Appendix A

Lincolnshire
COUNTY COUNCIL
Working for a better future

Lincolnshire Pension Fund
Annual Report & Accounts
2023

Lincolnshire Pension Fund

Local Government Pension Scheme

Annual Report for the Year Ended 31 March 2023

Contents

Management Arrangements

Administering Authority	Lincolnshire County Council

Pensions Committee Members as at 31 March 2023

County Councillors
M G Allan
P Ashleigh-Morris
P E Coupland (Vice Chairman)
T J N Smith
E W Strengiel (Chairman)

Three vacant positions

District Council Representative
R Waller

Representative of Small Scheduled Bodies
S Larter

Representative of the Academy Sector
T Hotchin

Employee Representative
A Antcliff (Unison)

Professional Advisors

County Council Officers

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

Asset Pool and Operator

Border to Coast Pensions Partnership

Investment Managers of the Fund as at 31 March 2023

Equities:	Border to Coast Legal and General
Bonds:	Blackrock Border to Coast

Alternatives:	Morgan Stanley
Multi Asset Credit:	Border to Coast
Private Equity:	Aberdeen Standard Capital Dynamics Pantheon
Infrastructure:	Infracapital Innisfree Pantheon
Property:	Aberdeen Standard Allianz Aviva Blackrock Franklin Templeton Hearthstone Igloo Royal London

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

Report of the Pensions Committee

Introduction

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

Members of the Committee as at 31 March 2023 are listed on page 2.

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

All members of the Committee can exercise voting rights.

Corporate Governance and Responsible Investing

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

The Fund's Stewardship Code Statement for 2021/22 was again successful in meeting the new standard required under the Financial Reporting Council's 2020 Stewardship Code to explain how it acts as a responsible shareholder and is published on the Council's website.

Investment Performance

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

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

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

Manager Arrangements

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

Pensions Administration

The pensions administration service is performed in a shared service arrangement with West Yorkshire Pension Fund (WYPF). A satellite office for WYPF is based in Lincoln, co-located with the LCC Pension Fund team. More information on the performance of the pensions administrator can be found at page 44. The Fund works closely with its employers and WYPF to improve all aspects of administering the scheme.

The current arrangement with WYPF runs until 31 March 2024, and it was approved at the Pensions Committee on 16 March 2023 to continue the shared service relationship with WYPF for a further period of nine years.

Local Pension Board

The Local Pension Board for the Lincolnshire Pension Fund was set up in April 2015, as prescribed in the Public Service Pensions Act 2013 and the Local Government Regulations 2013. Its oversight role to ensure that the Fund is meeting all the requirements for administration and governance, as set out in the various regulations and by the Pensions Regulator, has been a welcome addition to the governance structure of the Pension Fund. The annual report of the Board can be found on page 34.

Asset Pooling

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

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

Fund Governance and Communication Statements and the Investment Strategy Statement

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

The Fund's ISS, Governance Compliance Statement, Communications Policy, Funding Strategy Statement and Administration Strategy are all attached at the end of this report. These documents, and other related publications can also be downloaded from the Council's website. Hard copies of any of these statements may be obtained from:

Jo Kempton, Head of Pensions
Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL

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

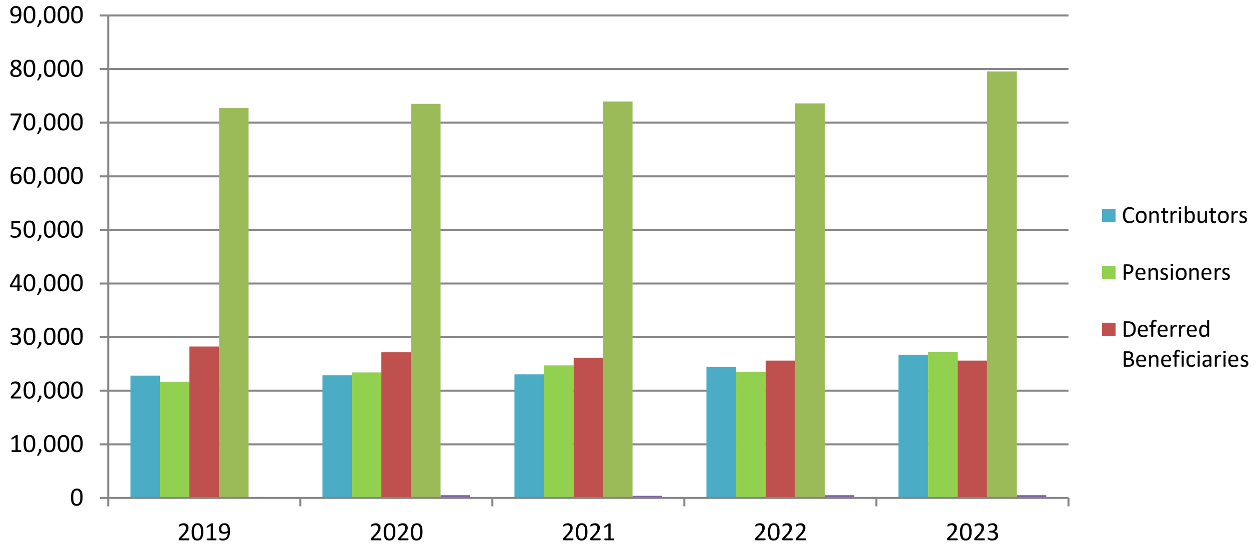
Councillor Eddie Strengiel
Chairman
Pensions Committee

Management Report of the Administering Authority

The Local Government Pension Scheme (LGPS) is a national scheme administered on a local basis by Lincolnshire County Council, providing current and future benefits for over 79,000 scheme members.

Local Government Pension Scheme Membership

As can be seen from the chart below, the active membership has risen slightly over the year. The Fund has matured over the last five years, with pensioner and deferred members (those that are no longer in the Scheme but will be entitled to a pension at some point in the future) making up 66.5% of the overall membership, but the past year has seen an increase in both contributing members pensioner members, with deferred beneficiaries remaining stable.



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

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

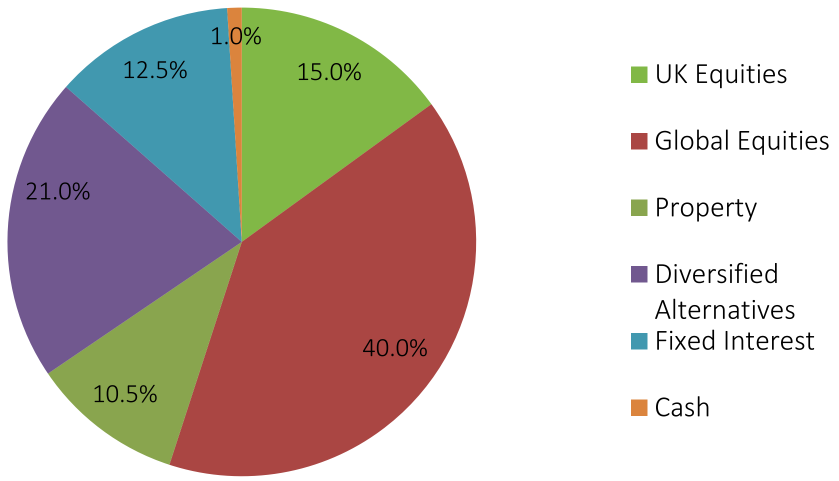
(Note: The numbers disclosed in the table above reflect individual pension records within the County Council's database at a point in time. Current and past members of the LGPS may have more than one pension record as a result, for example, of having more than one part time contract of employment with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

Investment Policy

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

Strategic Asset Allocation Benchmark

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



Asset class	Strategic Benchmark 31 March 2023 %	Strategic Benchmark 31 March 2022 %
UK Equities	15.0	15.0
Global Equities	40.0	40.0
Total Equities	55.0	55.0
Property	10.5	10.5
Infrastructure	-	-
Diversified Alternatives (incl. Private Markets, Infrastructure, Multi Asset Credit)	21.0	21.0
Fixed Interest	12.5	12.5
Cash	1.0	1.0
Total	100.0	100.0

