are covered in the event of that employer facing financial difficulties.

c) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund takes steps to ensure that it has adequate cash resources to meet its commitments.

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed assets (equities and bonds), instruments that can be liquidated at short notice, normally three working days. As at 31 March 2022, these assets totalled £2,040.309m (£1,914.655m as at 31 March 2021), with a further £131.340m held in cash (£122.791m as at 31 March 2021).

Currently, the Fund is cash flow positive each month (i.e. the contributions received exceed the pensions paid). This position is monitored regularly and reviewed at least every three years alongside the Triennial Valuation.

Note 17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2019 and the next valuation is due to take place as at 31 March 2022

Description of Funding Policy

In summary, the key funding policy is as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 20 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 71% likelihood that the Fund will achieve the funding target over 20 years.

Actuary's Statement

The last full triennial valuation of the Lincolnshire Pension Fund (the Fund) was carried out as at 31 March 2019 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 27 March 2020.

Asset value and funding level

The results for the Fund at 31 March 2019 were as follows:

- The market value of the Fund's assets as at 31 March 2019 was £2,353m.
- The Fund had a funding level of 93% i.e. the value of assets for valuation purposes was 93% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a deficit of £183m.

Contribution rates

The employer contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- Plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

The primary rate of contribution on a whole Fund level was 18.6% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2020.

In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in Appendix 3 of the triennial valuation report.

Assumptions

The key assumptions used to value the liabilities at 31 March 2019 are summarised below:

Financial Assumptions	Assumptions used for the 2019 Valuation
Market Date	31 March 2019
CPI inflation	2.3% p.a.
Long-term salary increases	2.6% p.a.
Discount rate	4.0% p.a.

Demographic Assumptions	Assumptions used for the 2019 Valuation
Post-retirement mortality:	
Base tables	Based on Club Vita analysis
Projection model	CMI 2018
Long-term rate of improvement	1.25% p.a.
Smoothing parameter	7.0
Initial addition to improvements:	
Males	0.5% p.a.
Females	0.25% p.a.

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2019 valuation report.

Updated position since the 2019 valuation

Update to funding basis and assumptions

The Fund appointed a new fund actuary with effect from 1 January 2021. For employers commencing participation in the Fund on or after 1 January 2021, the calculated contribution rate will be set to meet a funding target over a specified time horizon. The funding target is set based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach.

With effect from 1 January 2021, the salary growth assumption was reviewed and salaries are now assumed to increase at CPI plus 1.0% p.a. with no additional promotional salary scale. The derivation of CPI is discussed below.

We have updated the derivation of the CPI inflation assumption to be 0.8% p.a. below the 20 year point on the Bank of England (BoE) implied inflation curve. The assumption adopted at the 2019 valuation was that CPI would be 1.0% p.a. below the 20 year point on the Bank of England implied inflation curve. This update was made following the Government's response (on 25 November 2020) to the consultation on the reform of RPI, and the expectation that the UK Statistics Authority will implement the proposed changes to bring RPI in line with CPIH from 2030. This updated approach leads to a small increase in the value of liabilities.

The discount rate assumption is set with reference to the Fund's long term investment strategy and therefore reflects the long term expected return on assets for the Fund. We have included in the discount rate assumption an explicit prudence allowance of 0.8%. This incorporates an allowance for current uncertainties in LGPS benefits (relating to the effects of the McCloud/Sargeant judgement and the cost cap).

Liabilities

The key assumption which has the greatest impact on the valuation of liabilities is the real discount rate (the discount rate relative to CPI inflation) – the higher the real discount rate the lower the value of liabilities. As at 31 March 2021, the real discount rate is estimated to be lower than at the 2019 valuation due to lower future expected returns on assets in excess of CPI inflation.

The update to the CPI assumption mentioned above leads to a small increase in the value of liabilities. The value of liabilities will also have increased due to the accrual of new benefits net of benefits paid.

It is currently unclear what the impact of the COVID-19 pandemic is on the Fund's funding position. It is expected that COVID-related deaths will not have a material impact on the Fund's current funding level, however, impact on future mortality rates may be more significant and we will be reviewing the Fund's mortality assumption as part of the next valuation.

Assets

Returns over the year to 31 March 2022 have been strong, helping to offset the significant fall in asset values at the end of the 2019/20 Scheme year. As at 31 March 2022, in market value terms, the Fund assets were more than where they were projected to be based on the previous valuation.

