

Annual Report
and Accounts

For the Year Ended 31st March

2010

**Pension
Fund**

LINCOLNSHIRE COUNTY COUNCIL
LOCAL GOVERNMENT PENSION SCHEME
ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2010

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MANAGEMENT ARRANGEMENTS

Administering Authority Lincolnshire County Council

Pensions Committee Members at 31 March 2010

County Councillors

C Farrar (Chairman)

E R Chapman

C Brewis

D R Dickinson

Mrs C Farquharson

N I Jackson

J R Marriott

R J Phillips

P S Przyszlak

E W Strengiel

J M Swanson

A H Turner

Mrs P F Watson (Vice-Chairman)

R Wootten

B Young

Lincolnshire Local Government Association

Cllr M Leaning

Cllr R Lenton

Representatives of Other Employers

M J Scott

Trade Union Representative

J Sharman

Professional Advisors

County Council Officers

Director of Resources

P Moore BA CPFA

Assistant Director of Resources

D C Forbes BSc CPFA

Independent Advisor

N Dunford

Consulting Actuary

Hymans Robertson, Glasgow

Voting Advisor

Manifest Voting Agency

Investment Managers of Segregated Portfolios

Invesco

Alliance Bernstein

Martin Currie

Aviva

Threadneedle

Auditors

Audit Commission

Investment Custodian

JP Morgan Securities Services

REPORT OF THE PENSIONS COMMITTEE

Introduction

The Pensions Committee of Lincolnshire County Council approves the investment policy of the Fund and monitors its implementation during the year. The Committee meets, as a minimum, on a quarterly basis and special meetings are convened if considered necessary.

Members of the Committee as at 31st March 2010 are listed on page 2.

All members of the Committee can exercise voting rights.

Corporate Governance and Social Responsibility

The Fund complies with corporate governance best practice by voting its shareholdings at all UK and some overseas company meetings. The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF), an organisation that monitors the governance of UK companies. The LAPFF seeks to protect and enhance shareholder returns by engaging with companies on a wide range of social, environmental and governance issues.

Investment Performance

After the downturn of the previous year, the 12 months to 31st March 2010 provided a significant contrast. Although many economies are still mired in difficulty, especially in the developed world, stockmarkets reacted positively to renewed growth in the overall global economy. All equity markets rose steadily, with gains between +64.8% for Far Eastern Equities, and +27.6% for Japanese Equities. The Fund's annualised performance over 3, 5 and 10 years is 0.3%, 6.1% and 2.9% respectively.

Performance over the year, at +29.7%, was below the specific benchmark return of 36.7%, producing a relative under performance of 5.1%. This was split between -3.1% as a result of the asset allocation and -2.1% to stock selection. The Fund was impacted by being underweight UK Equities and overweight Fixed Interest at an asset allocation level. Private Equity was the main detractor in stock selection, contributing -3% to performance, more than offsetting the positive stock selection within Fixed Interest of +2.4%.

Manager Arrangements

During the year, a number of changes were agreed to the strategic asset allocation of the Pension Fund. Following a liability modelling exercise, carried out by the Funds Investment Consultant Hymans Robertson, it was agreed to reduce the exposure to UK equities, increase the exposure to global equities, reduce the fixed interest allocation and increase the allocation to alternative investments.

JLT was appointed to manage a tender exercise to appoint new global equity managers in September 2009. This resulted in Neptune and Schroders being appointed in February 2010, with their mandates being funded in April 2010.

Hymans Robertson was appointed to manage a tender exercise for an absolute return bond manager in October 2009. The Pensions Committee manager selection meeting was held in April 2010, where Goodhart were appointed. Their mandate was funded in July 2010.

A passive bond manager selection exercise was also carried out in March 2010 and Blackrock were appointed. Their mandate was funded in July 2010.

For the final change to the asset allocation, JLT was appointed in March 2010 to manage a tender exercise to appoint an Alternative Investment manager, covering areas such as hedge funds, commodities, currency and private equity. It is expected that a manager will be appointed by the end of 2010.

**Fund Governance and Communication
Statements and the Statement of
Investment Principles**

The Fund's investments are managed in accordance with the Statement of Investment Principles (SIP).

The Fund's SIP, Governance Compliance Statement, Communications Policy and Funding Strategy statements are all published on the County Council Website.

These documents and other related publications can be downloaded at www.lincolnshire.gov.uk or by following this link: [Finances | Lincolnshire County Council](#).