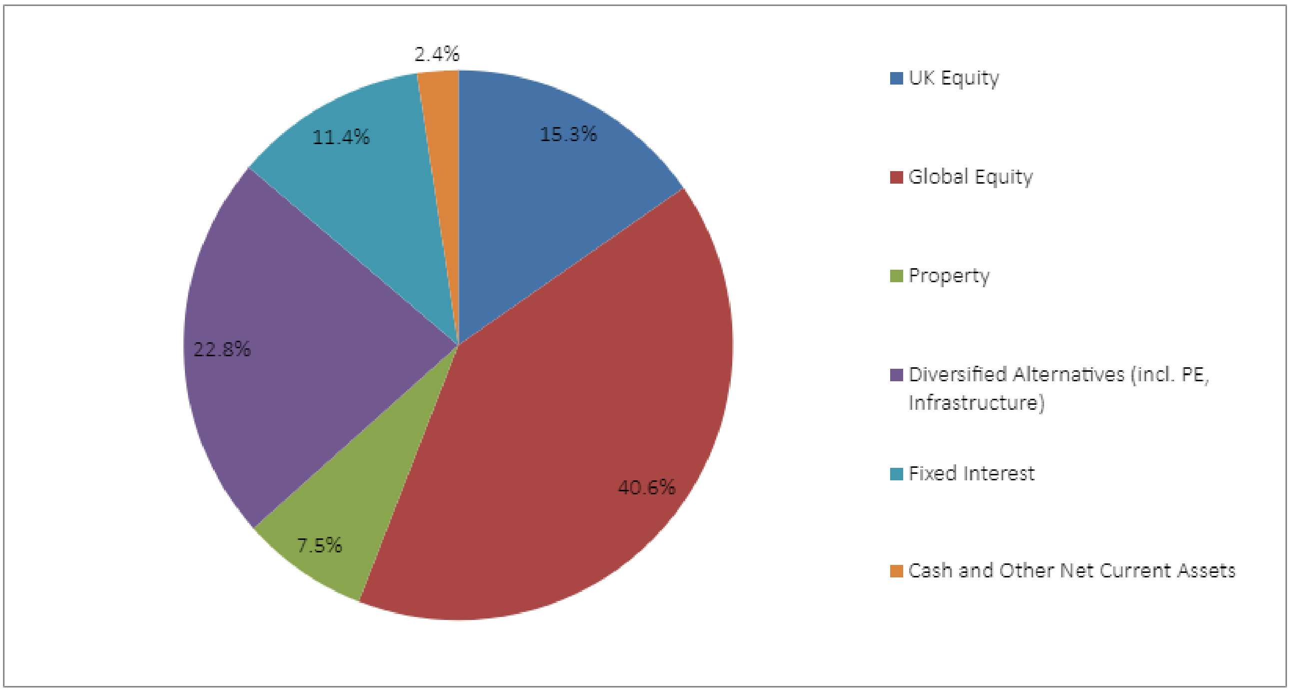
The Pensions Committee meeting in March 2023 agreed to reduce equities by 10% and increase multi asset credit and private markets by 5% each. This is not reflected in the table above yet, as further decisions need to be made on the equity reduction.

Total Actual Asset Distribution

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

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

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



Fund Investment Performance

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

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

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

	Lincolnshire Fund Return %	Comparative Benchmark Return %	Retail Price Inflation %	Public Sector Increase in earnings %
2013/14	6.3	6.2	2.5	1.1
2014/15	12.3	12.4	0.9	(0.9)
2015/16	1.0	1.8	1.6	1.9
2016/17	19.8	19.3	3.1	1.3
2017/18	3.3	3.0	3.3	2.6
2018/19	8.2	8.1	2.4	2.7
2019/20	(5.8)	(3.9)	2.6	3.0
2020/21	23.3	22.1	1.5	6.0
2021/22	10.7	9.7	9.0	3.3
2012/23	(0.8)	(1.0)	13.5	5.6
10 years annualised	7.5	7.5	4.0	2.7

Manager/Asset Class Performance of the Fund

Asset Class	1 Year		3 Years annualised		5 Years annualised	
	FM %	BM %	FM %	BM %	FM %	BM %
Equities						
LGIM Global Equity (inception Feb 21)	0.09	0.20	n/a	n/a	n/a	n/a
Border to Coast Global Equity (inception Oct 19)	3.77	(1.43)	18.34	15.47	n/a	n/a
Border to Coast UK Equity (inception July 20)	4.96	2.92	n/a	n/a	n/a	n/a
Fixed Interest						
Blackrock	(16.92)	(17.76)	(5.72)	(6.03)	(1.92)	(2.21)
Border to Coast Investment Grade Credit (inception Feb 20)	(9.77)	(10.20)	(2.07)	(3.07)	n/a	n/a
Property/Infrastructure						
Property Unit Trusts	(18.2)	(14.49)	2.07	2.56	1.54	2.50
Property Other and Infrastructure*	(4.57)	7.00	(2.00)	7.00	(0.28)	7.00
Diversified Alternatives						
Morgan Stanley	0.82	7.85	12.00	5.48	8.68	5.25
Legacy Private Equity	1.97	7.86	3.41	5.48	7.54	5.25
Infrastructure*	13.41	6.00	9.19	6.00	n/a	n/a
Multi Asset Credit						

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

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

Top Holdings

Listed below are the top twenty holdings in the Pension Fund, including both pooled investments and direct holdings in the segregated account, as at 31 March 2023. These account for £2,915.4m and make up 95.5% of the Fund's investments.

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

Investment Management Arrangements

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

Pooled Funds

Asset Class	Manager	Market value £m's	%
Fixed Interest	Blackrock	124.9	4.1
	Border to Coast	219.3	7.2
	Total Fixed Interest	344.2	11.3
UK Equities	Border to Coast	462.1	15.1
Global Equities	Border to Coast	763.8	25.0
	LGIM	463..9	15.2
	Total Equities	1,689.8	55.3
Property	Abrdn	112.1	3.7
	Allianz	23.6	0.8
	Aviva	9.3	0.3
	Blackrock	39.1	1.3
	Franklin Templeton	0.2	0.0
	Hearthstone	18.0	0.6
	Igloo	0.2	0.0
	Royal London	25.5	0.8
	Total Property	228.0	7.5
Infrastructure	Infracapital	16.8	0.6
	Innisfree	35.4	1.2
	Pantheon	14.5	0.5
	Total Infrastructure	66.7	2.3
Private Equity	Abrdn	1.7	0.1
	Capital Dynamics	0.1	0.0
	Pantheon	4.9	0.2
	Total Private Equity	6.5	0.3
Alternatives	Morgan Stanley	459.1	15.0
Multi Asset Credit	Border to Coast	146.2	4.8
Total Pooled Vehicles		**2,940.5**	**96.5**

Investment Administration and Custody

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

The Fund's custodian at 31 March 2023 was Northern Trust, with responsibility for safeguarding the segregated assets, in addition to providing investment accounting and performance measurement services.

Funding

The Lincolnshire Pension Fund's latest triennial valuation was as at 31 March 2022. The results from this are published on the Fund's shared website.

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

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

*Valuation undertaken by Hymans Robertson

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

Stewardship Responsibilities

The Lincolnshire Pension Fund was again successful in submitting its Stewardship Code statement for 2021/22, meeting the requirements of the Financial Reporting Council's (FRC) Stewardship Code. The FRC produced the new code in 2020 requiring more detail and examples of outcomes of stewardship. The stewardship code statement can be found on the Council's website.

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

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

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

The Fund works closely with Border to Coast and the other partner funds within the asset pool to ensure that they integrate RI into all of their investment activity. The RI Strategy 2022-2025 is set out below. Further information on the RI work that Border to Coast does can be found on their website at www.bordertocoast.org.uk.

Principle	2025 target – Border to Coast	Partner Fund Role
Integrating ESG	All relevant and material factors accounted for in risk and return decisions across all asset classes over an appropriate time horizon in both internally and externally managed portfolios. We understand our impact on the world from the decisions we make.	Long-term ESG factors are taken into account when setting strategy. Understand impact from strategic decisions. Monitor and oversee (legacy) asset managers.
Active Ownership	We engage with portfolio companies to: • Undertake research for our investment decisions • Influence their approach to risk management. • Explore systemic risks that could impact the portfolio • We will set measurable outcomes and articulate the impact of engagement on our investment decision-making over an appropriate time horizon. • We set clear voting indications for companies and public as part of our wider engagement framework.	RI policy and voting guidelines clear. LAPFF active role where applicable
Industry engagement	• Engagement on systemic risks with policymakers, regulators and standard setters to create a stable environment with clear expectations in which asset owners and portfolio companies can operate efficiently to enhance long-term portfolio returns. • We will develop the capability and capacity to co-lead on collaborations in our priority engagement themes alongside working with others as a junior partner with a strong network of collaborators on wider systemic risks.	Support industry-wide collaborations and work with Border to Coast to, per the FRC's Stewardship Code Principle 4: "identify and respond to market-wide and systemic risks to promote a well-functioning financial system".
Reporting and governance	We believe strong reporting and governance is important to: - Build public trust that we are appropriately managing public money	Transparency of approach to RI shared publicly (website, annual report & accounts, public statements).

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

The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), which is a voluntary organisation comprising of 87 LGPS Funds and six of the LGPS asset pools. LAPFF exists to promote the investment interests of Local Authority Pension Funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards of corporate governance in the companies in which they invest. Further information on the work of the LAPFF can be found at www.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 risk register had a full review at the July 2022 meeting, where it was aligned to the Council's updated risk management process.