Overall position

On balance, we estimate that the funding position (allowing for the revised funding basis) has improved compared to the funding position as at 31 March 2019.

Future investment returns that will be achieved by the Fund in the short term are more uncertain than usual, in particular the return from equites due to actual and potential reductions and suspensions of dividends.

There is also uncertainty around future benefits due to the McCloud/Sargeant cases and the cost cap process.

The Fund can continue to monitor the funding level using LGPS Monitor on a regular basis.

Melanie Durrant FIA CERA
Partner, Barnett Waddingham LLP
20 May 2022

Note 18. Actuarial Present Value of Promised Retirement Benefit

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the pension fund liabilities on an IAS19 basis every year. Below is the note prepared by the Fund's Actuary, Barnett Waddingham.

Pension Account Disclosure as at 31 March 2022 (prepare in accordance with IAS26)

Introduction

We have been instructed by Lincolnshire County Council, the administering authority to the Lincolnshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2022. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

The LGPS is a defined benefit statutory scheme administered in accordance with the year and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website here and the Fund's membership booklet.

This report is prepared in accordance with our understanding of IAS26 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100). In calculating the disclosed numbers, we have adopted methods and assumptions that are consistent with IAS19.

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022. A copy of this can be requested from the Fund.

Valuation Data

Data Used

In completing our calculations we have used the following items of data which we received from the administering authority:

- 31 March 2019 - results of the latest funding valuation;
- 31 March 2021 - results of the latest IAS26 report;
- 31 March 2022 - actual Fund returns to;
- 31 March 2022 - Fund asset statement;
- 31 March 2022 - Fund income and expenditure items (estimated where necessary) to; and

- 31 March 2022 - details of any new unreduced early retirement payments out to.

The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of our advice. Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. We are not aware of any material changes or events since we received the data.

Employer Membership Statistics

The table below summarises the membership data, as at 31 March 2019.

Member Data Summary	Number	Salaries/Pensions £000	Average Age
Active Members	22,755	355,509	51
Deferred Members	32,184	29,729	51
Pensioners	21,576	75,310	69

Unfunded benefits

We have excluded any unfunded benefits as these are liabilities of employers rather than the Fund.

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2022.

We have been notified of 49 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £413,300.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 10.73%, as advised by the Fund.

The estimated asset allocation for Lincolnshire Pension Fund as at 31 March 2021 is as follows (noting that due to roundings they may not total 100%):

Asset Breakdown	31 March 2021		31 March 2022	
	£000	%	£000	%
Equities	1,960,020	72	2,192,561	72
Bonds	376,330	14	384,648	13
Property	285,890	10	334,480	1
Cash	111,144	4	119,399	4
	2,733,384	100	3,031,088	100

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

The financial assumptions have been set with consideration of the duration of the Fund's past service liabilities, estimated to be 20 years.

Post Retirement Mortality	31 March 2021	31 March 2022
Base table	Club Vita tables	Club Vita tables
Multiplier (MF)	100%	100%
Future Improvements model	C M 2020	C M 2020
Long term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.0
Initial additional parameter	0.50% p.a. for males 0.25% p.a. for females	0.50% p.a. for males 0.25% p.a. for females
2020 weight parameter	25%	25%

Life Expectancy from age 65 years	31 March 2021	31 March 2022
Retiring Today		
Males	21.1	21.2
Females	23.6	23.7
Retiring in 20 years		
Males	22.0	22.1
Females	25.0	25.1

Financial Assumptions	31 March 2021 % p.a.	31 March 2022 % p.a.
Discount Rate	2.0%	2.6%
Pension Increases	2.8%	3.2%
Salary Increases	3.1%	3.5%

We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

Results

We estimate that the net liability as at 31 March 2022 is a liability of £1,196,655m.

Net Pension Asset in the Statement of Financial Position as at:	31 March 2021 £000	31 March 2022 £000
Present value of the defined benefit obligation	(4,257,607)	(4,227,743)
Fair value of Fund assets (bid value)	2,733,384	3,031,088
Net liability in balance sheet	**(1,524,223)**	**(1,196,655)**

The present value of the defined benefit obligation consists of £4,194,375,000 in respect of vested obligation and £33,368,000 in respect of non-vested obligation.

The figures presented in this report are prepared on an IAS19 basis and therefore will differ from the results of the 2019 triennial funding valuation (as Note 17) because IAS19 stipulates the discount rate applied.