Hard copies of any of these statements may be obtained from Jo Ray, Financial Advisor – Pensions & Investments, Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL (Tel: 01522 553656) (email: jo.ray@lincolnshire.gov.uk).

Chris Farrar

CHAIRMAN

PENSIONS COMMITTEE

MANAGEMENT REPORT OF THE ADMINISTERING AUTHORITY

The Local Government Pension Scheme (LGPS) is a national scheme administered on a local basis by Lincolnshire County Council, providing current and future benefits for over 56,000 scheme members.

Local Government Pension Scheme membership

Year ended 31 March	2006	2007	2008	2009	2010
Contributors	20,442	20,096	20,221	20,320	20,130
Pensioners	10,426	10,890	11,565	12,130	13,021
Deferred Beneficiaries	12,472	15,213	17,831	19,749	22,930
Total	43,340	46,199	49,617	52,199	56,081

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

Investment policy

The Fund is managed with regard to a strategic asset allocation benchmark. The actual allocation at any point in time reflects the decisions and views of the Fund's investment managers.

Strategic Asset Allocation Benchmark

Asset class	Strategic Benchmark 31 March 2010 %	Actual Asset Allocation 31 March 2010 %
UK Equities	32.5	28.8
Global Equities	30.9	31.8
Emerging markets	1.6	1.8
Private Equity	5.0	7.0
Total Equities	70.0	69.4
Index Linked Gilts	5.0	5.1
Overseas Fixed Interest	1.5	1.7
UK Conventional Gilts	2.0	4.0
UK Corporate Bonds	10.0	7.1
Total Fixed Interest	18.5	17.9
Property	11.5	11.4
Cash	0.0	1.3
Total	100	100

Investment performance

The twelve months period ended 31 March 2010 saw the value of the Fund increase by £293.3m to £1,203.4m. The investment return of 29.7% was behind of the Fund's specific benchmark return of 36.7%. Over the last ten years, the Fund's annualised investment performance of 2.9% is slightly behind the benchmark return of 3.0%.

The largest impact on the annual return was the 5% allocation to Private Equity, which fell 2.1%, but is measured against a long term benchmark of world equities, which rose 44.8%. Due to the time-lag in Private Equity valuations and the long term nature of the investment, this can mean that there is often a dislocation between shorter term comparisons with the benchmark performance. If Private Equity performance is removed from the overall annual returns, the Fund returned +32.7% against the benchmark return of +36.9%. The impact of being underweight UK equities in a rising market, and overweight Fixed Interest, which although positive still performed relatively worse than equities, still produced an overall under performance against the benchmark.

Annual investment performance over the previous ten years is set out in the table below. The Fund's annual return of +29.7% compares to a rise in retail prices of +4.4% and increase in public sector earnings of +4.0%.

Investment Performance of the Fund 1 April 2000 to 31 March 2010

	Lincolnshire Fund Return	Comparative Benchmark Return	Retail Price Inflation	Public Sector Increase in earnings
	%	%	%	%
2000/01	-8.0	-9.3	2.3	4.4
2001/02	-0.8	-1.2	1.3	4.4
2002/03	-19.3	-22.3	3.1	5.0
2003/04	21.0	23.9	2.6	4.6
2004/05	11.0	11.9	3.2	4.3
2005/06	24.4	24.1	2.4	4.4
2006/07	6.9	6.5	4.8	3.1
2007/08	-4.4	-3.3	3.8	3.7
2008/09	-18.6	-20.0	-0.4	3.4
2009/10	29.7	36.7	4.4	4.0
10 years annualised	2.9	3.0	2.7	4.1

Investment Management Arrangements

The arrangements for segregated management of the Fund's assets, in place at 31 March 2010, are set out below. Portfolio values include cash and cash equivalents at the balance sheet date.

Segregated Investment Management Mandates

Asset Class	Manager	Portfolio Market value £m's	Portfolio as a % of the Fund %
Fixed Interest	Aviva	179.1	14.9
Fixed Interest	Lincolnshire County Council	36.6	3.0
	Fixed Interest	215.7	17.9
UK Equities	Lincolnshire County Council	186.5	15.5
UK Equities	Martin Currie	114.8	9.5
UK Equities	New Star (terminated Dec 2008)	41.4	3.4
Global Equities – All Countries	Alliance Bernstein	104.9	8.7
Global Equities - (Ex UK)	Invesco	207.3	17.2
Global Equities - All Countries	Threadneedle	66.8	5.6
	Equities	721.7	59.9

The Fund invests in Emerging Equity Markets, Property and Private Equity by means of collective investment funds.

