

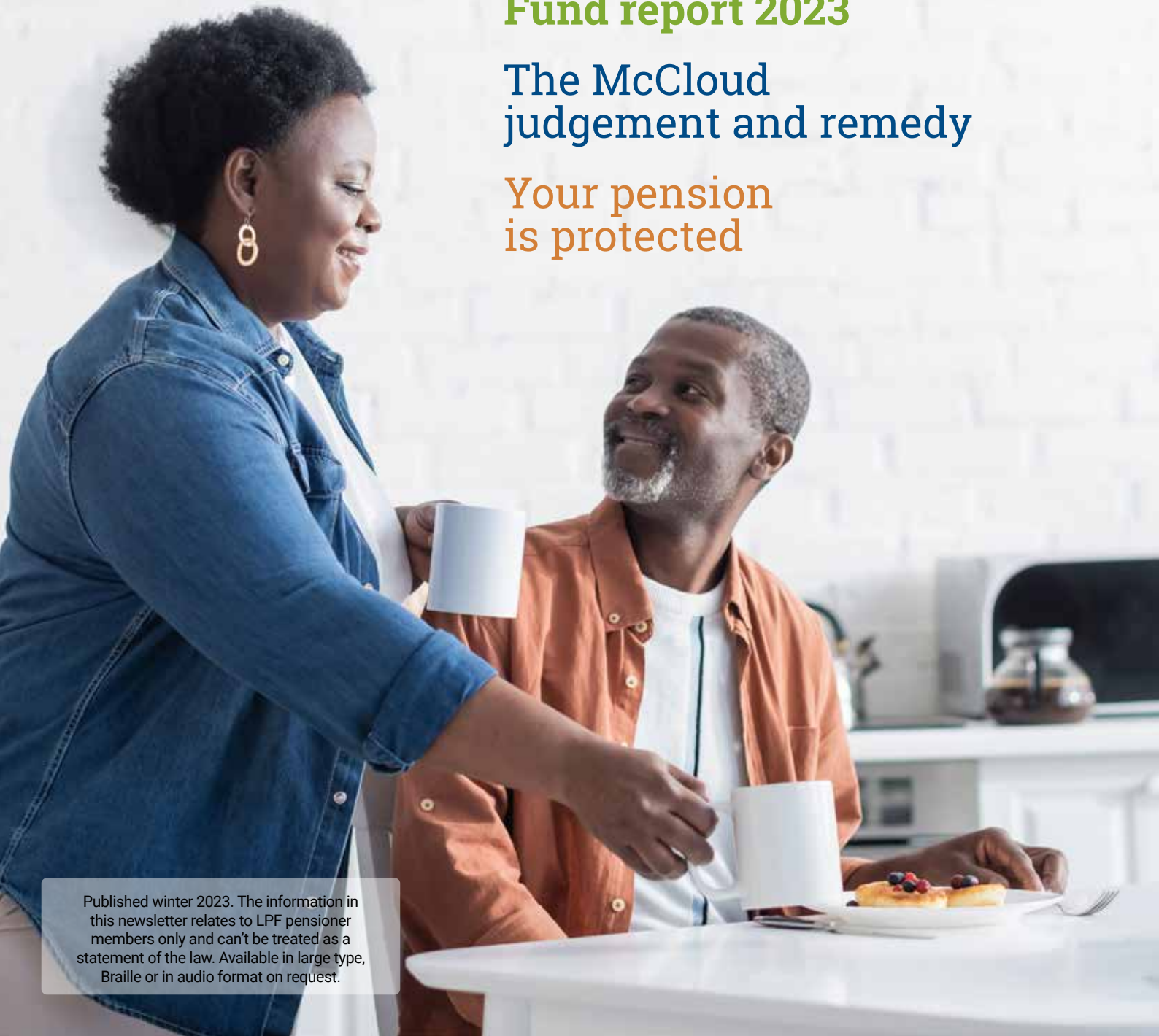
Pension

WINTER 2023 • PENSIONER MEMBER NEWSLETTER

Fund report 2023

The McCloud
judgement and remedy

Your pension
is protected



Lincolnshire fund report 2023



Introduction by Jo Kempton, Head of Pensions, LPF

At the end of 2022/23, the value of the Fund was £3.1 billion – a small decrease of £10.6 million from the previous year.

