Lincolnshire County Council
Working for a better future

Lincolnshire Pension Fund Annual Report & Accounts 2022

Lincolnshire Pension Fund

Local Government Pension Scheme

Annual Report for the Year Ended 31 March 2022

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Management Arrangements

Administering Authority	Lincolnshire County Council

Pensions Committee Members as at 31 March 2022

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

District Council Representative
R Waller

Representative of Other Employers
S Larter

Employee Representative
A Antcliff (Unison)

Professional Advisors

County Council Officers

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

Asset Pool and Operator

Border to Coast Pensions Partnership

Investment Managers of the Fund as at 31 March 2022

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

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

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

Report of the Pensions Committee

Introduction

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

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

All members of the Committee can exercise voting rights.

Corporate Governance and Responsible Investing

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

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

Investment Performance

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

The twelve month period ended 31 March 2022 saw the value of the Fund' investment assets increase by £305.4m to £3,053.0m. The overall investment return of 10.7% was ahead the Fund's specific benchmark return of 9.4%%. Over the last ten years, the Fund's annualised investment performance of 8.8% is slightly ahead the benchmark return of 8.7%.

Detail on the global markets over the year can be found in the Investment Background, on page 35.

Manager Arrangements

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

- In July 2021 the Fund made a commitment to a residential property fund managed by Allianz.
- In October 2021, the Fund transitioned assets from its multi asset credit manager, Pimco, to the Border to Coast Multi Asset Credit (MAC) Fund. It also redeemed units from the

overweight positions in Border to Coast's Global Equity Alpha Fund and UK Equity Fund to invest in the MAC Fund.

Pensions Administration

The pensions administration service is performed in a shared service arrangement with West Yorkshire Pension Fund (WYPF). A satellite office for WYPF is based in Lincoln, co-located with the LCC Pension Fund team. More information on the performance of the pensions administrator can be found at page 41. The Fund works closely with its employers and WYPF to improve all aspects of administering the scheme.

The current arrangement with WYPF runs until 31 March 2024.

Local Pension Board

The Local Pension Board for the Lincolnshire Pension Fund was set up in April 2015, as prescribed in the Public Service Pensions Act 2013 and the Local Government Regulations 2013. Its oversight role to ensure that the Fund is meeting all the requirements for administration and governance, as set out in the various regulations and by the Pensions Regulator, has been a welcome addition to the governance structure of the Pension Fund. The annual report of the Board can be found on page 31.

Asset Pooling

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

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

Coronavirus Pandemic

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

Fund Governance and Communication Statements and the Investment Strategy Statement

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

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

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

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

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

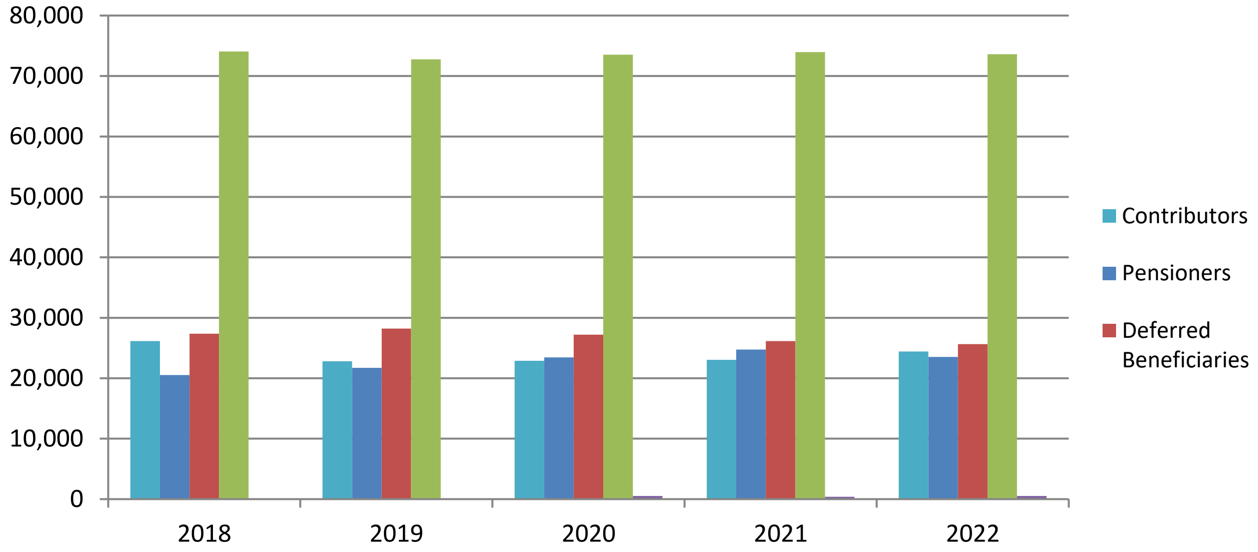
Councillor Eddie Strengiel
Chairman
Pensions Committee

Management Report of the Administering Authority

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

Local Government Pension Scheme Membership

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



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

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

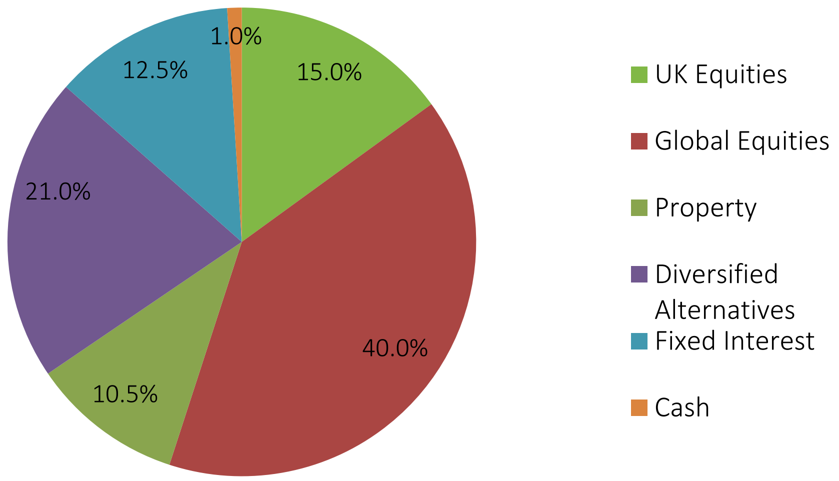
(Note: The numbers disclosed in the table above reflect individual pension records within the County Council's database at a point in time. Current and past members of the LGPS may have more than one pension record as a result, for example, of having more than one part time contract of employment with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

Investment Policy

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

Strategic Asset Allocation Benchmark

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



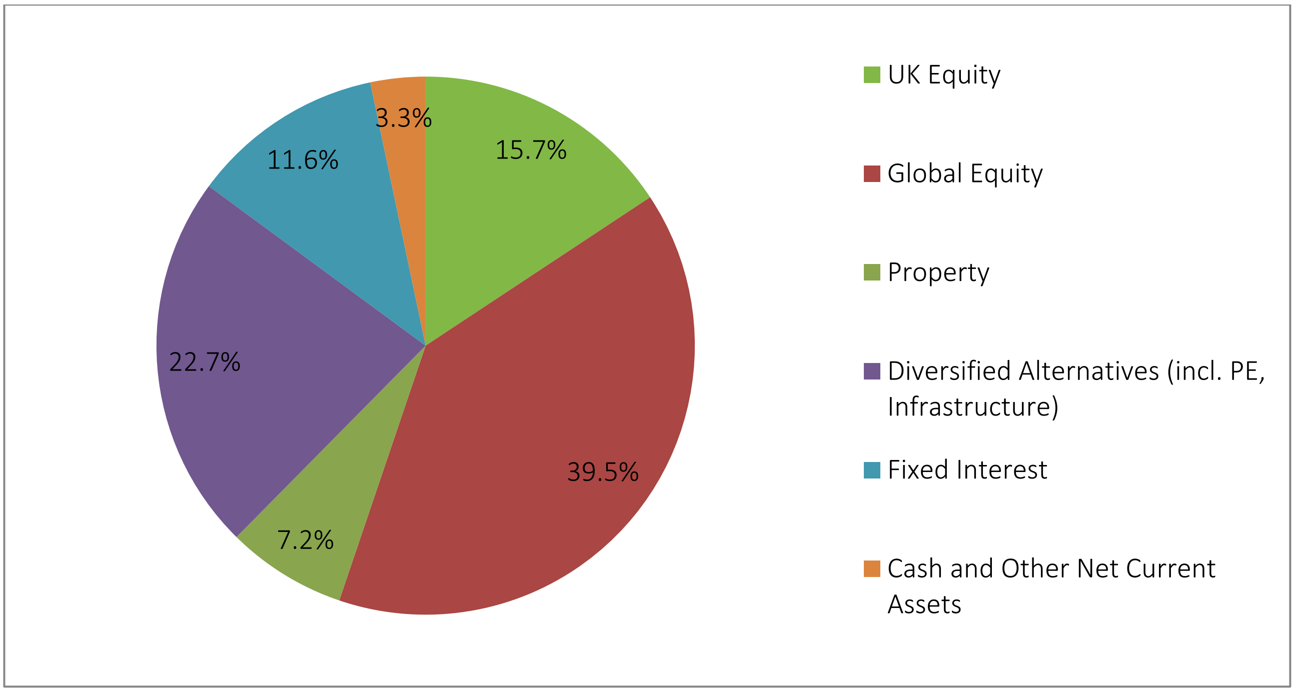
Asset class	Strategic Benchmark 31 March 2022 %	Strategic Benchmark 31 March 2021 %
UK Equities	15.0	15.0
Global Equities	40.0	40.0
Total Equities	**55.0**	**55.0**
Property	10.5	10.5
Infrastructure	-	-
Diversified Alternatives (incl. Private Equity, Infrastructure, Multi Asset Credit)	21.0	21.0
Fixed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

Total Actual Asset Distribution

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

Asset Class	Market Value £'m	31/3/22 %	31/3/21 %
UK Equity	477.8	15.7	16.1
Global Equity	1,207.3	39.5	41.0
Total Equities	1,685.1	55.2	57.8
Property	219.7	7.2	7.4
Diversified Alternatives (incl. Private Equity, Infrastructure)	693.4	22.7	20.2
Fixed Interest	355.2	11.6	12.7
Cash & Other Net Current Assets	99.6	3.3	2.6
Net Investment Assets	3,053.0	100.0	100.0

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



Fund Investment Performance

The twelve month period ended 31 March 2022 saw the value of the Fund' investment assets increase by £305.4m to £3,053.0m. The overall investment return of 10.7% was ahead the Fund's specific benchmark return of 9.4%%. Over the last ten years, the Fund's annualised investment performance of 8.8% is slightly ahead the benchmark return of 8.7%. The biggest impact was the outperformance of the Morgan Stanley Diversified Alternatives portfolio.

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

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

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

Manager/Asset Class Performance of the Fund

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

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

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

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

Top Holdings

Listed below are the top twenty holdings in the Pension Fund, including both pooled investments and direct holdings in the segregated account, as at 31 March 2022. These account for £2,917.8m and make up 95.2% of the Fund's investments.

	Market Value £m's	Proportion of Fund %
Border to Coast Global Equity Alpha Fund	743.2	24.2
Border to Coast UK Listed Equity Fund	477.8	15.6
Legal and General Future World Fund	464.0	15.1
Morgan Stanley Alternative Investments	465.1	15.1
Border to Coast Investment Grade Credit Fund	204.9	6.7
Border to Coast Multi-Asset Credit Fund	138.2	4.5
Aberdeen Standard Property Fund	83.3	2.7
Blackrock Aquila Corporate Bond Fund	75.4	2.5
Blackrock Property Fund	47.7	1.6
Blackrock Aquila Life >5 Year ILG Fund	44.7	1.5
Aviva Property Fund	34.2	1.1
Blackrock Aquila Gilts Fund	30.2	1.0
Royal London Asset Management Property Fund	28.7	0.9
Innisfree Secondary Fund	17.2	0.6
Standard Life European Property Growth Fund	14.1	0.5
Infracapital Greenfield Partners	12.5	0.4
Pantheon Global Infrastructure III Fund	12.2	0.4
Innisfree Continuation Fund	10.1	0.3
Innisfree Secondary Fund 2	9.1	0.3
Hearthstone Residential Property Fund	5.2	0.2
Total	2,917.8	95.2

Investment Management Arrangements

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

Pooled Funds

Asset Class	Manager	Market value £m's	%
Fixed Interest	Blackrock	150.3	4.9
	Border to Coast	204.9	6.7
	Total Fixed Interest	355.2	11.6
UK Equities	Border to Coast	477.8	15.6
Global Equities	Border to Coast	743.2	24.2
	LGIM	464.0	15.1
	Total Equities	1,685.0	54.9
Property	Abrdn	97.3	3.2
	Allianz	5.6	0.2
	Aviva	34.2	1.1
	Blackrock	47.7	1.6
	Franklin Templeton	0.3	0.0
	Hearthstone	5.2	0.2
	Igloo	0.2	0.0
	Royal London	28.7	0.9
	Rreef	0.0	0.0
	Total Property	219.2	7.2
Infrastructure	Infracapital	12.5	0.4
	Innisfree	36.5	1.2
	Pantheon	12.2	0.4
	Total Infrastructure	61.2	2.0
Private Equity	Abrdn	1.2	0.0
	Capital Dynamics	0.5	0.0
	Pantheon	5.9	0.2
	Total Private Equity	7.6	0.2
Alternatives	Morgan Stanley	465.1	15.1
Multi Asset Credit	Border to Coast	138.2	4.5
Total Pooled Vehicles		**2,931.5**	**95.5**

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 2022 was Northern Trust, with responsibility for safeguarding the segregated assets, in addition to providing investment accounting and performance measurement services.

Funding

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

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

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

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

Stewardship Responsibilities

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

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

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

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

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

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

✓ Completed/ongoing ✓ Progress/ongoing

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

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

Risk Management

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

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

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

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

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

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

Business Plan and Budget

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

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

Subject	Context	2021/22 Review
Pensions Committee and Board meetings	The responsibility for the Pension Fund is delegated to the Pensions Committee, with the Pension Board providing an oversight role on the administration and governance of the Fund.	All Pension Committee and Board meetings held as expected.
Asset Pooling with Border to Coast	Border to Coast Pensions Partnership has been created to meet the Government's investment reform criteria. In accordance with regulations and statutory guidance, assets should transition to the management of Border to Coast as appropriate vehicles become available.	Investment made into the Multi Asset Credit sub-fund. All transitions undertaken successfully. Oversight meetings held at officer, S151 and Joint Committee levels. Continued development on the property funds and alternative options.
Administration Service (including employer data quality)	A good performing administration service is key to our stakeholders and for ensuring the quality of information held is appropriate for calculating benefits and liabilities.	Strong KPI figures generally throughout the year and positive customer survey responses, as reported to Committee and Board each quarter.

Annual Report and Accounting	The Fund is required to produce an Annual Report and Accounts document and ensure the financial statements are accepted as a true and fair view by auditors.	Delayed receipt of external audit opinion due to an issue with the Council's accounts meant Pension Fund accounts were published by 1 December without the opinion, but with an unqualified opinion was expected. The accounts opinion was received in mid-December.
Responsible Investment (RI)	There is continued focus on how LGPS Funds can best address and manage RI issues such as environmental, social and governance matter (ESG).	The Committee and Board received additional information and training to understand RI requirements. A training session was held to revisit the Committee's Investment and RI beliefs. A Stewardship Code submission was successfully made to the FRC in October 2021, under the new 2020 code. Work continued with external managers and Border to Coast to ensure that it is embedded across all investment decisions.
Investment Consultancy Services Tender	The contract with the Fund's Consultant expires in December 2021. The national framework for investment consultancy services will be used to call off in the summer.	The National Framework was used to call off and appoint an Investment Consultant. The Fund undertook a successful tender exercise and reappointed Hymans Robertson.
Work by the Scheme Advisory Board (SAB)	The SAB have a number of projects underway to improve the management /governance of LGPS Funds.	Unfortunately the Good Governance project was delayed as a result of the pandemic. The Fund responded to any requests from SAB throughout the year.
Employer Accounting	Employers within the Fund require pensions accounting information at various times of the year, for inclusion in their statutory accounts.	All employers received appropriate accounting reports as required.

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

- **Administration Costs** include the costs of dealing with Fund members and employers in relation to current and future benefits. This service is provided to Lincolnshire Pension Fund via a Share Service with West Yorkshire Pension Fund.

- **Investments Management Expenses** include the cost of Fund Managers, Border to Coast Pension Partnership and the Fund's Custodian.

- **Oversight and Governance Costs** include:

  - The cost of the Fund's actuary, external auditor and other advisors. Actuarial costs incurred by individual employers within the Fund are recharged to that employer;

  - Staffing and accommodation costs associated with running the Fund; and

  - Costs associated with Fund governance for the Local Pensions Board and governance costs at Border to Coast Pensions Partnership.

	Original Budget 2021/22 £000	Actuals 2021/22 £000	Variance £000
Administration Costs			
Charge from Shared Service Administrator	1,050	1,186	136
Other	1	3	2
Investment Management Expenses			
Management Fees	7,422	9,680	2,258
Performance Related Fees	1,500	1,749	249
Other Fees	791	772	(19)
Oversight and Governance Costs			
Contracted Services	425	317	(108)
Recharge of Actuarial Services	(174)	(93)	81
Recharge from Administering Authority (incl. staff costs	249	258	9
Border to Coast Governance Costs	280	300	20
Other Costs	27	19	(8)
Total	11,571	14,191	2,620

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

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

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

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

Employer Contribution Rates

Analysis of Active and Ceased Employers in the Fund:

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

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

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

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

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Stamford Town Council	21.1%	1.4%	32	8
North Hykeham Town Council	21.1%	1.4%	18	5
Louth Town Council	21.1%	1.4%	16	4
Mablethorpe & Sutton Town Cncl	21.1%	1.4%	21	7
Bourne Town Council	21.1%*	1.4%	17	5
Market Deeping Town Council	21.1%	1.4%	11	3
Skellingthorpe Parish Council	21.1%	1.4%	10	3
Woodhall Spa Parish Council	21.1%	1.4%	5	1
Gainsborough Town Council	21.1%	1.4%	33	9
Welton-by-Lincoln Parish Council	21.1%	1.4%	8	2
Greetwell Parish Council	21.1%	1.4%	1	0
Billinghay Parish Council	21.1%	1.4%	4	1
Bracebridge Heath Parish Council	21.1%	1.4%	10	3
Gedney Parish Council	21.1%	1.4%	5	1
Sutton Bridge Parish Council	21.1%	1.4%	8	2
Pinchbeck Parish Council	21.1%	1.4%	8	2
Thorpe On The Hill Parish Council	21.1%	1.4%	2	1
Langworth Parish Council (joined 01/07/2021)	21.1%	1.4%	1	0
Scotter Parish Council (joined 01/06/2021)	21.1%	1.4%	3	1
Fiskerton Parish Council (joined 01/10/2021)	21.1%	1.4%	1	0
Further Education Establishments				
Bishop Grosseteste University	23.5%*	£76k	1,050	293
Boston College	23.8%	-	913	229
Grantham College	23.8%	£43k	710	175
Lincoln College	24.5%	£271k	1,211	231
Other Scheduled Bodies				
Acorn Free School Ltd	19.5%	-3.0%	24	8
BG Lincoln Ltd (left 01/08/2022)	20.7%	-	9	2
Public Sector Partnership Services Ltd	19.9%	£93k	1,367	410
Police Chief Constable and Police & Crime Commissioner (pooled rates also with G4S)	16.3%	£1,657k	4,105	928
ACADEMIES				
Aegir Specialist Academy	21.0%	£38k	193	45
Alford Queen Elizabeth Selective Academy	21.2%*	-	89	27
All Saints Academy Waddington	21.1%	£9k	83	20
Anthem Schools Trust Central (joined 01/02/2022)	20.2%	-	5	2
Bassingham Primary School	22.0%	£8k	43	9
Beacon Primary Academy	19.1%	-	52	16
Boston Grammar School	20.1%	£7k	131	37
Boston High School	21.2%*	£29k	147	37
Boston St Mary's RC Primary Academy	20.3%	£4k	52	13
Boston West Academy	21.0%	-1.8%	75	22
Boston Witham Academies Federation	19.4%	£29k	916	283
Bourne Abbey C of E Academy	20.9%	£10k	282	76
Bourne Academy	21.1%	£14k	274	80
Bourne Grammar	21.3%	£30k	214	57
Bracebridge Infant and Nursery School	20.7%	£2k	33	8
Branston C of E Infants School	20.8%	£2k	23	5

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Branston Community Academy	20.9%	-	237	64
Branston Junior Academy	21.9%	£14k	48	9
Browns Church of England Primary School	21.9%	£2k	26	6
Caistor Grammar	21.0%*	-	89	27
Caistor Yarborough Academy	20.0%	£3k	117	34
Carlton Academy	19.8%	£4k	125	35
Caythorpe Primary	19.9%	See Grantham Ambergate	30	8
Chapel St Leonards Primary School	19.9%	See Grantham Ambergate	60	18
Cherry Willingham Primary School	20.3%	-	40	11
David Ross Educational Trust	20.4%	£115k	659	154
Donington Thomas Cowley High School	20.8%	£18k	177	48
Eastfield Infant and Nursery School (Academy)	19.4%	See Springwell City Academy	87	26
Edenham Church of England School	21.8%	£6k	24	5
Ermine Primary Academy	20.3%	£10k	161	42
Fosse Way Academy	20.7%	-	137	36
Foxfields Academy (joined CIT pool 01/04/2021)	19.9%	See Grantham Ambergate	45	13
Friskney All Saints CofE (Aided) Primary Academy (joined 01/05/2021)	22.3%	£0.7k	38	10
Frithville Primary School	20.2%*	See Horncastle Banovallum	16	5
Gainsborough Benjamin Adlard Community School	20.4%	-1.8%	73	23
Gainsborough Hillcrest Early Years Academy	19.4%	£12k	87	23
Gainsborough Parish Church Academy	20.3%	£12k	106	25
Gedney Church End Primary Academy (joined 01/09/2021)	22.4%*	-	16	4
Giles Academy	19.5%	£7k	133	37
Gipsey Bridge Academy	20.9%	£4k	24	5
Gosberton House Academy	18.9%	£22k	140	37
Grantham Ambergate School	19.9%	£265k	502	76
Grantham Huntingtower Primary Academy	20.3%	-	113	31
Grantham Isaac Newton Primary School	19.9%	See Grantham Ambergate	104	30
Grantham Kings School	21.6%*	£2k	166	51
Grantham National CofE Junior School	20.6%*	£17k	87	23
Grantham Sandon School	19.9%	See Grantham Ambergate	125	36
Grantham the Phoenix School	19.9%	See Grantham Ambergate	69	20
Grantham Walton Girls	21.2%	£10k	131	34
Harrowby Church of England Infant School	20.6%*	£2k	20	5
Hartsholme Academy	17.8%	£10k	99	31
Heighington Millfield Primary Academy	20.3%	-	67	19
Holbeach Academy	20.4%	£12k	91	22
Holbeach Bank Academy	20.7%	£2k	21	5
Holy Trinity Church of England Primary	21.2%	£6k	31	7
Horncastle Banovallum	20.2%*	£68k	179	35

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Horncastle Community Primary Academy (joined 01/09/2021)	19.4%	See Springwell City Academy	53	16
Horncastle Education Trust (Head Office)	20.2%*	See Horncastle Banovallum	114	40
Horncastle Queen Elizabeth Grammar School	20.2%*	See Horncastle Banovallum	73	22
Huttoft Primary School	19.7%	-	48	13
Infinity Academies Trust (Joined 01/10/2021)	20.1%	-	12	4
John Spendluffe Technology College	20.7%	£20k	220	56
Keelby Primary Academy	21.4%	£14k	55	11
Kesteven & Sleaford High School Selective Academy	21.2%*	£18k	138	36
Kesteven and Grantham Academy	21.4%	£34k	241	57
Keystone Academy Trust	21.2%*	£3k	181	53
King Edward VI Grammar School (Louth)	21.3%	£57k	207	43
Kirkby La Thorpe	20.0%	£2k	35	9
Lacey Gardens Junior School (Academy)	19.4%	See Springwell City Academy	99	29
Linchfield Community Primary School	19.9%	See Grantham Ambergate	90	26
Lincoln Anglican Academy Trust	17.7%	-1.3%	141	65
Lincoln Castle Academy	21.1%	£20k	160	39
Lincoln Christs Hospital School (Academy)	21.2%	£34k	284	71
Lincoln Manor Leas Infants School	21.0%	-	43	11
Lincoln Our Lady of Lincoln Catholic Primary School	20.6%	-	52	14
Lincoln St Giles Academy	19.5%	£30k	143	33
Lincoln St Hugh's Catholic Primary School	21.5%	£7k	81	19
Lincoln UTC	18.7%	£7k	80	24
Lincoln Westgate Academy	20.5%	£3k	104	28
Little Gonerby Church of England Infants School	21.2%	£2k	57	15
Long Bennington Church of England Academy	21.6%*	£10k	64	16
Long Sutton Primary School	24.8%*	£13k	136	30
Louth Academy	20.5%	£44k	160	32
Louth Kidgate Academy	19.6%	£12k	103	27
Lutton St. Nicholas Primary Academy (joined 01/09/2021)	22.6%*	£0.1k	24	6
Mablethorpe Primary Academy	20.8%	£14k	118	30
Manor Farm Academy	18.7%	-	35	11
Manor Leas Junior	21.3%	£7k	51	12
Market Rasen De Aston School (Academy)	20.7%	-	190	55
Morton Church of England Primary School	21.0%	£12k	56	12
Mount Street Academy	20.2%	£10k	122	32
Nettleham Infants School	19.9%	£12k	58	13
New York Primary School	20.2%*	See Horncastle Banovallum	23	7
North Hykeham Ling Moor Academy	20.3%	-	90	25
North Kesteven School	21.6%*	£60k	199	43

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
North Thoresby Primary School	20.6%	-	22	6
Pinchbeck East CofE Primary Academy (joined 01/03/2021)	22.8%	£4.1k	97	22
Poplar Farm School	19.9%	See Grantham Ambergate	56	16
Priory Federation of Academies	20.3%	-	1,225	358
Rauceby Church of England Primary School	22.2%	£6k	40	9
Redwood Primary School	20.3%	-	63	18
Ruskington Chestnut Street C of E Primary School	20.6%	£23k	76	14
Scothern Ellison Boulters Church of England Academy	20.3%	£1k	59	16
Seathorne Primary Academy	24.6%	£17k	185	25
Sir Robert Pattinson Academy	20.6%	£25k	228	60
Skegness Academy	20.0%	£16k	295	84
Sleaford Carres Grammar School (Academy)	21.2%*	£37k	220	60
Sleaford Our Lady of Good Counsel	19.9%	-2.0%	29	9
Sleaford St Georges Academy	20.9%	-	412	119
Sleaford William Alvey	20.4%	£2k	108	30
Somercotes Academy	18.7%	£29k	88	18
South Witham Academy	21.5%*	£8k	24	4
Spalding Grammar School	21.1%	£28k	158	38
Spalding Parish C of E Day School	24.6%	£11k	149	32
Spalding Primary Academy (joined 01/03/2021)	21.7%	£5.4k	91	23
Spalding Sir John Gleed School	21.7%	£65k	292	62
Spilsby Primary School	21.2%	£26k	103	21
Springwell City Academy	19.4%	£38.3k	357	97
St Bernards School (Louth)	19.7%	£56k	232	54
St Lawrence School (Horncastle)	19.3%	£29k	183	47
St Mary's Catholic Primary Voluntary Academy Grantham	21.2%	£7k	61	14
St Michaels Church of England Primary School	20.1%	£14k	87	20
St Nicholas Primary Academy, Boston	25.5%	£7k	74	15
St Norberts Catholic Primary School (Academy)	20.5%	£3k	38	9
St Paul Community Primary School	19.9%	See Grantham Ambergate	69	20
St Peter and St Paul Catholic Voluntary Academy	20.8%	£13k	138	35
St Thomas C E Primary Academy	20.1%	£15k	118	30
St. John's Primary Academy	21.1%	£14k	117	28
Stamford Malcolm Sargent Primary	20.8%	-	212	58
Stamford St Augustines	20.1%	£2k	39	11
Stamford St Gilberts Church of England Primary School	21.0%	£10k	69	16
Stamford The Bluecoat School (joined 01/01/2021)	21.9%	£5.1k	88	22
Surfleet Seas End Primary Academy (joined 01/03/2021)	22.8%*	£1.1k	25	6
Tall Oaks Academy Trust	20.3%	£11k	202	54

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
The Deepings Academy	21.1%	-1.4%	262	80
The Gainsborough Academy	20.5%	-	112	33
The Garth School, Spalding	19.9%	See Grantham Ambergate	112	33
The Ingoldmells Academy	20.1%	£2k	46	12
The John Fielding Special School, Boston	19.9%	See Grantham Ambergate	158	46
The Marton Academy	21.4%	£6k	25	5
The Priory Pembroke	20.3%	-	107	30
The Priory School, Spalding	19.9%	See Grantham Ambergate	126	37
The Skegness Infant Academy	20.4%	£11k	94	23
The Skegness Junior Academy	20.9%	£6k	107	27
Theddlethorpe Primary School	21.2%	£3k	31	7
Thurlby Community Primary School	23.8%*	£1k	59	10
Tower Road Academy (Primary)	20.3%*	£5k	131	39
University Academy Holbeach	20.9%	£40k	336	88
University Academy Long Sutton	20.7%	£22k	160	41
Utterby Primary School	21.7%	£2k	25	6
Wainfleet Magdalene C of E Academy	20.6%	£14k	75	16
Warren Wood Specialist Academy	20.5%	£25k	132	30
Washingborough Academy	21.0%	£6k	79	20
Welbourn Sir William Robertson Academy	21.0%	£20k	207	54
Welland Academy, Stamford	21.7%	-1.1%	113	26
Welton St Marys Church of England Primary Academy	21.3%	£6k	72	18
Welton William Farr CE Comprehensive School	21.4%	£35k	314	73
West Grantham Federation	20.2%	£14k	243	67
Weston St Marys Primary School	20.2%	£1k	5	1
Whaplode Drove C of E Primary School	20.6%	£6k	43	10
William Lovell Church of England Academy	21.0%	£28k	102	17
Willoughby School	20.3%	-	189	54
Witham St Hughs Academy	20.3%	£2k	87	24
Woodhall Spa St Andrews Church of England Academy	20.4%	£1k	72	20
Woodlands Academy	19.9%	See Grantham Ambergate	71	21
Wyberton Primary Academy	20.0%	£12k	73	17
ADMITTED BODIES				
Active Lincolnshire	21.6%	-	15	5
Active Nation	33.1%	-	13	2
Adults Supporting Adults	31.1%	-2.0%	5	1
Balfour Beatty	17.5%	8.4%	117	30
Cater Link (West Grantham Academy) (left 01/07/2021)	32.2%	-	3	0
Caterlink - DRET (joined 01/04/2022)	31.6%	-	42	8
Caterlink (South Witham)	32.0%	-	5	1
Caterlink (Walton Girls High School)	28.8%	-	13	2
Danfo UK Ltd	30.3%	-	6	1

Employer	Primary Rate	Secondary Rate	Contributions received	
	%	(% or £k)	Employer (£k)	Employee (£k)
Easy Clean (Baston Primary) (left 01/10/2021)	37.3%	-	3	0
Easy Clean Contractors (Linchfield)	31.7%	-	2	0
Edwards and Blake Ltd	32.7%	£5k	17	2
Future Cleaning Services	32.8%	-	6	1
G4S	16.3%	-	568	227
GLL	17.5%	8.4%	378	88
Independent Cleaning Services (Caistor Grammar)	26.1%	-	2	0
Lincolnshire Housing Partnership	29.7%	£143k	222	24
Lincolnshire Road Car Company Ltd. (Stagecoach)	17.3%	-	4	1
Magna Vitae Leisure Trust	21.1%	-4.60%	181	71
Making Space	30.4%	-	6	1
Mellors Catering Services	25.7%	£1k	9	2
Nightingale Cleaning Limited	32.3%	-	1	0
Outspoken Training	35.5%	-	2	0
Platform Housing Group	28.2%	£392k	772	56
SERCO	17.5%	8.4%	633	155
Taylor Shaw (Branston Academy)	33.9%	-	9	1
Vinci Construction UK Limited	35.2%	-	13	2

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

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

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

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

Asset Pooling

Introduction

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

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

b. Strong governance and decision making;

c. Reduced costs and value for money; and

d. Improved capacity to invest in infrastructure.

