



## Fund Account - For the year ended 31 March 2023

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

## Net Asset Statement as at 31 March 2023

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

**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 in Pension 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); and
- the LGPS (Management and Investment of Funds) Regulations 2016.

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

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

#### Membership

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

Organisations participating in the Fund include:

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

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

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

## Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay. Employer contributions are set based on triennial actuarial funding valuations. Rates paid by employers during 2022/23 were determined at the 2019 Valuation, or when a new employer joins the scheme. Rates paid during 2022/23 ranged from 16.3% to 35.5% 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:

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

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

## Note 2. Basis of Preparation

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

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

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

The accounts report the net assets available to pay pension benefits. The accounts do not take into account obligations to pay pensions and other benefits that fall due after the end of the financial year, nor do they take 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 2023/24 the Code introduces the following changes to the accounting standards:

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

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

## Note 3. Significant Accounting Policies

### **Fund account – revenue recognition**

#### **a. Contributions income**

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

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

Employer deficit funding contributions are accounted for on the basis advised by the Fund actuary in the rates and adjustment certificate issued to the relevant employing body.

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. They 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 pension's administration team are charged to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

### ii) Oversight and Governance

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

### iii) Investment management expenses

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

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

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

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

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

## **Net assets statement**

### **g. Financial assets**

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Pension Fund 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 (see Pension Fund 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 asset statement but are disclosed by way of narrative in the notes (see Pension Fund 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 2023 the actuary has reviewed and updated the funding position from the 2022 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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Actuarial present value of promised retirement benefits (Note 18)	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to: the discount rate used; salary and pension increases; changes in retirement ages; mortality rates; and expected returns on Fund assets.</p> <p>A firm of consulting actuaries are engaged to provide expert advice about the assumptions to be applied.</p>	<p>The effects of changes in the individual assumptions can be measured. For example:</p> <p>1) a 0.5% increase in the discount rate assumption would reduce future pension liabilities by c. £219m.</p> <p>2) a 0.25% increase in earnings inflation would increase the value of liabilities by c. £9m.</p> <p>3) a 0.25% increase in the pension increase rate would increase the value of liabilities by c. £114m.</p> <p>4) a one-year increase in assumed life expectancy would increase the liability by c. £113m.</p>
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 valuation of these assets included at level three in the fair value hierarchy is +/-8%. This equates to a +/- £10.2m on a carrying value of £126.9m

Item	Uncertainties	Effect if actual results differ from assumptions
<p>Unquoted Assets (including Alternatives, Infrastructure, Other Property and Private Equity) (Note 14)</p>	<p>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 investments are not publicly listed and as such there is a degree of estimation involved in the valuation.</p>	<p>Unquoted Assets at 31 March 2023 are valued at £436.2m in the financial statements. There is a risk that these investments may be under or over stated in the accounts.</p> <p>Private markets by +/-15% or £48.1m on a carrying value of £320.9m.</p> <p>Infrastructure by +/-15% or £10.0m on a carrying value of £66.7m.</p> <p>Property Venture by +/-18% or £7.6m on a carrying value of £42.0m.</p> <p>Private Equity by +/-23% or £1.5m on a carrying value of £6.6m.</p>

## Note 6. Contributions Receivable

Contributions receivable are analysed by category below:

	2021/22	2022/23
	£'000	£'000
<b>Employers</b>		
Normal	68,777	77,979
Deficit Recovery Funding	26,595	29,532
Additional - Augmentation	1,498	823
<b>Members</b>		
Normal	23,651	26,661
Additional years	80	113
<b>Total</b>	<b>120,601</b>	<b>135,108</b>

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

	2021/22	2022/23
	£'000	£'000
Lincolnshire County Council - Administering Authority	51,573	57,232
Scheduled Bodies	65,305	75,111
Admitted Bodies	3,723	2,765
<b>Total</b>	<b>120,601</b>	<b>135,108</b>

## Note 7. Transfers In From Other Pension Funds

	2021/22	2022/23
	£'000	£'000
Individual transfers from other schemes	7,940	10,049
Group transfers from other schemes	37	-
<b>Total</b>	<b>7,977</b>	<b>10,049</b>

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

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

## Note 8. Benefits Payable

Benefits payable are analysed by category below:

	2021/22	2022/23
	£'000	£'000
Pensions	82,895	87,322
Commutations & Lump Sum Retirement Benefits	16,177	15,688
Lump Sum Death Benefits	2,297	2,853
<b>Total</b>	<b>101,369</b>	<b>105,863</b>

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

	2021/22	2022/23
	£'000	£'000
Lincolnshire County Council - Administering Authority	52,274	55,296
Scheduled Bodies	43,918	45,767
Admitted Bodies	5,177	4,800
<b>Total</b>	<b>101,369</b>	<b>105,863</b>

## Note 9. Payments To and On Account of Leavers

	2021/22	2022/23
	£'000	£'000
Individual transfers to other schemes	5,302	8,347
Group transfers to other schemes	667	-
Refunds to members leaving service	267	315
<b>Total</b>	<b>6,236</b>	<b>8,662</b>

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

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

## Note 10. Management Expenses

	2021/22	2022/23
	£'000	£'000
Administration Costs	1,189	1,386
Investment Management Expenses	12,201	11,445
Oversight and Governance Costs	801	914
<b>Total</b>	<b>14,191</b>	<b>13,745</b>

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

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

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

2021/22	Total	Management Fees	Performance Related Fees	Transaction Costs
	£'000	£'000	£'000	£'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	-	-	-	-
	<b>11,979</b>	<b>9,681</b>	<b>1,749</b>	<b>549</b>
Custody Fees	222			
<b>Total</b>	<b>12,201</b>			



## Note 11. Investment Income

	2021/22	2022/23
	£'000	£'000
Equities	339	179
Managed by Border to Coast:		
- Bonds	69	-
Unitised Insurance Policies		
- Global Equities	60	-
Unit Trusts:		
- Property	2,199	2,455
Other Managed Funds:		
- Property	294	703
- Infrastructure	2,891	4,199
- Private Markets	2,287	5,293
Interest on Cash Deposits	233	2,341
<b>Total</b>	<b>8,372</b>	<b>15,170</b>

## Note 12. Investments

	2021/22	2022/23
	£'000	£'000
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	1,182
<b>Total Long Term Investment</b>	<b>1,182</b>	<b>1,182</b>
	2021/22	2022/23
	£'000	£'000
<b>Investment Assets</b>		
<b>Pooled Investment Vehicles:</b>		
Managed by Border to Coast:		
- Global Equities	743,227	763,782
- UK Equities	477,827	462,066
- Multi Asset Credit	138,224	146,217
- Bonds	204,927	219,309
Unitised Insurance Policies:		
- Global Equities	464,046	463,892
- Bonds	150,282	124,858
Unit Trusts:		
- Property	193,810	140,502
Other Managed Funds:		
- Private Markets	465,138	459,140
- Infrastructure	61,136	66,741
- Private Equity	7,593	6,580
- Property	25,427	87,499
<b>Total Pooled Investment Vehicles</b>	<b>2,931,637</b>	<b>2,940,586</b>
<b>Other Investment Assets:</b>		
Derivatives:		
- Open Forward Foreign Exchange (FX)	2,758	7,545
Cash Deposits	115,609	75,666
Investment Income Due	2,011	1,950
Amount Receivable for Sales	1,003	-
<b>Total Other Investment Assets</b>	<b>121,381</b>	<b>85,161</b>
<b>Total Investment Assets</b>	<b>3,053,018</b>	<b>3,025,747</b>
<b>Investment Liabilities:</b>		
Derivatives:		
- Open Forward Foreign Exchange (FX)	-	-
Investment Income Payable	(1)	-
Amount Payable for Purchases	-	-
<b>Total Investment Liabilities</b>	<b>(1)</b>	<b>-</b>
<b>Total Net Investment Assets</b>	<b>3,053,017</b>	<b>3,025,747</b>