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

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

INVESTMENT AND FUNDING	
Required returns not met due to poor strategic allocation and assets not enough to meet liabilities.	Professional advice, triennial actuarial review, performance monitoring, regular reporting to Pensions Committee, strategic asset allocation review undertaken in 2022/23.
Poor long term investment performance or non-compliance from managers.	Performance measurement, managers regular reports, reporting to pensions committee, diversification, manager meetings, long term timeframe, refresh the manager monitoring arrangements.
Asset pooling - transition of assets from existing mandates to Border to Coast.	Officer operations group, workstreams within Border to Coast, regular communication to Committee, senior officer meetings, use of transition managers.
Failure to meet requirements as a responsible investor - across all ESG risks (including climate change and a move to a low carbon economy).	Border to Coast assistance, managers reporting requirements, LAPFF membership, voting and corporate governance policy, RI policy, RI Beliefs, quarterly stewardship paper to Committee, UK Stewardship Code, increased focus on ESG investments.
Asset Pooling – failure in the management of the relationship with Border to Coast Pensions Partnership and/or the investment performance, as a client and a shareholder.	Joint Committee, officer operations group, senior officers' group, regular meetings with Border to Coast.
Cashflow - not enough income to meet pension payments due.	Asset allocation review to increase income generating assets when required, cashflow monitoring, work with Border to Coast on income options from their investment vehicles.
OPERATIONAL	
The administrator does not perform its functions in accordance with the agreement.	Performance Indicators, bi-monthly meetings with WYPF, internal controls and audits, collaboration agreement, process management, customer surveys, reporting to Committee and Board.
Cyber security breach.	WYPF and Bradford Council policies, LCC policies and training, external provider control reports
Employers exiting.	Admission agreement, pass-through policy, exit credit policy, bonds, covenant monitoring, employer communication, PFR roles.
Fraud risk not managed.	Separation of duties, internal and external audit, monthly reporting, reconciliation procedures, regular National Fraud Initiative reporting.

Changes in legislation not implemented correctly, currently McCloud and Pensions Dashboard.	Regular meetings with and reporting from WYPF, LCC staff appropriately qualified and aware of legal requirements, Pension Fund managed in line with statutory regulations, membership of professional networks e.g. PLSA, Pension Board oversight.
PEOPLE	
Loss of key staff and loss of knowledge and skills.	Diversified staff / team, look at other authorities with best practices to ensure LCC positions still desirable, attendance at pensions user groups, procedural notes, section meetings / appraisals, B2C and partner funds relationships, training requirements and qualifications.

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

Lincolnshire County Council's (LCC) internal audit team undertake audits across different aspects of the Fund's management and administration. The timing and frequency of their work is determined by a risk-based assessment, which is reviewed annually. LCC's internal audit team undertook one audit in 2022/23 which covered the key control testing for the Fund’s investments, and it received high assurance. The output from audits is reported to the Council's Audit Committee and brought to the Pension Board and Committee as appropriate. In addition, the internal audit team work with the internal auditors of West Yorkshire Pension Fund, from Bradford Council, to provide additional assurance over the administration function.

Assurance from the service suppliers and fund managers appointed by Lincolnshire Pension Fund is obtained thorough the receipt and monitoring of control reports – e.g. ISAE 3402 (AAF 01/06) or SSAE16/70. For 2022/23 reasonable assurance was obtained from all third-party operations.

Business Plan and Budget

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

The table below shows the reviews the progress of the key tasks for the year 2022/23:

Subject	Context	2022/23 Review
Pensions Committee and Board meetings	The responsibility for the Pension Fund is delegated to the Pensions Committee, with the Pension Board providing an oversight role on the administration and governance of the Fund.	All Pension Committee and Board meetings held as expected. Committee and Board agendas were reviewed, and the structure of the meetings changed for 23/24 to make them more fit for purpose.

Asset Pooling with Border to Coast	Border to Coast Pensions Partnership has been created to meet the Government's investment reform criteria. In accordance with regulations and statutory guidance, assets should transition to the management of Border to Coast as appropriate vehicles become available.	Oversight meetings held at officer, S151 and Joint Committee levels. Continued development on the property funds.
Alternative Investments	The alternative investments are currently managed in a discretionary mandate by Morgan Stanley. Border to Coast offer a number of alternative funds covering private equity, private credit and infrastructure. A decision needs to be made on whether this should transition to Border to Coast.	Decision made on the alternative investments to retain Morgan Stanley for the medium term.
Administration Service (including employer data quality)	A good performing administration service is key to our stakeholders and for ensuring the quality of information held is appropriate for calculating benefits and liabilities.	Strong KPI figures generally throughout the year and positive customer survey responses, as reported to Committee and Board each quarter. Work undertaken to look at the options for the administration service as the shared service arrangement comes to the end of its term in March 2024, with a recommendation brought to the March 2023 Committee.
Annual Report and Accounting	The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors.	Delayed receipt of external audit opinion due to an issue with the Council's accounts meant Pension Fund accounts were published by 1 December without the opinion, but with an unqualified opinion expected. The accounts opinion has yet to be received.

Responsible Investment (RI)	There is continued focus on how LGPS Funds can best address and manage RI issues such as environmental, social and governance matter (ESG).	The Committee received regular updates and information on RI activity undertaken by managers. The Stewardship Code submission was made to the FRC in October 2022 for the financial year to 31 March 2022 and was successful. Work continued with external managers and Border to Coast to ensure that RI is embedded across all investment decisions.
Work by the Scheme Advisory Board (SAB)	The SAB have a number of projects underway to improve the management /governance of LGPS Funds.	Unfortunately, the Good Governance project was delayed. The Fund responded to any requests from SAB throughout the year.
Employer Accounting	Employers within the Fund require pensions accounting information at various times of the year, for inclusion in their statutory accounts.	All employers received appropriate accounting reports as required.
Staffing and Structure Review	The workloads and requirements of the team have expanded considerably over the last few years, therefore a review of the current staffing and structure is required to ensure it is fit for purpose.	Following the workload review in 2022, a new post was agreed for a Principal Investment, Accounting and Governance Officer. Unfortunately, the recruitment to this post was unsuccessful, so a career grade post has been identified to grow someone into the role.
Triennial Valuation	The three yearly valuation of the Pension Fund's assets and liabilities is as of 31 March 2022. This will set the employer rates for the three years from to 1 April 2024.	The Triennial Valuation process went as planned, with good quality data submitted on time, and employers receiving and accepting their new contribution rates – all employers returned signed declarations. The updated Funding Strategy Statement was taken to the March Pensions Committee, following consultation with employers.

The budget and actual expenditure for operating the Lincolnshire Pension Fund for 2022/23 are set out in the table below. They are split between Administration Costs, Investment Management Expenses and Oversight and Governance Costs.

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

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

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

- **Administration Costs:** At the end of the financial year the charge for the administration service from West Yorkshire Pension Fund is reviewed and updated to reflect the actual number of members and the annual charge per member. The actual cost for 2022/23 was £16.72 per member. The cost per member was lower than originally charged to the Fund (£17.67 per member), but the overall charge increased due to increased member numbers. The cost included additional system development costs for the McCloud remedy, and further costs associated with the McCloud remedy will be charged to the Fund in future years.

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

Employer Contribution Rates

Analysis of Active and Ceased Employers in the Fund:

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

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

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

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

Employer	Primary Rate %	Secondary Rate (% or £k)	Contributions received Employer (£k)	Employee (£k)
North Hykeham Town Council	21.1%	1.4%	15	4
Louth Town Council	21.1%	1.4%	16	4
Mablethorpe & Sutton Town Council	21.1%	1.4%	25	9
Bourne Town Council	21.1%*	1.4%	21	6
Market Deeping Town Council	21.1%	1.4%	11	3
Skellingthorpe Parish Council	21.1%	1.4%	8	2
Woodhall Spa Parish Council	21.1%	1.4%	7	2
Gainsborough Town Council	21.1%	1.4%	32	9
Welton-by-Lincoln Parish Council	21.1%	1.4%	8	2
Greetwell Parish Council	21.1%	1.4%	1	-
Billinghay Parish Council	21.1%	1.4%	4	1
Bracebridge Heath Parish Council	21.1%	1.4%	13	3
Gedney Parish Council	21.1%	1.4%	5	1
Sutton Bridge Parish Council	21.1%	1.4%	8	2
Pinchbeck Parish Council	21.1%	1.4%	7	2
Thorpe On The Hill Parish Council	21.1%	1.4%	3	1
Langworth Parish Council	21.1%	1.4%	2	1
Scotter Parish Council	21.1%	1.4%	3	1
Fiskerton Parish Council	21.1%	1.4%	1	-
North Thoresby Parish Council (joined 01/05/2022)	21.1%	1.4%	3	1
Further Education Establishments				
Bishop Grosseteste University	23.5%*	£76k	1,006	272
Boston College	23.8%	-	974	244
Grantham College	23.8%	£44k	696	175
Lincoln College	24.5%	£278k	1,200	225
Other Scheduled Bodies				
Acorn Free School Ltd	19.5%	-3.0%	37	11
Public Sector Partnership Services Ltd	19.9%	£96k	1,445	439
Police Chief Constable and Police & Crime Commissioner (pooled rates also with Mitie)	17.5%	-1.2% & £1,874k	6,565	1,883
ACADEMIES				
Aegir Specialist Academy	21.0%	£39k	183	41
Alford Queen Elizabeth Selective Academy	21.2%*	-	97	29
All Saints Academy Waddington	21.1%	£9k	100	24
Anthem Schools Trust Central (joined 01/02/2022)	20.2%	20.2%	31	10
Aspire Schools Trust (joined 01/10/2022)	22.9%	-	2	1
Bassingham Primary School	22.0%	£8k	45	10
Beacon Primary Academy	19.1%	-	59	18
Bingham Primary Academy	19.9%	See Ambergate	13	4
Boston Grammar School	20.1%	£8k	158	44
Boston High School	21.2%*	£30k	173	44
Boston St Mary's RC Primary Academy	20.3%	£4k	58	15
Boston West Academy	21.0%	-1.8%	86	25
Bourne Abbey C of E Academy	20.9%	£10k	355	97
Bourne Academy	21.1%	£14k	327	95
Bourne Grammar	21.3%	£31k	248	65
Bracebridge Infant and Nursery School	20.7%	£2k	35	9
Branston C of E Infants School	20.8%	£2k	32	8
Branston Community Academy	20.9%	-	267	73