Property, Private Equity and Emerging Markets Collective Investment Vehicles

Asset Class	Manager	Market value of holding £m's	Holding as a % of the Fund %
Property	Franklin Templeton	10.9	0.9
	Igloo	6.9	0.6
	Innisfree	12.3	1.0
	Morley	20.2	1.7
	Royal London	13.0	1.1
	RReef UK	23.3	1.9
	Standard Life	49.3	4.1
	Total UK Property	135.9	11.3
Emerging Markets	Pictet	21.9	1.7
	Total Emerging Markets	21.9	1.7
Private Equity	Capital Dynamics	18.4	1.5
	Pantheon	35.0	2.9
	Standard Life	15.5	1.3
	TCW	13.9	1.2
	Total Private Equity	82.8	6.9

Actuarial Position

The employers' contribution rates applying in the year ended 31 March 2010, for employers with more than 100 employees participating in the LGPS, are set out below.

Employers' Contribution Rates 2009/2010

Employer	Rate as a % of pay
Lincolnshire County Council	18.9
Boston Borough Council	23.2
East Lindsey District Council	20.2
Lincoln City Council	23.3
North Kesteven District Council	21.0
South Holland District Council	20.9
South Kesteven District Council	21.1
West Lindsey District Council	14.1
Lincolnshire Police Authority	15.7
Lincolnshire Probation and After Care Committee	18.3
Boston College	23.2
Lincoln College	16.1
Stamford College	16.1
New Linx Housing Trust	20.3
Bishop Grosseteste College	19.1

(West Lindsey District Council pay additional lump sum contributions, which are not expressed as a percentage of payroll)

Administration of Benefits

Lincolnshire County Council has contracted with Mouchel to administer LGPS benefits and other services.

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

Investments Jo Ray, Financial Advisor – Pensions & Investments
Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL.
Tel: 01522 553656
Email : jo.ray@lincolnshire.gov.uk

Pensions David Vickers, Pensions Manager
Mouchel, Mill House, Brayford Wharf North, Lincoln, LN1 1YT
Tel: 01522 836462
Email: dave.vickers@mouchel-lincoln.com

P Moore BA CPFA
Executive Director of Resources and Community Safety

**LINCOLNSHIRE COUNTY COUNCIL PENSION FUND ACCOUNT & NET ASSETS
STATEMENT FOR THE YEAR ENDED 31 MARCH 2010**

	See Note	2009/10 £000	2008/09 £000
Contributions and Benefits			
Contributions Receivable	4	82,384	77,176
Transfers in	5	15,728	7,783
		98,112	84,959
Benefits Payable	6	59,998	53,593
Leavers	7	10,630	5,164
Administrative expenses	8	1,022	1,190
		71,650	59,947
Net additions from dealings with fund members			
		26,462	25,012
Returns on Investments			
Investment Income	9	28,808	33,058
Profit (Loss) on Forward Deals and Currency Exchange	10	-1,876	-10,277
Change in Market Value of Investments	11	243,225	-242,269
Investment management expenses	8	-3,315	-3,649
Net returns on investments		266,842	-223,137
Net change in the Fund during the year		293,304	-198,125
Opening net assets of the Fund		910,063	1,108,188
Closing net assets of the Fund		1,203,367	910,063

Net Assets Statement as at 31 March 2010

Investments

Fixed Interest Securities		150,664	129,686
Equities		712,573	488,435
Index Linked Securities		61,252	55,911
Pooled Investments		240,632	213,152
Cash Deposits		13,931	8,345
Other Investment Balances	12	794	1,616
		1,179,846	897,145

Current Assets and Liabilities

Cash Balances	13	16,657	9,294
Current Assets - Debtors		9,024	5,715
Current Liabilities - Creditors		-2,160	-2,091
		23,521	12,918

Net Assets of the Fund at 31 March 2010

910,063	1,203,367
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Notes to the Pension Fund Account

1 Pension Fund Account

The Pension Fund is administered by the County Council on behalf of their own employees (except teachers), the District Councils and other bodies in the County. There were 20,130 contributors to the Fund at 31 March 2010 and 13,021 individuals were in receipt of pensions.

Basis of Preparation

The Financial Statements have been prepared in accordance with the main recommendations of the Statement of Recommended Practice (Financial Reports of Pension Schemes) and follow the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy.