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

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

Lincolnshire Pension Fund's Solution

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

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

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

Border to Coast Pensions Partnership

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

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

Oversight and Governance

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

Asset Transitions

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

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

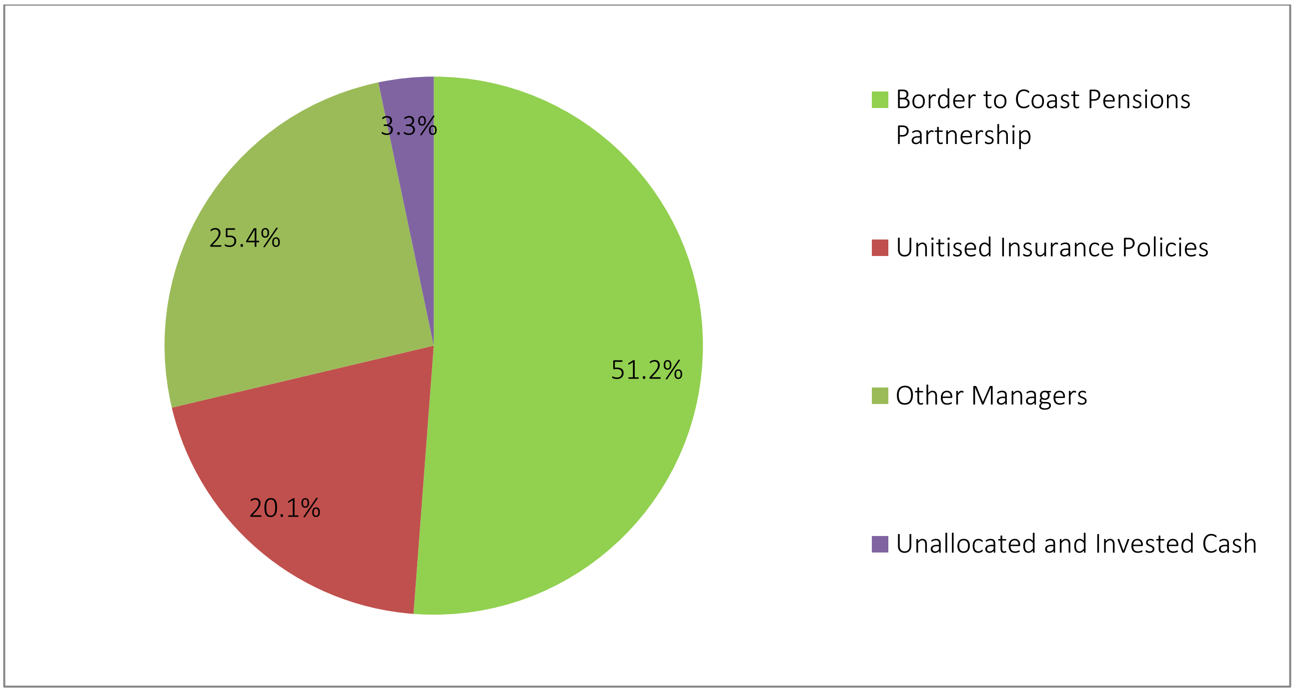
In July 2020, approximately £380m was transferred from a passive UK equity mandate managed by Legal and General into the Border to Coast UK Equity sub-fund. In February 2021, an additional investment of approximately £196m was made into the Global Equity Alpha sub-fund, following the termination of Invesco's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

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

Work continues on the property and alternatives solutions.

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

Asset Class	Market Value £'m	%
Border to Coast Pensions Partnership	1,564.2	51.2%
Unitised Insurance Policies	614.3	20.1%
Other Managers	774.9	25.4%
Unallocated and Invested Cash	99.6	3.3%
Net Investment Assets	3,053.0	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
Border to Coast (£m)	0	525	1,350	1,564
Passive/Other (not to be pooled) (£m)	574	585	564	614
Other (£m)	1,770	1,092	833	875
Total AUM £m	2,344	2,202	2,748	3,053
Border to Coast	0%	24%	49%	51%
Passive / Other (not to be pooled)	24%	27%	21%	20%
Other	76%	49%	30%	29%
Total AUM %	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 **£2,028.2m or 66.4%**. This includes all assets managed in Border to Coast funds and the investment with LGIM.

Border to Coast costs and savings for Lincolnshire

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

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

The table below details the net savings to date.

Border to Coast Costs and Savings	Cumulative to 18/19 Actual £m	2019/20 Actual £m	2020/21 Actual £m	2021/22 Actual £m
Implementation Costs – pre-incorporation	0.19	-	-	
Implementation Costs – post-incorporation	0.24	-	-	
Share Purchase/Subscription	0.83	-	0.35	
Share Purchase/Subscription (adj.)	-	-	-	
Governance Costs	0.17	0.19	0.24	0.30
Development Costs	0.01	0.06	0.05	0.07
Project Costs	-	0.09	0.14	0.18
Total Set-up and Operating Costs	1.44	0.34	0.78	0.55
Transition Costs	-	0.42	(0.01)	0.14
Fee savings due to pooling	0.06	0.05	0.21	0.10
Fee Savings – Private Markets	-	-	-	-
Fee Savings – Public Markets	-	0.35	0.91	1.36
Fee Savings – Public Markets (add. costs)	-	-	(0.06)	-
Fee Savings – Real Estate UK	-	-	-	-
Fee Savings – Real Estate Global	-	-	-	-
One Offs (Crossing deals)	-	-	3.28	-
Other Savings	-	-	-	-
Total Fee Savings	0.06	0.40	4.34	1.46
Net Position	(1.38)	(0.36)	3.57	0.77
Cumulative Net Position	(1.38)	(1.74)	1.83	2.60

Border to Coast contact details:

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

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

Annual Report of the LGPS Local Pension Board 2021/2022

Introduction

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

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

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

Purpose

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

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

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

Constitution and Membership

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

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

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

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

The Work Programme

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

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

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

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

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

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

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

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

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

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

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

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

The eleven elements of the Code are:

a) Reporting duties;

b) Knowledge and understanding;

c) Conflicts of interest;

d) Publishing information about schemes;

e) Managing risk and internal controls;

f) Maintaining accurate member data;

g) Maintaining contributions;

h) Providing information to members and others;

i) Internal dispute resolution;

j) Reporting breaches of the law; and

k) Scheme advisory board.

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

Conclusion

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

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

Roger Buttery
Pension Board Chair
May 2022

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

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

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

Investment Background

Returns for Major Markets

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

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

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

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

Investment Returns to 1 April 2021 to 31 March 2022

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

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

Asset Class Performance Narrative

Global Equity Overview

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

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

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

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

UK Equities

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

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

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

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

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

US Equities

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

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

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

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

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

European Equities

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

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

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

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

Asian Pacific Equities

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

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

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

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

Japanese Equities

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

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

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

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

Fixed Interest

Corporate Bonds

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

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

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

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

Government Bonds

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

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

The trend of falling government bond prices reversed in November as news of the Omicron variant hit bond markets, with investors selling equities and buying government debt. But this was short-lived due to more central banks starting to show their hand through December in a bid to combat rising inflation. The BoE was the first major central bank to raise rates since the pandemic. It increased its base rate from 0.10% to 0.25% in December and followed with two more rate increases in February and March, as UK annual consumer price inflation continued to climb, hitting a 30-year high of 6.2%, based on February's data.

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

UK Commercial Property

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

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

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

Administration of Benefits

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

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

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

The Pensions Committee and Pension Board take a keen interest in the administration of the Fund, and receive regular reports and presentations (see the Board's annual report on page 31) on all aspects of the administration service.

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

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

Key Service Performance Indicators and Direction of Travel

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

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

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

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

- Death Grant Nomination Form Received
- Death Grant to Set Up

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

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

Industry standard performance indicators

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

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

New Pensions Paid

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

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

New pensions paid	2021/22 Member numbers
Active Status	274
Normal	431
Early	124
Late	35
Ill health	35
Redundancy	38
Total active	937
Deferred status	
Normal	412
Early	558
Late	18
Ill health	8
Total deferred	996

Pension Overpayments

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

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

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

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

Fraud Prevention – National Fraud Initiative

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

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

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

Value for money - Cost per member

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

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

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

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

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

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

Staffing

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

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

Key activities undertaken during the year

Employer training

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

The webcasts this year have covered:

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

Workshop on 'Planning for a positive retirement'

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

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

Pension Increase

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

Pension administration and cost

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

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

Communications

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

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

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

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

MyPension

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

Data quality

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

Current data quality figures for LPF are shown below:

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

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

Disaster recovery and risk management monitoring

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

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

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

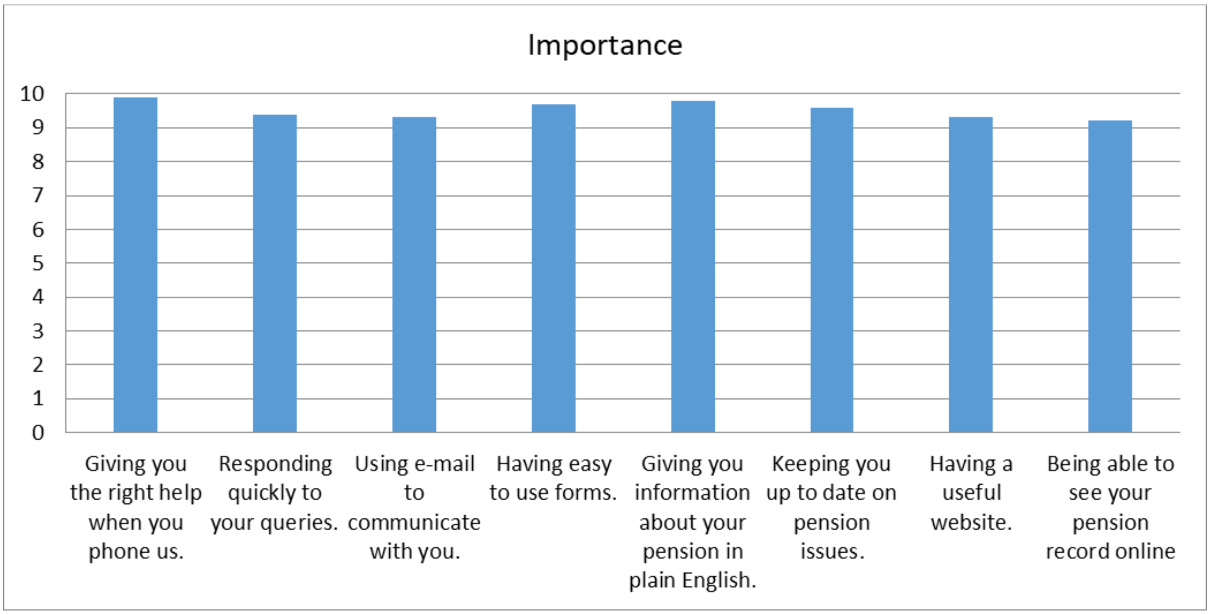
Customer satisfaction

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

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

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

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



Summary of LGPS Contributions and Benefits

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

Membership from 1 April 2014

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

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

Contributions

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

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

Benefits

The retirement age for scheme members is their Normal Pension Age which is the same as their State Pension Age (but with a minimum of age 65). However, employees may retire and draw their pension at any time between age 55 and 75. If an employee chooses to retire before their Normal Pension Age it will normally be reduced, as it is being paid earlier, and if taken later than Normal Pension Age then it will be increased, as it is being paid later. Retirement before age 55, other than on ill-health grounds, is not possible.

Annual Pensions

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

Lump Sum Payments

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

Ill Health Retirement

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

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

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

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

Death-benefits

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

Supplementary Pensions

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

Membership from 1 April 2008 to 31 March 2014

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

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

Contributions

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

Benefits

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

Annual Pensions

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

Lump Sum Payments

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

Ill Health Retirement

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

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

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

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

Death-benefits

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

Supplementary Pensions

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

Membership up to 31 March 2008

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

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

Contributions

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

Benefits

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

Annual Pensions

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

Lump Sum Payments

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

Ill Health Retirement

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

Death-benefits

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

Supplementary Pensions

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

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

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

Pension Fund Knowledge and Skills Policy and Report

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

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

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

Activity in 2021/22

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

The 6 areas within the Knowledge and Skills Framework are:

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

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

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

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

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

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

Committee Meeting Attendance 2021/22

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

	July 21	Sep 21	Oct 21	Dec 21	Jan 22	Feb 22	Mar 22
Cllr E W Strengiel (Chairman)	✓	✓	✓	✓	✓	✓	✓
Cllr P E Coupland (Vice Chairman)	✓	✓	✓		✓	✓	
Cllr M G Allan	✓	✓	✓	✓		✓	✓
Cllr M Griggs				✓			
Cllr Mrs A M Newton MBE	✓	✓		✓	✓		
Cllr S Parkin		✓	✓		✓		✓
Cllr T Smith	✓	✓	✓	✓	✓	✓	✓
Cllr Dr M E Thompson	✓	✓	✓	✓	✓	✓	✓
Cllr R Waller	✓	✓	✓	✓			✓
S Larter	✓	✓	✓	✓	✓		✓
A Antcliff	✓	✓	✓	✓	✓	✓	✓
Total Attendance	9	10	9	9	8	6	8

All members of the Pensions Committee have full voting rights.

Fund Account – Year Ended 31 March 2022

	See note	2020/21 £000	2021/22 £000
Contributions and Benefits			
Contributions Receivable	6	(113,558)	(120,601)
Transfers In from other Pension Funds	7	(7,081)	(7,977)
		(120,639)	**(128,578)**
Benefits Payable	8	98,215	101,369
Payments To and On Account of Leavers	9	20,694	6,236
		118,909	**107,605**
Net (additions)/withdrawals from dealings with Fund Members		**(1,730)**	**(20,973)**
Management Expenses	10	11,601	14,191
Net (additions)/withdrawals including Management Expenses		**9,871**	**(6,782)**
Returns on Investments			
Investment Income	11	(18,788)	(8,372)
(Profit)/Loss on Disposal of Investments and Change in the Value of Investments	12A	(519,604)	(295,668)
(Profit)/Loss on Forward Foreign Exchange	13	(29,687)	17,444
Net Returns on Investments		**(568,079)**	**(286,596)**
Net (Increase)/Decrease in the Net Assets Available for Benefits During the Year		(558,208)	(293,378)
Opening Net Assets of the Fund		(2,219,327)	(2,777,535)
Closing Net Assets of the Fund		**(2,777,535)**	**(3,070,913)**

Net Asset Statement as at 31 March 2022

	See note	31 March 2021 £000	31 March 2021 £000
Long Term Investment Assets	12	1,182	1,182
Investment Assets	12	2,760,033	3,053,018
Investment Liabilities	12	(12,429)	(1)
Total Net Investments		**2,748,786**	**3,054,199**
Current Assets	19	31,779	24,038
Current Liabilities	20	(3,030)	(7,324)
Net Assets of the Fund Available to Fund Benefits at the end of the Reporting Period		**2,777,535**	**3,070,913**

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

Notes to the Pension Fund Accounts

Note 1. Description of the Pension Fund

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

General

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

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

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

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

Membership

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

Organisations participating in the Fund include:

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

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

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

Funding

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

Benefits

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

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

	Service pre April 2008	Service 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 2021/22 financial year and its position at year end as at 31 March 2022.

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

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

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

The accounts have been prepared on a going concern basis.

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

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

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

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

Note 3. Significant Accounting Policies

Fund account - revenue recognition

a) Contributions income

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

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

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

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

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

b) Transfers to and from other schemes

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

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

c) Investment Income

i) Interest income

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

ii) Dividend income

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

iii) Distributions from pooled funds

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

iv) Changes in the net market value of investments

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

Fund account - expense items

d) Benefits payable

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

e) Taxation

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

f) Management expenses

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

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

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

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

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

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

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

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

g) Financial assets

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

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

Alternatives, private equity, property venture and infrastructure valuations are based on 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 taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits (Note 18)	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on investments. A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.	The effects of changes in the individual assumptions can be measured. For example: 1) a 0.5% increase in the discount rate assumption would result in a decrease of the pension liabilities by c. £387m. 2) a 0.25% increase in assumed earnings inflation would increase the value of liabilities by c. £29m. 3) a 0.5% increase in the pension increase rate would increase the value of liabilities by c.£178m. 4) a one-year increase in assumed life expectancy would increase the liability by c. £191m.
Hedge Funds (Note 14)	Some hedge fund investments are not regularly traded and as such there is a degree of estimation involved in the valuation.	A fund manager estimates that the sensitivity of the valuation of these assets included at level 3 in the fair value hierarchy is +/-8%. This equates to a +/-£6.6m on a carrying value of £83.0m.
Unquoted Assets (including Alternatives, Infrastructure, Other Property and Private Equity) (Note 14)	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018) and the Special Guidance issued in March 2020 concerning the impact of Covid-19 on valuations. These instruments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Unquoted Assets at 31 March 2021 are valued at £365.5m in the financial statements. There is a risk that these investments may be under or overstated in the accounts. Alternatives by +/-10% or £28.5m on a carrying value of £285.4m Infrastructure by +/-14% or £8.6m on a carrying value of £61.1m Other Property by +/-21% or £2.4m on a carrying value of £11.4m. Private Equity by +/-20% or £1.5m on a carrying value of £7.6m

Note 6. Contributions Receivable

Contributions receivable are analysed below:

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

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

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

Note 7. Transfers In From Other Pension Funds

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

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

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

Note 8. Benefits Payable

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

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

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

Note 9. Payments To and On Account of Leavers

	2020-21 £000	2021-22 £000
Individual Transfers to Other Schemes	4,986	5,302
Group Transfers to Other Schemes	15,481	667
Refunds to Members Leaving Service	227	267
Total Payments To and On Account of Leavers	**20,694**	**6,236**

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

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

Note 10. Management Expenses

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

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

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

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

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

Note 11. Investment Income

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

Note 12. Investments

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

	2020-21 £000	2021-22 £000
Investment Assets		
Pooled Investment Vehicles:		
Managed by Border to Coast:		
Global Equities	711,480	743,227
UK Equities	442,899	477,827
Multi Asset Credit	-	138,224
Bonds	195,898	204,927
Unitised Insurance Policies:		
Global Equities	410,865	464,046
Bonds	153,513	150,282
Unit Trusts:		
Property	179,603	193,810
Other Managed Funds:		
Alternatives	392,139	465,138
Multi Asset Credit	89,436	-
Infrastructure	50,793	61,136
Private Equity	13,712	7,593
Property	19,946	25,427
Total Pooled Investment Vehicles	**2,660,284**	**2,931,637**
Other Investment Assets:		
Derivatives:		
Open Forward Foreign Exchange (FX)	-	2,758
Cash Deposits	97,725	115,609
Investment Income Due	2,024	2,011
Amount Payable for Purchases	-	1,003
Total Other Investment Assets	**99,749**	**121,381**
Total Investment Assets	**2,760,033**	**3,053,018**
Investment Liabilities		
Derivatives:		
Open Forward Foreign Exchange (FX)	(1,964)	-
Investment Income Payable	(1)	(1)
Amount Payable for Purchases	(10,464)	-
Total Investment Liabilities	**(12,429)**	**(1)**
Total Net Investment Assets	**2,747,604**	**3,053,017**

Note 12A. Reconciliation of Movements in Investments

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

2021/22	Market Value 31 March 2021 £000	Purchases and derivative payments £000	Sales and derivative receipts £000	Change in market value during the year £000	Market Value 31 March 2022 £000
Investment Assets					
Pooled Investment Vehicles:					
Managed by Border to Coast	1,350,277	164,023	(42,957)	92,862	1,564,205
Unitised Insurance Policies	564,378	5,623	(6,278)	50,605	614,328
Unit Trusts	179,603	933	(34,037)	47,311	193,810
Other Managed Funds	566,026	77,661	(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**

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

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

Note 12B. Analysis of Investments

Fund Manager	31 March 2021 £000	%	31 March 2022 £000	%
Investments managed by Border to Coast Pensions Partnership:				
Global Equity Alpha Sub-fund	711,480	26.0	743,227	24.3
Listed UK Equity Sub-fund	442,899	16.2	477,829	15.7
Multi-Asset Credit Sub-fund			138,224	4.5
Investment Grade Credit Sub-fund	195,898	7.2	204,927	6.7
Unitised Insurance Policies				
Legal and General (Future World Fund)	410,865	15.0	464,046	15.2
Blackrock (Bond Portfolio)	153,513	5.6	150,282	4.9
Investments managed outside of the asset pool:				
Invesco (Global Equities ex. UK)	2,258	0.1	-	-
Morgan Stanley (Alternative Investments)	398,499	14.1	485,548	16.0
Morgan Stanley (Private Equity)	14,438	0.5	8,240	0.3
PIMCO (Multi-Asset Credit)	89,436	3.3	-	-
Internally Managed (Property Unit Trusts)	182,326	6.7	194,136	6.4
Internally Managed (Infrastructure)	52,800	1.9	61,377	2.0
Internally Managed (Other Property)	21,328	0.8	25,577	0.8
Internally Managed (Cash managed by LCC Treasury Management Team)	50,000	1.8	53,000	1.7
Unallocated Cash	21,864	0.8	46,606	1.5
Total	**2,747,604**	**100.0**	**3,053,017**	**100.0**

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

Fund Manager	31 March 2021		31 March 2022	
	£000	%	£000	%
Border to Coast (Global Equity Alpha)	711,480	25.7	743,227	24.2
Border to Coast (Listed UK Equity)	442,899	16.0	477,827	15.6
Border to Coast (Investment Grade Credit)	195,898	7.1	204,927	6.7
Legal and General (Future World Fund)	410,865	14.9	464,046	15.1
Morgan Stanley Alternative Investments	392,139	12.9	465,138	15.1

Note 13. Analysis of Derivatives

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

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

Open Forward Currency Contracts

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

Prior Year Comparative		
Open forward currency contracts at 31 March 2021	98	(2,062)
Net Forward Currency Contracts at 31 March 2021		**(1,964)**

Profit (Loss) of Forward Currency Deals and Currency Exchange

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

Note 14. Fair Value – Basis of Valuation

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

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

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

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

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

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

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

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

Sensitivity of assets valued at level 3

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

	Potential variation in fair value (+/-)	Value at 31 March 2022 £000	Potential value on increase £000	Potential value on decrease £000
Alternatives – Hedge Funds	8%	82,956	89,592	76,320
Alternatives – Unquoted Holdings	10%	285,441	313,985	256,897
Infrastructure	14%	61,136	69,695	52,577
Other Property	21%	11,367	13,754	8,980
Private Equity	20%	7,593	9,112	6,074

Note 14A. Fair Value Hierarchy

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

Values at 31 March 2022 Observable Fair Value	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss:				
Pooled Investment Vehicles:				
Managed by Border to Coast		1,564,205		1,564,205
Unitised Insurance Policies	614,328			614,328
Unit Trusts		193,810		193,810
Other Managed Funds	65,211	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**

Values at 31 March 2021 Observable Fair Value	Quoted market price Level 1 £000	Using observable inputs Level 2 £000	With significant unobservable inputs Level 3 £000	Total £000
Financial assets at fair value through profit and loss:				
Equities	-			-
Pooled Investment Vehicles:				
Managed by Border to Coast		1,350,277		1,350,277
Unitised Insurance Policies	564,378			564,378
Unit Trusts		179,603		179,603
Other Managed Funds	60,112	127,969	377,945	566,026
Derivatives: Forward Foreign Exchange				-
Cash	26,269			26,269
	650,759	**1,657,849**	**377,945**	**2,686,553**
Financial liabilities at fair value through profit and loss:				
Derivatives: Forward Foreign Exchange		(1,964)		(1,964)
		(1,964)		**(1,964)**
Financial assets at fair value through other comprehensive income and expenditure:				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
			1,182	**1,182**
Net Investment Assets	**650,759**	**1,655,885**	**379,127**	**2,685,771**

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

Period 2021/22	Market value at 31 March 2021 £000	Transfers into Level 3 £000	Transfers out of Level 3 £000	Purchases during the year and derivative payments £000	Sales during the year and derivative receipts £000	Unrealised gains/(losses) * £000	Realised gains/(losses) * £000	Market value at 31 March 2022 £000
Other Property	6,878			7,751	(2,625)	(637)	-	11,367
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
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**

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

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

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

Note 15. Financial Instruments

Note 15A. Classification of Financial Instruments

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

	31 March 2022			
	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£000	£000	£000	£000
Financial Assets				
Unquoted Equity Holding in Border to Coast Pensions Partnership				1,182
Pooled Investment Vehicles:				
Managed by Border to Coast	1,564,205			
Unitised Insurance Policies	614,328			
Unit Trusts	193,810			
Other Managed Funds	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**

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

15B Net Gains and Losses on Financial Instruments

	2020/21 £000	2021/22 £000
Financial Assets		
Fair Value through Profit and Loss	519,604	295,668
Total	**519,604**	**295,668**

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

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

Risk and Risk Management

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

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

a) Market Risk

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

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

Other Price Risk

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

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

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

Other Price Risk - Sensitivity Analysis

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

Asset Type	Value at 31 March 2022 £000	Percentage Change %	Value on Increase £000	Value on Decrease £000
UK Equities	477,827	14%	544,723	410,931
Overseas Equities	1,207,273	14%	1,376,291	1,038,255
Bonds	355,209	6%	376,522	333,896
UK Property	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**

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

Interest rate risk

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

Interest rate risk - sensitivity analysis

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

Assets Exposed to Interest Rate Risk:

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**

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

Income Exposed to Interest Rate Risk	Interest Receivable 2021/22 £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**

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

Currency risk

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

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

Currency risk – sensitivity analysis

Assets Exposed to Currency Risk	Value at 31 March 2022 £000	Percentage Market Movement £000	Value on Increase £000	Value on Decrease £000
Overseas Alternatives	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**

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

b) Credit Risk

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

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

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

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

c) Liquidity risk

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

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

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

Note 17. Funding Arrangements

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

Description of Funding Policy

In summary, the key funding policy is as follows:

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

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

Actuary's Statement

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

Asset value and funding level

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

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

Contribution rates

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

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

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

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

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

Assumptions

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

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

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

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

Updated position since the 2019 valuation

Update to funding basis and assumptions

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

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

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

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

Liabilities

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

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

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

Assets

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

Overall position

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

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

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

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

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

Note 18. Actuarial Present Value of Promised Retirement Benefit

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

Pension Account Disclosure as at 31 March 2022 (prepare 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 2022. 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 2022. 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 2019 - results of the latest funding valuation;
- 31 March 2021 - results of the latest IAS26 report;
- 31 March 2022 - actual Fund returns to;
- 31 March 2022 - Fund asset statement;
- 31 March 2022 - Fund income and expenditure items (estimated where necessary) to; and
- 31 March 2022 - details of any new unreduced early retirement payments out to.

The data 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 2019.

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

Unfunded benefits

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

Early retirements

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

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is 10.73%, as advised by the Fund. The estimated asset allocation for Lincolnshire Pension Fund as at 31 March 2022 is as follows (noting that due to roundings they may not total 100%):

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

Actuarial methods and assumptions

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

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

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

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

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

The calculations include actual pension increase experience for the period from 2021-22. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

Results

The net liability as at 31 March 2022 is estimated to be a liability of £1,196,655m.

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

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

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

Note 19. Current Assets

	31 March 2021 £000	31 March 2022 £000
Short Term Debtors		
Contributions due - Employers	4,575	5,614
Contributions due - Employees	1,387	1,442
Debtors relating to Members	126	704
VAT Debtor	194	299
Sundry Debtors	431	248
Total Short Term Debtors	**6,713**	**8,307**
Cash Balances	25,066	15,731
Cash Balances	**25,066**	**15,731**
Total Current Assets	**31,779**	**24,038**

Note 20. Current Liabilities

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

Note 21. Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the year end, the value of AVC investments (excluding any final bonus) amounted to £8.360m (£8.549m in 2020/21). Member contributions of £0.792m (£0.824m in 2020/21) were received by the Prudential in the year to 31 March and £1.590m (£1.199m in 2020/21) was paid out to members.

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

Note 22. Related Party Transactions

Lincolnshire County Council

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

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

Pensions Committee

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

Border to Coast Pensions Partnership

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

Note 23. Key Management Personnel

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

Note 24. Contingent Liabilities and Contractual Commitments

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

Note 25. Contingent Assets

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

Note 26. Events After the Balance Sheet Date

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

Glossary of Terms

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

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

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

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

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

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

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

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

CIPFA – Chartered Institute of Public Finance & Accountancy.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Audit Opinion

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 2021/22 and 'consistent with' opinion for the Annual Report 2022 shortly.

Additional Information Available

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

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

Funding Strategy Statement

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

Investment Strategy Statement

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

Communications Policy

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

Governance Compliance Statement

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

Pensions Administration Strategy

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

Funding Strategy Statement

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1 Introduction

1.1 What is this document?

This is the Funding Strategy Statement (FSS) of the Lincolnshire Pension Fund ("the Fund"), which is administered by Lincolnshire County Council, ("the Administering Authority").