Our Pensions Committee worked hard over the year, and details of the meeting agendas and attendance can be found in the main report. The Pension Board continued to provide oversight of the governance of the Fund and of the administration function, and concluded that the Fund remained well run, as set out in the Annual Report of the Local Pension Board. Our shared service administration provider, West Yorkshire Pension Fund (WYPF), maintained its usual high level of service to scheme members and employers in the Fund, and paid over £114 million in pension benefits over the year.

The government's requirement for local government pension funds to pool assets has continued to keep us very busy, with Lincolnshire working closely with the other ten Partner Funds within Border to Coast Pensions Partnership Ltd. The Company has continued to grow as the Partner Funds have transferred assets, with £28.3bn of assets under management across nine collective investment vehicles and a further £12billion of Private Markets commitments as at 31 March 2023. LPF has transferred £1.59billion, or 52.6% of the Lincolnshire Pension Fund's assets across to the management of Border to Coast.

Stewardship and responsible investment are an integral part of the Fund's investment strategy and decision making, and the Fund works closely with Border to Coast to ensure that it invests in a sustainable way. Through Border to Coast, and also in its membership with the Local Authority Pension Fund Forum (LAPFF), the Fund engages with companies on key environmental, social and governance issues, such as carbon reduction, executive pay, human rights and fair accounting. We were again successful in meeting the requirements of the Financial Reporting Council (FRC) in submitting our Stewardship Code Statement for 2021/22, which can be found on our website at Lincolnshire pension fund Stewardship code 2021–22.

The Fund is always keen to hear its members' views on stewardship and responsible investment, or on any other matters about the pension fund, so please contact us at LGPSpensions@lincolnshire.gov.uk with any comments you may have. Please note – this email address is NOT for any pension benefit queries – please use the normal contact email of pensions@wypf.org.uk.

This summary gives a flavour of our full Annual Report and Accounts, which will be published on our website at [Lincolnshire pension fund – reports and accounts – Lincolnshire County Council](#). Please do take a look, and let me have any feedback.

Fund account

Draft fund account for the year ended 31 March 2023*

Opening assets of the fund at 1 April 2022	£3,070.9m
Investment return and income	
• Return on investments	(£42.7m)
• Investment income	£15.2m
Dealing with members	
• Benefits paid (including transfers out and refunds of £8.7m)	(£114.5m)
• Contributions (including transfers in of £10.0m)	£145.2m
Management expenses (including administration, manager fees and governance)	(£13.7m)
Closing net assets of the fund at 31 March 2023	£3,060.3m
Closing assets made up of	
• Total net investments	£3,034.8m
• Net current assets (debtors, creditors and cash)	£25.5m
Total closing assets of Lincolnshire Pension Fund at 31 March 2023	£3,060.3m