The Financial Statements do not take into account liabilities to pay pensions and other benefits after the period end. These liabilities are dealt with through the periodic actuarial valuations of the Fund and are reflected in the levels of employers' contributions determined by these valuations.

2 Actuarial Valuation

An actuarial valuation of the Fund undertaken as at 31 March 2007 indicated that the Fund's assets were £1,145.5m and covered 86% of the Funds liabilities. This compared with assets of £746.7m at the valuation as at 31 March 2004, which covered 79% of the Fund's liabilities. Since the valuation however, equity markets have fallen considerably. The changes in the economic factors have been extremely detrimental in terms of their effect on the funding level. The main actuarial assumptions for the 2007 valuation were as follows:

	Nominal % Per Annum	Real % Per Annum
Investment Return		
- Equities	6.1%	2.9%
- Bonds	4.5%	1.3%
Rate of Pensionable pay inflation	4.7%	1.5%
Rate of Price inflation	3.2%	

The Fund is valued using the projected unit method, which is consistent with the aim of achieving a 100% funding level. The changes in contribution rates resulting from the actuarial valuation as at 31 March 2007 were effective from April 2008. The contribution rates have been set by the Actuary to target a funding level, for most employers, on an ongoing basis of 100% over a period of 20 years. The next actuarial valuation will be undertaken as at 31 March 2010.

3 Pension Fund Investments 2009/10

Surplus funds are invested in a wide variety of UK and overseas companies and Government Securities in line with a Statement of Investment Principles. The assets are managed in a number of active and passive investment portfolios. Investment performance is monitored by the Pensions Committee of the County Council.

Fund Manager	31/03/2010		31/03/2009	
	£m	%	£m	%
EXTERNALLY MANAGED				
Alliance Bernstein	105	8	73	8
Threadneedle	67	5	47	5
Invesco	207	16	144	16
New Star	41	3	30	3
Martin Currie	115	9	79	9
Aviva	179	17	152	17
INTERNALLY MANAGED				
UK Index Linked Gilts	37	4	34	4
Pooled Investments	242	24	215	24
UK Equity	186	14	121	13

The Pension Fund Statement of Recommended Practice was amended with effect from 2008/09 to require that managers report valuations at closing prices (either bid or last traded), rather than mid prices that had previously been used. The managers within the Pension Fund have reported their year end valuations at either bid or last traded, as detailed in the table below.

Fund Manager	Valuation Pricing
EXTERNALLY MANAGED	
Alliance Bernstein	Last Traded
Threadneedle	Bid
Invesco	Bid
New Star	Last Traded
Martin Currie	Last Traded
Aviva	Bid
INTERNALLY MANAGED	
UK Index Linked Gilts	Last Traded
Pooled Investments	Bid/Fair Value
UK Equity	Last Traded

The Fund lends stock to third parties under a stock lending agreement with the Fund's custodian, JP Morgan. The total amount of stock on loan at the year-end was £8,175,360, made up of £2,102,545 of equities and £6,072,815 of fixed interest stock and this value is included in the net assets statement to reflect the Funds continuing economic interest in the securities on loan. As security for the stocks on loan, the Fund was in receipt of collateral at the year end valued of £8,458,641, which represented 103.5% of the value of securities on loan.

Income before costs received from stock lending activities was £256,544 for the year ending 31 March 2010 and is included within the 'Investment Income' figure detailed on the Pension Fund Account.

4 Contributions receivable

	2009/10	2008/09
	£000	£000
Employers		
Normal	46,237	43,442
Deficit Funding	13,606	12,893
Additional - Augmentation	2,516	2,037
Members		
Normal	19,701	18,496
Additional - Voluntary	324	308
	82,384	77,176

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

	2009/10	2008/09
	£000	£000
Lincolnshire County Council	47,833	44,823
Scheduled Bodies	31,383	29,348
Admitted Bodies	3,168	3,005
	82,384	77,176

5 Transfers In

During the year individual transfers in from other schemes amounted to £15.728m (£7.783m in 2008/09). This included two bulk transfers. The first was a transfer for £1.3m from the Nottinghamshire County Council Pension Fund, as a result of Newark College merging with Lincoln College. The second was a transfer of £2.0m from the Greater Manchester Pension Fund, as Connexions staff transferred to Lincolnshire County Council.

There were no material outstanding transfers due to or from the Pension as at 31 March 2010.