It has been prepared by the Administering Authority in collaboration with the Fund's actuary, Hymans Robertson LLP, and after consultation with the Fund's employers, investment adviser and approval by the Pensions Committee. It is effective from March 2020, and for the setting of employer contribution rates calculated following the March 2019 Valuation.

The FSS is reviewed in detail at least every three years as part of the triennial valuation process. The next full review is due to be completed as part of the valuation process at 31 March 2022. A revised statement will also be issued in the event of significant or material change arising.

If you have any queries please contact Jo Ray, Head of Pensions, in the first instance at e-mail address jo.ray@lincolnshire.gov.uk or on telephone number 01522 553656.

1.2 What is the Lincolnshire Pension Fund?

The Fund is part of the national Local Government Pension Scheme (LGPS). The LGPS was set up by the UK Government to provide retirement and death benefits for local government employees, and those employed in similar or related bodies, across the whole of the UK. The Administering Authority runs the Lincolnshire Pension Fund, in effect the LGPS for the Lincolnshire area, to make sure it:

- receives the proper amount of contributions from employees and employers, and any transfer payments;
- invests the contributions appropriately, with the aim that the Fund's assets grow over time with investment income and capital growth; and
- uses the assets to pay Fund benefits to the members (as and when they retire, for the rest of their lives), and to their dependants (as and when members die), as defined in the LGPS Regulations. Assets are also used to pay transfer values and administration costs.

The roles and responsibilities of the key parties involved in the management of the Fund are summarised in Appendix B.

1.3 Why does the Fund need a Funding Strategy Statement?

Employees' benefits are guaranteed by the LGPS Regulations, and do not change with market values or employer contributions. Investment returns will help pay for some of the benefits, but probably not all, and certainly with no guarantee. Employees' contributions are fixed in those Regulations also, at a level which covers only part of the cost of the benefits.

Therefore, employers need to pay the balance of the cost of delivering the benefits to members and their dependants.

The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers or pools of employers pay for their own liabilities. This statement sets out how the Administering Authority has balanced the conflicting aims of:

- affordability of employer contributions,
- transparency of processes,
- stability of employers' contributions, and

- prudence in the funding basis.

There are also regulatory requirements for an FSS, as given in Appendix A.

The FSS is a summary of the Fund's approach to funding its liabilities, and this includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS forms part of a framework which includes:

- the LGPS Regulations;
- the Rates and Adjustments Certificate (confirming employer contribution rates currently for the next three years) which can be found in an appendix to the formal valuation report;
- the Fund's discretionary policies on admissions, cessations and bulk transfers;
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service; and
- the Fund's Investment Strategy Statement (see Section 4)

1.4 How does the Fund and this FSS affect me?

This depends on who you are:

- a member of the Fund, i.e. a current or former employee, or a dependant: the Fund needs to be sure it is collecting and holding enough money so that your benefits are always paid in full;
- an employer in the Fund (or which is considering joining the Fund): you will want to know how your contributions are calculated from time to time, that these are fair by comparison to other employers in the Fund, in what circumstances you might need to pay more and what happens if you cease to be an employer in the Fund. Note that the FSS applies to all employers participating in the Fund;
- an Elected Member whose council participates in the Fund: you will want to be sure that the council balances the need to hold prudent reserves for members' retirement and death benefits, with the other competing demands for council money;
- a Council Tax payer: your council seeks to strike the balance above, and also to minimise cross-subsidies between different generations of taxpayers.

1.5 What does the FSS aim to do?

The FSS sets out the objectives of the Fund's funding strategy, such as:

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

1.6 How do I find my way around this document?

In Section 2 there is a brief introduction to some of the main principles behind funding, i.e. deciding how much an employer should contribute to the Fund from time to time.

In Section 3 we outline how the Fund calculates the contributions payable by different employers in different situations.

In Section 4 we show how the funding strategy is linked with the Fund's investment strategy.

In Section 5 we outline Section 13 reporting requirements.

In the Appendices we cover various issues in more detail if you are interested:

A. the regulatory background, including how and when the FSS is reviewed,

B. who is responsible for what,

C. what issues the Fund needs to monitor, and how it manages its risks,

D. some more details about the actuarial calculations required,

E. the assumptions which the Fund actuary currently makes about the future,

F. a glossary explaining the technical terms occasionally used here.

2 Basic Funding issues

(More detailed and extensive descriptions are given in Appendix D).

2.1 How does the actuary calculate the required contribution rate?

In essence this is a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See 2.3 below, and the table in 3.3 Note (e) for more details.
- The Fund appointed a new fund actuary with effect from 1 January 2021. For employers commencing participation in the Fund on or after 1 January 2021, the calculated contribution rate will be set to meet a funding target over the time horizon as set out in table 3.3. The funding target is set based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach.

2.2 What is each employer's contribution rate?

This is described in more detail in Appendix D. Employer contributions are normally made up of two elements:

a) the estimated cost of benefits being built up each year, after deducting the members' own contributions and including an allowance for administration expenses. This is referred to as the "*Primary rate*", and is expressed as a percentage of members' pensionable pay; plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "*Secondary rate*". In broad terms, payment of the Secondary rate is in respect of benefits already accrued at the valuation date. The Secondary rate may be expressed as a percentage of pay or a monetary amount in each year.

The rates for all employers are shown in the Fund's Rates and Adjustments Certificate, which forms part of the formal Actuarial Valuation Report. Employers' contributions are expressed as minima, with employers able to pay contributions at a higher rate. Account of any higher rate will be taken by the Fund actuary at subsequent valuations, i.e. will be reflected as a credit when next calculating the employer's contributions.

2.3 What different types of employer participate in the Fund?

Historically the LGPS was intended for local authority employees only. However over the years, with the diversification and changes to delivery of local services, many more types and numbers of employers now participate. There are currently more employers in the Fund than ever before, a significant part of this being due to new academies.

In essence, participation in the LGPS is open to public sector employers providing some form of service to the local community. Whilst the majority of members will be local authority employees (and ex-employees), the majority of participating employers are those providing services in place of (or alongside) local authority services: academy schools, contractors, housing associations, charities, etc.

The LGPS Regulations define various types of employer as follows:

Scheduled bodies - councils, and other specified employers such as academies and further education establishments. These must provide access to the LGPS in respect of their employees who are not eligible to join another public sector scheme (such as the Teachers Scheme). These employers are so-called because they are specified in a schedule to the LGPS Regulations.

It is now possible for Local Education Authority schools to convert to academy status, and for other forms of school (such as Free Schools) to be established under the academies legislation. All such **academies (or Multi Academy Trusts)**, as employers of non-teaching staff, become separate new employers in the Fund. As academies are defined in the LGPS Regulations as “Scheduled Bodies”, the Administering Authority has no discretion over whether to admit them to the Fund, and the academy has no discretion whether to continue to allow its non-teaching staff to join the Fund. There has also been guidance issued by the MHCLG regarding the terms of academies’ membership in LGPS Funds.

Designating employers - employers such as town and parish councils are able to participate in the LGPS via resolution (and the Fund cannot refuse them entry where the resolution is passed). These employers can designate which of their employees are eligible to join the scheme.

Other employers are able to participate in the Fund via an admission agreement, and are referred to as ‘admission bodies’. These employers are generally those with a “community of interest” with another scheme employer – **community admission bodies** (“CAB”) or those providing a service on behalf of a scheme employer – **transferee admission bodies** (“TAB”). CABs will include housing associations and charities, TABs will generally be contractors. The Fund is able to set its criteria for participation by these employers and can refuse entry if the requirements as set out in the Fund’s admissions policy are not met. (NB The terminology CAB and TAB has been dropped from recent LGPS Regulations, which instead combine both under the single term ‘admission bodies’; however, we have retained the old terminology here as we consider it to be helpful in setting funding strategies for these different employers).

2.4 How does the calculated contribution rate vary for different employers?

All three steps above are considered when setting contributions (more details are given in Section 3 and Appendix D).

1. The **funding target** is based on a set of assumptions about the future, (e.g. investment returns, inflation, pensioners’ life expectancies). If an employer is approaching the end of its participation in the Fund then its funding target may be set on a more prudent basis, so that its liabilities are less likely to be spread among other employers after its cessation;

2. The **time horizon** required is the period over which the funding target is achieved. Employers may be given a lower time horizon if they have a less permanent anticipated membership, or do not have tax-raising powers to increase contributions if investment returns under-perform; and

3. The **likelihood of achieving** the funding target over that time horizon will be dependent on the Fund’s view of the strength of employer covenant and its funding profile. Where an employer is considered to be weaker, then the required likelihood will be set higher, which in turn will increase the required contributions (and vice versa).

For some employers it may be agreed to pool contributions, see 3.4.

Any costs of non-ill-health early retirements must be paid by the employer, see 3.6.

Costs of ill-health early retirements are covered in 3.7 and 3.8.

2.5 How is a funding level calculated?

An employer's "funding level" is defined as the ratio of:

- the market value of the employer's share of assets (see Appendix D, section D5, for further details of how this is calculated), to
- the value placed by the actuary on the benefits built up to date for the employer's employees and ex-employees (the "liabilities"). The Fund actuary agrees with the Administering Authority the assumptions to be used in calculating this value.

If this is less than 100% then it means the employer has a shortfall, which is the employer's "deficit"; if it is more than 100% then the employer is said to be in "surplus". The amount of deficit or shortfall is the difference between the asset value and the liabilities value.

It is important to note that the funding level and deficit/surplus are only measurements at a particular point in time, on a particular set of assumptions about the future. Whilst we recognise that various parties will take an interest in these measures, for most employers the key issue is how likely it is that their contributions will be sufficient to pay for their members' benefits (when added to their existing asset share and anticipated investment returns).

In short, funding levels and deficits are short term, high level risk measures, whereas contribution-setting is a longer term issue.

2.6 How does the Fund recognise that contribution levels can affect council and employer service provision, and council tax?

The Administering Authority and the Fund actuary are acutely aware that, all other things being equal, a higher contribution required to be paid to the Fund will mean less cash available for the employer to spend on the provision of services. For instance:

- Higher Pension Fund contributions may result in reduced council spending, which in turn could affect the resources available for council services, and/or greater pressure on council tax levels;
- Contributions which Academies pay to the Fund will therefore not be available to pay for providing education; and
- Other employers will provide various services to the local community, perhaps through housing associations, charitable work, or contracting council services. If they are required to pay more in pension contributions to the LGPS then this may affect their ability to provide the local services at a reasonable cost.

Whilst all this is true, it should also be borne in mind that:

- The Fund provides invaluable financial security to local families, whether to those who formerly worked in the service of the local community who have now retired, or to their families after their death;
- The Fund must have the assets available to meet these retirement and death benefits, which in turn means that the various employers must each pay their own way. Lower contributions today will mean higher contributions tomorrow: deferring payments does not alter the employer's ultimate obligation to the Fund in respect of its current and former employees;
- Each employer will generally only pay for its own employees and ex-employees (and their dependants), not for those of other employers in the Fund;
- The Fund strives to maintain reasonably stable employer contribution rates where appropriate and possible. However, a recent shift in regulatory focus means that solvency within each generation is considered by the Government to be a higher priority than stability of contribution rates;
- The Fund wishes to avoid the situation where an employer falls so far behind in managing its funding shortfall that its deficit becomes unmanageable in practice: such a situation may lead to employer insolvency and the resulting deficit falling on the other Fund employers. In that situation, those employers' services would in turn suffer as a result;
- Council contributions to the Fund should be at a suitable level, to protect the interests of different generations of council tax payers. For instance, underpayment of contributions for some years will need to be balanced by overpayment in other years; the council will wish to minimise the extent to which council tax payers in one period are in effect benefitting at the expense of those paying in a different period.

Overall, therefore, there is clearly a balance to be struck between the Fund's need for maintaining prudent funding levels, and the employers' need to allocate their resources appropriately. The Fund achieves this through various techniques which affect contribution increases to various degrees (see 3.1). In deciding which of these techniques to apply to any given employer, the Administering Authority takes a view on the financial standing of the employer, i.e. its ability to meet its funding commitments and the relevant time horizon.

The Administering Authority will consider a risk assessment of that employer using a knowledge base which is regularly monitored and kept up-to-date. This will include such information as the type of employer, its membership profile and funding position, any guarantors or security provision, material changes anticipated, etc.

For instance, where the Administering Authority has reasonable confidence that an employer will be able to meet its funding commitments, then the Fund will permit options such as stabilisation (see 3.3 Note (b)), a longer time horizon relative to other employers, and/or a lower likelihood of achieving their funding target. Such options will temporarily produce lower contribution levels than would otherwise have applied. This is permitted in the expectation that the employer will still be able to meet its obligations for many years to come.

On the other hand, where there is doubt that an employer will be able to meet its funding commitments or withstand a significant change in its commitments, then a higher funding target, and/or a shorter time horizon relative to other employers, and/or a higher likelihood of achieving the target may be required.

The Fund actively seeks employer input, including to its funding arrangements, through various means: see Appendix A.

2.7 What approach has the Fund taken to dealing with uncertainty arising from McCloud court case and its potential impact on the LGPS Benefit structure?

The LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The courts have ruled that the 'transitional protections' awarded to some members of public service pension schemes when the schemes were reformed (on 1 April 2014 in the case of the LGPS) were unlawful on the grounds of age discrimination. At the time of writing, the Ministry of Housing, Communities and Local Government (MHCLG) has not provided any details of changes as a result of the case. However, it is expected that benefits changes will be required and they will likely increase the value of liabilities. At present, the scale and nature of any increase in liabilities are unknown, which limits the ability of the Fund to make an accurate allowance.

The LGPS Scheme Advisory Board (SAB) issued advice to LGPS funds in May 2019. As there was no finalised outcome of the McCloud case by 31 August 2019, the Fund Actuary has acted in line with SAB's advice and valued all member benefits in line with the current LGPS Regulations.

The Fund, in line with the advice in the SAB's note, has considered how to allow for this risk in the setting of employer contribution rates.

Uncertainty over the McCloud remedy impact makes it impossible to calculate an 'exact' loading so the Fund's preferred approach is to increase the likelihood of achieving the funding target over a particular time horizon by 5%. This will allow for an additional element of prudence and should mitigate the impact of any changes to benefits following the conclusion to the McCloud case. However, once the outcome of the McCloud case is known, the Fund may revisit the contribution rates set to ensure they remain appropriate.

The Fund has also considered the McCloud judgement in its approach to cessation valuations. Please see note (j) to table 3.3 for further information.

2.8 When will the next actuarial valuation be?

On 8 May 2019 MHCLG issued a consultation seeking views on (among other things) proposals to amend the LGPS valuation cycle in England and Wales from a three year (triennial) valuation cycle to a four year (quadrennial) valuation cycle.

On 7 October 2019 MHCLG confirmed the next LGPS valuation cycle in England and Wales will be 31 March 2022, regardless of the ongoing consultation. The Fund therefore instructed the Fund Actuary to certify contribution rates for employers for the period 1 April 2020 to 31 March 2023 as part of the 2019 valuation of the Fund.

3 Calculating contributions for individual Employers

3.1 General comments

A key challenge for the Administering Authority is to balance the need for stable, affordable employer contributions with the requirement to take a prudent, longer-term view of funding and ensure the solvency of the Fund. With this in mind, the Fund's three-step process identifies the key issues:

1. What is a suitably (but not overly) prudent funding target?
2. How long should the employer be permitted to reach that target? This should be realistic but not so long that the funding target is in danger of never actually being achieved.
3. What likelihood is required to reach that funding target? This will always be less than 100% as we cannot be certain of the future. Higher likelihood "bars" can be used for employers where the Fund wishes to reduce the risk that the employer ceases leaving a deficit to be picked up by other employers.

These and associated issues are covered in this Section.

The Administering Authority recognises that there may occasionally be particular circumstances affecting individual employers that are not easily managed within the rules and policies set out in the Funding Strategy Statement. Therefore the Administering Authority reserves the right to direct the actuary to adopt alternative funding approaches on a case by case basis for specific employers.

3.2 The effect of paying lower contributions

In limited circumstances the Administering Authority may permit employers to pay contributions at a lower level than is assessed for the employer using the three step process above. At their absolute discretion the Administering Authority may:

- extend the time horizon for targeting full funding;
- adjust the required likelihood of meeting the funding target;
- permit an employer to participate in the Fund's stabilisation mechanisms;
- permit extended phasing in of contribution rises or reductions;
- pool contributions amongst employers with similar characteristics; and/or
- accept some form of security or guarantee in lieu of a higher contribution rate than would otherwise be the case.

Employers which are permitted to use one or more of the above methods will often be paying, for a time, contributions less than required to meet their funding target, over the appropriate time horizon with the required likelihood of success. Such employers should appreciate that:

- their true long term liability (i.e. the actual eventual cost of benefits payable to their employees and ex-employees) is not affected by the pace of paying contributions;
- lower contributions in the short term will result in a lower level of future investment returns on the employer's asset share. Thus, deferring a certain amount of contribution may lead to higher contributions in the long-term; and
- it may take longer to reach their funding target, all other things being equal.
-
- Overleaf (3.3) is a summary of how the main funding policies differ for different types of employer, followed by more detailed notes where necessary.

Section 3.4 onwards deals with various other funding issues which apply to all employers.

3.3 The different approaches used for different employers

Type of employer	**Scheduled Bodies**				**Community Admission Bodies**		**Designating Bodies**	**Transferee Admission Bodies***
Sub-type	**Local Authorities, Police and Crime Commissioner**	**Other Scheduled Bodies**	**Colleges**	**Academies**	**Open to new entrants**	**Closed to new entrants**	**Internal Drainage Boards, Parish and Town Councils**	**(all)**
Funding Target Basis used	Ongoing participation basis, assumes long-term Fund participation (see Appendix E)				Ongoing participation basis, but may move to "gilts exit basis" - see Note (a)		Ongoing, assumes long –term Fund participation (see Appendix E)	Contractor exit basis, assumes fixed contract term in the Fund (see Appendix E)
Primary rate approach	(see Appendix D – D.2)							
Stabilised contribution rate?	Yes - see Note (b)	No	No	No	No	No	No	No
Maximum time horizon – Note (c)	20 years	20 years	15 years	20 years	Outstanding term, subject to a maximum of 15 years	Outstanding term, subject to a maximum of 15 years	20 years	Outstanding contract term, subject to a maximum of 15 years
Secondary rate – Note (d)	Monetary amount (other than maintained schools where % of payroll)	% of payroll	Monetary amount	Monetary amount	Monetary amount	Monetary amount	Monetary amount or % of payroll where pooled	Monetary amount
Treatment of surplus	Covered by stabilisation arrangement	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority					Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority	Preferred approach: contributions kept at Primary rate. However, reductions may be permitted by the Administering Authority to reduce the surplus over the remaining contract term

Type of employer	**Scheduled Bodies**				**Community Admission Bodies**		**Designating Bodies**	**Transferee Admission Bodies***
Likelihood of achieving target – Note (e)	70%	80%	80%	80%	80%	80%	75%	To be set on an employer by employer basis depending upon strength of covenant
Phasing of contribution changes	Covered by stabilisation arrangement	None	None	None	None	None	None	None
Review of rates – Note (f)	Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations						Administering Authority reserves the right to review contribution rates and amounts, and the level of security provided, at regular intervals between valuations	Particularly reviewed in last 3 years of contract
New employer	n/a	n/a	n/a	Note (g)	Note (h)		n/a	Notes (h) & (i)
Cessation of participation: exit debt/credit payable	Cessation is assumed not to be generally possible, as Scheduled Bodies are legally obliged to participate in the LGPS. In the rare event of cessation occurring (machinery of Government changes for example), the cessation debt principles applied would be as per Note (j).				Can be ceased subject to terms of admission agreement. Exit debt/credit will be calculated on a basis appropriate to the circumstances of cessation – see Note (j).		Can be ceased subject to passing of resolution. Cessation debt will be calculated on a basis appropriate to the circumstances of cessation - see Note (j) and 3.4 for small scheduled bodies pool.	Participation is assumed to expire at the end of the contract. Cessation debt/credit calculated on the Contractor exit basis, unless the admission agreement is terminated early by the Contractor in which case the low risk exit basis would apply. Awarding Authority will be liable for future deficits and contributions arising. See Note (j) for further details.

* Where the Administering Authority recognises a fixed contribution rate agreement between an Awarding Authority and a Contractor, the certified employer contribution rate will be derived in line with the methodology specified in the risk sharing agreement. Additionally, in these cases, upon cessation the Contractor's assets and liabilities will transfer back to the Awarding Authority with no crystallisation of any deficit or surplus. Further detail on fixed contribution rate agreements is set out in note (i).

Note (a) (Gilts exit basis for CABs and Designating Employers closed to new entrants)

In the circumstances where:

- the employer is a Designating Employer, or an Admission Body but not a Transferee Admission Body, and
- the employer has no guarantor, and
- the admission agreement is likely to terminate, or the employer is likely to lose its last active member, within a timeframe considered appropriate by the Administering Authority to prompt a change in funding,

the Administering Authority may set a higher funding target (e.g. based on the return from long-term gilt yields) by the time the agreement terminates or the last active member leaves, in order to protect other employers in the Fund. This policy will increase regular contributions and reduce, but not entirely eliminate, the possibility of a final deficit payment being required from the employer when a cessation valuation is carried out.

The Administering Authority also reserves the right to adopt the above approach in respect of those Designating Employers and Admission Bodies with no guarantor, where the strength of covenant is considered to be weak but there is no immediate expectation that the admission agreement will cease or the Designating Employer alters its designation.

Note (b) (Stabilisation)

Stabilisation is a mechanism where employer contribution rate variations from year to year are kept within a pre-determined range, thus allowing those employers' rates to be relatively stable. In the interests of stability and affordability of employer contributions, the Administering Authority, on the advice of the Fund Actuary, believes that stabilising contributions can still be viewed as a prudent longer-term approach. However, employers whose contribution rates have been "stabilised" (and may therefore be paying less than their theoretical contribution rate) should be aware of the risks of this approach and should consider making additional payments to the Fund if possible.

This stabilisation mechanism allows short term investment market volatility to be managed so as not to cause volatility in employer contribution rates, on the basis that a long term view can be taken on net cash inflow, investment returns and strength of employer covenant.

The current stabilisation mechanism applies if:

- the employer satisfies the eligibility criteria set by the Administering Authority (see below) and;
- there are no material events which cause the employer to become ineligible, e.g. significant reductions in active membership (due to outsourcing or redundancies), or changes in the nature of the employer (perhaps due to Government restructuring), or changes in the security of the employer.

On the basis of extensive modelling carried out for the 2019 valuation exercise (see Section 4), the standard stabilisation arrangements that will apply for employers are as follows. Other stabilisation arrangements may, on occasion, be allowed if the actuary considers them to be prudent.

Type of employer	Local Authority Council	Police and Crime Commissioner Pool
Stabilisation Mechanism	Fixed % of pay plus increasing monetary amount	Fixed % of pay plus increasing monetary amount
Maximum contribution increase per year	+1% of pay	+1% of pay
Maximum contribution decrease per year	-1% of pay	-1% of pay

The stabilisation criteria and limits will be reviewed at the next formal valuation. However the Administering Authority reserves the right to review the stabilisation criteria and limits at any time before then, on the basis of membership and/or employer changes as described above.

Stabilisation rules and eligibility may also be reviewed at any time in the event of changes to scheme benefits. Changes in scheme benefits may arise because of changes in regulations or other events that have a material impact.

Note (c) (Maximum time horizon)

The maximum time horizon starts at the commencement of the revised contribution rate (1 April 2020 for the 2019 valuation). The Administering Authority would normally expect the same period to be used at successive triennial valuations, but would reserve the right to propose alternative time horizons, for example where there were no new entrants.

Note (d) (Secondary rate)

In general, the Secondary contribution rate for each employer, covering the period until the next formal valuation, will normally be set as a monetary amount. However, the Administering Authority reserves the right to amend these rates between formal valuations.

Note (e) (Likelihood of achieving funding target)

Each employer has its funding target calculated, and a relevant time horizon over which to reach that target. Contributions are set such that, combined with the employer's current asset share and anticipated market movements over the time horizon, the funding target is achieved with a given minimum likelihood. A higher required likelihood bar will give rise to higher required contributions, and vice versa.

The way in which contributions are set using these three steps, and relevant economic projections, is described in further detail in Appendix D.

Different likelihoods are set for different employers depending on their nature and circumstances: in broad terms, a higher likelihood will apply due to one or more of the following:

- the Fund believes the employer poses a greater funding risk than other employers,

- the employer does not have tax-raising powers;
- the employer does not have a guarantor or other sufficient security backing its funding position; and/or
- the employer is likely to cease participation in the Fund in the short or medium term.

Note (f) (Regular Reviews)

Such reviews may be triggered by significant events including but not limited to: significant reductions in payroll, altered employer circumstances, Government restructuring affecting the employer's business, or failure to pay contributions or arrange appropriate security as required by the Administering Authority.

The result of a review may be to require increased contributions (by strengthening the actuarial assumptions adopted and/or moving to monetary levels of deficit recovery contributions), and/or an increased level of security or guarantee.

Note (g) (New Academy conversions)

At the time of writing, the Fund's policies on academies' funding issues are as follows:

i. The new academy will be regarded as a separate employer in its own right and will not be pooled with other employers in the Fund. The only exception is where the academy is part of a Multi Academy Trust (MAT) in which case the academy's figures will be calculated as below but can be combined with, for the purpose of setting contribution rates, those of the other academies in the MAT;

ii. The new academy's past service liabilities on conversion will be calculated based on its active Fund members on the day before conversion. For the avoidance of doubt, these liabilities will include all past service of those members, but will exclude the liabilities relating to any ex-employees of the school who have deferred or pensioner status;

iii. The new academy will be allocated an initial asset share from the ceding council's assets in the Fund. This asset share will be calculated using the estimated funding position of the ceding council at the date of academy conversion. The share will be based on the active members' funding level, having first allocated assets in the council's share to fully fund deferred and pensioner members. The assets allocated to the academy will be limited if necessary so that its initial funding level is subject to a maximum of 100%. The asset allocation will be based on market conditions and the academy's active Fund membership on the day prior to conversion;

iv. The new academy's calculated contribution rate will be based on the time horizon and likelihood of achieving funding target outlined for Academies in the table in Section 3.3 above;

v. It is possible for an academy to leave one MAT and join another. If this occurs, all active, deferred and pensioner members of the academy transfer to the new MAT. If two MAT's merge during the inter-valuation period, the merged MAT will pay the higher certified rates for the individual MAT's.

The Fund's policies on academies are subject to change in the light of any amendments to MHCLG and/or DfE guidance or removal of the formal guarantee currently provided to academies by the DfE. Any changes will be notified to academies, and will be reflected in a subsequent version of this FSS.

The Fund appointed a new fund actuary with effect from 1 January 2021. The above policies are still effective for new academy conversions. As before, for new academies converting on or after 1 January 2021, the calculated contribution rate will be set to meet a funding target over the time horizon as set out in table 3.3. The funding target is set based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach. Further details will be included in the new academy report provided.

Note (h) (New Admission Bodies)

With effect from 1 October 2012, the LGPS 2012 Miscellaneous Regulations introduced mandatory new requirements for all Admission Bodies brought into the Fund from that date. Under these Regulations, all new Admission Bodies will be required to provide some form of security, such as a guarantee from the Awarding Authority, an indemnity or a bond. The security is required to cover some or all of the following:

- the strain cost of any redundancy early retirements resulting from the premature termination of the contract;
- allowance for the risk of asset underperformance;
- allowance for the risk of a greater than expected rise in liabilities;
- allowance for the possible non-payment of employer and member contributions to the Fund; and/or
- the current deficit.

Transferee Admission Bodies: For all TABs, the security must be to the satisfaction of the Administering Authority as well as the Awarding Authority, and will be reassessed on an annual basis, or other basis agreed with the ceding employer. See also Note (i) below.

Community Admission Bodies: The Administering Authority will only consider requests from CABs (or other similar bodies, such as section 75 NHS partnerships) to join the Fund if they are sponsored by a Scheduled Body with tax raising powers, guaranteeing their liabilities and also providing a form of security as above.

The above approaches reduce the risk to other employers in the Fund of potentially having to pick up any shortfall in respect of Admission Bodies ceasing with an unpaid deficit.

Note (i) (New Transferee Admission Bodies)

A new TAB usually joins the Fund as a result of the outsourcing of some services from an existing employer ("Awarding Authority", normally a Scheduled Body such as a council or academy) to another organisation (a "Contractor"). This involves the TUPE transfer of some staff from the Awarding Authority to the Contractor. Consequently, for the duration of the contract, the Contractor is a new participating employer in the Fund so that the transferring employees maintain their eligibility for LGPS membership. At the end of the contract the employees revert to the Awarding Authority or to a replacement Contractor.

Ordinarily, the TAB would be set up in the Fund as a new employer with responsibility for all the accrued benefits of the transferring employees; in this case, the Contractor would usually be assigned an initial asset allocation equal to the past service liability value of the employees' Fund benefits. The quid pro quo is that the Contractor is then expected to ensure that its share of the Fund is also fully funded at the end of the contract: see Note (j).

The Fund may consider modifications to this approach on request with the agreement of all parties and having taken appropriate advice.

For staff transfers on or after **1 September 2020**, the Administering Authority requires that a new TAB will participate in the Fund via a fixed contribution rate arrangement with the Awarding Authority. The certified employer contribution rate will be set equal to the fixed contribution rate agreed between the Awarding Authority and the contactor. The fixed rate will normally be set equal to the existing total contribution rate in payment (expressed as a percentage of pay p.a.) for the Awarding Authority upon the contract start date, subject to a minimum rate equal to the Awarding Authority's primary rate when assessed on a likelihood of achieving funding target of 75%. The fixed rate that will be paid is at the discretion of the Awarding Authority and Contractor.

The Fund appointed a new fund actuary with effect from 1 January 2021. The above policy in relation to staff transfers and a fixed rate contribution agreement are still effective. The fixed rate will continue to normally be set equal to the existing total contribution rate in payment (expressed as a percentage of pay p.a.) for the Awarding Authority upon the contract start date, subject to a minimum rate equal to the Awarding Authority's primary rate. The minimum rate will be calculated to meet the funding target based on a single set of financial assumptions. These assumptions are set so as to achieve broad consistency with the previous fund actuary's approach. Further details will be included in the employer report provided.

Upon cessation the Contractor's assets and liabilities will transfer back to the Awarding Authority with no crystallisation of any deficit or surplus.