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

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

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

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

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
SERCO	17.5%	9.4%	619	151
Taylor Shaw (Branston Academy)	33.9%	-	8	1
Vertas (Walton Academy) (joined May 2022)	19.8%	-	23	7
Vinci Construction UK Limited	35.2%	-	13	2

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

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

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

A policy is in place to fine employers where they are late in three of any six months over a rolling period to cover additional administrative costs. However, the Fund and its administrator work closely with employers to ensure that employers understand their responsibilities and the processes required to meet them. Over the year to 31 March 2023 there were eight fines raised to employers (one in 2021/22). The Fund has not opted to levy interest on overdue contributions.

Asset Pooling

Introduction

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

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

b. Strong governance and decision making;

c. Reduced costs and value for money; and

d. Improved capacity to invest in infrastructure.

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

New guidance from the Department of Levelling Up, Housing and Communities (DLUHC) has been awaited since a consultation in 2019 but has still not been received. It is now expected to be issued for further consultation in 2023/24.

Lincolnshire Pension Fund's Solution

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

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

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

Border to Coast Pensions Partnership

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

Border to Coast is based in Leeds and has 138 employees. This includes a large team to directly manage assets, alongside a team to select external managers. As an FCA regulated company, Border to Coast must comply with the same requirements as any other asset manager and is subject to company legislation. At the end of March 2023, Border to Coast had £28.3bn under management across nine collective investment vehicles, and £12bn of Private Market commitments from partner funds.

Oversight and Governance

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

Asset Transitions

As at 31 March 2023, the Lincolnshire Fund had transitioned assets into four sub-funds.

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

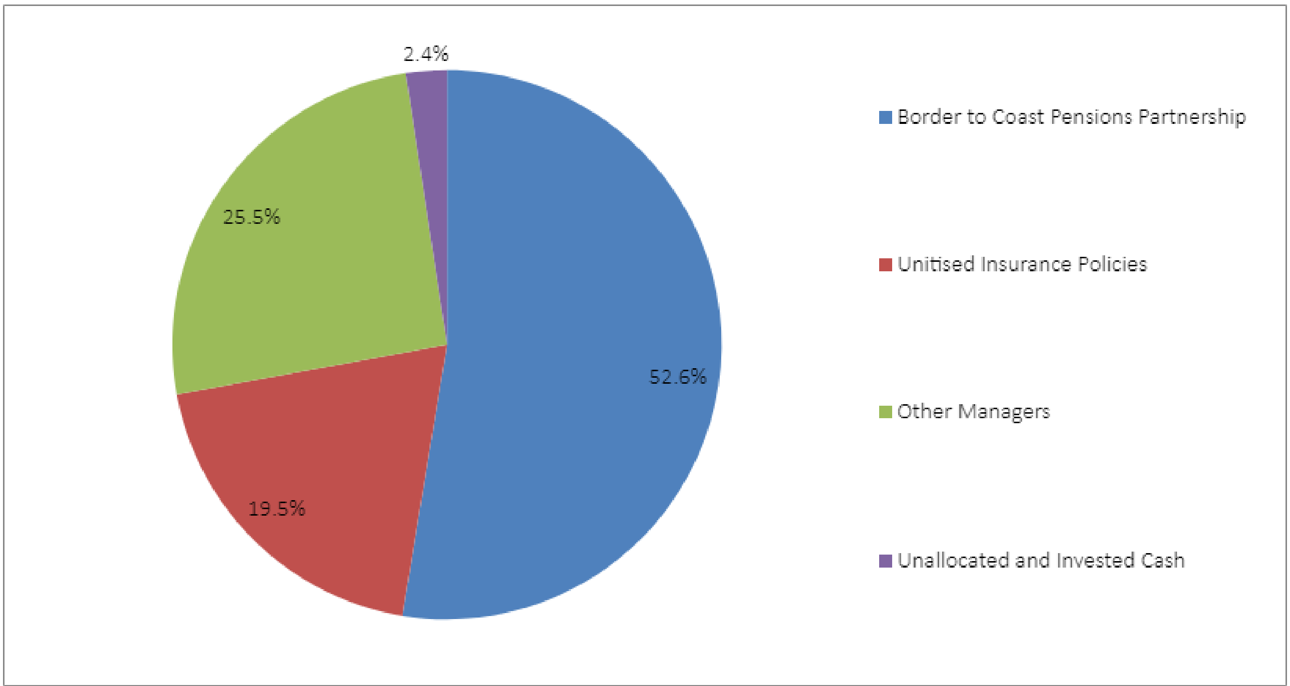
In July 2020, approximately £380m was transferred from a passive UK equity mandate managed by Legal and General into the Border to Coast UK Equity sub-fund. In February 2021, an additional investment of approximately £196m was made into the Global Equity Alpha sub-fund, following the termination of Invesco's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

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

Work continues on the property solutions.

The chart and table below show the proportion of the Fund that has now been invested into Border to Coast vehicles as at 31 March 2023, at 52.6%. This compares to 51.6% invested at 31 March 2022, and shows the positive direction of travel. Further detail on this can be found in the Accounts section of this report at note 12C.

Asset Class	Market Value £m	%
Border to Coast Pensions Partnership	1,591.4	52.6
Unitised Insurance Policies	588.8	19.5
Other Managers	772.6	25.5
Unallocated and Invested Cash	73.0	2.4
Net Investment Assets	3,025.8	100.0



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

Border to Coast Assets Under Management (AUM) for Lincolnshire Pension Fund	Cumulative to 2018/19	2019/20	2020/21	2021/22	2022/23
Border to Coast (£m)	0	525	1,350	1,564	1,591
Passive/Other (not to be pooled) (£m)	574	585	564	614	589
Other (£m)	1,770	1,092	833	875	846
Total AUM £m	2,344	2,202	2,748	3,053	3,026
Border to Coast	0%	24%	49%	51%	53%
Passive / Other (not to be pooled)	24%	27%	21%	20%	19%
Other	76%	49%	30%	29%	28%
Total AUM %	100%	100%	100%	100%	100%

Total pooled assets

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

Assets not managed directly by Border to Coast

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

Passive Bonds – managed by Blackrock (5% allocation)

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

Passive Equities – managed by LGIM (15% allocation)

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

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

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

Alternatives – managed by Morgan Stanley (14% allocation)

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

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

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

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

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

Border to Coast costs and savings for Lincolnshire

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

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

The table below details the net savings to date.