6 Benefits payable

	2009/10	2008/09
	£000	£000
Pensions	46,212	42,846
Commutations and Lump Sum Retirement Benefits	11,932	9,900
Lump Sum Death Benefits	1,854	847
	59,998	53,593

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

	2009/10	2008/09
	£000	£000
Lincolnshire County Council	32,989	29,919
Scheduled Bodies	25,221	22,514
Admitted Bodies	1,788	1,160
	59,998	53,593

7 Payments to and on account of leavers

	2009/10	2008/09
	£000	£000
Individual transfers to other schemes	10,657	5,146
Refunds to members leaving service	-27	18
	10,630	5,164

8 Administrative and Investment Management Expenses

The Local Government Pension Scheme Regulations permit costs incurred in connection with the management of the investments and benefit administration to be charged against the Fund. Breakdowns of these costs are set out below:

	2009/10	2008/09
	£000	£000
Benefit Administration Expenses	943	1052
Actuarial & other Professional Charges	79	138
Administrative expenses	1,022	1,190
Investment, Management & Custody	3,229	3,616
Performance Measurement and Other Advisory Charges	86	33
Investment Management expenses	3,315	3,649

9 Investment Income

	2009/10 £000	2008/09 £000
Fixed Interest Securities	7,667	7,850
Equities	18,573	21,271
Index Linked Securities	1,042	1,075
Pooled Investments	1,060	1,805
Cash deposits	200	722
Stock Lending	257	327
Underwriting / Commission Recapture	9	7
	28,808	33,058

10 Profit (Loss) on Forward Deals and Currency Exchange

The profit or loss from any forward deals and from currency exchange is a result of the normal trading of the Fund's managers who manage multi currency portfolios. It also includes the unrealised loss of £3.9m (loss of £4.3m in 2008/09) from the Fund's two currency overlay managers, who each overlay half of the value of the Global Equity ex UK portfolio managed by Invesco. This reduces the overall currency exposure risk to the Fund.

11 Investments

	Value at 31/03/2009 £000	Purchases at Cost £000	Sale Proceeds £000	Change in Market Value £000	Value at 31/03/2010 £000
Fixed Interest Securities	129,686	260,197	253,366	14,148	150,664
Equities	488,435	268,354	257,237	213,021	712,573
Index Linked Securities	55,911	36,076	35,637	4,902	61,252
Pooled Investments	213,152	19,198	2,873	11,154	240,632
	887,184	583,825	549,113	243,225	1,165,121
Cash Deposits	8,345				13,931
Outstanding dividend entitlements and recoverable withholding tax	1,616				794
Current Assets & Liabilities	12,918				23,521
	910,063	583,825	549,113	243,225	1,203,367

Transaction costs are included in the cost of purchases and sales proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £762,196 (£825,553 in 2008/09). In addition to the transaction costs disclosed above, indirect costs

are incurred through the bid-offer spread on investments. The amount of indirect costs is not separately provided to the scheme.

A further analysis of the market value of investments is given below:

	31/03/2010		31/03/2009	
	£000	%	£000	%
Listed Investments				
Fixed Interest Securities:				
UK Public Sector Quoted	48,109	4	52,211	6
UK Quoted	82,157	7	62,762	7
Overseas Public Sector Quoted	20,398	2	14,713	2
	150,664	13	129,686	15
Equities:				
UK Quoted	360,140	31	242,685	27
Overseas Quoted	352,433	30	245,750	27
	712,573	61	488,435	54
Index Linked:				
UK Public Sector	60,221	5	52,907	6
Other	1,031	0	3,004	0
	61,252	5	55,911	6
Unlisted Investments				
Pooled Investments:				
UK Pooled	117,037	10	101,666	11
Overseas Pooled	123,595	10	111,486	13
	240,632	20	213,152	24
Cash:				
Short Term Loans/External Deposits	13,931	1	8,345	1
Total	1,179,052	100	895,529	100

An analysis of the pooled investment vehicles is given below:

		2009/10	2008/09
		£000	£000
Emerging Markets			
	Unit Trusts	21,923	12,850
Property			
	Unit Trusts	90,522	79,995
	Other managed funds	45,407	42,533
Private Equity			
	Other managed funds	82,780	77,774
Total Pooled Vehicles		240,632	213,152

12 Other Investment Balances

	2009/10	2008/09
	£000	£000
Dividends Receivable	2,450	2,253
Bond Accrued Income	3,065	2,791
Recoverable Tax	387	452
Outstanding Foreign Exchange	-3,859	-4594
Unsettled Trades – Purchases	-3,425	-1,218
– Sales	2,176	1,932
	794	1,616

13 Current Assets and Liabilities

Debtors are recorded in the accounts where income due to the Pension Fund, for example from sales of investments or dividend payments, has not actually been received. Debtors include a figure of £4,663,147 for contributions due from employers (2008/09 £2,924,957). Similarly, creditors are recorded where services supplied to the Pension Fund, or purchases of investments have been made by 31 March, but payment is not made until the following financial year.