## 12A Reconciliation of Movements in Investments

2022/23	Market Value at 31 March 2022	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
<b>Long Term Investments</b>					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
<b>Total Long Term Investment</b>	<b>1,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,182</b>
2022/23	Market Value at 31 March 2022	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2023
	£'000	£'000	£'000	£'000	£'000
<b>Investment Assets</b>					
<b>Pooled Investment Vehicles:</b>					
- Managed by Border to Coast	1,564,205	47,500	(51,055)	30,724	1,591,374
- Unitised Insurance Policies	614,328	29,151	(29,845)	(24,884)	588,750
- Unit Trusts	193,810	1,156	(20,668)	(33,796)	140,502
- Other Managed Funds	559,294	246,982	(193,865)	7,549	619,960
	<b>2,931,637</b>	<b>324,789</b>	<b>(295,433)</b>	<b>(20,407)</b>	<b>2,940,586</b>
<b>Other Investments:</b>					
Derivatives:					
- Open Forward Foreign Exchange (FX)	2,758	4,061,063	(4,026,096)	(30,180)	7,545
	<b>2,934,395</b>	<b>4,385,852</b>	<b>(4,321,529)</b>	<b>(50,587)</b>	<b>2,948,131</b>
<b>Other Investment Balances:</b>					
- Cash Deposits	115,609				75,666
- Amount Receivable for Sales	1,003				-
- Investment Income Due	2,010				1,950
- Amount Payable from Purchases	-				-
<b>Total Net Investment Assets</b>	<b>3,053,017</b>			<b>(50,587)</b>	<b>3,025,747</b>

2021/22	Market Value at 31 March 2021	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
<b>Long Term Investments</b>					
Unquoted Equity Holding in Border to Coast Pensions Partnership	1,182	-	-	-	1,182
<b>Total Long Term Investment</b>	<b>1,182</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,182</b>
2021/22	Market Value at 31 March 2021	Purchases and Derivative Payments	Sales and Derivative Receipts	Change in Value during the Year	Market Value at 31 March 2022
	£'000	£'000	£'000	£'000	£'000
<b>Investment Assets</b>					
<b>Pooled Investment Vehicles:</b>					
- 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
	<b>2,660,284</b>	<b>248,240</b>	<b>(272,555)</b>	<b>295,668</b>	<b>2,931,637</b>
<b>Other Investments:</b>					
Derivatives:					
- Open Forward Foreign Exchange (FX)	(1,964)	3,135,252	(3,113,086)	(17,444)	2,758
	<b>2,658,320</b>	<b>3,383,492</b>	<b>(3,385,641)</b>	<b>278,224</b>	<b>2,934,395</b>
<b>Other Investment Balances:</b>					
- Cash Deposits	97,725				115,609
- Amount Receivable for Sales	-				1,003
- Investment Income Due	2,023				2,010
- Amount Payable from Purchases	(10,464)				-
<b>Total Net Investment Assets</b>	<b>2,747,604</b>			<b>278,224</b>	<b>3,053,017</b>

## 12B Investments Analysed by Fund Manager

Fund Manager	31 March 2022		31 March 2023	
	£'000	%	£'000	%
<b>Investments managed by Border to Coast:</b>				
- Global Equity Alpha	743,227	24.3	763,782	25.3
- Listed UK Equity	477,827	15.7	462,066	15.3
- Multi-Asset Credit	138,224	4.5	146,217	4.8
- Investment Grade Credit	204,927	6.7	219,309	7.3
<b>Unitised Insurance Policies:</b>				
- Legal and General (Future World Fund)	464,046	15.2	463,892	15.3
- Blackrock (Bond Portfolio)	150,282	4.9	124,858	4.1
<b>Investments managed outside of the asset pool:</b>				
- Morgan Stanley (Private Markets)	485,548	16.0	470,092	15.5
- Morgan Stanley (Legacy Private Equity)	8,240	0.3	7,348	0.2
- Internally Managed (Property Unit Trusts)	194,136	6.4	140,579	4.7
- Internally Managed (Infrastructure)	61,377	2.0	67,095	2.2
- Internally Managed (Property)	25,577	0.8	87,502	2.9
- Internally Managed (Cash managed by LCC Treasury Management Team)	53,000	1.7	58,000	1.9
- Unallocated Cash	46,606	1.5	15,007	0.5
<b>Total</b>	<b>3,053,017</b>	<b>100.0</b>	<b>3,025,747</b>	<b>100.0</b>

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 UK Government Securities).