In order to avoid the Administering Authority becoming involved in any disputes relating to risk sharing and to protect the other participating employers, the Fund will not be party to any risk sharing agreement between any Awarding Authority and Contractor. Accordingly, any such arrangements will not be detailed in the admission agreement and the admission body will be required to follow the principles of the agreement as if no such risk sharing was in place and as if they were any other employer within the Lincolnshire Pension Fund.

It is at the sole discretion of the Administering Authority as to whether any risk sharing agreement is recognised in the certified employer contribution rate. If the risk arrangement is not recognised, then it will then be up to the Awarding Authority and the Contractor to put in place separate steps to allow the risk sharing to be implemented (e.g. via the contract payments). Accordingly, the Contractor will be required to pay the certified employer contribution rate to the Fund and any other contributions required e.g. early retirement strain costs, regardless of risk sharing arrangement in place.

Note (j) (Admission Bodies Ceasing)

Notwithstanding the provisions of the Admission Agreement, the Administering Authority may consider any of the following as triggers for the cessation of an admission agreement with any type of body:

- Last active member ceasing participation in the Fund (NB recent LGPS Regulation changes mean that the Administering Authority has the discretion to defer taking action for up to three years, so that if the employer acquires one or more active Fund members during that period then cessation is not triggered. The current Fund policy is that this is left as a discretion and may or may not be applied in any given case);
- The insolvency, winding up or liquidation of the Admission Body;
- Any breach by the Admission Body of any of its obligations under the Agreement that they have failed to remedy to the satisfaction of the Fund;
- A failure by the Admission Body to pay any sums due to the Fund within the period required by the Fund; or
- The failure by the Admission Body to renew or adjust the level of the bond or indemnity, or to confirm an appropriate alternative guarantor, as required by the Fund.

On cessation, the Administering Authority will instruct the Fund actuary to carry out a cessation valuation to determine whether there is any deficit or surplus. Where there is a deficit, payment of this amount in full would normally be sought from the Admission Body; where there is a surplus, the Administering Authority will determine the amount of exit credit to be paid in accordance with the Regulations. In making this determination, the Administering Authority will consider the extent of any surplus, the proportion of surplus arising as a result of the Admission Body's employer contributions, any representations (such as risk sharing agreements or guarantees) and any other relevant factors. If a risk-sharing agreement has been put in place no cessation debt or exit credit may be payable, depending on the terms of the agreement.

As discussed in Section 2.7, the LGPS benefit structure from 1 April 2014 is currently under review following the Government's loss of the right to appeal the McCloud and other similar court cases. The Fund has considered how it will reflect the current uncertainty regarding the outcome of this judgement in its approach to cessation valuations. For cessation valuations that are carried out before any changes to the LGPS benefit structure (from 1 April 2014) are confirmed, the Fund's policy is that the Actuary will add a 1% loading to calculated liabilities for "gilts exit" cessations. On the grounds of consistency, simplicity and pragmatism, there would be no adjustment to a cessation value where the obligations are being passed on elsewhere.

The Fund Actuary charges a fee for carrying out an employer's cessation valuation, and there will be other Fund administration expenses associated with the cessation which the Fund will recharge to the employer. For the purposes of the cessation valuation, this fee will be treated as an expense incurred by the employer and will be deducted from the employer's cessation surplus or added to the employer's cessation deficit, as appropriate. This process improves administrative efficiency as it reduces the number of transactions required to be made between the employer and the Fund following an employer's cessation.

For non-Transferee Admission Bodies whose participation is voluntarily ended either by themselves or the Fund, or where a cessation event has been triggered, the Administering Authority must look to protect the interests of other ongoing employers. The actuary will therefore adopt an approach which, to the extent reasonably practicable, protects the other employers from the likelihood of any material loss emerging in future:

(a) Where a guarantor does not exist then, in order to protect other employers in the Fund, the cessation liabilities and final surplus/deficit will normally be calculated using a "gilts exit basis", which is more prudent than the ongoing participation basis. This has no allowance for potential future investment outperformance above gilt yields, and has added allowance for future improvements in life expectancy. This could give rise to significant cessation debts being required.

(b) Where there is a guarantor for future deficits and contributions, the details of the guarantee will be considered prior to the cessation valuation being carried out. In some cases the guarantor is simply guarantor of last resort and therefore the cessation valuation will be carried out consistently with the approach taken had there been no guarantor in place. Alternatively, where the guarantor is not simply guarantor of last resort, the cessation may be calculated using the ongoing participation basis or contractor exit basis as described in Appendix E;

(c) Again, depending on the nature of the guarantee, it may be possible to simply transfer the former Admission Body's liabilities and assets to the guarantor, without needing to crystallise any deficit or surplus. This approach may be adopted where the employer cannot pay the contributions due, and this is within the terms of the guarantee.

Under (a) and (b), any shortfall would usually be levied on the departing Admission Body as a single lump sum payment. If this is not possible then the Fund may spread the payment subject to there being some security in place for the employer such as a bond indemnity or guarantee.

In the event that the Fund is not able to recover the required payment in full, then the unpaid amounts fall to be shared amongst all of the other employers in the Fund. This may require an immediate revision to the Rates and Adjustments Certificate affecting other employers in the Fund, or instead be reflected in the contribution rates set at the next formal valuation following the cessation date.

As an alternative, where the ceasing Admission Body is continuing in business, the Fund at its absolute discretion reserves the right to enter into an agreement with the ceasing Admission Body. Under this agreement the Fund would accept an appropriate alternative security to be held against any deficit on the gilts exit basis, and would carry out the cessation valuation on the ongoing participation basis. Secondary contributions would be derived from this cessation debt. This approach would be monitored as part of each formal valuation and Secondary contributions would be reassessed as required. The Admission Body may terminate the agreement only via payment of the outstanding debt assessed on the gilts exit basis. Furthermore, the Fund reserves the right to revert to the “gilts exit basis” and seek immediate payment of any funding shortfall identified. The Administering Authority may need to seek legal advice in such cases, as the Admission Body would have no contributing members.

In circumstances where there is a surplus, the Administering Authority will determine, at its sole discretion, the amount of exit credit (if any) to be paid to the Admission Body.

The Administering Authority’s entitlement to determine whether exit credits are payable in accordance with these provisions shall apply to all Admission Bodies ceasing their participation in the Fund after 14 May 2018. This provision therefore is retrospectively effective to the same extent as provisions of the Local Government Pension Scheme (Amendment) Regulations 2020.

The Administering Authority may determine the amount of exit credit payable to be zero, however, in making a determination, the Administering Authority will take into account the following factors;

a) the extent to which there is an excess of assets in the fund relating to the employer over and above the liabilities specified;

b) the proportion of the excess of assets which has arisen because of the value of the employer’s contributions;

c) any representations to the Administering Authority made by the exiting employer, guarantor or Scheme Employer or by someone who owns, funds or controls the exiting employer; or in some cases, the Secretary of State; and

d) any other relevant factors.

Disputes

In the event of any dispute or disagreement on the amount of any exit credit paid and the process by which that has been considered, the appeals and adjudication provisions contained in Regulations 74-78 of the LGPS Regulations 2013 would apply.

Please refer to appendix F for the Fund's policy on exit credits.

3.4 Pooled contributions

From time to time, with the advice of the Actuary, the Administering Authority may set up pools for employers with similar or complementary characteristics. This will always be in line with its broader funding strategy. Currently the pools in place within the Fund are as follows:

- Schools generally are also pooled with their funding Council. However there may be exceptions for specialist or independent schools.
- Smaller Transferee Admission Bodies may be pooled with the Awarding Authority, provided all parties (particularly the Awarding Authority) agree.
- Academies will be regarded as separate employers in their own right and will not be pooled with other employers in the Fund, the only exception being when the Academy is part of a Multi Academy Trust (MAT) and they have chosen to pool.

The intention of the pool is to minimise contribution rate volatility which would otherwise occur when members join, leave, take early retirement, receive pay rises markedly different from expectations, etc. Such events can cause large changes in contribution rates for very small employers in particular, unless these are smoothed out for instance by pooling across a number of employers.

On the other hand it should be noted that the employers in the pool will still have their own individual funding positions tracked by the Actuary, so that some employers will be much better funded, and others much more poorly funded, than the pool average. This therefore means that if any given employer was funding on a stand-alone basis, as opposed to being in the pool, then its contribution rate could be much higher or lower than the pool contribution rate.

It should also be noted that, if an employer is considering ceasing from the Fund, its required contributions would be based on its own funding position (rather than the pool average), and the cessation terms would also apply: this would mean potentially very different (and in particular possibly much higher) contributions would be required from the employer in that situation.

Employers who are permitted to enter (or remain in) a pool at the 2019 valuation will not normally be advised of their individual contribution rate unless agreed by the Administering Authority.

Community Admission Bodies that are deemed by the Administering Authority to have closed to new entrants are not usually permitted to participate in a pool.

Those employers which have been pooled are identified in the Rates and Adjustments Certificate. As at the 2019 valuation, separate pools were operated for:-

- Lincolnshire County Council;
- Police and Crime Commissioner for Lincolnshire;
- Lindsey Marsh Internal Drainage Board;
- Parish and Town Councils;
- The following Multi Academy Trusts:-
    - David Ross Education Trust
    - Boston Witham Academies Trust

- Priory Federation of Academies
- Tall Oaks Academy Trust
- West Grantham Federation.
- CIT Academies
- Horncastle Education Trust

Where an academy or school joins an existing MAT with a pooled rate, it will be given the primary rate of the MAT, subject to breaching any materiality level in membership increase. If the membership increase is considered to be material, the Fund has the discretion to require an interim valuation of the expanded MAT to be calculated. Any secondary rate attributable to the academy or school will be required to be paid in addition to any existing secondary rate of the MAT. The Fund has the discretion to negate the need for an increase to the secondary rate if the MAT is considered to be sufficiently in surplus at the last valuation.

Small Scheduled Bodies Pool

In addition to the pools mentioned above, there is a small scheduled body pool made up of the Town and Parish Council's within the Fund. Given that these generally have very few members, this is a way of sharing experience and smoothing out the effects of costly but relatively rare events such as ill-health retirements or deaths in service.

All employers within this pool will have the same contribution rate and individual employer assets and liabilities will not be tracked. The member experience across the pool will be shared.

It should also be noted that if an employer who is in the Small Scheduled Body Pool is considering ceasing from the Fund, the leaving employer's required exit debit to the Fund will be calculated on the ongoing funding position of the pool at the date of the leaving employer's cessation date. An exit credit would not be payable in circumstances where a funding surplus exists (as this has been calculated on the ongoing basis and in respect of the pool which remains an entity within the Fund) and any ceasing employer would still be obligated to pay any unpaid contributions or early retirement strains after the cessation date, where applicable.

3.5 Additional flexibility in return for added security

The Administering Authority may permit greater flexibility to the employer's contributions if the employer provides added security to the satisfaction of the Administering Authority.

Such flexibility includes a reduced rate of contribution, an extended time horizon, or permission to join a pool with another body (e.g. the Local Authority).

Such security may include, but is not limited to, a suitable bond, a legally-binding guarantee from an appropriate third party, or security over an employer asset of sufficient value.

The degree of flexibility given may take into account factors such as:

- the extent of the employer's deficit;
- the amount and quality of the security offered;
- the employer's financial security and business plan; and
- whether the admission agreement is likely to be open or closed to new entrants.

3.6 Non ill health early retirement costs

It is assumed that members' benefits are payable from the earliest age that the employee could retire without incurring a reduction to their benefit (and without requiring their employer's consent to retire). (**NB** the relevant age may be different for different periods of service, following the benefit changes from April 2008 and April 2014). Employers are required to pay additional contributions ('strain') wherever an employee retires before attaining this age. The actuary's funding basis makes no allowance for premature retirement except on grounds of ill-health.

It is generally expected that such strain costs are paid immediately, however, in exceptional circumstances and with the agreement of the Administering Authority, the payment may be spread.

3.7 Ill health early retirement costs

In the event of a member's early retirement on the grounds of ill-health, a funding strain will usually arise, which can be very large. Such strains are currently met by each employer, although individual employers may elect to take external insurance (see 3.8 below).

3.8 External Ill health insurance

If an employer provides satisfactory evidence to the Administering Authority of a current external insurance policy covering ill health early retirement strains, then:

- the employer's contribution to the Fund each year is reduced by the amount of that year's insurance premium, so that employer's total outlay (pension contribution plus insurance premium) is unchanged, and
- there is no need for monitoring of allowances.

When an active member retires on ill health early retirement the claim amount will be paid directly from the insurer to the insured employer. This amount should then be paid to the Fund to allow the employer's asset share to be credited.

The employer must keep the Administering Authority notified of any changes in the insurance policy's coverage or premium terms, or if the policy is ceased.

3.9 Employers with no remaining active members

In general, an employer ceasing in the Fund due to the departure of the last active member will pay a cessation debt or receive an exit credit on an appropriate basis (see 3.3, Note (j)) and consequently have no further obligation to the Fund. Thereafter it is expected that one of two situations will eventually arise:

a) The employer's asset share runs out before all its ex-employees' benefits have been paid. In this situation the other Fund employers will be required to contribute to pay all remaining benefits: this will be done by the Fund actuary apportioning the remaining liabilities on a pro-rata basis at successive formal valuations;

b) The last ex-employee or dependant dies before the employer's asset share has been fully utilised. In this situation the remaining assets would be apportioned pro-rata by the Fund's actuary to the other Fund employers.

In exceptional circumstances the Fund may permit an employer with no remaining active members and a cessation deficit to continue contributing to the Fund. This would require the provision of a suitable security or guarantee, as well as a written ongoing commitment to fund the remainder of the employer's obligations over an appropriate period.

The Fund would reserve the right to invoke the cessation requirements in the future, however. The Administering Authority may need to seek legal advice in such cases, as the employer would have no contributing members.

3.10 Employer flexibilities

In light of the Scheme Advisory Board's guide to employer flexibilities, the Fund has set out its policies relating to the following regulations:

- Regulation 64A: Revisions to scheme employer contributions between valuations
- Regulation 64B: Spreading of exit payments
- Regulation 64: Deferred debt arrangements.

These policies can be found on the shared website at www.wypf.org.uk.

3.11 Policies on bulk transfers

Each case will be treated on its own merits, but in general:

- The Fund will not pay bulk transfers greater than the lesser of (a) the asset share of the transferring employer in the Fund, and (b) the value of the past service liabilities of the transferring members;
- The Fund will not grant added benefits to members bringing in entitlements from another Fund unless the asset transfer is sufficient to meet the added liabilities; and
- The Fund may permit shortfalls to arise on bulk transfers if the Fund employer has suitable strength of covenant and commits to meeting that shortfall in an appropriate period. This may require the employer's Fund contributions to increase between valuations.

4 Funding strategy and links to investment strategy

4.1 What is the Fund's investment strategy?

The Fund has built up assets over the years, and continues to receive contribution and other income. All of this must be invested in a suitable manner, which is the investment strategy.

Investment strategy is set by the Administering Authority, after consultation with the employers and after taking investment advice. The precise mix, manager make up and target returns are set out in the Investment Strategy Statement which is available to members and employers.

The investment strategy is set for the long-term, but is reviewed from time to time. Normally a full review is carried out as part of each actuarial valuation, and is kept under review annually between actuarial valuations to ensure that it remains appropriate to the Fund's liability profile.

The same investment strategy is currently followed for all employers.

4.2 What is the link between funding strategy and investment strategy?

The Fund must be able to meet all benefit payments as and when they fall due. These payments will be met by contributions (resulting from the funding strategy) or asset returns and income (resulting from the investment strategy). To the extent that investment returns or income fall short, then higher cash contributions are required from employers, and vice versa.

Therefore, the funding and investment strategies are inextricably linked.

4.3 How does the funding strategy reflect the Fund's investment strategy?

In the opinion of the Fund actuary, the current funding policy is consistent with the current investment strategy of the Fund. The actuary's assumptions for future investment returns (described in Appendix E) are based on the current benchmark investment strategy of the Fund. The future investment return assumptions underlying each of the fund's three funding bases include a margin for prudence, and are therefore also considered to be consistent with the requirement to take a "prudent longer-term view" of the funding of liabilities as required by the UK Government (see Appendix A1).

In the short term – such as the three yearly assessments at formal valuations – there is the scope for considerable volatility in asset values. However, the actuary takes a long term view when assessing employer contribution rates and the contribution rate setting methodology takes into account this potential variability. The Fund does not hold a contingency reserve to protect it against the volatility of equity investments.

4.4 Does the Fund monitor its overall funding position?

The Administering Authority monitors the relative funding position, i.e. changes in the relationship between asset values and the liabilities value, quarterly. It reports this to the quarterly Pensions Committee meetings, and these papers are public documents that can be viewed on the Administering Authorities website.

5 Statutory reporting and comparison to other LGPS Funds

5.1 Purpose

Under Section 13(4)(c) of the Public Service Pensions Act 2013 ("Section 13"), the Government Actuary's Department must, following each triennial actuarial valuation, report to the Ministry of Housing, Communities & Local Government (MHCLG) on each of the LGPS Funds in England & Wales. This report will cover whether, for each Fund, the rate of employer contributions are set at an appropriate level to ensure both the solvency and the long term cost efficiency of the Fund.

This additional MHCLG oversight may have an impact on the strategy for setting contribution rates at future valuations.

5.2 Solvency

For the purposes of Section 13, the rate of employer contributions shall be deemed to have been set at an appropriate level to ensure solvency if:

(a) the rate of employer contributions is set to target a funding level for the Fund of 100%, over an appropriate time period and using appropriate actuarial assumptions (where appropriateness is considered in both absolute and relative terms in comparison with other funds); and either

(b) employers collectively have the financial capacity to increase employer contributions, and/or the Fund is able to realise contingent assets should future circumstances require, in order to continue to target a funding level of 100%; or

(c) there is an appropriate plan in place should there be, or if there is expected in future to be, a material reduction in the capacity of fund employers to increase contributions as might be needed.

5.3 Long Term Cost Efficiency

The rate of employer contributions shall be deemed to have been set at an appropriate level to ensure long term cost efficiency if:

i. the rate of employer contributions is sufficient to make provision for the cost of current benefit accrual,

ii. with an appropriate adjustment to that rate for any surplus or deficit in the Fund.

In assessing whether the above condition is met, MHCLG may have regard to various absolute and relative considerations. A relative consideration is primarily concerned with comparing LGPS pension funds with other LGPS pension funds. An absolute consideration is primarily concerned with comparing Funds with a given objective benchmark.

Relative considerations include:

1. the implied deficit recovery period; and
2. the investment return required to achieve full funding after 20 years.

Absolute considerations include:

1. the extent to which the contributions payable are sufficient to cover the cost of current benefit accrual and the interest cost on any deficit;
2. how the required investment return under “relative considerations” above compares to the estimated future return being targeted by the Fund’s current investment strategy;
3. the extent to which contributions actually paid have been in line with the expected contributions based on the extant rates and adjustment certificate; and
4. the extent to which any new deficit recovery plan can be directly reconciled with, and can be demonstrated to be a continuation of, any previous deficit recovery plan, after allowing for actual Fund experience.

MHCLG may assess and compare these metrics on a suitable standardised market-related basis, for example where the local funds’ actuarial bases do not make comparisons straightforward.

Appendix A – Regulatory framework

A1 Why does the Fund need an FSS?

The Ministry of Housing, Communities and Local Government (MHCLG) has stated that the purpose of the FSS is:

- *"to establish a **clear and transparent fund-specific strategy** which will identify how employers' pension liabilities are best met going forward;*
- *to support the regulatory framework to maintain **as nearly constant employer contribution rates as possible**; and*
- *to take a **prudent longer-term view** of funding those liabilities."*

These objectives are desirable individually, but may be mutually conflicting.

The requirement to maintain and publish a FSS is contained in LGPS Regulations which are updated from time to time. In publishing the FSS the Administering Authority has to have regard to any guidance published by Chartered Institute of Public Finance and Accountancy (CIPFA) (most recently in 2016) and to its Investment Strategy Statement.

This is the framework within which the Fund's actuary carries out triennial valuations to set employers' contributions and provides recommendations to the Administering Authority when other funding decisions are required, such as when employers join or leave the Fund. The FSS applies to all employers participating in the Fund.

A2 Does the Administering Authority consult anyone on the FSS?

Yes. This is required by LGPS Regulations. It is covered in more detail by the most recent CIPFA guidance, which states that the FSS must first be subject to "consultation with such persons as the authority considers appropriate", and should include "a meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of other participating employers".

In practice, for the Fund, the consultation process for this FSS was as follows:

a) A draft version of the FSS was issued to all participating employers in November 2019 for comment;

b) Comments were requested by 20 December, and answers provided;

c) There was an Employers Forum on 4 March 2020 at which questions regarding the FSS could be raised and answered;

d) Following the end of the consultation period the FSS was updated where required and approved at the Pensions Committee meeting on 19 March 2020, then published before the month end.

A3 How is the FSS published?

The FSS is made available through the following routes:

- Published on the shared website, at www.wypf.org.uk;
- A copy sent by e-mail to each participating employer in the Fund;
- A copy sent to the Pension Board;

- A full copy included in the annual report and accounts of the Fund;
- Copies made available on request.

A4 How often is the FSS reviewed?

The FSS is reviewed in detail at least every three years as part of the triennial valuation (which may move to every four years in future – see Section 2.8). This version is expected to remain unaltered until it is consulted upon as part of the formal process for the next valuation.

It is possible that (usually slight) amendments may be needed within the three year period. These would be needed to reflect any regulatory changes, or alterations to the way the Fund operates (e.g. to accommodate a new class of employer). Any such amendments would be consulted upon as appropriate:

- trivial amendments would be simply notified at the next round of employer communications,
- amendments affecting only one class of employer would be consulted with those employers,
- other more significant amendments would be subject to full consultation.

In any event, changes to the FSS would need agreement by the Pensions Committee and would be included in the relevant Committee Meeting minutes.

A5 How does the FSS fit into other Fund documents?

The FSS is a summary of the Fund's approach to funding liabilities. It is not an exhaustive statement of policy on all issues, for example there are a number of separate statements published by the Fund including the Investment Strategy Statement, Governance Strategy and Communications Strategy. In addition, the Fund publishes an Annual Report and Accounts with up to date information on the Fund.

These documents can be found on the shared website at www.wypf.org.uk.

Appendix B – Responsibilities of key parties

The efficient and effective operation of the Fund needs various parties to each play their part.

B1 The Administering Authority should:-

- operate the Fund as per the LGPS Regulations;
- effectively manage any potential conflicts of interest arising from its dual role as Administering Authority and a Fund employer;
- collect employer and employee contributions, and investment income and other amounts due to the Fund;
- ensure that cash is available to meet benefit payments as and when they fall due;
- pay from the Fund the relevant benefits and entitlements that are due;
- invest surplus monies (i.e. contributions and other income which are not immediately needed to pay benefits) in accordance with the Fund's Investment Strategy Statement (ISS) and LGPS Regulations;
- communicate appropriately with employers so that they fully understand their obligations to the Fund;
- take appropriate measures to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);
- prepare and maintain a FSS and an ISS, after consultation;
- notify the Fund's actuary of material changes which could affect funding (this is covered in a separate agreement with the actuary); and
- monitor all aspects of the fund's performance and funding and amend the FSS and ISS as necessary and appropriate.

B2 The Individual Employer should:-

- deduct contributions from employees' pay correctly;
- pay all contributions, including their own as determined by the actuary, and submit accurate data submissions promptly by the due date;
- have a policy and exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain; and
- notify the Administering Authority promptly of all changes to its circumstances, prospects or membership, which could affect future funding.

B3 The Fund Actuary should:-

- prepare valuations, including the setting of employers' contribution rates. This will involve agreeing assumptions with the Administering Authority, having regard to the FSS and LGPS Regulations, and targeting each employer's solvency appropriately;
- provide data and information as required by the Government Actuary's Department to carry out their statutory obligations (see Section 5);

- provide advice relating to new employers in the Fund, including the level and type of bonds or other forms of security (and the monitoring of these);
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- assist the Administering Authority in considering possible changes to employer contributions between formal valuations, where circumstances suggest this may be necessary;
- advise on the termination of employers' participation in the Fund; and
- fully reflect actuarial professional guidance and requirements in the advice given to the Administering Authority.

B4 Other parties:-

- investment advisers (either internal or external) should ensure the Fund's ISS remains appropriate, and consistent with this FSS;
- investment managers, custodians and bankers should all play their part in the effective investment (and dis-investment) of Fund assets, in line with the ISS;
- auditors should comply with their auditing standards, ensure Fund compliance with all requirements, monitor and advise on fraud detection, and sign off annual reports and financial statements as required;
- governance advisers may be appointed to advise the Administering Authority on efficient processes and working methods in managing the Fund;
- legal advisers (either internal or external) should ensure the Fund's operation and management remains fully compliant with all regulations and broader local government requirements, including the Administering Authority's own procedures;
- MHCLG (assisted by the Government Actuary's Department) and the Scheme Advisory Board should work with LGPS Funds to meet Section 13 requirements.

Appendix C – Key risks and controls

C1 Types of risk

The Administering Authority has an active risk management programme in place. The measures that it has in place to control key risks are summarised below under the following headings:

- financial;
- demographic;
- regulatory; and
- governance.

C2 Financial risks

Risk	Summary of Control Mechanisms
Fund assets fail to deliver returns in line with the anticipated returns underpinning the valuation of liabilities and contribution rates over the long-term.	Only anticipate long-term returns on a relatively prudent basis to reduce risk of under-performing. Assets invested on the basis of specialist advice, in a suitably diversified manner across asset classes, geographies, managers, etc. Analyse progress at three yearly valuations for all employers. Inter-valuation roll-forward of liabilities between valuations at whole Fund level.
Inappropriate long-term investment strategy.	Overall investment strategy options considered as an integral part of the funding strategy. Used asset liability modelling to measure 4 key outcomes. Chosen option considered to provide the best balance.
Active investment manager under-performance relative to benchmark.	Quarterly investment monitoring analyses market performance and active managers relative to their index benchmark.
Pay and price inflation significantly more than anticipated.	The focus of the actuarial valuation process is on real returns on assets, net of price and pay increases. Inter-valuation monitoring, as above, gives early warning. Some investment in bonds also helps to mitigate this risk. Employers pay for their own salary awards and should be mindful of the geared effect on pension liabilities of any bias in pensionable pay rises towards longer-serving employees.

Risk	Summary of Control Mechanisms
Effect of possible increase in employer's contribution rate on service delivery and admission/scheduled bodies	An explicit stabilisation mechanism has been agreed as part of the funding strategy. Other measures are also in place to limit sudden increases in contributions.
Orphaned employers give rise to added costs for the Fund	The Fund seeks a cessation debt (or security/guarantor) to minimise the risk of this happening in the future. If it occurs, the Actuary calculates the added cost spread pro-rata among all employers – (see 3.9).
Effect of possible asset underperformance as a result of climate change	The Fund has a responsible investment policy and works with external managers to minimise the investment risk through stock selection and engagement.

C3 Demographic risks

Risk	Summary of Control Mechanisms
Pensioners living longer, thus increasing cost to Fund.	Set mortality assumptions with some allowance for future increases in life expectancy. The Fund Actuary has direct access to the experience of over 50 LGPS funds which allows early identification of changes in life expectancy that might in turn affect the assumptions underpinning the valuation.
Maturing Fund – i.e. proportion of actively contributing employees declines relative to retired employees.	Continue to monitor at each valuation, monetary amounts to be continued to be paid rather than % of pay and consider alternative investment strategies.
Deteriorating patterns of early retirements	Employers are charged the extra cost of non ill-health retirements following each individual decision. Employer ill health retirement experience is monitored, and insurance is an option.
Reductions in payroll causing insufficient deficit recovery payments	In many cases this may not be sufficient cause for concern, and will in effect be caught at the next formal valuation. However, there are protections where there is concern, as follows: Employers in the stabilisation mechanism may be brought out of that mechanism to permit appropriate contribution increases (see Note (b) to 3.3). For other employers, review of contributions is permitted in general between valuations (see Note (f)

Risk	Summary of Control Mechanisms
	to 3.3) and may require a move in deficit contributions from a percentage of payroll to fixed monetary amounts.

C4 Regulatory risks

Risk	Summary of Control Mechanisms
Changes to national pension requirements and/or HMRC rules e.g. changes arising from public sector pensions reform.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. The Administering Authority is monitoring the progress on the McCloud court case and will consider an interim valuation or other appropriate action once more information is known. The government's long term preferred solution to GMP indexation and equalisation - conversion of GMPs to scheme benefits - was built into the 2019 valuation.
Time, cost and/or reputational risks associated with any MHCLG intervention triggered by the Section 13 analysis (see Section 5).	Take advice from Fund Actuary on position of Fund as at prior valuation, and consideration of proposed valuation approach relative to anticipated Section 13 analysis.
Changes by Government to particular employer participation in LGPS Funds, leading to impacts on funding and/or investment strategies.	The Administering Authority considers all consultation papers issued by the Government and comments where appropriate. Take advice from Fund Actuary on impact of changes on the Fund and amend strategy as appropriate.

C5 Governance risks

Risk	Summary of Control Mechanisms
Administering Authority unaware of structural changes in an employer's membership (e.g. large fall in employee members, large number of retirements) or not advised of an employer closing to new entrants.	The Administering Authority has a close relationship with employing bodies and communicates required standards e.g. for submission of data. The Actuary may revise the rates and Adjustments certificate to increase an employer's contributions between triennial valuations Deficit contributions may be expressed as monetary amounts.
Actuarial or investment advice is not sought, or is not heeded, or proves to be insufficient in some way	The Administering Authority maintains close contact with its specialist advisers. Advice is delivered via formal meetings involving Elected Members, and recorded appropriately. Actuarial advice is subject to professional requirements such as peer review.
Administering Authority failing to commission the Fund Actuary to carry out a termination valuation for a departing Admission Body.	The Administering Authority requires employers with Best Value Contractors to inform it of forthcoming changes. Community Admission Bodies' memberships are monitored and, if active membership decreases, steps will be taken.
An employer ceasing to exist with insufficient funding or adequacy of a bond.	The Administering Authority believes that it would normally be too late to address the position if it was left to the time of departure. The risk is mitigated by: Seeking a funding guarantee from another scheme employer, or external body, where-ever possible (see Notes (h) and (j) to 3.3). Alerting the prospective employer to its obligations and encouraging it to take independent actuarial advice. Vetting prospective employers before admission. Where permitted under the regulations requiring a bond to protect the Fund from various risks. Requiring new Community Admission Bodies to have a guarantor.

Risk	Summary of Control Mechanisms
	Reviewing bond or guarantor arrangements at regular intervals (see Note (f) to 3.3). Reviewing contributions well ahead of cessation if thought appropriate (see Note (a) to 3.3).
An employer ceasing to exist resulting in an exit credit being payable	The Administering Authority regularly monitors admission bodies coming up to cessation The Administering Authority invests in liquid assets to ensure that exit credits can be paid when required.