Border to Coast Costs and Savings	Cumulative to 18/19 Actual £m	2019/20 Actual £m	2020/21 Actual £m	2021/22 Actual £m	2022/23 Actual £m
Implementation Costs – pre-incorporation	0.19	-	-		
Implementation Costs – post-incorporation	0.24	-	-		
Share Purchase/Subscription	0.83	-	0.35		
Share Purchase/Subscription (adj.)	-	-	-		
Governance Costs	0.17	0.19	0.23	0.30	0.30
Development Costs	0.01	0.06	0.05	0.07	0.04
Project Costs	-	0.09	0.14	0.18	0.20
Total Set-up and Operating Costs	1.44	0.34	0.78	0.55	0.54
Transition Costs	-	0.42	(0.01)	0.03	0.0
Fee savings due to pooling	0.06	0.05	0.21	0.10	-
Fee Savings – Private Markets	-	-	-	-	-
Fee Savings – Public Markets	-	0.35	0.91	1.40	1.56
Fee Savings – Public Markets (add. costs)	-	-	(0.06)	(0.05)	(0.06)
Fee Savings – Real Estate UK	-	-	-	-	
Fee Savings – Real Estate Global	-	-	-	-	
One Offs (Crossing deals)	-	-	3.28	-	
Other Savings	-	-	-	-	
Total Fee Savings	0.06	0.40	4.34	1.44	1.85
Net Position	(1.38)	(0.36)	3.57	0.87	0.96
Cumulative Net Position	(1.38)	(1.74)	1.82	2.69	3.65

Border to Coast contact details:

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

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

Annual Report of the LGPS Local Pension Board 2022/2023

Introduction

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

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

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

Purpose

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

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

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

Constitution and Membership

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

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

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

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

The Work Programme

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

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

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

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

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

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

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

Employer monthly submissions and contribution monitoring – at each meeting, the Board considered a report from the Head of Pensions on any current issues within the fund including investment matters and the employers' monthly submissions and contribution monitoring. As regards the latter, for the vast majority of employers, the payment of contributions and the data submissions are made on a timely basis but there are a few outliers. During the year, there were 37 cases of the late payment of contributions (approx. 3,300 received in the year) and 68 cases of the late submission of monthly returns (approx. 2,200 received in the year). This is both disappointing and unacceptable but there is a recognition that it is important to work with the employers to attempt to resolve issues before taking further action. Even so, during the financial year, eight fines were issued. Efforts will therefore continue to remind employers/payroll providers of their duties and responsibilities through individual contacts either in person, by email or telephone. The Board will keep this issue under close review.

Annual Report & Accounts and External Audit - At the July meeting, consideration was given to the Pension Fund's draft Annual Report & Accounts for 2021/2022. A progress report on the external audit work outstanding and findings from the work completed was considered at the September meeting. Staffing issues were cited by Mazars as contributing to the delay in the sign off of the Accounts. At the December meeting, the PB was informed that the external auditor was expected to give an unqualified audit opinion on the Pension Fund Statement of Accounts. This was however delayed because of national issues impacting the Council's accounts, which have to be signed off in conjunction with the Pension Fund Accounts, on the treatment of infrastructure and the impact of triennial valuations being completed ahead of the accounts sign off. The Board congratulated the Head of Pensions on producing an excellent document. At the time of writing this report, the Council's accounts, and therefore the Pension Fund Accounts, were still awaiting sign-off.

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

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

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

The eleven elements of the Code are:

a) Reporting duties;

b) Knowledge and understanding;

c) Conflicts of interest;

d) Publishing information about schemes;

e) Managing risk and internal controls;

f) Maintaining accurate member data;

g) Maintaining contributions;

h) Providing information to members and others;

i) Internal dispute resolution;

j) Reporting breaches of the law; and

k) Scheme advisory board.

A checklist of 99 items covering the above was produced in a traffic lights format. It is pleasing to report that Lincolnshire was largely compliant throughout the year. As at March 2023, there were 94 green and one not relevant. There were four partially compliant – one related to knowledge and understanding. Whilst all Board members have completed this training, two new members had recently been appointed to the Pensions Committee and they have a period of six months to complete their training. The other three related to certain aspects which are outside direct control. The Board considered that the compliance to tPR's Code was very good.

Conclusion

The Board considers the governance and administration of the Scheme to be sound. Lincolnshire's compliance to the vast majority of TPR's Code of Practice is particularly impressive. The Report and Accounts for 2021/2022 was an excellent document and there was an unqualified audit report. The Board will continue to monitor various national initiatives if any proposals unfold.

The Board would like to express its thanks to Jo Kempton, Head of Pensions, her Team and the staff of WYPF for the huge amount of work undertaken during the year. Finally, I should like to thank the four Board Members for their considerable input and support during the year. In particular, I would like to thank Gerry Tawton who retires in July at the end of his four year term, for his substantial contribution and support.

Roger Buttery
Pension Board Chair
May 2023

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

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

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

Investment Background

Returns for Major Markets

The twelve months to 31 March 2023 produced a range of returns across the asset classes.

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

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

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

Investment Returns to 1 April 2022 to 31 March 2023

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

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

Asset Class Performance Narrative

Global Overview

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

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

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

UK Equities

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

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

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

US Equities

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

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

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

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

European Equities

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

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

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

Asian Pacific Equities

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

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

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

Japanese Equities

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

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

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

Fixed Interest

Corporate Bonds

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

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

Growing expectations that global inflation pressures may be peaking, leading to hopes that the current cycle of interest-rate rises may be nearing its end, helped corporate bonds to perform better in the second half of the period. Turbulence in the global banking sector in March caused credit spreads to widen to levels last seen at the start of 2023. However, the negative effect of wider credit spreads was offset by lower government bond yields amid a flight to safety. Consequently, investment-grade corporate bonds enjoyed gains in March, although riskier UK and European high-yield bonds fell.

Government Bonds

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

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

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

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

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

UK Commercial Property

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

It was a year of two halves in 2022. The positive performance that UK real estate recorded at the start of the year was unwound in the second half, as capital value declines weighed on performance given a weaker macroeconomic environment and rising debt costs. Yields moved out across all sectors, particularly in lower-yielding areas of the market (such as industrials). Given the magnitude and speed of correction seen in some sectors – including supermarkets, industrial and logistics, and areas of the long-income market – market pricing for these areas was likely to find a floor much quicker than in previous cycles. A recovery in performance was expected in the first half of 2023 as UK real estate once again looked attractive on a relative pricing basis and the Bank of England halting its monetary policy hiking cycle. Given a weakening UK economy, investors are likely to focus on occupational strength and the resilience of income within portfolios. Tight supply levels in many areas of the market will continue to support prospects for rental value growth. However, any rental growth is likely to be restricted to the prime end of the market, where fundamentals for best-in-class space remain more supportive. Income is expected to be the predominant driver of real estate returns in the near term.

Administration of Benefits

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

A satellite office for the WYPF administration team is based in Lincoln, co-located with the LCC Pension Fund team, to enable scheme members to have a point of contact in Lincolnshire. Members can visit County Offices and speak to someone regarding their pension arrangements.

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

The Pensions Committee and Pension Board take a keen interest in the administration of the Fund and receive regular reports and presentations (see the Board's annual report on page 34) on all aspects of the administration service.

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

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

Key Service Performance Indicators and Direction of Travel

Event	No. Cases	Target Days to Complete	Cases Target Met	Minimum Target %	Target Met %	Average Days Taken	Travel
Age 55 Increase to Pension	3	20	3	85	100.00	1.33	↔
AVC In-house (General)	169	20	168	85	99.41	2.28	↑
Change of Address	876	20	840	85	95.89	1.98	↑
Change of Bank Details	313	20	299	85	95.53	2.96	↑
Death Grant to Set Up	156	10	142	85	91.03	9.21	↑
Death In Retirement	587	10	498	85	85.00	11.4	↑
Death In Service	23	10	19	85	82.61	19.19	↓
Death on Deferred	47	10	40	85	85.11	5.91	↑
Deferred Benefits Into Payment Actual	982	5	940	90	95.72	3.36	↑
Deferred Benefits Into Payment Quote	1,161	35	822	85	70.80	61.16	↓
Deferred Benefits Set Up on Leaving	1,963	20	1,283	85	65.36	49.49	↓
Dependant Pension To Set Up	312	5	295	90	94.55	4.89	↑
Divorce Quote	155	40	149	85	96.13	9.19	↑
Divorce Settlement Pension Sharing order Implemented	7	80	7	100	100.00	19.71	↔
DWP request for Information	2	20	2	85	100.00	2	↑
Estimates for Deferred Benefits into Payment	25	10	22	90	88.00	12.88	↓
General Payroll Changes	394	20	391	85	99.24	1.94	↔

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

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

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

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

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

Industry standard performance indicators

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

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

New Pensions Paid

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

- Normal – retirement at normal retirement age (NRA)
- Early – retirement before NRA – generally with reduced benefits
- Late – retirement after NRA – generally with increased benefits

- Ill health – release of pension through certified ill health
- Redundancy – release of pension from age 55 when made redundant

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

Pension Overpayments

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

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

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

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

Fraud Prevention – National Fraud Initiative

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

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

Pensioners, beneficiaries and deferred members	No. of records sent	No. and percentage of mismatches		Over payments identified	Possible frauds	Mismatches carried forward at 31 March
2022/23	329,082	2,379	0.7%	24	0	10
2021/22	288,636	1,685	0.6%	15	0	22
2020/21	286,429	963	0.3%	4	0	1
2019/20	277,293	3,845	1.4%	17	2	10
2018/19	260,387	3,339	1.3%	3	2	2
2017/18	229,994	518	0.2%	35	2	10

Value for money - Cost per member

The latest published data (2021/22) for all LGPS funds administration costs shows that LPF pensions administration cost per member is £15.01, the 5th lowest cost amongst 86 LGPS funds and well below the national average of £26.68.