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

## Note 13. Analysis of Derivatives

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

The only direct derivative exposure that the Fund has is in forward foreign currency contracts. The Fund's alternatives 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	Currency Sold	Local Value	Asset Value	Liability Value	
		'000		'000	£'000	£'000	
Up to one month	None						
Over one month	GBP	1,788	AUD	3,255	23		
	GBP	12,691	CAD	21,103	83		
	GBP	12,536	EUR	14,152	67		
	GBP	445,832	USD	542,843	7,433		
	USD	13,658	GBP	11,091		(61)	
<b>Total</b>					<b>7,606</b>	<b>(61)</b>	
<b>Net Forward Currency Contracts at 31 March 2023</b>						<b>7,545</b>	
<b>Prior year comparative</b>							
Open forward currency contracts at 31 March 2022						3,089	(331)
<b>Net Forward Currency Contracts at 31 March 2022</b>						<b>2,758</b>	

### Profit (Loss) of Forward Currency Deals and Currency Exchange

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

## Note 14. Fair Value – Basis of Valuation

All investments 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
<b>Level One</b>			
Quoted equities and pooled fund investments	The published bid market price 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.
<b>Level Two</b>			
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.

Description of Asset	Basis of Valuation	Observable and Unobservable Inputs	Key Sensitivities Affecting the Valuations Provided
<b>Level Two (continued...)</b>			
Forward foreign exchange derivatives	Market forward exchange rates at the year-end.	Exchange rate risk.	Not Required.
Pooled property funds where regular trading takes place	Closing bid price where bid and offer prices are published. Closing single price where single price published.	NAV-based pricing set on a forward pricing basis.	Not Required.
<b>Level Three</b>			
Pooled property funds and hedge funds where regular trading does not take place	Valued by investment managers on a fair value basis each year using PRAG guidance.	NAV-based pricing set on a forward pricing basis.	Valuations are affected by any changes to the value of the financial instrument being hedged against.
Other unquoted and private equities (inc. private markets, infrastructure and private equity)	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 and the IPEV Board's Special Valuation Guidance (March 2020).	EBITDA multiple; Revenue multiple; Discount for lack of marketability; and Control premium.	Valuations could be affected by changes to expected cashflows, or by any differences between audited and unaudited accounts.
Shares in Border to Coast Pensions Partnership	Estimated value of the pension fund's share of net assets held by the asset 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 in the table over the page the consequent potential impact on the closing value of investments held at 31 March 2023.



	Potential variation in fair value	Value as at 31 March 2023	Potential value on increase	Potential value on decrease
	(+/-)	£'000	£'000	£'000
Hedge Funds	8%	126,945	137,101	116,789
Infrastructure	15%	66,741	76,752	56,730
Private Markets	15%	320,852	368,980	272,724
Property Venture	18%	42,033	49,599	34,467
Private Equity	23%	6,580	8,093	5,067

## 14A Fair Value Hierarchy

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

Values at 31 March 2023 - Observable Fair Value	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Total
	£'000	£'000	£'000	£'000
<b>Financial assets at fair value through profit and loss:</b>				
<u>Pooled Investment Vehicles:</u>				
Managed by Border to Coast		1,591,374		1,591,374
Unitised Insurance Policies	588,750			588,750
Unit Trusts		140,502		140,502
Other Managed Funds	11,343	45,466	563,151	619,960
Derivatives: Forward Foreign Exchange		7,545		7,545
Cash	4,390			4,390
	<b>604,483</b>	<b>1,784,887</b>	<b>563,151</b>	<b>2,952,521</b>
<b>Financial liabilities at fair value through profit and loss:</b>				
Derivatives: Forward Foreign Exchange			-	-
	-	-	-	-
<b>Financial assets at fair value through other comprehensive income and expenditure:</b>				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
	-	-	<b>1,182</b>	<b>1,182</b>
<b>Net Investment Assets</b>	<b>604,483</b>	<b>1,784,887</b>	<b>564,333</b>	<b>2,953,703</b>