Appendix D – The calculation of Employer contributions

In Section 2 there was a broad description of the way in which contribution rates are calculated. This Appendix considers these calculations in much more detail.

As discussed in Section 2, the actuary calculates the required contribution rate for each employer using a three-step process:

- Calculate the funding target for that employer, i.e. the estimated amount of assets it should hold in order to be able to pay all its members' benefits. See Appendix E for more details of what assumptions we make to determine that funding target;
- Determine the time horizon over which the employer should aim to achieve that funding target. See the table in 3.3 and Note (c) for more details;
- Calculate the employer contribution rate such that it has at least a given likelihood of achieving that funding target over that time horizon, allowing for various possible economic outcomes over that time horizon. See the table in 3.3 Note (e) for more details.

The calculations involve actuarial assumptions about future experience, and these are described in detail in Appendix E.

D1 What is the difference between calculations across the whole Fund and calculations for an individual employer?

Employer contributions are normally made up of two elements:

a) the estimated cost of ongoing benefits being accrued, referred to as the "Primary contribution rate" (see D2 below); plus

b) an adjustment for the difference between the Primary rate above, and the actual contribution the employer needs to pay, referred to as the "Secondary contribution rate" (see D3 below).

The contribution rate for each employer is measured as above, appropriate for each employer's assets, liabilities and membership. The whole Fund position, including that used in reporting to MHCLG (see section 5), is calculated in effect as the sum of all the individual employer rates. MHCLG currently only regulates at whole Fund level, without monitoring individual employer positions.

D2 How is the Primary contribution rate calculated?

The Primary element of the employer contribution rate is calculated with the aim that these contributions will meet benefit payments in respect of members' **future** service in the Fund. This is based upon the cost (in excess of members' contributions) of the benefits which employee members earn from their service each year.

The Primary rate is calculated separately for all the employers, although employers within a pool will pay the contribution rate applicable to the pool as a whole. The Primary rate is calculated such that it is projected to:

1. meet the required funding target for all future years' accrual of benefits*, excluding any accrued assets,
2. within the determined time horizon (see note 3.3 Note (c) for further details),

3. with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

* The projection is for the current active membership where the employer no longer admits new entrants, or additionally allows for new entrants where this is appropriate.

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund's actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

The approach includes expenses of administration to the extent that they are borne by the Fund, and includes allowances for benefits payable on death in service and on ill health retirement.

D3 How is the Secondary contribution rate calculated?

The Fund aims for the employer to have assets sufficient to meet 100% of its accrued liabilities at the end of its funding time horizon based on the employer's funding target assumptions (see Appendix E).

The Secondary rate is calculated as the balance over and above the Primary rate, such that the total contribution rate is projected to:

- meet the required funding target relating to combined past and future service benefit accrual, including accrued asset share (see D5 below)
- at the end of the determined time horizon (see 3.3 Note (c) for further details)
- with a sufficiently high likelihood, as set by the Fund's strategy for the category of employer (see 3.3 Note (e) for further details).

The projections are carried out using an economic modeller (the "Economic Scenario Service") developed by the Fund Actuary Hymans Robertson: this allows for a wide range of outcomes as regards key factors such as asset returns (based on the Fund's investment strategy), inflation, and bond yields. Further information about this model is included in Appendix E. The measured contributions are calculated such that the proportion of outcomes meeting the employer's funding target (at the end of the time horizon) is equal to the required likelihood.

D4 What affects a given employer's valuation results?

The results of these calculations for a given individual employer will be affected by:

1. past contributions relative to the cost of accruals of benefits;
2. different liability profiles of employers (e.g. mix of members by age, gender, service vs. salary);
3. the effect of any differences in the funding target, i.e. the valuation basis used to value the employer's liabilities at the end of the time horizon;
4. any different time horizons;
5. the difference between actual and assumed rises in pensionable pay;
6. the difference between actual and assumed increases to pensions in payment and deferred pensions;
7. the difference between actual and assumed retirements on grounds of ill-health from active status;

8. the difference between actual and assumed amounts of pension ceasing on death;

9. the additional costs of any non ill-health retirements relative to any extra payments made; and/or

10. differences in the required likelihood of achieving the funding target.

D5 How is each employer's asset share calculated?

The Administering Authority does not operate bank accounts or investment mandates for each employer. Therefore it cannot account for each employer's assets separately. Instead, the Fund actuary must apportion the assets of the whole Fund between the individual employers. There are broadly two ways to do this;

1) A technique known as "analysis of surplus" in which the Fund actuary estimates the surplus/deficit of an employer at the current valuation date by analysing movements in the surplus/deficit from the previous actuarial valuation date. The estimated surplus/deficit is compared to the employer's liability value to calculate the employer's asset value. The actuary will quantify the impact of investment, membership and other experience to analyse the movement in the surplus/deficit. This technique makes a number of simplifying assumptions due to the unavailability of certain items of information. This leads to a balancing, or miscellaneous, item in the analysis of surplus, which is split between employers in proportion to their asset shares.

2) A 'cashflow approach' in which an employer's assets are tracked over time allowing for cashflows paid in (contributions, transfers in etc.), cashflows paid out (benefit payments, transfers out etc.) and investment returns on the employer's assets.

Until 31 March 2016 the Administering Authority used the 'analysis of surplus' approach to apportion the Fund's assets between individual employers.

Since then, the Fund has adopted a cashflow approach for tracking individual employer assets.

The Fund Actuary uses the Hymans Robertson's proprietary "HEAT" system to track employer assets on a monthly basis. Starting with each employer's assets from the previous month end, cashflows paid in/out and investment returns achieved on the Fund's assets over the course of the month are added to calculate an asset value at the month end.

The Fund is satisfied that this new approach provides the most accurate asset allocations between employers that is reasonably possible at present.

D6 How does the Fund adjust employer asset shares when an individual member moves from one employer in the Fund to another?

Under the cashflow approach for tracking employer asset shares, the Fund has allowed for any individual members transferring from one employer in the Fund to another, via the transfer of a sum from the ceding employer's asset share to the receiving employer's asset share. This sum is equal to the member's Cash Equivalent Transfer Value (CETV) as advised by the Fund's administrators.

Appendix E – Actuarial assumptions

E1 What are the actuarial assumptions used to calculate employer contribution rates?

These are expectations of future experience used to place a value on future benefit payments (“the liabilities”) and future asset values. Assumptions are made about the amount of benefit payable to members (the financial assumptions) and the likelihood or timing of payments (the demographic assumptions). For example, financial assumptions include investment returns, salary growth and pension increases; demographic assumptions include life expectancy, probabilities of ill-health early retirement, and proportions of member deaths giving rise to dependants’ benefits.

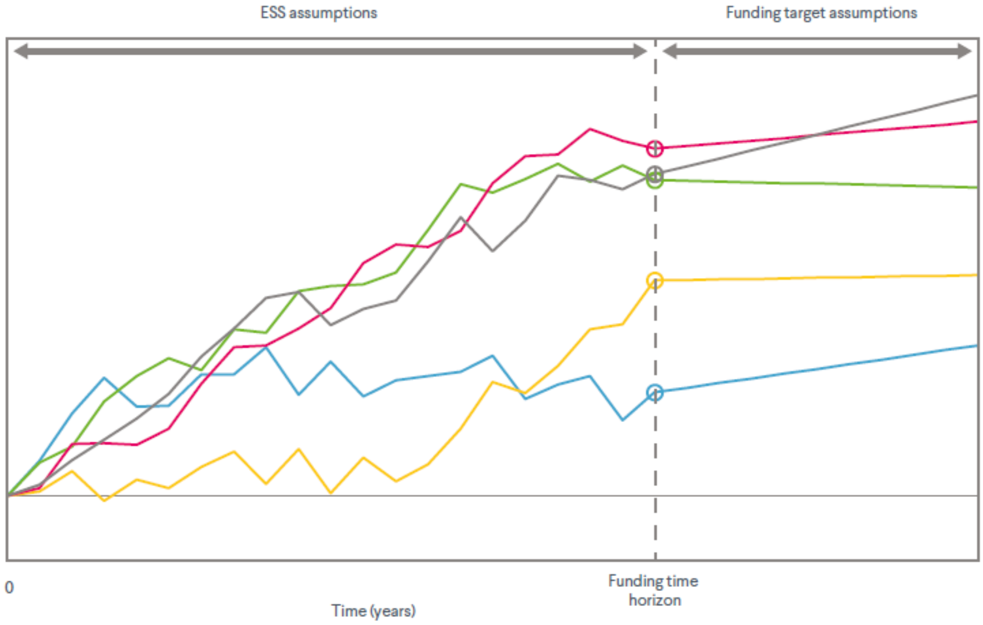
Changes in assumptions will affect the funding target and required contribution rate. However, different assumptions will not of course affect the actual benefits payable by the Fund in future.

The actuary’s approach to calculating employer contribution rates involves the projection of each employer’s future benefit payments, contributions and investment returns into the future under 5,000 possible economic scenarios. Future inflation (and therefore benefit payments) and investment returns for each asset class (and therefore employer asset values) are variables in the projections. By projecting the evolution of an employer’s assets and benefit payments 5,000 times, a contribution rate can be set that results in a sufficient number of these future projections (determined by the employer’s required likelihood) being successful at the end of the employer’s time horizon. In this context, a successful contribution rate is one which results in the employer having met its funding target at the end of the time horizon.

Setting employer contribution rates therefore requires two types of assumptions to be made about the future:

1. Assumptions to project the employer’s assets, benefits and cashflows to the end of the funding time horizon. For this purpose the actuary uses Hymans Robertson’s proprietary stochastic economic model - the Economic Scenario Service (“ESS”).

2. Assumptions to assess whether, for a given projection, the funding target is satisfied at the end of the time horizon. For this purpose, the Fund has three different funding bases.



Details on the ESS assumptions and funding target assumptions are included below (in E2 and E3 respectively).

E2 What assumptions are used in the ESS?

The actuary uses Hymans Robertson's ESS model to project a range of possible outcomes for the future behaviour of asset returns and economic variables. With this type of modelling, there is no single figure for an assumption about future inflation or investment returns. Instead, there is a range of what future inflation or returns will be which leads to likelihoods of the assumption being higher or lower than a certain value.

The ESS is a complex model to reflect the interactions and correlations between different asset classes and wider economic variables. The table below shows the calibration of the model as at 31 March 2019. All returns are shown net of fees and are the annualised total returns over 5, 10 and 20 years, except for the yields which refer to the simulated yields at that time horizon.

		Annualised total returns									
		Cash	Index Linked Gilts (medium)	Fixed Interest Gilts (medium)	UK Equity	Overseas Equity	Property	A rated corporate bonds (medium)	RPI inflation expectation	17 year real govt bond yield	17 year govt bond yield
5 years	16th %'ile	-0.4%	-2.3%	-2.9%	-4.1%	-4.1%	-3.5%	-2.7%	1.9%	-2.5%	0.8%
	50th %'ile	0.7%	0.5%	0.3%	4.0%	4.1%	2.4%	0.8%	3.3%	-1.7%	2.1%
	84th %'ile	2.0%	3.3%	3.4%	12.7%	12.5%	8.8%	4.0%	4.9%	-0.8%	3.6%
10 years	16th %'ile	-0.2%	-1.8%	-1.3%	-1.5%	-1.4%	-1.5%	-0.9%	1.9%	-2.0%	1.2%
	50th %'ile	1.3%	0.0%	0.2%	4.6%	4.7%	3.1%	0.8%	3.3%	-0.8%	2.8%
	84th %'ile	2.9%	1.9%	1.7%	10.9%	10.8%	7.8%	2.5%	4.9%	0.4%	4.8%
20 years	16th %'ile	0.7%	-1.1%	0.1%	1.2%	1.3%	0.6%	0.7%	2.0%	-0.7%	2.2%
	50th %'ile	2.4%	0.3%	1.0%	5.7%	5.8%	4.3%	1.9%	3.2%	0.8%	4.0%
	84th %'ile	4.5%	2.0%	2.0%	10.3%	10.4%	8.1%	3.0%	4.7%	2.2%	6.3%
	Volatility (Disp) (1 yr)	1%	7%	10%	17%	17%	14%	11%	1%		

E3 What assumptions are used in the funding target?

At the end of an employer's funding time horizon, an assessment will be made – for each of the 5,000 projections – of how the assets held compare to the value of assets required to meet the future benefit payments (the funding target). Valuing the cost of future benefits requires the actuary to make assumptions about the following financial factors:

- Benefit increases and CARE revaluation
- Salary growth
- Investment returns (the "discount rate")

Each of the 5,000 projections represents a different prevailing economic environment at the end of the funding time horizon and so a single, fixed value for each assumption is unlikely to be appropriate for every projection. For example, a high assumed future investment return (discount rate) would not be prudent in projections with a weak outlook for economic growth. Therefore, instead of using a fixed value for each assumption, the actuary references economic indicators to ensure the assumptions remain appropriate for the prevailing economic environment in each projection. The economic indicators the actuary uses are: future inflation expectations and the prevailing risk free rate of return (the yield on long term UK government bonds is used as a proxy for this rate).

The Fund has three funding bases which will apply to different employers depending on their type. Each funding basis has a different assumption for future investment returns when determining the employer's funding target.

Funding basis	**Ongoing participation basis**	**Contractor exit basis**	**Low risk exit basis**
Employer type	All employers except Transferee Admission Bodies and closed Community Admission Bodies	Transferee Admission Bodies	Community Admission Bodies that are closed to new entrants
Investment return assumption underlying the employer's funding target (at the end of its time horizon)	Long term government bond yields plus an asset outperformance assumption (AOA) of 2.0% p.a.	Long term government bond yields plus an AOA equal to the AOA used to allocate assets to the employer on joining the Fund	Long term government bond yields with no allowance for outperformance on the Fund's assets

E4 What other assumptions apply?

The following assumptions are those of the most significance used in both the projection of the assets, benefits and cashflows and in the funding target.

a) Salary growth

After discussion with Fund officers, the salary increase assumption at the 2019 valuation has been set to be a blended rate combined of:

1. 2% p.a. until 31 March 2024, followed by
2. retail prices index (RPI) less 0.5% p.a. thereafter.

This gives a single “blended” assumption of RPI less 0.7% p.a. This is a minor change from the previous valuation, which assumed a blended assumption of RPI less 0.6% per annum. . In addition, a promotional salary scale was applied which varied depending on the age of the member. The change has led to a very small increase in the funding target (all other things being equal).

The Fund appointed a new fund actuary with effect from 1 January 2021 at which point the salary growth assumption was reviewed. From 1 January 2021, salaries are assumed to increase at CPI plus 1.0% p.a. with no additional promotional salary scale. The derivation of CPI is discussed below.

b) Pension increases

Since 2011 the consumer prices index (CPI), rather than RPI, has been the basis for increases to public sector pensions in deferment and in payment. Note that the basis of such increases is set by the Government, and is not under the control of the Fund or any employers.

At the 2019 valuation, we have continued to assume that CPI is 1.0% per annum lower than RPI. (Note that the reduction is applied in a geometric, not arithmetic, basis).

The RPI and CPI assumptions were later reviewed in light of the Chancellor’s announcement on the reform of RPI in November 2020. From 1 January 2021, RPI inflation is assumed to be 0.4% p.a. lower than the 20 year point on the Bank of England implied Retail Price Index (RPI) inflation curve. This adjustment accounts for both the shape of the curve in comparison to the Fund’s liability profile and the view that investors are willing to accept a lower return on investments to ensure inflation linked returns.

From 1 January 2021, CPI inflation is assumed to be 0.4% p.a. lower than the RPI assumption (i.e. 0.8% p.a. below the 20 year point on the Bank of England implied RPI inflation curve). This reflects the anticipated reform of RPI inflation from 2030 following the UK Statistics Authority’s proposal to change how RPI is calculated to bring it in line with the Consumer Prices Index including Housing costs (CPIH). This assumption will be reviewed at future valuations and the difference between RPI and CPI is expected to move towards 0.0% p.a. as we get closer to 2030.

c) Life expectancy

The demographic assumptions are intended to be best estimates of future experience in the Fund based on past experience of LGPS funds which participate in Club Vita, the longevity analytics service used by the Fund, and endorsed by the actuary.

The longevity assumptions that have been adopted at this valuation are a bespoke set of “VitaCurves”, produced by the Club Vita’s detailed analysis, which are specifically tailored to fit the membership profile of the Fund. These curves are based on the data provided by the Fund for the purposes of this valuation.

Allowance has been made in the ongoing valuation basis for future improvements in line with the 2018 version of the Continuous Mortality Investigation model published by the Actuarial Profession and a 1.25% per annum minimum underpin to future reductions in mortality rates. This updated allowance for future improvements will generally result in lower life expectancy assumptions and hence a reduced funding target (all other things being equal).

The approach taken is considered reasonable in light of the long term nature of the Fund and the assumed level of security underpinning members' benefits.

d) General

The same financial assumptions are adopted for most employers (on the ongoing participation basis identified above), in deriving the funding target underpinning the Primary and Secondary rates: as described in (3.3), these calculated figures are translated in different ways into employer contributions, depending on the employer's circumstances.

The demographic assumptions, in particular the life expectancy assumption, in effect vary by type of member and so reflect the different membership profiles of employers.

Appendix F – Exit Credit Policy

The below sets out the general guidelines that the Lincolnshire Pension Fund ("the Fund") will follow when determining the amount of an exit credit payable, if any, to a ceasing employer in line with Regulation 64 of the Local Government Pension Scheme Regulations 2013 ("the Regulations"). **Please note that these are guidelines only and the Fund will also consider any other factors that are relevant, or presented to them, on a case-by-case basis.**

Admitted bodies;

a) No exit credit will be payable in respect of admissions who joined the Fund before 14 May 2018 unless it is subject to a risk sharing arrangement as per paragraph c) below. Prior to this date, the payment of an exit credit was not permitted under the Regulations and this will have been reflected in the commercial terms agreed between the admission body and the letting authority/awarding authority/ceding employer. This will also apply to any pre-14 May 2018 admission which has been extended or 'rolled over' beyond the initial expiry date and on the same terms that applied on joining the Fund, and those admissions who joined the Fund after September 2020 and chose to become admitted through the Funds former standard admission route.

b) It is unlikely that an exit credit will be payable to any admission body who participates in the Fund via the default pass through approach (effective from September 2020) as set out in this Funding Strategy Statement. The administering authority will have regard to regulation 64 (2ZC) in determining whether an exit credit is payable. For the avoidance of doubt, whether an exit credit is payable to any admission body who participates in the Fund via the "Letting employer retains pre-contract risks" route is subject to its risk sharing arrangement, as per paragraph c) below.

c) The Fund will make an exit credit payment in line with any contractual or risk sharing agreements which specifically covers the ownership of exit credits/cessation surpluses or if the admission body and letting authority have agreed any alternative approach (which is consistent with the Regulations and any other legal obligations). This information, which will include which party is responsible for which funding risk, must be presented to the Fund in a clear and unambiguous document with the agreement of both the admission body and the letting authority/awarding authority/ceding employer and within one month (or such longer time as may be agreed with the Administering Authority) of the admission body ceasing participation in the Fund.

d) In the absence of this information or if there is any dispute from either party with regards to the interpretation of contractual or risk sharing agreements as outlined in c), the Fund will withhold payment of the exit credit until such disputes are resolved and the information is provided to the Administering Authority.

e) Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the admission body during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

f) If the admission agreement ends early, the Fund will consider the reason for the early termination, and whether that should have any relevance on the Fund's determination of the value of any exit credit payment. In these cases, the Fund will consider the differential between employers' contributions paid (including investment returns earned on these monies), the total assets of the employer and the size of any cessation surplus.

g) If an admitted body leaves on a gilts cessation basis (because no guarantor is in place), then any exit credit will normally be paid to the employer.

h) The decision of the Fund is final in interpreting how any arrangement described under c), e), f) and g) applies to the value of an exit credit payment.

Scheduled bodies and resolution bodies

a) Where a guarantor arrangement is in place, but no formal risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects which party is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

b) Where no formal guarantor or risk-sharing arrangement exists, the Fund will consider how the approach to setting contribution rates payable by the employer during its participation in the Fund reflects the extent to which it is responsible for funding risks. This decision will inform the determination of the value of any exit credit payment.

c) The decision of the Fund is final in interpreting how any arrangement described under a) and b) applies to the value of an exit credit payment.

d) If a scheduled body or resolution body becomes an exiting employer due to a reorganisation, merger or take-over, then no exit credit will be paid.

e) If a scheduled body or resolution body leaves on a gilts cessation basis (because no guarantor is in place), then any exit credit will normally be paid to the employer.

General

a) The Fund will advise the exiting employer as well as the letting authority and/or other relevant scheme employers of its decision to make an exit credit determination under Regulation 64.

b) Subject to any risk sharing or other arrangements and factors discussed above, when determining the cessation funding position the Fund will generally make an assessment based on the value of contributions paid by the employer during their participation, the assets allocated when they joined the Fund and the respective investment returns earned on both.

c) The Fund will also factor in if any contributions due or monies owed to the Fund remain unpaid by the employer at the cessation date. If this is the case, the Fund's default position will be to deduct these from any exit credit payment.

d) The final decision will be made by the Head of Pensions, in conjunction with advice from the Fund's Actuary and/or legal advisors where necessary, in consideration of the points held within this policy.

e) The Fund accepts that there may be some situations that are bespoke in nature and do not fall into any of the categories above. In these situations the Fund will discuss its approach to determining an exit credit with all affected parties. The decision of the Fund in these instances is final.

f) Where there is an exit credit payable, the Fund will advise the exiting employer of the amount due to be repaid and seek to make the payment within six months of the exit date or such longer time as the administering authority and the exiting employer may agree. In order to meet the six-month timeframe, the Fund requires prompt notification of an employer's exit and all data and relevant information as requested. The Fund is unable to make any exit credit payment until it has received all data and information requested.

g) The guidelines above at point e) in the 'Admitted Bodies' section, and at points a) and b) in the 'Scheduled bodies and resolution bodies' section, make reference to the Fund 'considering the approach to setting contribution rates during the employer's participation'. The different funding approaches, including the parameters used and how these can vary based on employer type, are covered in detail in Section 3 of this document. Considering the approach taken when setting contribution rates of the exiting employer may help the Fund to understand the extent to which the employer is responsible for funding the underlying liabilities on exit. For example, if contribution rates have been based on ongoing assumptions then this may suggest that these are also appropriate assumptions for exit credit purposes (subject to the other considerations outlined in Section 3.3). Equally, a shorter than usual funding time horizon or lower than usual likelihood of success parameter may reflect underlying commercial terms about how responsibility for pension risks is split between the employer and its guarantor. For the avoidance of doubt, each exiting employer will be considered in the round alongside the other factors mentioned above.

Appendix G – Glossary

Funding basis	The combined set of assumptions made by the actuary, regarding the future, to calculate the value of the funding target at the end of the employer's time horizon. The main assumptions will relate to the level of future investment returns, salary growth, pension increases and longevity. More prudent assumptions will give a higher funding target, whereas more optimistic assumptions will give a lower funding target.
Administering Authority	The council with statutory responsibility for running the Fund, in effect the Fund's "trustees".
Admission Bodies	Employers where there is an Admission Agreement setting out the employer's obligations. These can be Community Admission Bodies or Transferee Admission Bodies. For more details (see 2.3).
Awarding Authority	An employer which outsources or transfers a part of its services and workforce to another employer (usually a contractor). The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the Awarding Authority. An Awarding Authority will usually be a local authority, but can sometimes be another type of employer such as an Academy.
Covenant	The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term.
Designating Employer	Employers such as town and parish councils that are able to participate in the LGPS via resolution. These employers can designate which of their employees are eligible to join the Fund.
Employer	An individual participating body in the Fund, which employs (or used to employ) **members** of the Fund. Normally the assets and **funding target** values for each employer are individually tracked, together with its **Primary rate** at each **valuation**.
Gilt	A UK Government bond, ie a promise by the Government to pay interest and capital as per the terms of that particular gilt, in return for an initial payment of capital by the purchaser. Gilts can be "fixed interest", where the interest payments are level throughout the gilt's term, or "index-linked" where the interest payments vary each year in line with a specified index (usually RPI). Gilts can be bought as assets by the Fund, but in funding as an objective measure of a risk-free rate of return.
Guarantee / guarantor	A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's **covenant** to be as strong as its guarantor's.
LGPS	The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These

	Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements. The LGPS is divided into 100 Funds which map the UK. Each LGPS Fund is autonomous to the extent not dictated by Regulations, e.g. regarding investment strategy, employer contributions and choice of advisers.
Maturity	A general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.
Members	The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).
Primary contribution rate	The employer contribution rate required to pay for ongoing accrual of active members' benefits (including an allowance for administrative expenses). See Appendix D for further details.
Profile	The profile of an employer's membership or liability reflects various measurements of that employer's **members**, ie current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc. A membership (or liability) profile might be measured for its **maturity** also.
Rates and Adjustments Certificate	A formal document required by the LGPS Regulations, which must be updated at the conclusion of the formal **valuation**. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the period until the next valuation is completed.
Scheduled Bodies	Types of employer explicitly defined in the LGPS Regulations, whose employees must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, academies, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).
Secondary contribution rate	The difference between the employer's actual and **Primary contribution rates**. See Appendix D for further details.
Stabilisation	Any method used to smooth out changes in employer contributions from one year to the next. This is very broadly required by the LGPS Regulations, but in practice is particularly employed for large stable employers in the Fund.
Valuation	A risk management exercise to review the **Primary and Secondary contribution rates**, and other statutory information for a Fund, and usually individual employers too.

Investment Strategy Statement

INVESTMENT STRATEGY STATEMENT

INTRODUCTION

The Lincolnshire Pension Fund ("the Fund"), which is administered by Lincolnshire County Council ("the Administering Authority"), is required to maintain an Investment Strategy Statement ("ISS") in accordance with Regulation 7 of the Local Government Pension Fund (Management and Investment of Funds) Regulations 2016.

The Administering Authority has delegated its functions as administering authority to the Pensions Committee ("the Committee"). The ISS has been agreed by the Committee having taken advice from the Investment Consultant and Head of Pensions.

The ISS, which was last approved by the Committee on 18 March 2021, is subject to periodic review at least every three years and without delay after any significant change in investment policy. The Committee has consulted on the contents of the Fund's investment strategy with such persons it considers appropriate.

The Fund is also required to maintain a Funding Strategy Statements ("FSS") in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended). The FSS, which was last approved by the Pensions Committee on 18 March 2021, complies with these Regulations.

INVESTMENT STRATEGY

The primary objective of the Lincolnshire Pension Fund is to provide pension benefits for members on their retirement and/or benefits on death, whether before or after retirement, and for their dependents.

The Committee aims to fund the benefits in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed and final salary (pre 1 April 2014) and/or the accumulation of individual years built up through the career average pension scheme (post 1 April 2014) and will take account of future inflation increases. This funding position will be reviewed at each triennial actuarial valuation, or more frequently as required.

Investment Beliefs

These beliefs form the foundation of discussions, and assist decisions, regarding the structure of the Fund and the strategic asset allocation. In addition, they are used to ensure that new members on the Pensions Committee understand previous investment decisions taken. It is recognised that environmental, social and governance (ESG) issues are important to the long-term success of the Fund, and the Committee aims to integrate consideration of these issues into all aspects of the Fund's investment arrangements.

Belief 1:

The Fund should take no more investment risk than is necessary to have a reasonable chance of achieving its objectives, and only where the Committee believes it will be rewarded over the longer term.

It is recognised that investment risk is needed in the Fund to generate the required returns, however this needs to be considered on an on-going basis to ensure it is appropriate (i.e. not too high or too low) given the Fund's objectives

Belief 2:

Funding, contribution requirements, and investment strategy are linked; as the funding position and contribution requirements change, the level of investment risk should be adjusted accordingly.

The Committee's aim is to strike a reasonable balance between 1) building up a pool of assets to meet members' benefits when they fall due, 2) maintaining contribution requirements at a reasonable and affordable level, and 3) minimising investment risk.

Belief 3:

Investing in illiquid assets provides opportunities for enhancing returns, and investing in alternative asset classes helps to diversify the Fund structure.

The Committee accepts that by "locking away" funds for longer periods of time, the Fund should expect to be compensated for the lack of liquidity in the form of higher expected returns. However it is understood that this is not suitable for all the assets in the Fund. The Fund's investments should be diversified by combining assets with different risk, return and liquidity characteristics, whilst maintaining realistic expectations about the potential for sources of return to become correlated under market stress. The Committee believes an appropriate portion of the Fund should be invested in non-core asset classes, i.e. alternative assets, to provide diversification and reduce overall volatility of returns.

Belief 4:

Passive and active management both have roles to play in the Fund's structure; passive to deliver low cost asset class exposure and active to add potential value, understanding that active managers' success should be measured over a reasonable timeframe.

The Committee believes that active managers can add a return premium over investment markets, over the longer term, but accept that this has a cost. Therefore this is balanced with allocations to passive management to produce market returns at a very low cost.

Belief 5:

Although fees and costs matter, it is the expected return net of all fees and costs that should be the Committee's focus, however it is important that the value provided by an investment is commensurate with its cost.

The cost of accessing different asset classes and different management styles must be understood to ensure that the Fund is obtaining value for money, however the expected net return is the most important consideration when assessing investment opportunities and monitoring investment performance. The Fund expects its managers to have signed up to the Cost Transparency Code, and it also participates in fee benchmarking to assess the fees being paid relative to other pension schemes.

Investment of money in a wide variety of investments

It is the Pensions Committee's policy to invest the assets of the Lincolnshire Pension Fund to spread the risk by ensuring a reasonable balance between different categories of investments. The Pensions Committee takes a long term approach to investment and invests in asset classes and individual investments that are expected to generate an attractive risk-adjusted return for the Pension Fund.

The Fund may invest in a wide range of investments including quoted and unquoted assets in Equities, Fixed Income, Property and Alternatives, either directly or through pooled investments. The Fund may also make use of derivatives, either directly or in pooled investments, for the purpose of efficient portfolio management or to hedge specific risks.

The Fund's approved strategic asset allocation is set out below. The table also includes the ranges within which the asset allocation may vary without reference to the Pensions Committee, and the maximum percentage of total Fund value that can be invested in these asset classes. The asset allocation is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments, whilst taking account of market risk and the nature of the Fund's liabilities. The current allocation may differ in the interim as assets are transferred to the sub funds within Border to Coast.