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

Cost per member 2020/21	Position	Lincolnshire Pension Fund	LGPS Lowest*	LGPS Highest*	LGPS Average
Administration	5th	£15.01	£0.00	£121.01	£26.68
Investment	18th	£154.02	£18.02	£1,023.22	£282.32
Oversight and governance	33rd	£10.11	£0.00	£58.94	£11.21
Total Cost per member	11th	£179.14	£34.06	£1,088.82	£274.33

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

The 2022/23 annual cost of managing the Lincolnshire Pension Fund per member, as summarised in note 10 in the accounts, is set out below:

- Administration cost per member is £17.42;
- Investment management cost per member is £143.83;
- Oversight and governance cost per member is £11.49; and
- Total management cost per member is £172.74.

Staffing

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

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

Key activities undertaken during the year

Employer training

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

The webcasts this year have covered:

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

Workshop on 'Planning for a positive retirement'

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

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

Pension Increase

Each year, LPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI). Deferred member's benefits are also increased by CPI. For the 2022/23 year an increase of 3.1% was applied on 11 April 2022.

Pension administration and cost

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

The shared service delivery continues to be underpinned by its accreditation to the International Organisation for Standardisation - ISO 9001:2000. The quality management systems ensure that the shared service is committed to providing the best possible service to customers and will continue to ensure that it delivers best value to all stakeholders. The latest published data for all LGPS fund administration costs shows that LPF pensions administration cost per member is £15.01, this is the 5th lowest cost amongst 86 LGPS funds and well below national average of £26.68.

Communications

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

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

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

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

MyPension

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

Data quality

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

Current data quality figures for LPF are shown below:

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

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

Disaster recovery and risk management monitoring

The shared service partnership systems are hosted by WYPF which is administered by Bradford Council. Bradford Council uses a pair of geographically separated data centres. Both purpose-built data centres are protected by redundant power, UPS, a backup generator and cooling.

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

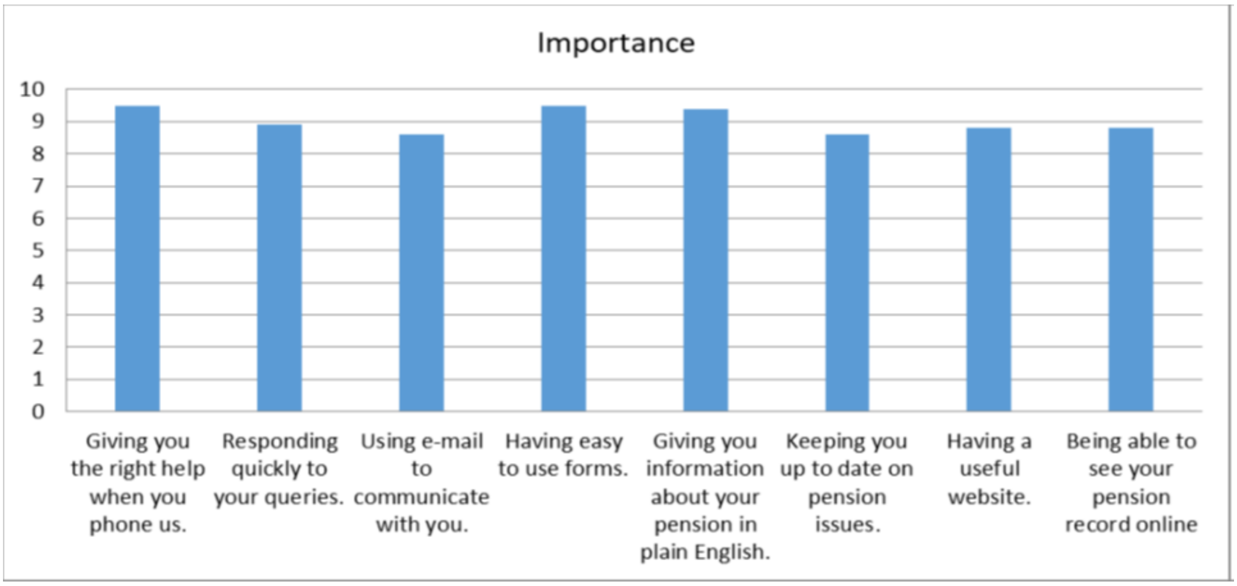
Customer satisfaction

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

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

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

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



Summary of LGPS Contributions and Benefits

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

Membership from 1 April 2014

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

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

Contributions

Employee's contribution rates from 1 April 2014 are based on actual pensionable pay using the pay band table below. The bands are increased each April in line with inflation by the Department for Levelling Up, Housing and Communities. The bands, as they stood at 31 March 2023, are shown below.

Full Time Equivalent Pay	Contribution Rate
Up to £15,000	5.5%
More than £15,000 and up to £23,600	5.8%
More than £23,600 and up to £38,300	6.5%
More than £38,300 and up to £48,500	6.8%
More than £48,500 and up to £67,900	8.5%
More than £67,900 and up to £96,200	9.9%
More than £96,200 and up to £113,400	10.5%
More than £113,400 and up to £170,100	11.4%
Over £170,100	12.5%

Benefits

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

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

Annual Pensions

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

Lump Sum Payments

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

Ill Health Retirement

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

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

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

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

Death-benefits

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

Supplementary Pensions

Scheme members may purchase additional pension of up to a maximum of £7,579 per annum, in blocks of £250, through Additional Pension Contributions (APCs.). As an alternative, Scheme members may increase their benefits by paying Additional Voluntary Contributions (AVCs). The AVC provider, appointed by the County Council as the administering authority, is Prudential.

Membership from 1 April 2008 to 31 March 2014

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

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

Contributions

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

Benefits

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

Annual Pensions

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

Lump Sum Payments

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

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

Membership up to 31 March 2008

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

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

Contributions

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

Benefits

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

Annual Pensions

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

Lump Sum Payments

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

Ill Health Retirement

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

Death-benefits

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

Supplementary Pensions

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

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

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

Pension Fund Knowledge and Skills Policy and Report

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

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

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

Activity in 2022/23

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

The eight areas within the Knowledge and Skills Framework are:

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

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

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

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

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

Committee Meeting Attendance 2022/23

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

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

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

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

All members of the Pensions Committee have full voting rights.

Fund Account – Year Ended 31 March 2023

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

Net Asset Statement as at 31 March 2023

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

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

Notes to the Pension Fund Accounts

Note 1. Description of the Pension Fund

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

General

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

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

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

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

Membership

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

Organisations participating in the Fund include:

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

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

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

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. Rates paid by employers during 2022/23 were determined at the 2019 Valuation, or when a new employer joins the scheme. Rates paid during 2022/23 ranged from 16.3% to 25% of pensionable pay. In addition, the majority of employers are paying monetary amounts to cover their funding deficit.

Benefits

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

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

	Service pre April 2008	Service between April 2008 and March 2014
Pension	Each year is worth 1/80 x final pensionable salary	Each year is worth 1/60 x final pensionable salary
Lump Sum	Automatic lump sum of 3/80 x salary In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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

Note 2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position at year end as at 31 March 2023.

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

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

The accounts have been prepared on a going concern basis.

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

On an annual basis the Code requires the Pension Fund to consider the impact of accounting standards that have been issued but have not yet been adopted and disclose information relating to the impact of these standards. For 2023/24 the Code introduces the following changes to the accounting standards:

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

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

Note 3. Significant Accounting Policies

Fund account - revenue recognition

a) Contributions income

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

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

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

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

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

b) Transfers to and from other schemes

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

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

c) Investment Income

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

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

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

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

Fund account - expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

i) Administrative expenses

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

ii) Oversight and Governance

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

iii) Investment management expenses

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

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

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

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

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

Net assets statement

g) Financial assets

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

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

Alternatives, private equity, property venture and infrastructure valuations are based on the most recent valuations provided by managers at the year-end date. Where more up-to-date valuations are received during the accounts preparation or audit period, their materiality, both individually and collectively will be considered, and the accounts revised to reflect these valuations if necessary. If valuations are not produced by the manager at 31 March, then the latest available valuation is used, adjusted for purchases and sales which occur between the valuation date and 31 March.

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

h) Foreign currency transactions

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

i) Derivatives

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

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

j) Cash and cash equivalents

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

k) Financial liabilities

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

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

l) Actuarial present value of promised retirement benefits

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

m) Additional voluntary contributions

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

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

n) Contingent assets and contingent liabilities

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

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

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

Note 4. Critical Judgements in Applying Accounting Policies

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

Pension Fund liability

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

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

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

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

The items in the accounts for the year ended 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits (Note 18)	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. £219m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by c. £9m. 3) a 0.25% increase in the pension increase rate would increase the value of liabilities by c.£114m. 4) a one-year increase in assumed life expectancy would increase the liability by c. £113m.
Hedge Funds (Note 14)	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	A fund manager estimates that the sensitivity of the valuation of these assets included at level 3 in the fair value hierarchy is +/-8%. This equates to a +/- £10.2m on a carrying value of £126.9m.
Unquoted Assets (including Alternatives, Infrastructure, Other Property and Private Equity) (Note 14)	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the Special Guidance issued in March 2020 concerning the impact of Covid-19 on valuations. These instruments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Unquoted Assets at 31 March 2023 are valued at £436.2m in the financial statements. There is a risk that these investments may be under or overstated in the accounts. Private Markets by +/-15% or £48.1m on a carrying value of £350.9m Infrastructure by +/-15% or £10.0m on a carrying value of £66.7m Property Venture by +/-18% or £7.6m on a carrying value of £42.0m. Private Equity by +/-23% or £1.5m on a carrying value of £6.6m

Note 6. Contributions Receivable

Contributions receivable are analysed below:

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

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

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

Note 7. Transfers In From Other Pension Funds

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

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

There were no material outstanding transfers due to the Pension Fund as at 31 March 2023.