*Accounts awaiting auditor's opinion at the time of publishing

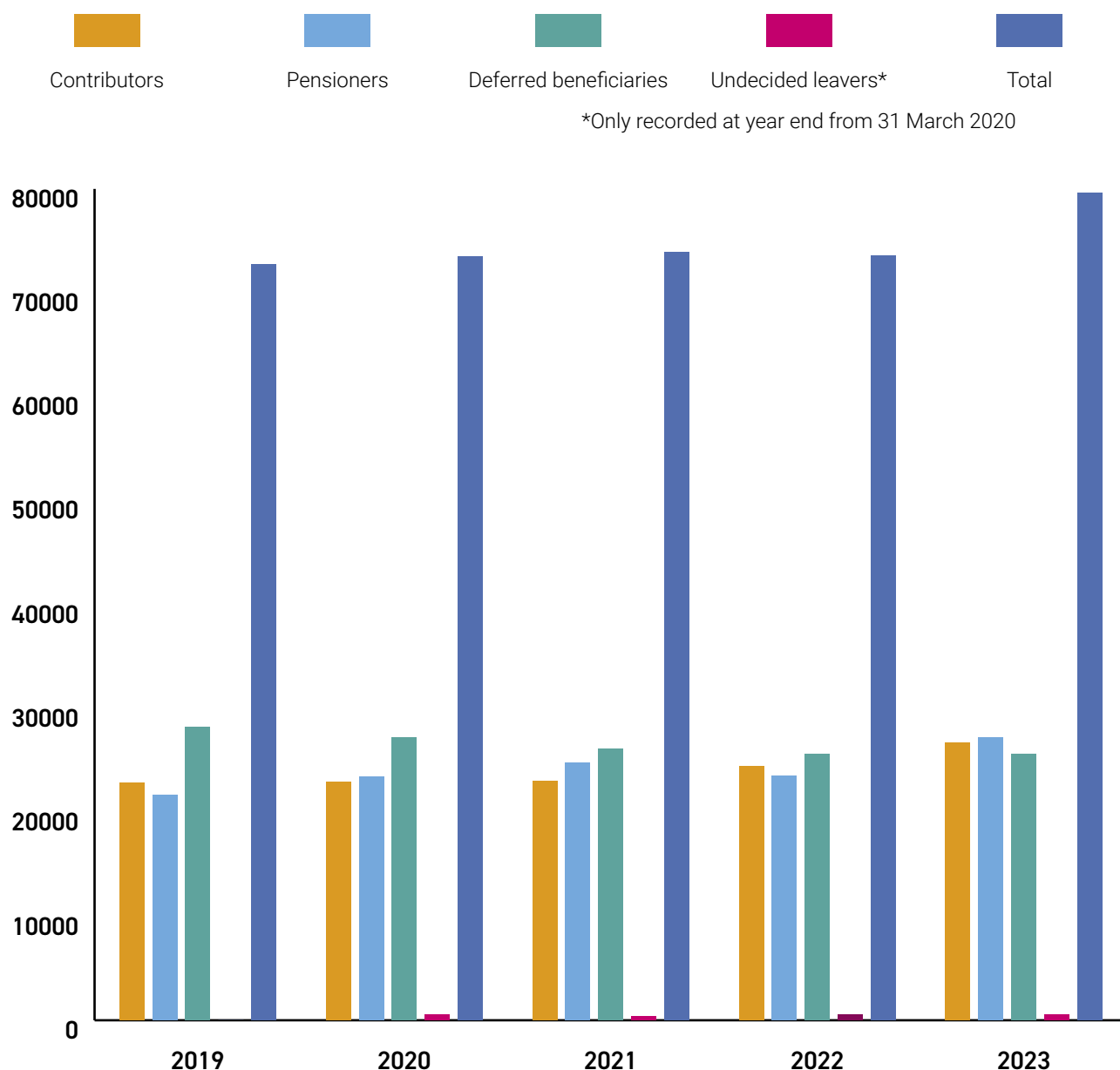
Ten biggest investments in the fund at 31 March 2023

	Market Value £m	Proportion of fund %
Border to Coast Global Equity Alpha Fund	763.8	25
Legal and General Future World Fund	463.9	15.2
Border to Coast UK Listed Equity Fund	462.1	15.1
Morgan Stanley Alternative Investments	466.6	15.2
Border to Coast Investment Grade Credit Fund	219.3	7.2
Border to Coast Multi-Asset Credit Fund	146.2	4.8
Abrdn Property Fund	66.6	2.2
Blackrock Aquila Corporate Bond Fund	61.0	2.0
Abrdn European Property Growth Fund	45.5	1.5
Blackrock Aquila Life >5 Year ILG Fund	39.2	1.3
	2,734.2	89.5

LGPS membership

There were 79,573 members and beneficiaries (plus 524 undecided leavers) and 256 contributing employers at 31 March 2023. The Fund is reasonably mature, with pensioner and deferred members (those no longer in the Scheme but will be entitled to a pension at some point in the future) making up 66.5% of the overall membership.

Membership trends over a five-year period



Performance

The overall investment return of -0.77% was ahead the Fund's specific benchmark return of -0.96% . Over the last ten years, the Fund's annualised investment performance of 7.48% is slightly ahead of the benchmark return of 7.45% .

Actual investment performance against the Fund's strategic benchmark performance is set out in the table below. The longer-term return is well ahead of the long-term required return of 4.0% , set by the Fund's Actuary (as per the March 2022 Triennial valuation).

Period	Fund return	Benchmark return
1 year	(0.8)	(1.0)
3 years annualised	10.7	9.7
5 years annualised	6.7	6.5
10 years annualised	7.5	7.5

Investment management arrangements

The Fund invests in a number of asset classes by means of collective investment vehicles, also known as pooled funds.