Note 19. Current Assets

	31 March 2021 £000	31 March 2022 £000
Short Term Debtors		
Contributions due - Employers	4,575	5,614
Contributions due - Employees	1,387	1,442
Debtors relating to Members	126	704
VAT Debtor	194	299
Sundry Debtors	431	248
Total Short Term Debtors	**6,713**	**8,307**
Cash Balances	25,066	14,731
Cash Balances	**25,066**	**14,731**
Total Current Assets	**31,779**	**23,038**

Note 20. Current Liabilities

	31 March 2021 £000	31 March 2022 £000
Creditors		
Contributions – paid in advance	(45)	(42)
Creditors relating to Members	(475)	(1,414)
Sundry Creditors	(2,510)	(5,868)
Total Current Liabilities	**(3,030)**	**(7,324)**

Note 21. Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the date of publication, AVC information for 2021/22 had not been received from Prudential plc.

The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

Note 22. Related Party Transactions

Lincolnshire County Council

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the council incurred costs of £0.258m (£0.247m in 2020/21) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of members of the Pension Fund and contributed £41.404m (£36.270m in 2020/21) to the Fund in 2021/22. All monies owing to and due from the Fund were paid in year.

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £69.945m (£18.931m in 2020/21) and interest of £0.199m (£0.090m in 2020/21) was earned over the year.

Pensions Committee

Each member of the Pension Fund Committee is required to declare their interests at each meeting and also is asked to sign an annual declaration disclosing any related party transactions. Two Committee members: A Antcliff (Employee Representative) and S Larter (Small Scheduled Bodies Representative) were contributing members of the Pension Fund during 2021/22. Cllr R Waller's daughter and partner (District Council Representative) were also contributing members of the scheme during 2021/22. S Larter (Small Scheduled Bodies Representative) is also a deferred member of the scheme and Cllr M Allen is in receipt of a pension from the Fund.

Border to Coast Pensions Partnership

Lincolnshire Pension Fund is a minority shareholder in Border to Coast Pensions Partnership. It holds a £1 A share which gives the Fund one vote. The Fund also holds £1.182m (£1.182m in 2020/21) of regulatory share capital (B shares). These are included within long term investments in the net asset statement. At 31 March 2022 the Fund had invested in four sub-funds managed by Border to Coast Pensions Partnership: Global Equity Alpha, UK Listed Equities, Investment Grade Credit and Multi-Asset Credit (details shown in Note 12). During 2021/22 the Fund paid Border to Coast £3.421m (£2.495m in 2020/21) to manage these assets and the company

Note 23. Key Management Personnel

The key management personnel of the Fund are the Executive Director of Resources, Assistant Director Finance, Head of Pensions, and Accounting, Investment and Governance Manager. The Fund does not employ any staff directly. Lincolnshire County Council employs the staff involved in providing the duties of the Administering Authority for the Fund. The proportion of employee benefits earned by key management personnel relating to the Pension Fund are: £0.136m short term benefits (£0.131m in 2020/21) and £0.024m post-employment benefits (£0.023m in 2020/21).

Note 24. Contingent Liabilities and Contractual Commitments

At 31 March 2022 the fund had outstanding capital commitments (investments) to twenty-one investment vehicles, amounting to £79.172m (£58.989m as at 31 March 2021). These commitments relate to outstanding call payments due on unquoted limited partnerships making investments in private equity, property or infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over the lifetime of the funds.

Note 25. Contingent Assets

Eight admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2021/22 (or 2020/21).

Note 26. Events After the Balance Sheet Date

There have been no events after the balance sheet date that requires adjustment or disclosure within the accounts.

Glossary of Terms

Actuary – An independent consultant who advises the Fund and every three years formally reviews the assets and liabilities of the Fund and produces a report on the Fund's financial position, known as the Actuarial Valuation.

Admitted Body – Private contractors that are admitted to the LGPS to protect member pension rights following a TUPE transfer, or a body which provides a public service which operates otherwise than for the purposes of gain.

Alternatives – Investment products other than traditional investments of stocks, bonds, cash or property. The term is used for tangible assets such as infrastructure and property, and financial assets such as private equity and derivatives.

Asset Allocation – Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return, and is a central concept in financial planning and investment management.

Asset Pooling – In the context of the LGPS, this is the collaboration of several LGPS Funds to pool their investment assets in order to generate savings from economies of scale, as requested by MHCLG: 'significantly reducing costs whilst maintaining investment performance'.