Values at 31 March 2022 - Observable Fair Value	Quoted Market Price Level 1	Using Observable Inputs Level 2	With Significant Unobservable Level 3	Total
	£'000	£'000	£'000	£'000
<b>Financial assets at fair value through profit and loss:</b>				
<u>Pooled Investment Vehicles:</u>				
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	45,590	448,493	559,294
Derivatives: Forward Foreign Exchange		2,758		2,758
Cash	17,666			17,666
	<b>697,205</b>	<b>1,806,363</b>	<b>448,493</b>	<b>2,952,061</b>
<b>Financial liabilities at fair value through profit and loss:</b>				
Derivatives: Forward Foreign Exchange				-
	-	-	-	-
<b>Financial assets at fair value through other comprehensive income and expenditure:</b>				
Unquoted Equity Holding in Border to Coast Pensions Partnership			1,182	1,182
	-	-	<b>1,182</b>	<b>1,182</b>
<b>Net Investment Assets</b>	<b>697,205</b>	<b>1,806,363</b>	<b>449,675</b>	<b>2,953,243</b>

## 14B Reconciliation of Fair Value Measurements within Level 3

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

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

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

## Note 15. Financial Instruments

### 15A Classification of Financial Instruments

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

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

	31 March 2022			
	Fair value through profit & loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through comprehensive income
	£'000	£'000	£'000	£'000
<b>Financial Assets</b>				
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		
	<b>2,952,061</b>	<b>116,936</b>	<b>-</b>	<b>1,182</b>
<b>Financial Liabilities</b>				
Derivatives: Forward Foreign Exchange			-	
Other Investment Balances			(1)	
Sundry Creditors			(5,868)	
	<b>-</b>	<b>-</b>	<b>(5,869)</b>	<b>-</b>
	<b>2,952,061</b>	<b>116,936</b>	<b>(5,869)</b>	<b>1,182</b>

## 15B Net Gains and Losses on Financial Instruments

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

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 Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this 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 Fund 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**

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the

individual instrument or its issuer or factors affecting all such instruments in the market.

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

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

### Other Price Risk - Sensitivity Analysis

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

Asset Type	Value at 31 March 2023	Potential market movements (+/-)	Value on Increase	Value on Decrease
	£'000		£'000	£'000
UK Equities	462,066	16%	535,997	388,135
Overseas Equities	1,227,674	16%	1,424,102	1,031,246
Bonds	344,167	7%	368,259	320,075
Multi Asset Credit	146,217	7%	156,452	135,982
UK Property	182,304	18%	215,119	149,489
Overseas Property	45,697	18%	53,922	37,472
Infrastructure	66,741	15%	76,752	56,730
Private Equity	222,948	23%	274,226	171,670
Private Debt	56,035	13%	63,320	48,750
Private Real Assets	47,495	16%	55,094	39,896
Other Alternatives	12,297	15%	14,142	10,452
Hedge Funds	126,945	8%	137,101	116,789
<b>Total Assets Available</b>	<b>2,940,586</b>		<b>3,374,486</b>	<b>2,506,686</b>

Asset Type	Value at 31 March 2022	Potential market movements (+/-)	Value on Increase	Value on Decrease
	£'000		£'000	£'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
<b>Total Assets Available</b>	<b>2,931,637</b>		<b>3,303,108</b>	<b>2,560,166</b>

## 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 2023	Percentage movement on 1% change in Interest Rates	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	75,666	-	75,666	75,666
Cash Balances	23,923	-	23,923	23,923
Bonds	344,167	3,442	347,609	340,725
<b>Total</b>	<b>443,756</b>	<b>3,442</b>	<b>447,198</b>	<b>440,314</b>



Exposure to interest rate risk	Value at 31 March 2022	Percentage movement on 1% change in Interest Rates	Impact of 1% increase	Impact of 1% decrease
	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	115,609	-	115,609	115,609
Cash Balances	15,731	-	15,731	15,731
Bonds	355,209	3,552	358,761	351,657
<b>Total</b>	<b>486,549</b>	<b>3,552</b>	<b>490,101</b>	<b>482,997</b>

Income Exposed to Interest Rate Risk	Interest Receivable 2022/23	Percentage movement on 1% change in Interest Rates	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000	£'000
Cash Deposits, Cash and Cash Equivalents	2,341	23	2,364	2,318
Bonds	-	-	-	-
<b>Total</b>	<b>2,341</b>	<b>23</b>	<b>2,364</b>	<b>2,318</b>