Pooled funds

Asset Class	Manager	Market value £m	% of the fund
Fixed Interest	Blackrock	124.9	4.1
	Border to Coast	219.3	7.2
	Total Fixed Interest	344.2	11.3
UK Equities	Border to Coast	462.1	15.1
Global Equities	Border to Coast	763.8	25.0
	Legal and General	463.9	15.2
	Total Equities	1,689.8	55.3
Property	ABRDN	112.1	3.7
	Allianz	23.5	0.8
	Aviva	9.3	0.3
	Blackrock	39.1	1.3
	Franklin Templeton	0.2	0.0
	Hearthstone	17.2	0.6
	Igloo	0.2	0.0
	Royal London	25.5	0.8
	Total UK Property	227.1	7.5
Infrastructure	Infracapital	16.8	0.6
	Innisfree	36.4	1.2
	Pantheon	15.2	0.5
	Total Infrastructure	68.4	2.3
Private Equity	Abrdn	1.7	0.1
	Capital Dynamics	0.1	0.0
	Pantheon	4.3	0.1
	Total Private Equity (legacy)	6.1	0.2
Alternatives	Morgan Stanley	466.6	15.2
Multi Asset Credit	PIMCO	146.2	4.8
Total Pooled Vehicles		2,948.4	96.5



The McCloud judgement and remedy

The Court of Appeal 'McCloud' judgment on age discrimination we've reported on before means changes to the Local Government Pension Scheme (LGPS) are needed. The changes, effective from 1 October 2023, are called the **McCloud remedy** and remove the age discrimination found in the court case.

Most pensioner members are unaffected by the changes and even those affected will see either no increase to their pension or just a small change. Pensions will not go down.

You may be affected if:

- you were paying into the LGPS or another public service pension scheme before 1 April 2012
- you were paying into the LGPS between 1 April 2014 and 31 March 2022, and
- you have been a member of a public service pension scheme without a continuous break of more than five years.

Background

In 2014, the LGPS changed from a final salary scheme to a career average scheme – a pension that builds up based on what you earn each year. Older members who were closer to retirement were protected from the changes by comparing the pension from their career average scheme with the pension they would have built up in the final salary scheme. The member received the higher amount on retirement. This protection is called the **underpin**.

To remove the McCloud age discrimination, qualifying younger members will now receive underpin protection too. But underpin protection only applies to pensions built up between 1 April 2014 and 31 March 2022, or sooner if you left the LGPS or reached your final salary normal retirement age (usually 65) before 31 March 2022.

From 1 April 2022, there is no underpin protection. Pensions built up after this date are based on the career average scheme only.

What do I need to do?

You don't need to do anything and there's nothing we can tell you yet about how this might affect your pension.

Will my pension increase?

Most members won't see an increase because the pension they built up in the career average scheme is higher than the pension they would have built up in the final salary scheme. If there is an increase, it is likely to be a small increase and we will contact you to tell you – **please take no action now.**

For more comprehensive information about the judgement and who the changes are likely to affect, visit the McCloud section of the national LGPS website on www.lgpsmember.org/McCloud-Remedy



It's time to go online

View your pension record and your monthly pay advices with our online My Pension service.

Register today at www.wypf.org.uk/register



Moving house? Death grants in retirement

If you move house, we need to know your new address – not only to keep your records up to date but to make sure personal or sensitive information going to your old address doesn't put you at risk of identity fraud. So when you move, please let us know your new address as soon as you can.

Privacy and your data

How we use data we hold about you:
www.wypf.org.uk/privacy

You may have nominated somebody to get your death grant when you were working, but you can do it in retirement too – as long as you are under age 75 and left employment on or after 1 April 2008.

A death grant is a one-off tax-free lump sum on top of any pension due to your husband, wife, partner or children if you die. Conditions apply depending on when you retired and the options you chose, but the grant is usually ten times your yearly pension less any

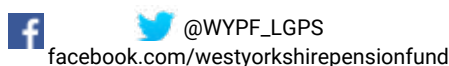
pension already paid (only up to age 75). It's up to you to decide who gets your death grant and if you nominate it can help those you leave behind avoid paying inheritance tax.

For more information about death benefits in retirement visit www.wypf.org.uk/deathbenefits

If you would like to make a nomination, or change one you've already made, you can download a form at www.wypf.org.uk/deathgrant

Your LGPS pension is protected

In an uncertain world it's reassuring to know that your future pension is fully protected and unaffected by market changes. We are part of the LGPS, the Local Government Pension Scheme, a **defined benefit** scheme in which benefits are set out in law and therefore fully protected from the impact of short-term market instability. Like all LGPS pension funds we are diversified long-term investors, securely managed to protect our members' pensions from short-term fluctuations in market values. You can be assured that the pension you are receiving is safe and sound.



Contact us

Phone 01274 434999

Monday to Friday 8.45am
to 4.30pm

Email pensions@wypf.org.uk

Our postal address is PO Box
67 Bradford BD1 1UP

If you'd like to visit us in Lincoln,
please call first to make an
appointment.