Note 8. Benefits Payable

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

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

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

Note 9. Payments To and On Account of Leavers

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

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

There were no material outstanding transfers due from the Pension Fund as at 31 March 2023.

Note 10. Management Expenses

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

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

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

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

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

Note 11. Investment Income

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

Note 12. Investments

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

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

Note 12A. Reconciliation of Movements in Investments

2022/23	Market Value 31 March 2022 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2023 £000
Long Term Investments					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
Total Long Term Investment	**1,182**	**-**	**-**	**-**	**1,182**

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

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

Note 12B. Analysis of Investments

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

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

Fund Manager	31 March 2022		31 March 2023	
	£000	%	£000	%
Border to Coast (Global Equity Alpha)	743,227	24.2	763,782	25.0
Border to Coast (Listed UK Equity)	477,827	15.6	462,066	15.1
Border to Coast (Investment Grade Credit)	204,927	6.7	219,309	7.2
Legal and General (Future World Fund)	464,046	15.1	463,892	15.2
Morgan Stanley (Private Markets)	465,138	15.1	459,140	15.0

Note 13. Analysis of Derivatives

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

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

Open Forward Currency Contracts

Settlement	Currency Bought	Local Value 000	Currency Sold	Local Value 000	Asset Value £000	Liability Value £000
Up to one month	None					
Over one month	GBP	1,788	AUD	3,255	23	
	GBP	12,691	CAD	21,103	83	
	GBP	12,536	EUR	14,152	67	
	GBP	445,832	USD	542,843	7,433	
	USD	13,658	GBP	11,091		(61)
Total					**7,606**	**(61)**
Net Forward Currency Contracts at 31 March 2023						**7,545**

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

Profit (Loss) of Forward Currency Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of normal trading of the Fund's managers who manage multi-currency portfolios. For 2022/23 this was a loss of £30.180m (£17.444m loss in 2021/22).

Note 14. Fair Value – Basis of Valuation

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

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

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

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

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

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

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

Description of asset	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Level Three			
Pooled property funds and hedge funds where regular trading does not take place	Valued by investment managers on a fair value basis each year using PRAG guidance.	NAV-based pricing set on a forward pricing basis.	Valuations are affected by any changes to the value of the financial instrument being hedged against.
Other unquoted and private equities (inc. private markets, infrastructure and private equity)	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	EBITDA multiple; Revenue multiple; Discount for lack of marketability; and Control premium.	Valuations could be affected by changes to expected cashflows, or by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	Estimated value of the pension fund's share of net assets held by the pool, based on relative percentage of shares held and voting rights.	Current estimates of future dividend income.	Valuation could be affected by future trading income, post-balance sheet events, or changes to expected cashflows.

Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described above for level three investments are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

	Potential variation in fair value (+/-)	Value at 31 March 2023 £000	Potential value on increase £000	Potential value on decrease £000
Hedge Funds	8%	126945	137,101	116,789
Infrastructure	15%	66,741	76,752	56,730
Private Markets	15%	320,852	368,980	272,724
Property Venture	18%	42,033	49,599	34,467
Private Equity	23%	6,580	8,093	5,067

Note 14A. Fair Value Hierarchy

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

Values at 31 March 2023 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		1,591,374		1,591,374
Unitised Insurance Policies	588,750			588,750
Unit Trusts		140,502		140,502
Other Managed Funds	11,343	45,466	563,151	619,960
Derivatives: Forward Foreign Exchange		7,545		7,545
Cash	4,390			4,390
	604,483	**1,784,887**	**563,151**	**2,952,521**
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		-		-
	-	-	-	-
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
	-	-	**1,182**	**1,182**
Net Investment Assets	**604,483**	**1,784,887**	**563,151**	**2,953,703**

Values at 31 March 2022 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	65,211	46,590	426,338	559,294
Derivatives: Forward Foreign Exchange		2,758		2,758
Cash	17,666			17,666
	697,205	**1,806,363**	**426,338**	**2,952,061**

Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		-		-
	-	-	-	-
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
	-	-	1,182	1,182
Net Investment Assets	697,205	1,806,363	449,675	2,953,243

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

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

Period 2021/22	Market value at 31 March 2021	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Unrealised gains/(losses) *	Realised gains/(losses) *	Market value at 31 March 2022
	£000	£000	£000	£000	£000	£000
Infrastructure	50,793	7,190	(2,187)	4,941	399	61,136
Private Equity	13,712	5	(5,887)	(3,903)	3,666	7,593
Alternatives	306,562	58,179	(79,752)	68,864	14,544	368,397
Other Property	6,878	7,751	(2,625)	(637)	-	11,367
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	-	1,182
Total	**379,127**	**73,125**	**(90,451)**	**69,265**	**18,609**	**449,675**

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

Note 15. Financial Instruments

Note 15A. Classification of Financial Instruments

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

	31 March 2023			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£000	£000	£000	£000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
Managed by Border to Coast	1,591,374			
Unitised Insurance Policies	588,750			
Unit Trusts	140,502			
Other Managed Funds	619,960			
Derivatives: Forward Foreign Exchange	7,545			
Cash	4,390	95,199		
Other Investment Balances		1,950		
Sundry Debtors		26		
	2,952,521	**97,175**	**-**	**1,182**
Financial Liabilities				
Derivatives: Forward Foreign Exchange	-			
Other Investment Balances			-	
Sundry Creditors			(2,459)	
			(2,459)	
Grand Total	**2,952,521**	**97,175**	**(2,459)**	**1,182**

	31 March 2022			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£000	£000	£000	£000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
Managed by Border to Coast	1,564,205			
Unitised Insurance Policies	614,328			
Unit Trusts	193,810			
Other Managed Funds	559,294			
Derivatives: Forward Foreign Exchange	2,758			
Cash	17,666	113,674		
Other Investment Balances		3,014		
Sundry Debtors		248		
	2,952,061	**116,936**	**-**	**1,182**
Financial Liabilities				
Derivatives: Forward Foreign Exchange			-	
Other Investment Balances			(1)	
Sundry Creditors			(5,868)	
	-	-	(5,869)	-
Grand Total	**2,952,061**	**116,936**	**(5,869)**	**1,182**

15B Net Gains and Losses on Financial Instruments

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

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

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

Risk and Risk Management

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

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

a) Market Risk

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

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

Other Price Risk

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

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

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

Other Price Risk - Sensitivity Analysis

Following analysis of historical data and expected investment return during the financial year, the Fund, in consultation with a fund manager, has determined that the following movements in market price are reasonably possible for 2023/24; assuming that all other variables, in particular foreign exchange rates and interest rates remain the same (prior year comparatives are shown below):

Asset Type	Value at 31 March 2023 £000	Percentage Change	Value on Increase £000	Value on Decrease £000
UK Equities	462,066	16%	535,997	388,135
Overseas Equities	1,227,674	16%	1,424,102	1,031,246
Bonds	344,167	7%	369,259	320,075
Multi Asset Credit	146,217	7%	156,452	135,982
UK Property	183,304	18%	215,119	149,489
Overseas Property	45,697	18%	53,922	37,472
Infrastructure	66,741	15%	76,752	56,730
Private Equity	222,948	23%	274,226	171,670
Private Debt	56,035	13%	63,320	48,750
Private Real Assets	47,495	16%	55,094	39,896
Other Alternatives	12,297	15%	14,142	10,452
Hedge Funds	126,945	8%	137,101	116,789
Total Assets Available	**2,940,586**		**3,374,486**	**2,506,686**

Asset Type	Value at 31 March 2022 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	477,827	14%	544,723	410,931
Overseas Equities	1,207,273	14%	1,376,291	1,038,255
Bonds	355,209	6%	376,522	333,896
UK Property	204,848	21%	247,866	161,830
Overseas Property	14,389	18%	16,979	11,799
Alternatives – Hedge Funds	88,884	8%	95,995	81,773
Alternatives - Other	376,254	10%	413,879	338,629
Multi Asset Credit	138,224	10%	152,046	124,402
Infrastructure	61,136	14%	69,695	52,577
Private Equity	7,593	20%	9,112	6,074
Total	**2,931,637**		**3,303,108**	**2,560,166**

Interest rate risk

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

Interest rate risk - sensitivity analysis

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

Assets Exposed to Interest Rate Risk:

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

Exposure to Interest Rate Risk	Value at 31 March 2022 £000	Percentage Movement on 1% change in interest Rates	Value on Increase £000	Value on Decrease £000
Cash and cash equivalents	115,609	-	115,609	115,609
Cash balances	15,731	-	15,731	15,731
Bonds	355,209	3,552	358,761	351,657
Total	**486,549**	**3,552**	**490,101**	**482,997**

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

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

Currency risk

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

Following analysis of historical data and in consultation with an investment manager, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than 7%, as measured by one standard deviation (7% in 2021/22). A 7% strengthening/weakening of the pound against various currencies in which the Fund holds investments would increase/decrease the net asset available to pay benefits as set out over the page.