Asset class	Strategic allocation	Range	Maximum
Equity Assets	55%	+/- 7%	62%
UK equities	15%	+/- 2%	17%
Global equities	40%	+/- 5%	45%
Diversifying Growth Assets	31.5%	+/- 4.5%	36%
Diversified Alternatives (incl. infrastructure and multi asset credit)	21%	+/- 3%	24%

Property	10.5%	+/- 1.5%	12%
Protection Assets	13.5%	+/- 2%	15.5%
Fixed Income	12.5%	+/- 1.5%	14%
Cash	1%	+/- 0.5%	1.5%

The Regulations do not permit more than 5% of the Fund's value to be invested in entities which are connected with that authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007(e). The investment policy of the Fund does not permit any employer-related investment, other than is necessary to meet the regulatory requirements with regards to pooling.

The Pensions Committee believes that the Fund's portfolio is adequately diversified, and has taken professional advice to this effect from their investment consultant and independent advisor.

The strategic asset allocation includes ranges for each asset class within which the asset allocation can vary. In the event that any asset class range is breached, the Pensions Committee will be informed and the Fund's officers will endeavour to bring the asset allocation back within the range within an appropriate period of time.

The Pensions Committee regularly reviews the suitability of the asset allocation, following advice from the officers, investment consultant and independent advisor.

It is intended that the Fund's investment strategy will be reviewed at least every three years, alongside the latest actuarial valuation of the Fund. The investment strategy takes due account of the maturity profile of the Fund and the current funding position.

The Pensions Committee has set the following benchmark against which performance of the Fund will be measured:

Asset class	Benchmark
Equity Assets	
UK Equities	FTSE All Share
Global Equities	MSCI All Countries World Index
Diversifying Growth Assets	
Alternatives	SONIA +0.1193% +4%
Property	
Property Venture	7% Per Annum
Property Unit Trusts	UK IPD Monthly Index
Infrastructure	6% Per Annum
Multi Asset Credit	SONIA +3.5%
Protection Assets	
UK Gilts	FTSE UK Gilts All Stocks Index

Corporate Bonds	iBoxx £ Non-Gilts Index
UK Index Linked	FTSE UK Gilts Index-Linked Over 5 Years Index
Cash	SONIA – 10bps (three month average)

The suitability of particular investments and types of investments

The actuarial valuation, undertaken by Hymans Robertson at 31 March 2019, was prepared on the basis of an expected investment return of 4% p.a., based on a 71% likelihood of that return being achieved over the next 20 years, and assuming inflation (CPI) to be 2.3%. The Pensions Committee has set the investment objective of producing a long term return of 0.75% p.a. above the strategic benchmark.

In order to monitor the investment objective, the Pensions Committee requires the provision of detailed performance measurement of the Fund's investments. This is provided by the Fund's custodian on a quarterly basis. In addition, the Pensions Committee conducts a formal annual performance review of overall fund performance.

The approach to risk

The Committee is aware that the Fund has a need to take risk to help it achieve its funding objectives. It has an active risk management programme in place that aims to help it identify the risks being taken and put in place processes to manage, measure, monitor and (where possible) mitigate the risks being taken. One of the Committee's overarching beliefs is to only take as much investment risk as is necessary.

The principal risks affecting the Fund are set out below:

Risk	Description	Mitigants
Market	Value of an investment decreases as a result of changing market conditions.	Strategic asset allocation, with suitable diversification and appropriate ranges, determined on a triennial basis. The Committee has put in place rebalancing arrangements to ensure the Funds actual allocation does not deviate substantially from its target.
Performance	The Fund's investment managers fail to deliver returns in line with the underlying asset classes.	Analysis of market performance and investment managers' performance relative to their index

		benchmark on a quarterly basis. Investment Mangers present to the Committee on an annual basis.
Valuation	Valuations disclosed in the financial statements, particularly for unquoted investments, are not reflective of the value that could be achieved on disposal.	The valuation of investments is derived using a conservative valuation methodology and, where applicable, market observable data.
Liquidity	The Fund is not able to meet its financial obligations as they fall due or can do so only at an excessive cost.	The Fund maintains sufficient liquid funds at all times to ensure that it can meet its financial obligations.
Interest rate	A change in interest rates will result in a change in the valuation of the Fund's assets and liabilities.	The Fund regularly monitors its exposure to interest rates, and may consider hedging where appropriate.
Foreign exchange	An adverse movement in foreign exchange rates will impact on the value of the Fund's investments.	The Fund regularly monitors its foreign exchange exposure.
Demographic	Changes, such as increased longevity or ill-health retirement, will increase the value of the Fund's liabilities.	Demographic assumptions are conservative, regularly monitored, and reviewed on a triennial basis.
Regulatory	Changes to regulations and guidance may increase the cost of administering the Fund or increase the value of the Fund's liabilities.	The Fund ensures that it is aware of any actual or potential changes to regulations and guidance and will participate in consultations where appropriate.
Governance	The administering authority is unaware of changes to the Fund's membership which increases the value of its liabilities.	The Fund regularly monitors membership information and communicates with employers.

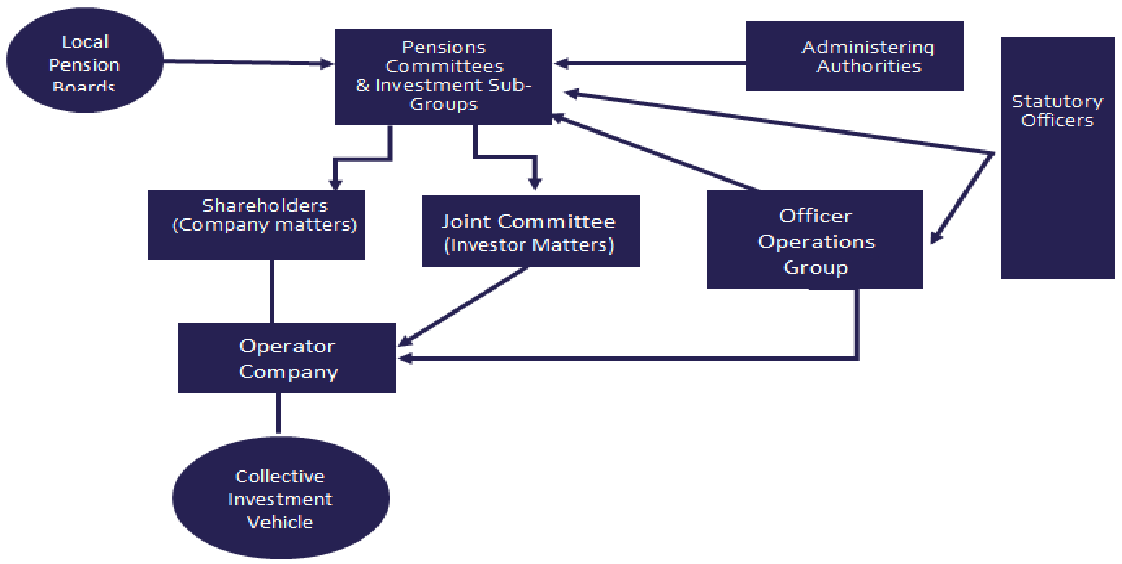
Investment Pooling

In order to satisfy the requirements of the "Local Government Pension Scheme: Investment Reform and Guidance" issued by the Department for Communities and Local Government ("DCLG") in November 2015, the Pension Fund elected to become a shareholder in Border to Coast Pensions Partnership Limited (Border to Coast). Border to Coast is an FCA-regulated Operator and Alternative Investment Fund Manager ("AIFM").

Border to Coast is a partnership of the administering authorities of the following LGPS Funds:

- Bedfordshire Pension Fund
- Cumbria Pension Fund
- Durham Pension Fund
- East Riding Pension Fund
- Lincolnshire Pension Fund
- North Yorkshire Pension Fund
- South Yorkshire Pension Fund
- Surrey Pension Fund
- Teesside Pension Fund
- Tyne and Wear Pension Fund
- Warwickshire Pension Fund

The governance structure of Border to Coast is set out in the diagram below:



The Fund holds Border to Coast to account through the following mechanisms:

- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of Border to Coast.

- A representative on the Joint Committee who will monitor and oversee the investment operations of Border to Coast.

- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group.

The Pension Fund retains the decision making powers regarding asset allocation and delegates the investment management function to Border to Coast.

A significant proportion of the Fund's investments are already made through Border to Coast, however where it is not practical or cost effective for assets to be transferred into the pool, they will continue to be managed at the Fund level. This is expected to predominantly include legacy unquoted investments such as limited partnerships. Whilst these assets may not to be transferred, once these investments mature the proceeds will be reinvested into Border to Coast sub-funds. At the current time it is estimated that c. 70% of the Fund's assets will be invested in Border to Coast, subject to it having suitable management arrangements in place.

The Fund will perform an annual review of assets that are held outside of the pool, to ensure that it continues to demonstrate value for money. As required, the Fund will submit reports on the progress of asset transfers to the Scheme Advisory Board, in line with the guidance.

Approach to environmental, social and corporate governance (ESG) factors

The Fund considers itself to be a responsible investor, taking ESG matters very seriously and monitoring the investment managers' approach to ESG.

Responsible Investment Beliefs

The objective of the statement is to set out the Fund's key responsible investment (RI) beliefs. These beliefs will form the foundation of discussions, and assist decisions, regarding the structure of the Fund and the strategic asset allocation. In addition, they will be used to ensure that new members on the Pensions Committee understand previous investment decisions taken.

Belief 1:

Companies with a responsible ESG policy are expected to outperform companies without an ESG policy, over the longer term.

The Committee believes that companies that have well developed ESG policies will generally provide better long term performance than those companies that have not considered ESG factors in their business.

Belief 2:

The Committee considers that company engagement, rather than disinvestment, would be the better approach to fulfilling their responsible investment objectives. However, should a company not respond to engagement, disinvestment should be

considered. Disinvestment on a whole sector basis is not within the Committee's beliefs.

Disinvestment is a blunt tool that is not believed to provide the best outcomes over the medium to long term. The Fund will, through its managers and other organisations, engage with companies to bring change, but will consider company disinvestment if engagement fails.
While disinvestment on a whole sector basis is not considered appropriate, the Fund will not invest in companies whose products do not comply with the Geneva Convention.

Belief 3:

Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes.

The Committee believes that climate change risk and the transition to a low carbon economy should be factored into asset allocation decisions and also investment decisions by managers to reduce the long term financial risk, but also to take advantage of the opportunities that may be available.

Belief 4:

The Committee should focus on meeting its financial obligations to pay benefits to members. Financial considerations should therefore carry more weight than non-financial considerations.

The main objective of the Pension Fund is to ensure that it is able to pay benefits to its members as and when they fall due. Therefore financial considerations will be at the forefront of any investment or asset allocation decisions.

Belief 5:

The Fund's active investment managers should embed the consideration of ESG factors into their investment process and decision making.

The Committee believes that the consideration of ESG factors when making investment decisions should not be an add-on but should be embedded into the whole investment selection process. Any active managers appointed by the Fund will be expected to evidence this.

Belief 6:

The Fund should collaborate with other investors if it could have a positive impact, and also engage with them and investment managers to better understand ESG risks.

The Committee believes that the Fund has a stronger voice when working with others, be it Border to Coast Pensions Partnership, Local Authority Pension Fund Forum (LAPFF) or any other organisations. The Fund will work with them and the investment managers to ensure that it understands the ESG risks and how best to address them. It is considered that the

Pensions Committee represents the views of the Fund membership and, in addition, the views of the Local Pension Board are taken into account as part of their review of this document.

The exercise of rights attaching to investments (including voting rights)

The Fund has published its Responsible Investment Policy and Voting Guidelines on the shared website at www.wypf.org.uk.

Lincolnshire Pension Fund is fully committed to responsible investment (RI) to improve the long term value for shareholders. The Fund believes that well governed companies produce better and more sustainable returns than poorly governed companies. The Fund also believes that asset owners, either directly (where resources allow) or through their external managers and membership of collaborative shareholder engagement groups (such as LAPFF), should influence the Board/Directors of underperforming companies to improve the management and financial performance of those companies.

As global investors, the Fund expects the principles of good stewardship to apply globally, whilst recognising the need for local market considerations in its application. The Fund has successfully met the Financial Reporting Councils standards in its Stewardship Code Statement, which reflects on the activities and outcomes of the Fund against the 12 principles of the code in the financial year 2020/21.

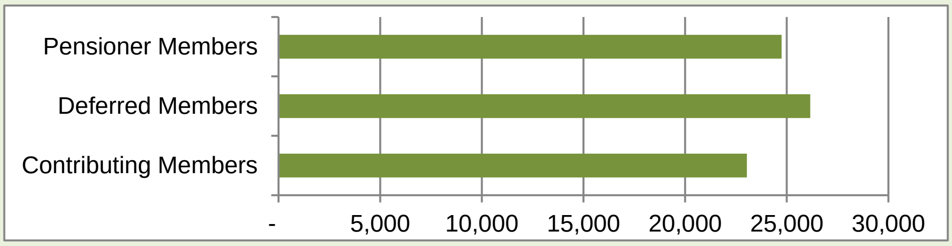
LINCOLNSHIRE COUNTY COUNCIL PENSION FUND

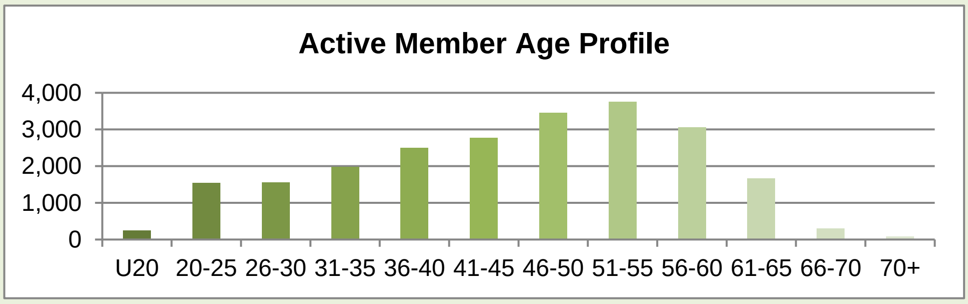
STEWARDSHIP CODE 2020/21

"Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society"

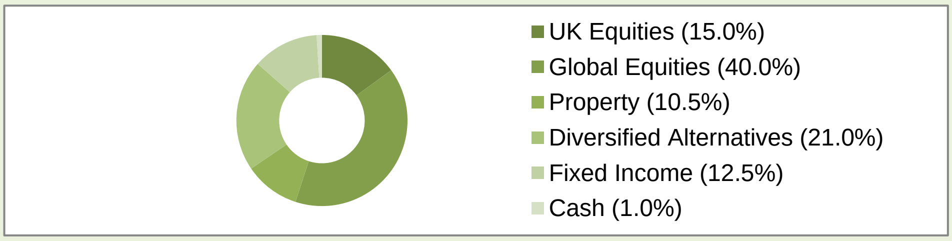
Background and Context

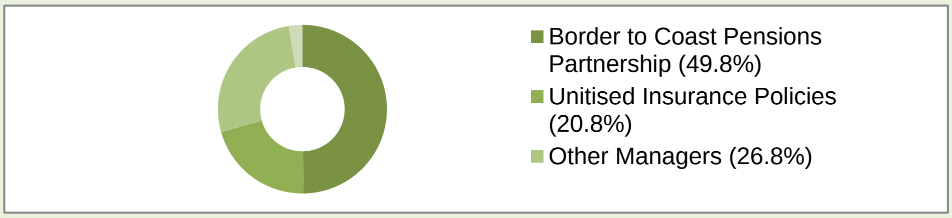
<table>
<tr><th colspan="2">Fund Facts (as at 31 March 2021)</th></tr>
<tr><td>Membership

73,944</td><td>


</td></tr>
<tr><td>Employers

249</td><td>Contributing employers, either in Lincolnshire, or providing services to these employers, include: local councils, internal drainage boards, academies and admitted bodies.</td></tr>
<tr><td>Invested Assets

£2.7bn</td><td>


</td></tr>
</table>

Lincolnshire Pension Fund

Lincolnshire Pension Fund (the "Fund") is part of the Local Government Pension Scheme (LGPS), which is a statutory scheme established by an Act of Parliament and governed by the Public Services Pensions Act 2013 (PSPA 2013). It is a contributory defined benefit scheme to provide pensions and other related benefits for all eligible employees of local government and other participating employers. The LGPS is a multi-employer scheme which is open to new membership. The LGPS operates on a 'funded' basis, this means that contributions from employees and employers are paid into a fund which is invested, and from which pensions are paid.

Scheme regulations are set on a national basis, but individual Funds are managed by designated administering authorities at a local level. The LGPS, unlike private pension schemes, does not have Trustees but has a Committee made up of elected Councillors and other interested parties, representing other employers in the Fund and scheme members. The Fund's Pensions Committee performs similar duties to Trustees, under the administering authority of Lincolnshire County Council, and is the decision-making body responsible for the investments and the administration of benefits under the scheme.

The Fund has oversight and scrutiny from a Local Pension Board, established under the PSPA 2013. The Board's role is to assist the Committee in securing good governance and administration of benefits for the scheme members and employers.

The purpose of the Fund is to provide pensions and other associated benefits to Lincolnshire's LGPS members when they fall due. In order to do this, it seeks to achieve sustainable, risk-adjusted performance of its investments over the long-term. More information on the Fund can be found in its Annual Report and Accounts.

Fund Governance Structure

Lincolnshire County Council, as Administering Authority for the Fund, has delegated the investment arrangements of the Pension Fund to the Pensions Committee (the "Committee"), who decide on the investment policy most suitable to meet the liabilities of the Fund. Terms of Reference for the Committee are set out in the Council's Constitution (on page 48).

The Committee is made up of County Councillors, and employer and scheme member representatives as detailed in the table below. This ensures that both employers, who bear the financial risk of the Fund, and scheme members who will be, or are, receiving benefits from the scheme, are involved in the decision-making process. All members of the Committee have full voting rights.

Body/category of bodies represented:	Membership
Lincolnshire County Council (elected Councillors)	8
District Council Representative (West Lindsey District Council)	1
Small Scheduled Body Representative (Witham Internal Drainage Boards)	1

Scheme Member Representative (Unison)	1
Total:	**11**

The Committee meet quarterly to have oversight and challenge across all areas of the Fund. In addition to this, a further two meetings are held for manager presentations and there are two training meetings each year.

The Committee has a fiduciary duty to its employers and members, and is required to take account of financially material considerations, whatever their source, this includes environmental, social and governance considerations, including climate change. It recognises the vital role of being a responsible asset owner in order to meet its requirements to be a long-term sustainable investor.

In order to effectively carry out their role, the Committee obtain professional advice as and when required, from suitably qualified persons, including external advisers, investment managers and officers of the Council. The Fund's principle professional advisors are summarised in the table below:

Investment Consultant:	Hymans Robertson
Independent Advisor:	Peter Jones
Main Asset Managers (managing over 5% of assets):	Border to Coast Pension Partnership (Border to Coast) Legal and General Investment Management BlackRock Investment Management Morgan Stanley
Voting and Engagement Advisor:	Local Authority Pension Fund Forum (LAPFF)

Internally, the Committee is supported by Officers of the Council including the Executive Director of Resources (S151 Officer to the Fund), Assistant Director – Finance, Head of Legal Services (Monitoring Officer), Head of Pensions, and Accounting, Investment and Governance Manager. The key officers involved in the day-to-day management of the Fund, are set out below, with relevant qualifications and experience:

Name and title	Relevant Qualifications	Years Relevant Experience
Jo Ray – Head of Pensions	IMC	22
Claire Machej – Accounting, Investment and Governance Manager	CPFA (studying IMC)	3

Additionally, the County Council established a Local Pension Board (the "Board") under Regulations 105 to 109 of the Local Government Pension Scheme Regulations 2013 (as amended) which operates independently of the Pension Fund Committee. The purpose of the Board is to assist the Administering Authority in its role as a scheme manager, as set out in the Board's Terms of Reference. Such assistance is to:

a) Secure compliance with the Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme, and;

b) Ensure the effective and efficient governance and administration of the Scheme.

The Board consists of four voting members; two representing Scheme Members and two representing Scheme Employers, and an Independent Chairman.

Pooling – Border to Coast Pensions Partnership

To meet the government's requirement to pool assets, the Fund joined Border to Coast Pensions Partnership ('Border to Coast') with 11 other like-minded Funds. Border to Coast was created in 2018 as a wholly owned private limited company registered in England and Wales, authorised and regulated by the Financial Conduct Authority (FCA) as an alternative investment fund manager (AIFM).

It is the Fund's intention to invest its assets via Border to Coast as and when suitable sub-funds become available. To date, the Fund has transitioned assets into three Border to Coast sub-funds: Global Equity Alpha, UK Listed Equity and Investment Grade Credit. This represented 49.8% of the Fund assets as at 31 March 2021. As Border to Coast will, overtime, be the main asset manager for the Fund's investments, a strong oversight and governance structure has been created.

The governance structure has been developed to allow Border to Coast to function efficiently and for Funds to control and hold it to account. Each member Fund has two roles with Border to Coast: that of shareholder and owner of the Company (at Lincolnshire this role is carried out by the Executive Director of Resources, the S151 Officer for the Council), and as an investor in the products managed by Border to Coast, which is the responsibility of the Pensions Committee. Oversight of the Company is undertaken through a Joint Committee, made up of the Chairs of the Partner Fund Pensions Committees. On a day-to-day basis, Fund Officers and Border to Coast work together to develop policies, sub-funds and provide continuous feedback to the Border to Coast. The roles and responsibilities of Border to Coast, the Fund and its other stakeholders can be found in the Border to Coast Governance Charter.

Employers and Scheme Members

The Fund, as a participant in the LGPS, is a defined benefit scheme. The Lincolnshire scheme has around 74,000 members who will or do receive benefits from the scheme. The Fund also has 249 active employers contributing to the scheme at 31 March 2021.

As a defined benefit scheme, the benefits received by members are set out in statute, as are contribution rates for active members. Employers within the scheme bear the financial risk and are responsible for making up any funding shortfall that arises. Contribution rates for employers are calculated at the triennial valuation, alongside the overall funding position.

The Fund regularly engages with both employers and members to ensure they are aware of developments which may have an impact on them.

Funding Strategy Statement and Investment Strategy Statement

Within LGPS regulations, the Fund is required to have and publish a Funding Strategy Statement and an Investment Strategy Statement.

Funding Strategy Statement (FSS)

This document is prepared in collaboration with the Fund's actuary, and after consultation with the Fund's employers and investment adviser it is approved by the Pensions Committee. It sets out the process for the setting of employer contribution rates. The FSS is reviewed in detail at least every three years as part of the triennial valuation process.

The FSS sets out the objectives of the Fund's funding strategy:

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

Investment Strategy Statement (ISS)

This document sets out the primary objective of the Fund, which is to provide pension benefits for members and their dependents, as and when they fall due. It states how the Committee aims to fund the benefits in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets.

The ISS sets out the agreed investment beliefs, responsible investment beliefs, investment strategy, the approach to risk and how it will pool investments.

Round Up of the Year

The Covid-19 pandemic had a significant effect on markets during 2020, on how the team worked and how we communicated with others. However, as an open defined benefit scheme, our focus is on the long term and the Funds investment strategy and approach were unchanged by the pandemic. During the year meetings with the Committee and Board moved to be held virtually, as did meetings with Border to Coast, Fund managers and other partners.

Key stewardship activity undertaken across the year:

- Appointment of a climate change/ESG focused manager;
- Workshops with Border to Coast on Responsible Investment (RI) policies;
- Approving the Border to Coast RI policies and aligning our own policies;
- Addition of a standalone stewardship report as part of the quarterly suite of Committee reports; and
- Voting and engaging on key issues with a wide range of global companies, through our asset pool and LAPFF.

Areas for improvement in the stewardship activities undertaken by the Fund are highlighted in the action plan at appendix A.

PRINCIPLE 1: Purpose, investment beliefs, strategy & culture enable stewardship that creates long-term value for employers & beneficiaries leading to sustainable benefits for the economy, the environment and society

Activity:

The Fund's policies are the mechanism through which it expresses and implements its investment beliefs, strategy and culture. They provide the framework for effective governance and stewardship – both of Fund assets and of the Fund as a whole. The Fund considers that having investment beliefs clearly defined assists it to choose managers and other service providers whose approach is most closely aligned to our own. These beliefs were developed through facilitated decision-making which challenged Committee members to consider investment and RI beliefs, to develop a strategy for the long term benefit of the Funds employers and members.

The Fund formally reviews its Investment Strategy Statement and other policies annually in March to ensure that they remain fit for purpose (i.e. continue to reflect the Fund's purpose and investment beliefs as well as meeting regulatory requirements), and to provide an opportunity for the Committee to discuss and reflect on the current policy and consider if any changes are required. Details of the review of the policies in March 2020, in preparation for the year ended 31 March 2021, can be found at agenda item 11 in the Committee Papers.

The Fund's Investment Strategy Statement was updated for the start of 2020/21 across a number of areas including the addition of the Committee's investment beliefs and responsible investment beliefs.

Outcome:

The Committee has agreed a set of investment beliefs that are detailed in our ISS, and have expanded **Belief 5** (Environmental, social and governance (ESG) issues are important to the long term success of the Fund) to create a set of Responsible Investment beliefs, to enable them to be held to account by scheme members and other stakeholders. These RI Beliefs are set out below with reasoning:

Belief 1: Companies with a responsible ESG policy are expected to outperform companies without an ESG policy, over the longer term.

The Committee believes that companies that have well developed ESG policies will generally provide better long term performance than those companies that have not considered ESG factors in their business.

Belief 2: The Committee considers that company engagement, rather than disinvestment, would be the better approach to fulfilling their responsible investment objectives. However, should a company not respond to engagement, disinvestment would be a consideration. Disinvestment on a whole sector basis is not within the Committee's beliefs.

Disinvestment is a blunt tool that is not believed to provide the best outcomes over the medium to long term. The Fund will, through its managers and other organisations, engage with companies to bring change, but will consider company disinvestment if engagement fails.

Belief 3: Climate change and the expected transition to a low carbon economy is a long term financial risk to Fund outcomes.

The Committee believes that climate change risk and the transition to a low carbon economy should be factored into asset allocation decisions and also investment decisions by managers to reduce the long term financial risk, but also to take advantage of the opportunities that may be available.

Belief 4: The Committee should focus on meeting its financial obligations to pay benefits to members. Financial considerations should therefore carry more weight than non-financial considerations.

The main objective of the Pension Fund is to ensure that it is able to pay benefits to its members as and when they fall due. Therefore financial considerations will be at the forefront of any investment or asset allocation decisions.

Belief 5: The Fund's active investment managers should embed the consideration of ESG factors into their investment process and decision making.

The Committee believes that the consideration of ESG factors when making investment decisions should not be an add-on but should be embedded into the whole investment selection process. Any active managers appointed by the Fund will be expected to evidence this.

Belief 6: The Fund should collaborate with other investors if it could have a positive impact, and also engage with them and investment managers to better understand ESG risks.

The Committee believes that the Fund has a stronger voice when working with others, be it Border to Coast Pensions Partnership, Local Authority Pension Fund Forum (LAPFF) or any other organisations. The Fund will work with them and the investment managers to ensure that it understands the ESG risks and how best to address them.

PRINCIPLE 2: Signatories' governance, resources and incentives support stewardship

Activity:
As is detailed in the background, Fund governance is the responsibility of the Pensions Committee, as set out within statute. To assist the Committee in discharging their responsibilities quarterly meetings are held which provide various reports to enable them to have oversight and challenge across all areas of the Fund, including investments and responsible investment. The Fund operates an external manager structure, with all assets managed by externally and with the Fund using expert professional services to support its stewardship activities: • Border to Coast, who have a dedicated team working on RI matters for all pooled investments, from tendering and selecting managers, to ongoing monitoring once a manager is selected and supporting industry wide initiatives; • Robeco, who are the pool's appointed voting and engagement specialist, again they provide stewardship services to the Fund for the investments held with Border to Coast; and • The final source of support in this area for the Fund is provided by the Local Authority Pension Fund Forum (LAPFF). LAPFF is a sector wide group with membership from 81 local authority pension funds and six LGPS pooling companies. LAPFF acts for its members on engagement with companies, providing voting alerts, collaborating with others to increase the voice of shareholders and responds to consultations on behalf of its members. The Fund has established annual RI processes which allow the Committee to have the opportunity to contribute to the direction of RI work for the Fund. Quarterly activity then allows the Committee oversight of activities undertaken. This starts in January with the review and approval of RI and Voting policies. The policies relate to all Fund investments and are aligned with Border to Coast policies to ensure consistent application to all Fund assets. The Committee also reviews key policy documents in March to ensure they reflect the current views of the Fund. The fund then reports RI activity to the Committee on a quarterly basis to highlight the stewardship activity undertaken over that period, to provide assurance and give them the opportunity to review and challenge the work undertaken on the Fund's behalf.

Outcome:
The Fund has a clearly defined and documented set of RI policies that it works to, which are published and available to all stakeholders. They are aligned with Border to Coast's policies so that we are all working towards the same aims and objectives. The introduction of a quarterly Stewardship Report has allowed members of the Committee greater opportunity to review stewardship activity and influence with the work of the Fund. This is a public report to allow the Fund's stakeholders to be aware of what we are doing. The Fund operates with a small internal team covering all Fund matters from investments to administration to governance. It believes that the use of external experts in this field provides the best use of resources for the Fund. It also allows the Fund to have a greater impact, as by working with others the Fund has a larger profile when approaching the market and individual companies.

PRINCIPLE 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first

Activity:
The make-up of the Pensions Committee is mainly County Councillors, who are elected to serve their constituents within Lincolnshire; however their role in managing the Pension Fund is to serve the beneficiaries and employers of the Fund. All members of the Committee undertake initial training when they join the Committee. This training covers the Code of Conduct and Conflicts of Interest Policy and explains the role of the Committee to serve beneficiaries and employers. While making decisions for the Pensions Committee other political and county council considerations should be disregarded. This message is reinforced throughout the year at Committee meetings and as and when investment opportunities are discussed.

Outcome:
The Code of Conduct and Conflicts of Interest Policy is reviewed annually by the Committee and is published on the Fund's website. The policy explains what a conflict of interest is and provides examples for Committee Members of potential conflicts. The policy stipulates that all potential conflicts of interest must be declared initially on appointment and then at each meeting of the Committee as matters arise in the normal course of business. The policy also explains

how conflicts will be dealt with and resolved. The Fund also maintains a register which captures potential and actual conflicts.

Within the Conflicts of Interests Policy, Committee members are specifically required to have consideration of their stewardship responsibilities in managing the Pension Fund.

There were two new members of the Committee during the year, and both undertook the training mentioned above.

There may be a conflict of interest when making investment decisions if an opportunity arose in the local area. The investment might be beneficial to the local electorate, but not for the Fund. To avoid any potential conflict of interest, the Fund does not have any strategic commitment to local investment, and no local investments have been made in the 2020/21 financial year.