Auto Enrolment – UK employers have to automatically enrol their staff into a workplace pension if they meet certain criteria, and repeat this process every three years to re-enrol any employees that have opted out of the pension scheme.

Bonds – Certificate of debt issued by a government or company, promising regular payments on a specified date or range of dates, usually with final capital payment at redemption.

Career Average Revalued Earnings (CARE) Scheme – The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely for the LGPS, it is based on pensionable earnings, increased in line with inflation as measured by the Consumer Price Index (CPI).

CIPFA – Chartered Institute of Public Finance & Accountancy.

Consumer Price Index (CPI) – The rate of increase in prices for goods and services. CPI is the official measure of inflation of consumer prices of the United Kingdom.

Counterparty – The other party that participates in a financial transaction. Every transaction must have a counterparty in order for the transaction to complete. More specifically, every buyer of an asset must be paired up with a seller that is willing to sell and vice versa.

Custodian – Organisation which is responsible for the safekeeping of assets, income collection and settlement of trades for a portfolio, independent from the asset management function.

Defined Benefit – An employer-sponsored retirement plan where employee benefits are assessed based on a formula using factors such as salary history and duration of employment. Public sector pension schemes are defined benefit schemes.

Derivative – Financial instrument whose value is dependent on the value of an underlying index, currency, commodity or other asset.

Diversification – Risk management technique which involves spreading investments across a range of different investment opportunities, thus helping to reduce overall risk. Risk reduction arises from the different investments not being perfectly correlated. Diversification can apply at various levels, such as diversification between countries, asset classes, sectors and individual securities.

Equities – Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

Fiduciary Duty – A legal obligation of one party to act in the best interest of another. The obligated party is typically a fiduciary, that is, someone entrusted with the care of money or property.

Final Salary – One type of defined benefit pension scheme where employee benefits are based on the person's final salary when they retire. The LGPS Scheme has moved from this to a CARE (career average revalued earnings) scheme in 2014.

Funding Level – The ratio of a pension fund's assets to its liabilities. Normally relates to defined benefit pension funds and used as a measure of the fund's ability to meet its future liabilities.

IFRS – International Financial Reporting Standards. Aim to standardise the reporting and information disclosed in the financial accounts of companies and other organisations globally.

Infrastructure – The public facilities and services needed to support residential development, including highways, bridges, schools, and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

Investment Strategy – The investor's long-term distribution of assets across various asset classes taking into consideration their objectives, their attitude to risk and timescale.

Liabilities – Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pension liabilities are the pensions benefits and payments that are due to be paid when someone retires.

Market Value – The price at which an investment can be bought or sold at a given date.

Pooled Investment Fund – A fund managed by an external Fund Manager in which a number of investors buy units. The total fund is then invested in a particular market or region. The underlying assets the funds hold on behalf of clients are quoted assets such as fixed interest bonds and equity shares. They are used as an efficient low-risk method of investing in the asset classes.

Portfolio – Block of assets generally managed under a single mandate.

Private Equity – Shares in unquoted companies. Usually high risk, high return in nature.

Return – Increase in value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

Risk – Likelihood of a return different from that expected and the possible extent of the difference. Also used to indicate the volatility of different assets.

Scheduled Body – Public sector employers or designating bodies that have an automatic right and requirement to be an employer within the LGPS.

Settlement – Payment or collection of proceeds after trading a security. Settlement usually takes place sometime after the deal and price are agreed.

Stock Lending – Lending of stock from one investor to another that entitles the lender to continue to receive income generated by the stock plus an additional payment by the borrower.

Target – Managers are set a target for investment performance, such as 1% above benchmark per year over three year rolling periods.

Triennial Actuarial Valuation – Every three years the actuary formally reviews the assets and liabilities of the Lincolnshire Fund and produces a report on the Fund's financial position.

Audit Opinion

Additional Information Available

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

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

Funding Strategy Statement

This document is prepared in collaboration with the Fund's actuary and sets out the Fund's approach to funding its liabilities. It is reviewed in detail every three years as part of the triennial valuation process.

Investment Strategy Statement

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

Communications Policy

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

Governance Compliance Statement

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

Pensions Administration Strategy

This document details how the Pension Fund is administered within the shared service. It outlines the processes and procedures to allow the Funds and employers to work together in a cost-effective way to administer the LGPS, whilst maintaining an excellent level of service to members.

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