Currency risk – sensitivity analysis

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

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

b) Credit Risk

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

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

The Pension Fund's bank account is held at Barclays, which holds an 'A' long term credit rating (Fitch Credit Rating Agency) and it maintains its status as a well-capitalised and strong financial organisation. The management of the cash held in this account is carried out by the Council's Treasury Manager, in accordance with an agreement signed by the Pensions Committee and the Council. The agreement stipulates that the cash is pooled with the Council's cash and managed in line with the policies and practices followed by the Council, as outlined in the CIPFA Code of Practice for Treasury Management in the Public Services and detailed in its Treasury Management Practices. At 31 March 2023 the balance at Barclays was £80.423m (£67.731m at 31 March 2022).

The Pension Fund closely monitors employer contributions each month. All contributions from employers due to the Fund for March 2023 were received by the beginning of May 2023. The Fund's current policy for all new employers into the scheme is to obtain a guarantee that will ensure all pension obligations are covered in the event of that employer facing financial difficulties.

c) Liquidity risk

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

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed assets (equities and bonds), instruments that can be liquidated at short notice, normally three working days. As at 31 March 2023, these assets totalled £2,033.907m (£2,040.309m as at 31 March 2022), with a further £99,589m held in cash (£131.340m as at 31 March 2022).

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

Note 17. Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2022 and the next valuation is due to take place as at 31 March 2025.

Description of Funding Policy

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

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

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

Further details are contained in the Funds FSS.

Actuary's Statement

The last full triennial valuation of the Lincolnshire Pension Fund (the Fund) was carried out as at 31 March 2022 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 (the Regulations) and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated 30 March 2023.

Asset value and funding level

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

- The market value of the Fund's assets as at 31 March 2022 was £3,071m; and
- The Fund had a funding level of 101% i.e. the value of assets for valuation purposes was 101% of the value that they would have needed to be to pay for the benefits accrued to that date, based on the assumptions used. This corresponded to a surplus of £18m.

Contribution rates

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

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

The primary rate of contribution on a whole Fund level was 24.1% of payroll p.a. The primary rate as defined by Regulation 62(5) is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2023.

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

Details of each employer's contribution rate are contained in the Rates and Adjustments Certificate in Appendix 5 of the triennial valuation report.

Assumptions

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

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

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

Full details of the demographic and other assumptions adopted as well as details of the derivation of the financial assumptions used can be found in the 2022 valuation report.

Updated position since the 2022 valuation

Assets

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

Liabilities

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

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

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

Overall position

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

Barry McKay FFA

Partner, Barnett Waddingham LLP

Note 18. Actuarial Present Value of Promised Retirement Benefit

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the pension fund liabilities adopting methods and assumptions that are consistent with IAS19 on an annual basis.

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

Introduction

Pension expense calculations have been undertaken in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to members of the Fund as at 31 March 2023. The calculations take into account current LGPS Regulations, as amended, as at the date of this report.

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

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

This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2023. A copy of this can be requested from the Fund.

Valuation Data

Data Used

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

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

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

Employer Membership Statistics

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

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

Payroll

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

Unfunded benefits

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

Early retirements

The calculations include 46 new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £254,000.

Assets

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

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

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

Actuarial methods and assumptions

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

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

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

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

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

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

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

<u>Fund Duration</u>

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

Results

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

Net Pension Asset in the Statement of Financial Position as at:	31 March 2021 £000	31 March 2022 £000	31 March 2023 £000
Present value of the defined benefit obligation	(4,257,607)	(4,1692,460)	(2,848,783)
Fair value of Fund assets (bid value)	2,733,384	3,070,915	3,025,750
Net liability in balance sheet	**(1,524,223)**	**(1,091,545)**	**176,967**

The present value of the defined benefit obligation consists of £2,814,706,000 in respect of vested obligation and £34,077,000 in respect of non-vested obligation.

The figures presented in this report are prepared on an IAS19 basis and therefore will differ from the results of the 2022 triennial funding valuation (as Note 17) because IAS19 stipulates the discount rate applied.

Note 19. Current Assets

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

Note 20. Current Liabilities

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

Note 21. Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the date of publication, AVC information for 2022/23 had not been received from Prudential plc.

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

Note 22. Related Party Transactions

Lincolnshire County Council

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the council incurred costs of £0.267m (£0. 258m in 2021/22) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of members of the Pension Fund and contributed £46,164m (£41,404m in 2021/22) to the Fund in 2022/23. All monies owing to and due from the Fund were paid in year.

The Treasury Management section of the Council acts on behalf of the Pension Fund to manage the cash position held in the Pension Fund bank account. This is amalgamated with the Council's cash and lent out in accordance with the Council's Treasury Management policies. During the year, the average balance in the Pension Fund bank account was £67.390m (£69.945m in 2021/22) and interest of £1.587m (£0.199m in 2021/22) was earned over the year.

Pensions Committee

Each member of the Pension Fund Committee is required to declare their interests at each meeting and also is asked to sign an annual declaration disclosing any related party transactions. Three Committee members: A Antcliff (Employee Representative), S Larter (Small Scheduled Bodies Representative) and T Hotchin (Academy Sector Representative) were contributing members of the Pension Fund during 2022/23. Cllr R Waller's daughter and partner (District Council Representative) were also contributing members of the scheme during 2022/23. S Larter (Small Scheduled Bodies Representative) is also a deferred member of the scheme and Cllr M Allan is in receipt of a pension from the Fund.

Border to Coast Pensions Partnership

Lincolnshire Pension Fund is a minority shareholder in Border to Coast Pensions Partnership. It holds a £1 A share which gives the Fund one vote. The Fund also holds £1.182m (£1.182m in 2021/22) of regulatory share capital (B shares). These are included within long term investments in the net asset statement. At 31 March 2022 the Fund had invested in four sub-funds managed by Border to Coast Pensions Partnership: Global Equity Alpha, UK Listed Equities, Investment Grade Credit and Multi-Asset Credit (details shown in Note 12). During 2022/23 the Fund paid Border to Coast £4.126m (£3.421m in 2021/22) to manage these assets and the company.

Note 23. Key Management Personnel

The key management personnel of the Fund are the Executive Director of Resources, Assistant Director Finance, Head of Pensions, and Accounting, Investment and Governance Manager. The Fund does not employ any staff directly. Lincolnshire County Council employs the staff involved in providing the duties of the Administering Authority for the Fund. The proportion of employee benefits earned by key management personnel relating to the Pension Fund are: £0.137m short term benefits (£0.136m in 2021/22) and £0.024m post-employment benefits (£0.024m in 2021/22).

Note 24. Contingent Liabilities and Contractual Commitments

At 31 March 2023 the fund had outstanding capital commitments (investments) to fourteen investment vehicles, amounting to £37.755m (£79.172m as at 31 March 2022). These commitments relate to outstanding call payments due on unquoted limited partnerships making investments in private equity, property or infrastructure funds. The amounts 'called' by these funds are irregular in both size and timing over the lifetime of the funds.

Note 25. Contingent Assets

Seven admitted body employers in the Fund hold insurance bonds or equivalent cover to guard against the possibility of being unable to meet their pension obligations. These arrangements are drawn in favour of the Pension Fund and payment will only be triggered in the event of employer default. No such defaults have occurred in 2022/23 (or 2021/22).

Note 26. Events After the Balance Sheet Date

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

Glossary of Terms

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

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

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

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

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

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

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

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

CIPFA – Chartered Institute of Public Finance & Accountancy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Audit Opinion

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

Additional Information Available

Additional information regarding the Pension Fund and the scheme is available by going to the Council's website.

The following documents are also included in this report.

Funding Strategy Statement

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

Investment Strategy Statement

This document describes the key issues that govern the investment of the Pension Fund, including the approach to risk, the approach to pooling and the approach to environmental, social and governance (ESG) factors. There have been no changes made over the year.

Communications Policy

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

Governance Compliance Statement

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

Pensions Administration Strategy

This document details how the Pension Fund is administered within the shared service. It outlines the processes and procedures to allow the Funds and employers to work together in a cost-effective way to administer the LGPS, whilst maintaining an excellent level of service to members. There have been no changes over the year.

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

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