PRINCIPLE 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system

Activity:

The Fund conducts a full risk assessment of its activities which is reviewed annually by the Committee and Board, and is published as part of the Fund's Annual Report. The risk register includes the risk to the Fund's investments from market fluctuations, interest rates, currency, credit and failure by its investment managers or custodian. In addition, the Fund recognises the risk to investments from ESG factors including the impact of Climate Change that could materially impact long-term investment returns.

The Fund's foremost mitigation against market-wide and systemic risk is a well-diversified investment strategy. Therefore, it is important the Committee receives the appropriate training and that it commissions advice to be able to select from and monitor a wide variety of investments. The Fund has an appointed investment consultant for its strategic asset allocation, investment strategy and manager monitoring.

Part of the work undertaken by LAPFF is at a market-wide level. During the year LAPFF has focused its attention in this area on failure in the audit and accounting regime, where regulation is 'consumer' based, rather than offering protection to shareholders. The Forum have identified changes at the Financial Reporting Council (FRC) as key to creating a more stable, transparent and effective regulatory environment. They have engaged with the Financial Conduct Authority (FCA) on this matter.

Outcome:

The identification and management of risk is a key part of the discussions and monitoring that the Pension Fund undertakes on a quarterly basis as a minimum. Where the Committee is not satisfied that one of its investment managers has sufficiently identified or responded to a particular risk this has been cause for it to decide to disinvest from a particular strategy, having taken the appropriate advice. This was evidenced in October 2020 when the Committee made a decision to terminate one of its managers, as they no longer believed that their strategy was appropriately managing all market risks.

LAPFF continues to support the recommendations for reform to the FRC proposed by the Kingman Review. As part of their ongoing engagement with companies, they encourage them to lead by example in how they respond to market and systemic risks.

PRINCIPLE 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities

Activity:

The Fund has a number of relevant policies that are reviewed as detailed below:

- The Investment Strategy Statement is reviewed annually or immediately after any significant change in investment policy, and contains the Fund's RI beliefs. See principle 1 above.
- The Responsible Investment Policy and Corporate and Voting Policy is reviewed annually. This is reviewed and approved by the Committee in January in advance of the start of the financial year. It is aligned with the Border to Coast policies to ensure consistency of our policies across all holdings.
- The Conflicts of Interest Policy is reviewed annually. See principle 3 above
- The Training Policy is reviewed annually and a training plan approved each year in July.
- The Risk Management Policy and Risk Register are approved annually and any changes to the risk register are reported to the Committee on a quarterly basis.

The Committee receive a quarterly report on stewardship activities undertaken by Border to Coast, Robeco and LAPFF, including voting activity.

Outcome:
Policies have been reviewed at least annually. This ensures that they are kept up to date and are regularly considered by the Committee, which ensures that the policies continue to reflect their views on the direction of the Fund. The Pension Board, as part of its annual review of the risk register at its July 2020 meeting, made recommendations to the Committee's October 2020 meeting, through the Board's quarterly report, to introduce two new risks to the risk register. The Committee considered these recommendations and approved the additions. Work on RI and Stewardship policies starts in advance of their review and approval by the Committee in January. During the year Fund officers work with Border to Coast to identify what is important to each Fund and how this should shape the direction of the Pool and Fund RI policies. In addition to this, work is undertaken with the Joint Committee to identify their priorities. This information is important to ensure all Funds can support and will approve aligned RI policies. This streamlines the activities undertaken by Border to Coast.

PRINCIPLE 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them

Activity:
Communication and feedback from scheme members and employers is undertaken in a variety of ways: • Annual employers meeting; • Scheme member newsletters; • Consultation with employers on key policy documents; • All Committee and Board Meetings are open to members of the public and papers are published and available for review; • The Fund publishes an Annual Report containing up to date details of investments and stewardship; • Key policy documents are published on the Pension Fund website; • Contact details for the Fund are also published for any comments from scheme members or employers; • Direct contact with scheme members and employers; and

- Direct representation, with full voting rights, on the Committee and Board of scheme members and employers other than the County Council.

Outcome:
The annual employer meeting was held virtually on 11 March 2021. One of the presentations covered Stewardship and Responsible Investment specifically covering the Lincolnshire Fund and activities undertaken during that year. These are interactive meetings where all employers are able to question, challenge and input into the direction and activities of the Fund. Over the year the Fund has responded to a number of requests from scheme employers on RI related matters proposals. An example of this is a letter received in December 2020 from the Chief Executive at North Kesteven District Council regarding the climate emergency and the actions taken by the Fund. A direct response was provided which also signposted the employer to existing information available on the website. Membership of the Committee and Board includes employer and member representatives. Through the Committee and Board meetings held over the year, these representatives have had the opportunity to input into and comment on the fund's stewardship and investment approach. The Fund is happy to engage with employers and scheme members on an ad hoc basis to provide additional information on Stewardship matters. Such responses are reflected on and used to consider the development of wider future communications.

PRINCIPLE 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities

Activity:
The Fund’s responsible investment beliefs and approach to assessing investments are included within the Investment Strategy Statement. This core policy document explains how the Fund seeks to systematically integrate stewardship and investment to fulfil its responsibilities. The Committee believe that, as long-term investors, integrating environmental, social and corporate governance considerations into the investment management process improves risk adjusted returns and creates long term sustainable investments. To support this, prior to 2020, the Committee developed a set of RI Investment beliefs, as set out in principle one. As part of this process the Committee undertook an in-

depth consideration of its ESG beliefs, receiving training and completing a comprehensive survey to develop these principles.

The Fund invests in a wide variety of asset classes across a number of investment managers, but predominately with Border to Coast who currently manage, all actively managed equities and bonds. The Fund has worked with Border to Coast and other partner funds to formulate the company's approach to responsible investment and to ensure that it is aligned to the policies of the partner funds (including Lincolnshire). The Fund's RI Policy states that when analysing potential investments (across all funds, asset classes and geographies), they expect investment managers to consider ESG factors, including climate change, as an integral part of the investment decision-making process. Of particular relevance are factors which could cause environmental and reputational risk ultimately leading to a reduction in long-term value.

All managers were contacted in February 2021 to ask whether they intended to sign up to the new Stewardship Code, if so then when, how they will be reporting this to us and what will be included in that report. Those that were not planning to sign up were asked to explain why.

The Fund considers the ESG credentials, policies and procedures as part of the appointment process for all prospective managers with the aim of ensuring that ESG is well established in the managers appointed.

The monitoring of appointed managers by Border to Coast includes assessing stewardship and ESG integration into the investment process and on-going management of the investments held in accordance with the approved policies. The Committee requires that all asset managers report on stewardship and ESG matters on a regular basis, and be responsive to any queries. The Fund monitors the asset manager's stewardship activities, including their involvement in collaborative engagement activities, such as supporting the Transition Pathway Initiative, and Climate Action 100+.

The Fund monitors Border to Coast to ensure that it is fully integrated through: quarterly reporting, quarterly meetings and annual report. In addition partner funds are heavily involved in the development of new funds having sight of the appointment process for managers and the due diligence undertaken.

Outcome:

Border to Coast's work during the year included improving their process of ESG integration and investment stewardship alongside training for the Border to Coast Board, the Joint Committee and Partner Fund pension committees and officers on a range of RI and stewardship-related topics. More detail can be found in their RI Stewardship Report for 2020/21.

Following the termination of a manager in October 2020, we worked closely with our Investment Consultant to appoint a new manager with strong RI credentials, to better reflect the Committees RI beliefs. This resulted in the appointment of Legal and General Investment Management, and an investment into their Future World Fund.

Below are some examples of the outcomes from Manager engagement with the companies in which they are invested on our behalf, showing how incorporating ESG factors into investment decisions and on-going monitoring can achieve positive benefits for the Fund and therefore its clients and beneficiaries:

Border to Coast – Engagement with Yorkshire Water (fixed income)

Reason for engagement: Following conclusions drawn from the performance assessment conducted by the Environment Agency ('EA') in 2019, Yorkshire Water was identified as an outlier within the water utilities sector in the UK and was among the lowest scoring. This, coupled with the increasing pressures that ever-changing weather patterns bring as a result of climate change, means that through investments in such companies, portfolios are potentially exposed in the medium to long term to the impacts of climate risk.

Objectives: To better understand the reason for the company's weak performance within the water utilities sector in pollution, leakage and meter rates, and determine whether its current strategy is strong enough to ensure improvement in its management of climate risk.

Scope and process: Engagement has been driven by information discovery of Yorkshire Water's specific climate-related risk exposure to understand the relative investment position and to encourage change and influence improvements in pollution, leakage and meter rates, which were among some of the worst in the industry according to the EA's report. Research revealed that the unusually low performance from the company had been somewhat influenced by extreme weather during the EA's reporting year (2018). Cognisant of extreme weather events likely to occur over the coming years, Yorkshire Water appears to be investing significant amounts into data-driven systems and physical infrastructure that combat leakages and limit pollution. The company is also investing in bio-resource plants which will help it to increase self-generated renewable energy.

Outcome: The company is taking serious steps to significantly improve performance, which will ultimately strengthen credit ratings. Monitoring of the progress will continue and further investigation around pollution levels may be required.

LAPFF – Engagement with Barclays (listed equity)

Reason for engagement: Barclays this year faced a climate resolution for the first time. The resolution was supported and co-filed by a group of investors and investor groups who recognised that financial institutions play a large role in both the problem of and the solutions to the climate crisis. Barclays recognised it had to do more on climate but responded by issuing its own resolution with content it thought was achievable. The combination of the shareholder resolution and the company resolution created a dilemma for LAPFF.

Objectives: The Forum was keen to express support for both the shareholders and the company for moving in the right direction, but it was not immediately clear which resolution should have been supported.

Scope and process: LAPFF Chair, Cllr Doug McMurdo, engaged extensively with both Barclays and ShareAction, the non-governmental organisation representing the investor group in the negotiations with Barclays on the shareholder resolution. In the end, LAPFF believed that the two resolutions were very similar and were reconcilable, so the Forum supported both resolutions and maintained positive relationships with both Barclays and ShareAction. LAPFF saw this engagement with Barclays as the beginning of investor engagement with financial institutions on climate.

Outcomes: The Forum, through its multi-stakeholder approach, was able to bring other investors and Barclays closer together on their visions for Barclay's climate approach. While implementation of the Barclays resolution still needs to be monitored, the Forum's role in facilitating dialogue between stakeholders was important in achieving a positive outcome in this engagement.

PRINCIPLE 8: Signatories monitor and hold to account managers and/or service providers

Activities:

The Fund monitors its investment managers and service providers, to hold them to account in the following ways:

- Asset managers provide monthly and quarterly performance reports which are received and reviewed by fund officers. Review here includes: compliance with investment management agreements.
- Quarterly investment performance is reported to the Pensions Committee, highlighting any concerns. Where a manager's performance raises concern more frequent information is shared with the Committee.
- Annual presentations to the Pensions Committee and a three year review period from all asset managers managing significant allocations in the fund, including an update of stewardship activities undertaken.
- Quarterly stewardship report to the Committee combining information from managers' quarterly stewardship and voting reports, highlighting engagement activities and where investment managers have voted against company recommendations. In addition this report updates the Committee on work undertaken by LAPFF on our behalf.

- Investment Consultant and Investment Advisor are monitored annually against an agreed set of objectives.
- Working with Border to Coast to provide an advisory service to monitor the engagement and voting activity of LGIM, as one of the Fund's investment managers.

In addition to the above, as a partner fund within Border to Coast, further work is undertaken on our behalf in monitoring service providers to the pool. This includes:

- Provision of responsible investment and engagement support across all pooled investments (for example review of carbon content within portfolios).
- Analysis of voting records on a monthly basis and reporting of any variances to agreed policies by a third party voting advisor.

Objectives were set for the Independent Investment Advisor in their role supporting the Pensions Committee, in November 2019. As part of an annual review, the Investment Advisor was asked to report their performance against those objectives at the March 2021 meeting of the Pensions Committee. The Committee considered whether the objectives had been met and whether any improvements where required, or changes made to the objectives.

Work has been undertaken with Border to Coast to provide an advisory service on the investment with LGIM to ensure that they are meeting the requirements of the Fund's and Border to Coast's RI policies.

On a quarterly basis Border to Coast provide portfolios analysed against MSCI ESG Weighted Score and the MSCI ESG rating along with the ESG Rating Distribution (AAA to CCC). In its commentary, Border to Coast feature an investment each quarter to describe its nature, ESG rating risk, ESG impacts and direction of travel.

Outcomes:

The Committee were content that the service being delivered by the Independent Investment Advisor met their needs, and no changes to the objectives were required.

The advisory agreement with LGIM is expected to be signed and completed in 2021/22.

The Committee has a better understanding of the ESG risks within the portfolios, and how these are managed by Border to Coast and the underlying managers, and is able to challenge the rationale of any investments that it deems a high risk.

PRINCIPLE 9: Signatories engage with issuers to maintain or enhance the value of assets

Activity:
All investment management activity is delegated to external investment managers. The Fund's RI policy sets out its expectations of managers, as shown below: • Assess their portfolios in relation to climate change risk where practicable. • Incorporate climate considerations into the investment decision making process. • Engage with companies in relation to business sustainability and disclosure of climate risk in line with the Financial Stability Board's Task Force on Climate related Financial Disclosures (TCFD) recommendations. • Encourage companies to adapt their business strategy in alignment with a low carbon economy. • Support climate related resolutions at company meetings where they reflect our RI policy. • Encourage companies to publish targets and report on steps taken to reduce greenhouse gas emissions. • Use the Transition Pathway Initiative (TPI) toolkit to assess companies and inform company engagement and voting. • Vote against company Chairs in high emitting sectors where the climate change policy does not meet minimum standards, and/or rated Level 0 or 1 by the TPI, where there is no evidence of a positive direction of travel. • Co-file shareholder resolutions at company AGMs on climate risk disclosure after due diligence, that are deemed to be institutional quality shareholder resolutions consistent with our RI policies. • Monitor and review their fund managers in relation to climate change approach and policies. • Participate in collective initiatives collaborating with other investors including other pools and groups such as LAPFF. • Engage with policy makers with regard to climate change through membership of the Institutional Investor Group on Climate Change (IIGCC). • Report on the actions undertaken with regards to climate change on an annual basis. Engagement activities are a regular feature of the monitoring of the Fund's investment managers by the Fund's officers, and by the Committee through the quarterly RI Update report.

Outcome:

Examples of stewardship activities that have been published and reported to the Committee are:
• During the quarter ended 31 December 2020, LAPFF undertook 172 engagements with 145 companies, on issues ranging from human rights and employment standards to climate change reporting and environmental risk. The outcomes of these engagements are shown in the company progress report, included in their quarterly engagement report, and one example is:
  ○ A Forum representative attended Legal and General Investment Management's annual stakeholder forum, an event to highlight upcoming issues for LGIM to consider in its voting and investing activities, to ensure that LAPFF's views were included.
• Border to Coast publish a quarterly stewardship newsletter detailing the activity undertaken on our behalf, and an example is:
  ○ Following the destruction by Rio Tinto of an aboriginal heritage site in 2020 and the implications for the wider mining sector, Border to Coast co-signed a letter along with other investors managing assets of over $10 trillion. This sought assurances on the issue of indigenous community rights and a company's social license to operate. The letter was sent to the top 71 international mining companies and all other major companies that operate in Australia.
Fund Officers have also received and monitored activity from other managers, examples are:
• LGIM, who manage approximately 15% of the Fund's assets in their Future World Fund, provide an annual active ownership report, highlighting their approach to active engagement and what they have done over the year.
• Invesco, who managed a large global equity portfolio until February 2021, provided their 2020 ESG Investment Stewardship Report, describing their engagement approach and a number of case studies.

PRINCIPLE 10: Signatories, where necessary, participate in collaborative engagement to influence issuers

Activity:
As explained above and in the Fund's RI policy, all investment management activity is delegated to external investment managers. As part of this delegation the Fund's

investment managers are able to decide if collaboration with other investors will benefit the engagement activities they carry out of the Fund's behalf.

Furthermore through Lincolnshire's membership of the Border to Coast pool, the eleven partner funds have collectively pooled around £50bn of assets. Border to Coast are collaborating on RI activities through a unified RI policy and Corporate Governance and Voting guidelines which set the framework for the investment managers and enable them to utilise the combined weight of capital of the Border to Coast partner funds, to positively engage with the companies they invest with. Beyond the partner funds, Border to Coast collaborates with other investor groups to increase their influence.

In addition, the Fund's membership of LAPFF, representing over £300bn in assets under management, provides an effective means of collaboration. LAPFF itself is open to discussing any other forms of collective action with other investors and groups, expanding their reach.

Outcome:

The Fund monitors its investment managers' engagement activities through regular reports and discussions and welcomes instances where it sees its investment managers working with other investors. Examples include:

- Border to Coast coordinates quarterly Responsible Investment workshops with partner funds which work collaboratively to consider RI issues and coordinate responses to maximise the impact of the Partner Funds. At these workshops current RI issues and engagements are discussed and proposed responses to consultations and initiatives shared. There are opportunities to share resources to maximise the impact of partner funds and BCPP through a collaborative approach to our shared interests.
- Border to Coast, on behalf of the partner funds, is partnered with a number of organisations including LAPFF on a range of issues, Climate Action 100+, and the 30% Club which promotes board and senior management diversity, the Workforce Disclosure Initiative, the LGPS Scheme Advisory Board Code of Transparency, and the Institutional Investor Group on Climate Change.
- LAPFF participated in wider collaborations with the Church of England and Sarasin & Partners on the tailings dam safety initiative, which won the Principle for Responsible Investment's Project of the Year award during 2020. LAPFF visited Brazil to establish what progress has been made on reparations for the tailings dam failures and to assess what measures are in place to prevent future failures.
- LAPFF has been engaging with US-based investors on the Investors for Opioid & Pharmaceutical Accountability (IOPA) engagement, and LAPFF is a member

of the Workforce Disclosure Initiative (WDI) and the CCLA 'Find it, Fix it, Prevent it' engagement to eradicate modern slavery.

PRINCIPLE 11: Signatories, where necessary, escalate stewardship activities to influence issuers

Activity:

The Fund sets out in its RI Policy how it expects its investment managers to take the appropriate action when operating on its behalf engaging in stewardship activities, this includes actions to escalate their approach when appropriate.

Outcome:

The Fund monitors its investment managers' engagement activities through regular reports and discussions and expects its investment managers to take the appropriate action when operating on its behalf engaging in stewardship activities, this includes actions to escalate their approach when appropriate. Examples include:

- LAPFF had tried repeatedly to meet with the Boeing board to discuss the company's approach to dealing with the 737 MAX disasters. The two jet crashes in Indonesia and Ethiopia, along with increasingly worrying findings of additional safety concerns with the aircraft, raised concerns about a range of risks for passengers, the company, and investors. The LAPFF Chair met with investor relations representatives to discuss the 737 MAX but felt a discussion with a board member about the company's strategic approach to dealing with the MAX disaster would be in order. However, the company refused to allow access to the board for such a discussion. Therefore, the Forum issued a voting alert to convey its concerns about the situation to its members and to recommend action to the company through voting. Further escalation measures are being discussed and considered in this case.
- Robeco, Border to Coast's voting and engagement provider, had been engaging with Alphabet Inc. about the various social issues that had surfaced showing that artificial intelligence's (AI's) ethical development and deployment couldn't be guaranteed unless concerns were appropriately addressed. As a leading technology company, Alphabet Inc. is exposed to financially material risks from its development and use of AI. Following persistent efforts to enter a constructive dialogue with the company, engagement remained challenging. In escalation, Robeco co-led the filing of a shareholder proposal at Alphabet's AGM asking for a human rights risk oversight committee to be established, comprised of independent directors with relevant experience. Some 16% of shareholders voted in favour of the resolution, which was a substantial part of

the non-controlling shareholder votes. In response, Alphabet announced an update of its Audit Committee Charter, which now includes the review of major risk exposures around sustainability and civil and human rights. This is in line with the request to formalise board oversight and is a first step towards getting this in place on specific sustainability-related issues, such as human rights.

- When researching a particular proposed bond issuance from Wirecard, LGIM's proprietary ESG research tool raised red flags about the German fintech company's governance. The underlying logic for this particular issue gave rise to further worries because Wirecard planned to use the proceeds to repay some bank loans, suggesting that lenders wanted this exposure off their balance sheets. Wirecard's response to the accounting allegations was unsatisfactory, and in some respects even more concerning than the allegations themselves. As a result of LGIM's robust research and investment stewardship, none of LGIM's active bond funds invested in Wirecard. At Wirecard's 2019 AGM, LGIM voted against the discharge of all individual members of the management and supervisory boards, in a rare and significant step as part of their vote escalation policy. The company filed for insolvency on 25 June 2020 after admitting that €1.9 billion cash on its balance sheet did not exist. Its former CEO Markus Braun was arrested on suspicion of false accounting and market manipulation. Whilst the Fund does not hold bonds with LGIM, this provided reassurance on their ESG research tool and escalation process, which are used across the equity fund that we do hold.

PRINCIPLE 12: Signatories actively exercise their rights and responsibilities

Activity:

Exercising rights and responsibilities is fundamental to improving investment outcomes. Rights exist primarily through shareholdings but can be derived through other means. When making an investment, the associated rights and responsibilities are clearly understood by the Fund and its investment managers from the outset.

As an indirect asset owner the Fund requires external managers to make best use of these rights so that its responsibilities are fulfilled to the greatest effect. As mentioned in previous principles, external managers are required to report on how they have actively exercised their rights and responsibilities.

The Border to Coast voting policy is reviewed each year in light of developing corporate governance standards and evolving best practice. This review is led by Border to Coast with the eleven partner funds being heavily involved. The policy is also reviewed by Robeco, using the International Corporate Governance Network Global Principles, the UK Stewardship Code and the UN Principles for Responsible Investment as benchmarks.

As the Fund has aligned its policy to that of Border to Coast, the approaches are identical.

The Fund's Corporate Governance and Voting Guidelines sets out how it expects managers to approach supporting or opposing company management, depending upon the circumstances.

Voting records where votes are cast against management, and additional wider voting activity provided by Border to Coast on the Fund's investments, is included in the quarterly RI Update Report to the Committee.

Outcome:

A number of changes were made to the Corporate Governance and Voting policy as a result of the review in 2020. They include:

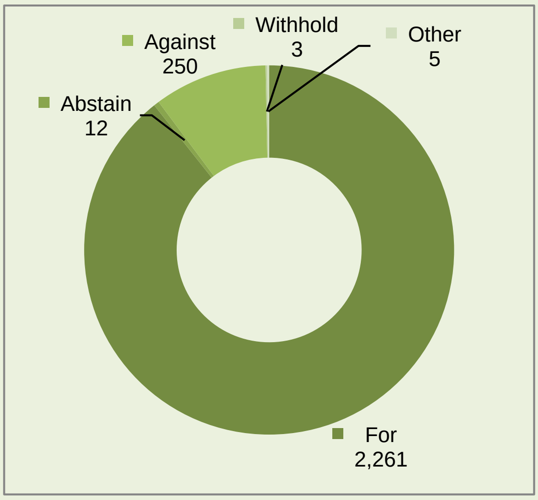
- voting against the Chair if the company is a high carbon emitter and the Transition Pathway Initiative score is zero or one;
- expanding the types of shareholder proposals that could be supported; and
- voting against all political donations.

Details of all the changes are available in the November 2020 meeting papers of the Joint Committee.

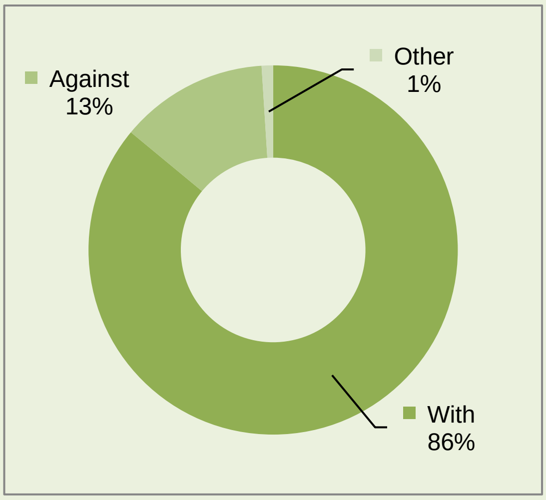
Examples of some manager's voting records for 2020/21 are shown below:

Votes cast for Border to Coast's Global Equity Alpha Fund (177 meetings)

Votes Cast

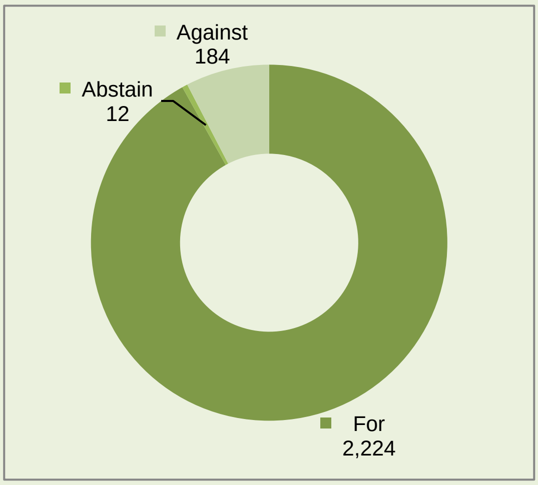


With or Against Management

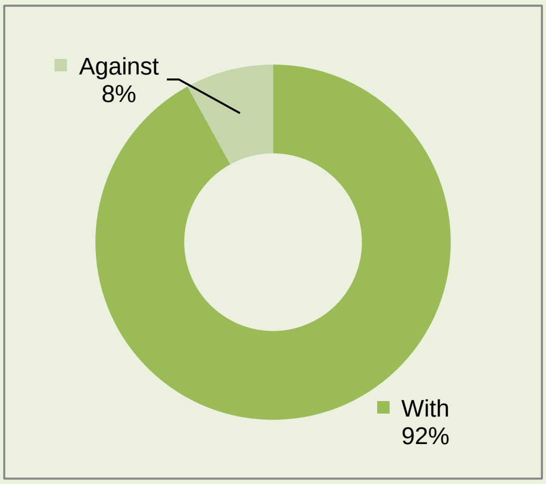


Votes cast for Border to Coast's UK Listed Equity Fund (149 meetings)

Votes Cast



With or Against Management



Appendix A – Action Plan

Principle:	Action:	Target Date
PRINCIPLE 1: Purpose, investment beliefs, strategy & culture enable stewardship that creates long-term value for employers & beneficiaries leading to sustainable benefits for the economy, the environment and society	Annual policy reviews – revisit Investment Beliefs and RI Beliefs to ensure they still reflect current views of the Committee.	February 2022
	Following elections in May 2021, undertake training with new Committee members to ensure beliefs and culture are understood and embedded.	July 2021
	Consideration of stewardship implications in Investment Strategy Review.	September 2021
PRINCIPLE 2: Signatories' governance, resources and incentives support stewardship	Continue quarterly report and enhance where opportunities arise.	On-going
	Provide more training to the Committee to better understand current issues and to clarify the Fund's strategy – e.g. net zero.	On-going
	Undertake a structure review of the internal team to provide additional resource for stewardship monitoring.	By March 2022
PRINCIPLE 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first	Annual review of policy.	March 2022
	Provide any new members with training on conflicts as part of their induction training.	As required
PRINCIPLE 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system	Continue working with Border to Coast and LAPFF.	On-going
	To identify any opportunities for further collaborative work with other organisations.	On-going
	The Fund will further develop its risk assessment of the impact of Climate Change on its investments and plans to undertake an assessment with its investment managers of the impact of Climate Change on its investments	On-going

Principle:	Action:	Target Date
PRINCIPLE 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities	To sign up to an advisory agreement with Border to Coast to assist in monitoring the stewardship activity of LGIM.	June 2021
	To include stewardship within the overall external governance review of the Fund.	Awaiting Good Governance Review Outcome
PRINCIPLE 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them	Include more information on stewardship in the Member Newsletter and request direct feedback.	October 2021
	Employer meeting will provide an update on stewardship.	March 2022
PRINCIPLE 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities	The Fund plans to continue to work with Investment Managers to make improvements in asset classes that are less developed in this area, for example: Morgan Stanley on Alternatives.	On-going
	The Fund will continue to work with the managers identified as not signing up to the new Stewardship Code to understand and validate their reasons, and will monitor the progress of those that are planning to sign up.	On-going
PRINCIPLE 8: Signatories monitor and hold to account managers and/or service providers	To sign up to an advisory agreement with Border to Coast to assist in monitoring the stewardship activity of LGIM.	June 2021
	Increase information required from other managers (non-Border to Coast) to provide enhanced monitoring.	On-going

Principle:	Action:	Target Date
PRINCIPLE 9: Signatories engage with issuers to maintain or enhance the value of assets	Expand the quarterly RI Update report to include more examples of engagement to provide more information to the Committee and Board, to assist them to challenge activity undertaken on our behalf.	On-going
	Work with B2C and Morgan Stanley, the Fund's main alternatives manager, to expand the coverage of engagement across other asset classes.	On-going
PRINCIPLE 10: Signatories, where necessary, participate in collaborative engagement to influence issuers	Continue to work closely with B2C and LAPFF to ensure that any collaboration is effective.	On-going
PRINCIPLE 11: Signatories, where necessary, escalate stewardship activities to influence issuers	Clarify escalation expectations in the RI Policy.	January 2022
	Continue to challenge managers and request reporting of escalations, to ensure that they are fulfilling their responsibilities.	On-going
PRINCIPLE 12: Signatories actively exercise their rights and responsibilities	It is more challenging for assets other than equities. There has been very little opportunity to exert influence over company management or the managers of investments held directly by the Fund. The main barrier is lack of scale. However for assets managed by Border to Coast this is expected to become more of an opportunity as the range of asset classes and the value of investments managed by the company increases.	On-going

Compliance and monitoring

The investment managers are required to adhere to the principles set out in this Investment Strategy Statement, and Officers report to the Pensions Committee where any investment managers do not comply.

The Investment Strategy Statement of the Lincolnshire Pension Fund will be reviewed by the Pensions Committee at least every 3 years and more regularly if considered appropriate or amendments are required.

Communication Policy

COMMUNICATION POLICY

Lincolnshire County Council, as administering authority for the Local Government Pension Scheme, is required by statute to publish a communications policy statement. The Lincolnshire Pension Fund (LPF) communicates with over 270 employers and around 75,000 scheme members, in addition to a large number of other interested parties.