Income Exposed to Interest Rate Risk	Interest Receivable 2021/22	Percentage movement on 1% change in Interest Rates	Value on 1% increase	Value on 1% decrease
	£'000	£'000	£'000	£'000
Cash Deposits, Cash and Cash Equivalents	233	2	235	231
Bonds	-	-	-	-
<b>Total</b>	<b>233</b>	<b>2</b>	<b>235</b>	<b>231</b>

### Currency risk

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

## Currency risk – sensitivity analysis

Asset Exposed to Currency Risk	Value at 31 March 2023	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'000
Overseas Hedge Funds	126,945	8,886	135,831	118,059
Overseas Infrastructure	14,502	1,015	15,517	13,487
Overseas Other Alternatives	12,297	861	13,158	11,436
Overseas Private Debt	55,037	3,853	58,890	51,184
Overseas Private Equity	222,948	15,606	238,554	207,342
Overseas Property	45,697	3,199	48,896	42,498
Overseas Real Private Assets	47,165	3,302	50,467	43,863
<b>Total</b>	<b>524,591</b>	<b>36,722</b>	<b>561,313</b>	<b>487,869</b>

  

Asset Exposed to Currency Risk	Value at 31 March 2022	Percentage Market Movement	Value on Increase	Value on Decrease
	£'000	£'000	£'000	£'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
<b>Total</b>	<b>467,474</b>	<b>32,723</b>	<b>500,197</b>	<b>434,751</b>

### **b) Credit Risk**

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

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

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

Management Practices. At 31 March 2023 the balance at Barclays was £80.423m (£67.731m at 31 March 2022).

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

## **c) Liquidity risk**

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

The Fund holds a working cash balance in its own bank account to cover the payment of benefits and other lump sum payments. At an investment level, the Fund holds a large proportion of assets in listed assets (equities and bonds), instruments that can be liquidated at short notice, normally three working days. As at 31 March 2023, these assets totalled £2,033.907m (£2,040.309m as at 31 March 2022), with a further £99.589m held in cash (£131.340m as at 31 March 2022).

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

## **Note 17. Funding Arrangements**

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

### **Description of Funding Policy**

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

- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund;
- Ensure the solvency of the Fund;

- Set levels of employer contribution rates to target a 100% funding level over an appropriate time period and using appropriate actuarial assumptions, while taking into account the different characteristics of participating employers;
- Build up the required assets in such a way that employer contribution rates are kept as stable as possible, with consideration of the long-term cost efficiency objective; and
- Adopt appropriate measures and approaches to reduce the risk, as far as possible, to the Fund, other employers and ultimately the taxpayer from an employer defaulting on its pension obligations.

Further details are contained in the FSS.

## **Actuary's Statement**

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

### **Asset value and funding level**

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

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

### **Contribution Rates**

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

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

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

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

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

## Assumptions

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

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

Demographic Assumptions	Assumptions used for the 2022 valuation
Post-retirement mortality:	
<i>Base tables</i>	S3PA tables
<i>Projection model</i>	CMI 2021
<i>Long-term rate of improvement</i>	1.25% p.a.
<i>Smoothing parameter</i>	7.0
<i>Initial addition to improvements</i>	0.0% p.a.
<i>2022/21 weighting parameter</i>	0

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

## Updated position since the 2022 valuation

### Assets

In the 12 months to 31 March 2023 the investment return on the Scheme's assets is estimated to have been -2.4% per annum. As the Fund has a positive cash flow the market value of assets at 31 March 2023 are unchanged since the formal valuation.

## Liabilities

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

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

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

## Overall position

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

Barry McKay FFA  
Partner, Barnett Waddingham LLP  
3 May 2023

## Note 18. Actuarial Present Value of Promised Retirement Benefits

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

### **Pension Account Disclosure as at 31 March 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 2023. The calculations take into account current LGPS Regulations, as amended, as at the date of this report.

The LGPS is a defined benefit statutory scheme administered in accordance with the regulations and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as

amended and summarised on the LGPS website here and the Fund's membership booklet.