The Regulations governing the Local Government Pension Scheme are laid before parliament by the Department for Levelling Up, Housing and Communities. One of the key requirements they make on all Administering Authorities is to prepare, maintain and publish a written statement setting out the information below:-

a) The Fund must now prepare, maintain and publish a written statement setting out its policy concerning communications with

- members;
- representatives of members;
- prospective members; and
- employing authorities.

b) In particular, the statement must set out the Fund's policy on

i. the provision of information and publicity about the Scheme to members, representatives of members and employing authorities (including non-Scheme Employers);

ii. the format, frequency and method of distributing such information or publicity; and

iii. the promotion of the Scheme to prospective members and their employing authorities.

The day-to-day administration of the Local Government Pension Scheme is carried out on behalf of the County Council by West Yorkshire Pension Fund (WYPF), in a shared service arrangement. Communication material is produced by WYPF in collaboration with the Pensions Team in Lincolnshire. All arrangements for forums, workshops and meetings covered within this statement are made in partnership with WYPF.

The Fund communicates with all stakeholders, as defined in specific legislation, and listed above.

Communication is increasingly distributed via electronic means, with all documents available on a dedicated Pensions website (www.wypf.org.uk).

WYPF provide a dedicated enquiry phone numbers and emails for both scheme members and employers for pension related enquiries. For scheme members it is 01274 434999 and pensions@wypf.org.uk, and for employers it is 01274 434900 and wypf.pfr@wypf.org.uk.

The appropriately qualified staff from the County Council, WYPF or external advisers will deliver presentations to groups of stakeholders and conduct individual meetings.

The Fund's objective in respect of communication is to comply with relevant legislation and ensure relevant individuals and employers receive accurate and timely information about their pension arrangements. Methods of communication are set out in the table below.

Communications events – scheme members

Communication	Format	Frequency	Method of distribution
LGPS active members (including representatives of active members and prospective members)			
	Newsletter	2/3 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual Pension Statement	1 per year	E-mail and mail if members opted out of electronic communications
	Website - www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print and web
	Member fact sheets	Constant	Web
	Introduction to LPF	On employer request	Virtual or in person
	Presentation – Your pension explained	On employer request	Virtual or in person
	Presentation – Pre-retirement	On employer request	Virtual or in person
	Pension surgeries/drop in's	On employer request	Virtual
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Scheme booklet	Constant	Web
	New member pack	On joining	Mail

	Social media (WYPF)	Constant	Web
	YouTube channel (WYPF)	Constant	Web
LGPS deferred members (including representatives of deferred members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Deferred Benefit Statement	1 per year	Email
	Website - www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Social media (WYPF)	Constant	Web
	YouTube channel (WYPF)	Constant	Web
LGPS pensioner members (including representatives of retired members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Website - www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email

	Pension advice slip	As and when net pension changes by £5.00 or more	Web unless opted out of electronic communications
	P60	1 per year	Web unless opted out of electronic communications
	Social media (WYPF)	Constant	Web
	YouTube channel (WYPF)	Constant	Web

Communications events - Employers

Communication	Format	Frequency	Method of distribution
	Employer Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Virtual / face-to-face / email / phone
	Website – www.wypf.org.uk	Constant	Web
	Fact card	1 per year	Web
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	When required	Face-to-face/virtual
	Update sessions	Up to 2 per year	Meeting
	Annual meeting	1 per year	Hybrid Meeting
	Manuals/toolkits	Constant	Web/electronic document
	Pension Matters and round-up	12 per year and when required	Wordpress blog and gov. delivery bulk email
	Social media (WYPF)	Constant	Web
	Ad hoc meetings	When required	Face-to-face
	Workshops	Weekly	Virtual plus on demand recordings

Governance Policy and Compliance Statement

Lincolnshire County Council, as administering authority (and Scheme Manager) for the Local Government Pension Scheme, is required by statute to publish a governance compliance statement. The Council has elected to do this by publishing a concise Governance Policy Statement and then to outline, as required by legislation, the extent to which that statement and the underlying practices demonstrate compliance with best practice guidance as published by the Department for Communities and Local Government. This latter aspect constitutes the Governance Compliance Statement.

The Governance Policy and Compliance Statements are set out in turn below.

GOVERNANCE POLICY STATEMENT

The County Council has delegated its pension fund administering authority functions to a Pensions Committee and the Executive Director – Resources. The Public Service Pensions Act (2013) required all administering authorities to introduce a local Pension Board to assist the Scheme Manager.

Pensions Committee

The Pensions Committee has 11 members in total, 8 of which are County Councillors and 3 co-opted members. All the members have full voting rights.

The 8 County Councillors represent the political balance of the Council.

The 3 co-opted members comprise:

- 1 representative from the other local authorities within the County,
- 1 representative for non Local Authority employers, and
- 1 Trade Union representative, reflecting the interests of scheme members.

Under the County Council's Constitution, the Pensions Committee exercises the following functions, to;

- Drawing upon appropriate professional advice, to set investment policies for the Fund, including the establishment and maintenance of a strategic benchmark for asset allocation, and approval of the Investment Strategy Statement.
- To review the performance of Border to Coast Pensions Partnership Limited and its sub-funds, legacy fund managers and associated professional service providers.
- To approve the annual Report and Statement of accounts of the fund.

- To consider any other matters relevant to the operation and management of the fund.

- As necessary and appropriate issue instructions to the Council's representative as shareholder of Border to Coast Pensions Partnership Limited on matters affecting the exercise of the Council's rights as shareholder in the company.

- To respond to any relevant consultations impacting upon the benefit provisions of the Local Government Pension Scheme.

In fulfilling its functions the Committee shall have regard to the advice of the Lincolnshire Local Pension Board established in accordance with the Local Government Pension Scheme (Amendment) (Governance) Regulations 2015 and shall receive and consider recommendations from the Border to Coast Pensions Partnership Joint Committee.

The Pensions Committee has four regular quarterly meetings, two manager monitoring meetings and two training meetings each year. In addition, one or more special meetings may be held as required.

The Pensions Committee's regular quarterly meetings are open to the public and agendas, reports and minutes are made available through the County Council's website. An annual report on the management of the fund is provided to all scheme employers with an abbreviated version distributed to scheme members.

Executive Director – Resources

The Executive Director – Resources is responsible for the day-to-day administration of the benefits and assets of the pension scheme, specifically to:

- authorise payment of statutory pensions and allowances,

- undertake or arrange for all necessary transactions associated with the management of the assets of the Pension Fund, and

- agree appropriate means of securing external representation on the Pensions Committee, in consultation with relevant external bodies.

Lincolnshire Pension Board

The Lincolnshire Pension Board will ensure the Scheme Manager effectively and efficiently complies with the Code of Practice on the governance and administration of public service pension schemes issued by the Pensions Regulator. The Board will also ensure that it complies with the knowledge and understanding requirements in the Pensions Regulator's Code of Practice.

In addition to the local structure, the Lincolnshire Pension Board is accountable to the Pensions Regulator and the National Scheme Advisory Board.

The Pensions Regulator will also be a point of escalation for whistle blowing or similar issues (supplementary to the whistle blowing policy and anti-fraud and corruption policy operated by the administering authority, which operate to include all of the functions of the Council and its advisers).

The role of the Lincolnshire Pension Board is set out below:

- Assist Lincolnshire County Council as Scheme Manager;

- To secure compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;

- To secure compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator; and

- In such other matters as the scheme regulations may specify.

The terms of reference for the Board are available on the Funds shared website with WYPF at www.wypf.org.uk.

The Lincolnshire Pension Board consists of five members:

- two employer representatives (to represent all employers within the Scheme);
- two scheme members representatives (to represent all members of the Scheme (active, deferred and pensioner)); and
- an independent member (to act as Chairman).

The employer and scheme member representatives can vote. The Independent Chairman cannot vote.

The Lincolnshire Pension Board has a minimum of four meetings each year. In addition, Board members must attend regular training events.

The Lincolnshire Pension Board meetings are open to the public and agendas, reports and minutes are made available through the Funds shared website with WYPF at www.wypf.org.uk. The Independent Chairman of the Board reports to the quarterly Pensions Committee to provide an update on the Board's work and any assurance given. An annual report on the work of the Board is included in the Fund's annual report, which is published on the Council's website and provided to all scheme employers with an abbreviated version distributed to scheme members.

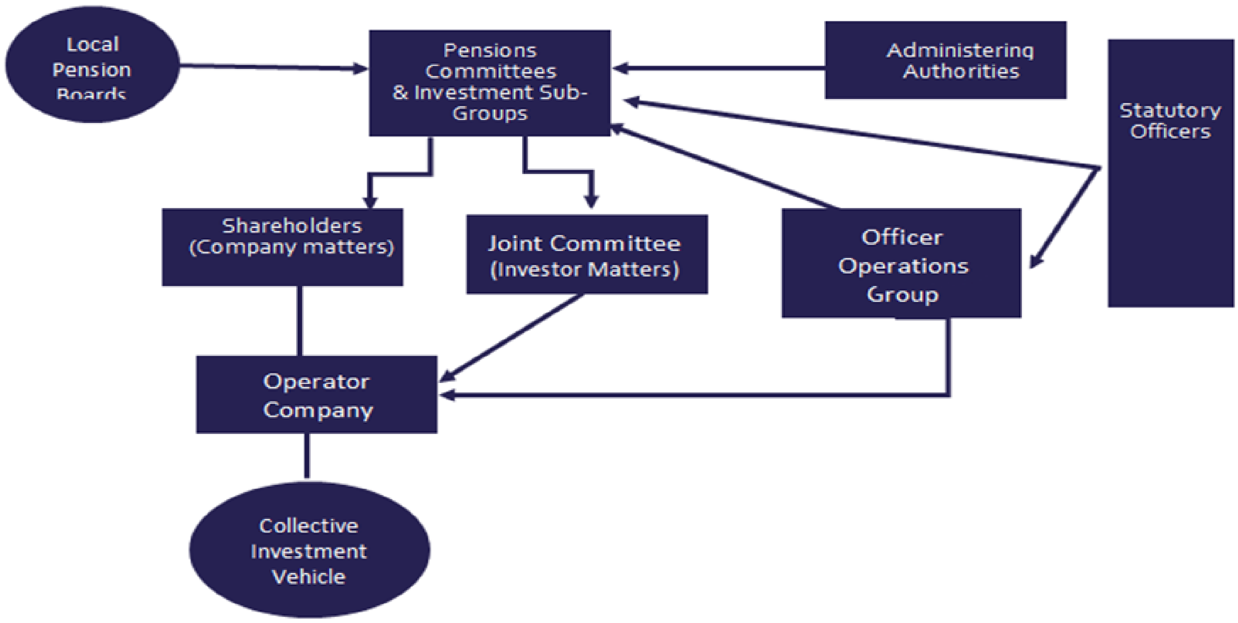
Any complaint or allegation of breach of due process brought to the attention of the Lincolnshire Pension Board shall be dealt with in accordance with the Fund's Breaches Reporting procedure and the Code of Practice as published by the Pensions Regulator.

Any questions about the governance of the Lincolnshire Local Government Pension Fund should be addressed to Jo Ray, Head of Pensions (email: jo.ray@lincolnshire.gov.uk or telephone 01522 553656).

Asset Pooling Governance

In response to the change in regulations, LGPS Funds have to pool the investment of their assets. Lincolnshire Pension Fund is a Partner Fund in the Border to Coast Pensions Partnership Limited (Border to Coast), one of the eight asset pools created.

The diagram below shows the governance structure for Border to Coast.



The Fund holds Border to Coast to account through the following mechanisms:

- A representative on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of Border to Coast (LCC S151 Officer).

- A representative on the Joint Committee who will monitor and oversee the investment operations of Border to Coast (Pensions Committee Chairman).

- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group (Head of Pensions and S151 Officer).

The Pension Fund retains the decision making powers regarding asset allocation and delegates the investment management function to Border to Coast, where asset have been transitioned.

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
A - Structure	a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Yes	See terms of reference for the Pensions Committee in the Policy Statement above.
	b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Partial	The Council has not, to date, seen the need to establish a secondary committee/panel. It will, however, keep this aspect under review and does establish working groups from the Committee to deal with specific issues. Pensioner and deferred beneficiaries are not presently represented directly on the Committee – see B a. below.
	c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Relevant	As discussed above, no such forum has been established as yet.
	d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Relevant	As discussed above, no such forum has been established as yet.
B - Representation	a. That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- • Employing authorities (including non-scheme employers, e.g. admitted bodies); • Scheme members (including deferred and	Partial	The Committee has 11 members, all with voting rights, of which 8 are County Council Councillors. Other members include one representing other local authorities (district councils) and one representing small scheduled bodies, currently from an Internal Drainage Board. Member related issues are dealt with by having a trade union representative on the Committee. Given the statutory guarantee that exists in respect of

	pensioner scheme members), • Where appropriate, Independent professional observers, and • Expert advisors (on an ad hoc basis)		member benefits, this is felt to be sufficient representation. The Council will review this aspect periodically. The Committee have appointed an independent investment advisor who attends all Committees.
	b. That where lay members sit on the main or secondary committee, they are treated equally in terms of access to papers, meetings and training and are given full opportunity to contribute to the decision making process, with or without voting rights.	Yes	All members of the Committee have full voting rights and equal access to information, training, etc.
C – Selection and Role of Lay Members	a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Yes	Nationally customised training is available to all members and this is supplemented by locally provided induction sessions for new members of the Committee. In addition, the Committee agrees an annual training plan with specific topics covered on set dates.
	b. That at the start of any meeting, committee members are invites to declare any financial or pecuniary interest related to specific matters on the agenda.	Yes	The declaration of member's interests is a standard item on the agenda of the Pensions Committee.
D - Voting	a. That the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Yes	Full voting rights are given to all members of the Committee.
E – Training/Facility Time/Expenses	a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of	Yes	See C a. above. All expenses incurred by members of the Pensions Committee are either met by the body they represent or directly by the Fund itself.

	members involved in the decision-making process.		
	b. That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Yes	All members are treated equally in every respect.
	c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Yes	The Committee agrees an annual training plan with specific topics covered on set dates. All training undertaken by members of the Pensions Committee is recorded and additional training opportunities are regularly brought to the attention of the Committee, either in monthly update letters or in reports taken to Committee.
F – Meetings - Frequency	a. That an administering authority's main committee meet at least quarterly.	Yes	See Compliance Policy Statement above.
	b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Relevant	As discussed above, no such forum has been established as yet.
	c. That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Relevant	Three added members exist and have equal rights with all mainstream members in all respects.
G – Access	a. That, subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes	All members are treated equally in every respect.

H – Scope	a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Partial	The terms of reference of the Pensions Committee were changed a number of years ago to include benefit related matters which, up until that time, had been dealt with elsewhere within the governance arrangements of the Council. A report on the administration of the scheme is taken to each quarterly committee meeting. At present the Council does not believe there is a strong argument in favour of appointing an independent professional observer on administration/governance issues in addition to the independent advisor already in place in respect of investment matters.
I - Publicity	a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes	The County Council publishes the many governance documents and communicates regularly with employers and scheme members.

Pension Administration Strategy

Contents

1. Regulatory framework and purpose
2. Review of the strategy
3. Liaison and communication
4. Employer duties and responsibilities
5. Payments and charges
6. Administering authority duties and responsibilities
7. Unsatisfactory performance
8. Appendices
    a. Authorised contacts form
    b. Schedule of charges
    c. Charging levels

Regulatory framework and purpose

1. The regulations

This strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations (LGPS) 2013.

The shared service, managed by West Yorkshire Pension Fund has produced a joint Pensions Administration Strategy document in line with these regulations covering the service for Lincolnshire Pension Fund (LPF), West Yorkshire Pension Fund (WYPF), Hounslow Pension Fund (HPF) and Barnett Pension Fund (BPF). As required, employers have been consulted on the strategy, and a copy has been sent to the secretary of state.

1.1. Purpose

This LPF strategy is based on the shared service strategy but has been made specific to LPF. Within this document the shared service administration (based in Bradford with a satellite office in Lincoln), will be referred to as 'the administrator'.

This strategy outlines the processes and procedures to allow the shared service partners and employers to work together in a cost- effective way to administer the LGPS whilst maintaining an excellent level of service to members. It recognises that working co-operatively and collaboratively will be key to achieving these aims.

Where there is a conflict between the shared administration strategy and the fund's stand-alone policy, the individual fund's policy will prevail.

2. Review of the strategy

This strategy will be reviewed as soon as reasonably possible following any changes to the regulations, processes or procedures that affect the strategy or on an annual basis if this occurs sooner.

Changes to this strategy will be made following consultation with employers and a copy of the updated strategy will be sent to the secretary of state.

The administrator will constantly seek to improve communications between itself and the employers.

Employers are welcome to discuss any aspect of this strategy with the administrator at any time and may make suggestions for improvement to the strategy.

3. Liaison and communication

3.1. Authorised contacts for employers

Each employer will nominate a contact to administer the three main areas of the LGPS:

- a strategic contact for valuation, scheme consultation, discretionary statements and IDRPs
- an administration contact for the day-to-day administration of the scheme, completing forms and responding to queries, and
- a finance contact for completion and submission of monthly postings and co-ordination of exception reports

If they wish, employers may also nominate additional contacts by completing an authorised user list. If a third-party organisation provides services for the employer they too can be added as an authorised contact. Overall responsibility for pension administration remains with the employer regardless of the services they outsource and proactive contract management of third-party providers is expected.

All contacts will receive a login name and password that allows them to access the Civica employer portal for online administration and the combined remittance and monthly return.

When registering, each contact should complete a Main contact registration form and Authorised user list form, and sign the administrator's user agreement for the secure administration facility.

The three main contacts are responsible for ensuring that contacts are maintained by notifying the administrator when one leaves and registering new contacts where necessary.

3.2. Liaison and communication with employers

The administrator will provide the following contact information for employers and their members.

- A named Pension Fund Representative for regulatory or administration queries, training, advice and guidance
- A named Finance Business Partner to assist with the monthly returns process
- A dedicated contact centre for member queries

In addition to this, the administrator takes a multi-channel approach to communication with its employers.

Format of communication	Frequency	Method of distribution
Pension Fund Representatives	8.30am to 4.30pm Monday to Friday	Virtual meetings/face-to-face/telephone/e-mail
Website	Constant	Web
Fact card	1 per year	Mail
Fact sheets	Constant	Web
Employer guide	Constant	Web/electronic document
Ad hoc training	As and when required	Virtual meetings
Update sessions	Up to 2 per year	Meeting
Annual meeting	1 per year	Meeting
Manuals/toolkits	Constant	Web/electronic document
Pension Matters and round-up	12 per year and as and when required	Wordpress blog and gov.direct bulk mail
Social media	Constant	Web
Ad hoc meetings	As and when required	Virtual meeting/face-to-face
Employer webcasts	1 per week	Virtual meeting

4. Employer duties and responsibilities

When carrying out their functions, employers must have regard to the current version of this strategy.

4.1. Events for notification

4.1.1. Employers should be able to provide the following information in relation to their employees in the Fund

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions were deducted	100% compliance of compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, the administrator will process the data within two weeks following monthly return submission	100% compliance or better
Change of hours, name, payroll number or job title	Monthly return (exception report)	Web form	Notified via monthly returns, the administrator will process the data within two weeks following monthly submission. For exception report output from the monthly return, change data response must be provided to the administrator within two weeks of receipt of the exception report. If the employer isn't using monthly return then information is due within six weeks of change event.	90% compliance or better
50/50 and main scheme elections	Monthly return		Notified by the employer via monthly return, the administrator will process the data within two weeks following monthly data submission.	90% compliance or better
Service breaks/absences	Web form		Within six weeks of the date of the absence commencing	90% compliance or better
Under three-month optouts	Monthly return		Notified by the employer via monthly return, the administrator will process the data within two weeks following monthly data submission.	90% compliance or better
Leavers	Monthly return Web form Monthly returns (exception reports)		Notified by the employer via monthly return, the administrator will process the data within two weeks following monthly data submission, else within six weeks of leaving.	90% compliance or better

		For exception reports, leaver forms must be provided within two months of receipt of the exception report.	
Retirement notifications	Web form	10 days before the member is due to retire unless the reason for retirement is ill health or redundancy	100% compliance
Death in service notifications	Web form	Within three days of the date of notification	100% compliance

4.1.2. Notifiable events

Employers should also provide information on any circumstances which might affect their future participation in the Fund or their ability to make contributions to the Fund "notifiable events". These include the following:

- **A decision which will restrict the employer's active membership in the Fund in future**
  Examples include: ceasing to admit new members under an admission agreement; ceasing to designate a material proportion of posts for membership; setting up a wholly owned company whose staff will not all be eligible for Fund membership; outsourcing a service which will lead to a transfer of staff

- **Any restructuring or other event which could materially affect the employer's membership**
  Examples include: a Multi-Academy Trust re-structuring so there is change in constituent academies, the employer merging with another employer (regardless of whether or not that employer participates in the Fund), a material redundancy exercise, significant salary awards being granted, a material number of ill health retirements, large number of employees leaving voluntarily before retirement or the loss of a significant contract or income stream

- **A change in the employer's legal status or constitution which may jeopardise its participation in the Fund**
  Examples include the employer ceasing business (whether on insolvency, winding up, receivership or liquidation), loss of charitable status, loss of contracts or other change which means the employer no longer qualifies as an employer in the Fund

- **If the employer has been judged to have been involved in wrongful trading**

- **If any senior personnel, e.g. directors, owners or senior officers have been convicted for an offence involving dishonesty, particularly where related to the employer's business**

- **Where the employer has, or expects to be, in breach of its banking covenant**

- **Details of any improvement notice (or equivalent) served by the appropriate regulator, e.g. Education Funding and Skills Agency, Office for Students, Charity Commission, Regulator for Social Housing etc, or S114 notice for local authorities**

Employers should provide this information in advance of the event occurring (where possible) or as soon as practicable thereafter.

4.2. Responsibilities

Employers are responsible for ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions. Organisations with third-party providers can't delegate responsibility for this even if day- to-day tasks are carried out by that provider.

The administrator is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. That responsibility rests with the employer.

Any over-payment as a result of inaccurate information being supplied by the employer shall be recovered from that employer.

In the event of the administrator being fined by The Pensions Regulator, this fine will be passed on to the relevant employer where that employer's actions or inaction caused the fine

Employers are responsible for keeping the Administering Authority informed of all events or decisions which might affect their participation in the Scheme, including the 'notifiable events' as set out in 4.1.2 above. In such circumstances the Administering Authority may increase an employer's contribution as set out in the Funding Strategy Statement. Any increase may be backdated where the employer has failed to provide information to the Administering Authority in a timely manner.

4.3. Discretionary powers

Employers are responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy to employees in respect of the key discretions as required by the regulations. A copy of these discretions must be sent to the administrator.

4.4. Member contribution bands

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member at least once a year in April or more frequently if required in their policy. The employer must also inform the member of the band that they have been allocated on joining the scheme and when they have been reallocated to a different band.

4.5. Internal dispute resolution procedure (IDRP)

Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making. Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.

5. Payments and charges

5.1. Payments by employing authorities

Employers will make all payments required under the LGPS regulations, and any related legislations, promptly to the relevant pension fund and /or its additional voluntary contribution (AVC) providers (Prudential/Scottish Widows/Standard Life) as appropriate.

5.2. Paying contributions

Member and employer contributions can be paid over at any time and should be accompanied by a monthly postings submission however they must be paid to the relevant fund by the 19th day of the month following the month in which the deductions were made. The monthly posting submission should be uploaded to the administrator by the same deadline and the data should reconcile to the payment made to the relevant fund.

Where the 19th falls on a weekend or bank holiday, the due date becomes the last working day prior to the 19th.

5.3. AVC deductions

Employers will pay AVCs to the relevant provider within one week of them being deducted.

5.4. Late payment

Employers can be reported to The Pensions Regulator where contributions are received late in accordance with the regulator's code of practice. If a matching monthly posting submission is not provided with a contribution payment by the deadline this will also be recorded as a late payment because the relevant pension fund will not be able to correctly allocate the payment received.

5.5. Awards of additional pension

Where an employer awards a member an additional pension all augmentation costs must be paid in full in one payment.

5.6. Early retirement costs

Employers should pay the full amount of the cost of any early retirements.

LPF employers must pay this within the payment term stated on the invoice. If employers have concerns about their ability to pay in that timeframe, they should contact the Head of Pensions at their earliest opportunity. Interest may be charged where early retirement costs are not paid in a timely manner, at a rate agreed with the Fund Actuary.

5.7. Interest on late payment

In accordance with the LGPS regulations, interest may be charged on any amount overdue from an employing authority by more than one month.

5.8. Employer contributions

Employers' contributions rates are not fixed and employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficiently funded to meet its liabilities.

5.9. Actuarial valuation

An actuarial valuation of the fund is undertaken every three years by the fund actuary. The actuary balances the fund's assets and liabilities in respect of each employer and assesses the appropriate contribution rate and any secondary payment, if appropriate, for each employer for the subsequent three years. Any pass through or pooled arrangements are considered at each valuation.

5.10 Administration charges

The cost of running the administrator is charged directly to the shared service partners; the actuary takes these costs into account in assessing employers' contribution rates.

6. Administering authority duties and responsibilities

When carrying out their functions the administrator will have regard to the current version of the strategy.

6.1. Scheme administration

The administrator will ensure that training sessions and annual meetings are held on a regular basis and actively seek to promote the Local Government Pension Scheme via the following events.

- Employer annual meeting
- Pre-retirement courses
- New starters induction courses
- Employer training webcasts (replacing workshops)
- Bite size training videos

6.2. Responsibilities

The administrator will ensure the following functions are carried out.

6.2.1. Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point of access for information relating to the schemes being administered.

6.2.2. Create a member record for all new starters admitted to the scheme.

6.2.3. Collect and reconcile employer and employee contributions.

6.2.4. Maintain and update members' records for any changes received by the administrator.

6.2.5. At each actuarial valuation the administrator will forward the required data in respect of each member and provide statistical information over the valuation period to the relevant fund so that their actuary can determine the assets and liabilities for each employer.

6.2.6. Each fund will communicate the results of the actuarial valuation to the relevant employers.

6.2.7. Produce a benefit statement each year for every active, deferred and pension credit member.

6.2.8. Provide estimate of retirement benefits on request by the employer.

6.2.9. Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, members' options and statutory limits.

6.2.10. Comply with HMRC legislation.

6.3. Decisions

The administrator will ensure that members are notified of any decisions made under the scheme regulations in relation to their benefits within 10 working days of the decision being made and will ensure the member is informed of their right of appeal.

6.4. Discretionary powers

The administering authorities with support from the administrator will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations.

6.5. Internal dispute resolution procedure (IDRP)

The administrator will deal with employer appeals at stage two of the IDRP for LPF.

An adjudicator will be nominated to deal with appeals at stage one and stage two of the IDRP where the appeal is against a decision the administrator has made or is responsible for making. For LPF, the decision maker in these stage one appeals is the Head of Pensions.

6.6. Fund performance levels

The minimum performance targets are shown below.

Service	Days	Minimum target
1. New member records created	10	85%
2. Update personal records	10	85%
3. Posting monthly contributions to member records	10	95%
4. Calculate and action incoming transfer values	35	85%
5. Deferred benefit – payment of lumps sums	3	90%
6. Provide details of deferred benefit entitlement	10	85%
7. Refund of contributions – notification of entitlement	5	85%
8. Refund of contributions - payment	5	90%
9. Pay transfers out on receipt of acceptance	35	85%
10. Provide estimate of retirement benefits	10	75%
11. Retirement benefits – payment of lump sum	3	90%
12. Retirement benefits – calculation of pension/lump sum	10	85%
13. Calculation and payment of death benefits on receipt of all necessary information	5	90%
14. Make death grant payment to the member's nomination (provided all relevant information is received)	1 month	100%
15. Percentage of telephone calls answered within 20 seconds		90%
16. Annual benefit statements issued to deferred members		by 31 May
17. Annual benefit statements issued to active members		by 31 August
18. Make payment of pensions on the due date		100%

19. Issue P60s to pensioners within statutory deadlines	100%
20. Provide information on request in respect of pension share on divorce within legislative timescales	100%
21. Implement Pension Share Orders within legislative timescales	100%
22. Undertake annual reviews to establish continuing entitlement to pensions for children over the age of 17	100%

7. Unsatisfactory performance

7.1. Measuring performance

Both employer and administrator targets will be measured on a quarterly basis using the Civica document management system. Administrator performance levels will be published on a monthly basis to the shared service pension funds and fire authorities. Overall administrator performance will be published by the funds in their Report and Accounts.

7.2. Unsatisfactory performance

Where an employer materially fails to operate in accordance with the standards described in this strategy, and this leads to extra costs being incurred by the administering authority, the administering authority may issue a written notice to the employer requiring that these extra costs be met by the employer. A schedule of charges is detailed in Appendix B.

Appendix A – Main contact registration and authorised users

Main contact registration form

Main contact registration form

Employer name and location code	
Employer address	

Important: please read the guidance note on **Managing your contacts** before you complete this form.

Strategic contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Administration contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Finance contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Contact at third-party payroll provider (if applicable and not listed above)

Name	Company name and address
Job title	
Phone	Specimen signature
Email	

Date signatures valid from	**Signed (by current authorised signatory)**

Authorised user list

authorised payroll user list oct 2018

Employer name

Authorised payroll user list

Please give the full name, phone number and email address of the additional people you authorise to submit information for you. We will give them a secure administration account.

Full name	Phone number	Email address
Date authorised users valid from		
Signed (by current authorised signatory)		

Appendix B – Schedule of charges

Performance areas	Reason for charge	Basis of charge
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III).
2. Contributions to be paid anytime but latest date by 19th of month (weekends and bank holidays on the last working day before 19th)	Due by 19th of the month – late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%.
3. Monthly return due anytime but latest by 19th of the month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th of the month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Senior Pensions Officers level II).
4. Change in member detail	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to the administrator within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Pensions Officer level I).
5. Early leavers information	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I).
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II).
7. Death in membership	Due within 3 working days of the notification – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III).
8. AVC deducted from pay to be paid anytime but latest date by 19th of the month (weekends and bank holidays on the last working day before 19th).	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I).
9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in

		admin charge (at pension officer level I).
10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify the administrator of change in authorised officers list.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at Pensions Officer level I).
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III).
12. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the court order.	The charge is £350 + VAT for this work.
Miscellaneous items: • Benefit recalculation • Member file search and record prints • Supplementary information requests	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + VAT will be levied. Where the member has more than one known record, the charge is for each record.

Appendix C – Charging Levels

Charges will be made on half a day basis, but for less than a quarter day no charge will be made and for more than half a day a full-day charge will be made. Any part or all of these charges may be waived at head of service discretion.

Charge levels	I	II	III
Daily charge	£96	£136	£220
Half day charge	£48	£68	£110

- Level I – work at Pensions Officer level
- Level II – work at Senior Pensions Officer level
- Level III – work at Pensions Manager level