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

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

## Valuation Data

### Data Used

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

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

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

### Employer Membership Statistics

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

Member Data Summary	Number	Salaries / Pensions £'000	Average Age
Active Members	24,013	397,023	46
Deferred Pensioners	28,653	30,628	49
Pensioners	25,949	85,232	72

## Payroll

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

## Unfunded benefits

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

## Early retirements

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

## Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2023 is calculated to be -2.39% based on the Fund asset statements and cashflows as set out in the data section above. The estimated asset allocation for Lincolnshire Pension Fund as at 31 March 2023 is as follows (noting that due to roundings they may not total 100%):

Asset Breakdown	31 March 2022		31 March 2023	
	£'000	%	£'000	%
Equities	2,192,561	72%	1,689,740	56%
Bonds	384,648	13%	400,202	13%
Property	334,480	11%	228,002	8%
Cash	119,399	4%	96,506	3%
Infrastructure	-	0%	114,236	4%
Absolute Return Fund	-	0%	497,064	16%
	<b>3,031,088</b>	<b>100%</b>	<b>3,025,750</b>	<b>100%</b>

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

## Actuarial methods and assumptions

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



Financial Assumptions	31 March 2021 % p.a.	31 March 2022 % p.a.	31 March 2023 % p.a.
Discount Rate	2.00%	2.60%	4.80%
Pension Increases	2.80%	3.20%	2.85%
Salary Increases	3.10%	3.50%	3.85%

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

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

Post Retirement Mortality	31 March 2022	31 March 2023
Base table	Club Vita tables	S3PA
Multiplier (M/F)	100%	130% / 120%
Future Improvements model	CMI_2020	CMI_2021
Long term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.0	7.0
Initial additional parameter	0.50% p.a. for males, 0.25% p.a. for females	0.0% p.a.
2020 weight parameter	25%	5%
2021 weight parameter	N/A	5%

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

Life Expectancy from age 65 years	31 March 2022	31 March 2023
<b>Retiring Today</b>		
Males	21.2	19.8
Females	23.7	22.9
<b>Retiring in 20 years</b>		
Males	22.1	21.1
Females	25.1	24.4

## Fund Duration

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

## Results

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

<b>Net pension asset in the statement of financial position as at:</b>	<b>31 March 2021</b>	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Present value of the defined benefit obligation	(4,257,607)	(4,227,743)	(2,849,152)
Fair value of Fund assets (bid value)	2,733,384	3,031,088	3,025,750
<b>Net surplus/(liability) in balance sheet</b>	<b>(1,524,223)</b>	<b>(1,196,655)</b>	<b>176,598</b>

The present value of the defined benefit obligation consists of £2,815,139,000 in respect of vested obligation and £34,013,000 in respect of non-vested obligation.

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

## Note 19. Current Assets

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

## Note 20. Current Liabilities

	31 March 2022	31 March 2023
	£'000	£'000
<b>Creditors:</b>		
Contributions - paid in advance	(42)	(34)
Creditors Relating to Members	(1,414)	(734)
Sundry Creditors	(5,868)	(2,459)
<b>Total Current Liabilities</b>	<b>(7,324)</b>	<b>(3,227)</b>

## Note 21. Additional Voluntary Contributions

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

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

## Note 22. Related Party Transactions

### Lincolnshire County Council

The Lincolnshire Pension Fund is administered by Lincolnshire County Council. During the reporting period, the council incurred costs of £0.267m (£0.258m in 2021/22) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of members of the Pension Fund and contributed £46.164m (£41.404m in 2021/22) to the Fund in 2022/23. All monies owing to and due from the Fund were paid in year.

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

## Pensions Committee

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

## Border to Coast Pensions Partnership

Lincolnshire Pension Fund is a minority shareholder in Border to Coast Pensions Partnership. It holds a £1 A share which gives the Fund one vote. The Fund also holds £1.182m (£1.182m in 2021/22) of regulatory share capital (B shares). These are included within long term investments in the net asset statement. At 31 March 2023 the Fund had invested in four sub-funds managed by Border to Coast Pensions Partnership: Global Equity Alpha, UK Listed Equities, Investment Grade Credit and Multi-Asset Credit (details shown in Note 12). During 2022/23 the Fund paid Border to Coast £4.126m (£3.421m in 2021/22) to manage these assets and the company.

## Note 23. Key Management Personnel

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

## Note 24. Contingent Liabilities and Contractual Commitments

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

## Note 25. Contingent Assets

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

## Note 26. Events After the Balance Sheet Date

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

## Glossary of Terms

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

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

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

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

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

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

**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.

**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) scheme from 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. Pensions liabilities are the pension 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.