14 Contractual Commitments

Investment commitments have been made to a number of pooled investment vehicles that make private equity or property investments. At the year end the value of outstanding commitments to 24 investment vehicles amounted to £84,338,466.

15 Additional Voluntary Contributions

Scheme members may make additional contributions to enhance their pension benefits. All Additional Voluntary Contributions (AVC) are invested in a range of investment funds managed by the Prudential plc. At the year end, the value of AVC investments amounted to £8,728,730 and member contributions of £837,264 were received by the Prudential in the year to 31st March. The value of AVC funds and contributions received in the year are not included in the Fund Account and Net Assets Statement.

AVC Fund	With Profits Fund	Deposit Fund	Unit Linked Fund	Total
Opening Value 31/3/09	7,762,476	478,592	308,679	8,549,747
Income				
Contributions	550,963	179,229	95,209	825,401
Transfers In	67,722	7,939	14,692	90,353
Interest & Bonuses	340,269	2,640		342,909
Expenditure				
Benefits	(916,182)	(46,682)	(54,231)	(1,017,095)
Transfers Out	(143,263)	(24,861)	(4,831)	(172,955)

Charges			(2,793)	(2,793)
Market Movement			113,163	113,163
Closing Value 31/3/10	7,661,985	596,857	469,888	8,728,730

16 Dividend Tax Claims

During the financial year 2006/07, the County Council lodged a number of claims with HM Revenue and Customs for the recovery of dividend tax credits relating to earlier years. The total value of the claims is £793,498 and relates to both Foreign Income Dividends paid by UK companies and certain dividends paid by overseas companies. The claims are based on interpretations of European Union law and a number of recent relevant judgements. The County Council is participating with other pension funds in progressing a legal test case to support the claims.

During this financial year, the County Council also lodged a claim with HM Revenue and Customs for the recovery of withholding tax suffered on manufactured overseas dividends. This is a tax imposed on overseas dividends due to the Pension Fund when the stock is on loan to another party, through the stock lending service provided by the Fund's custodian, JP Morgan. The value of the claim is approximately £621,000 and relates to the periods from 2004/05 to 2008/09. As with the tax claim detailed in the paragraph above, the County Council is participating with other pension funds in progressing a legal test case to support the claims.

It is expected that resolution of the both of these claims will take a number of years and, if unsuccessful, the Fund could incur a share of the costs of the Commissioners of the Inland Revenue.

17 Related Party Transactions

The Treasury Management section of the County 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 County 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 £13.1m and interest of £177k was earned over the year.

Lincolnshire County Council paid contributions of £35.1m into the Pension Fund during the year and all payments were received within agreed timescales.

Independent auditor's report to the Members of Lincolnshire County Council

I have audited the pension fund accounting statements for the year ended 31 March 2010. The pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Lincolnshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Executive Director, Resources and Community Safety and auditor

The Executive Director, Resources and Community Safety is responsible for preparing the pension fund accounting statements, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice. In preparing this pension fund accounting statements, the Executive Director, Resources and Community Safety is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that were reasonable and prudent;
- keeping proper accounting records which were up to date;
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

My responsibility is to audit the pension fund accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year. I also report to you whether, in my opinion, the information which comprises the commentary on the financial performance included within the Pension Fund Annual Report, is consistent with the pension fund accounting statements.

I review whether the governance compliance statement published in the Pension Fund Annual Report reflects compliance with the requirements of the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. I report if it does not meet the requirements specified by the Department of Communities and Local Government or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the pension fund accounting statements and related notes and consider whether it is consistent with the audited pension fund accounting statements. This other information comprises the remaining elements of the Pension Fund Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounting statements and related notes.

Opinion

In my opinion:

- the pension fund accounting statements and related notes give a true and fair view, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial transactions of the Pension Fund during the year ended 31 March 2010, and the amount and disposition of the fund's assets and liabilities as at 31 March 2010, other than liabilities to pay pensions and other benefits after the end of the scheme year; and
- the information given in the commentary on financial performance included within the Pension Fund Annual Report is consistent with the pension fund accounting statements.

Tony Crawley

District Auditor
Rivermead House
Grove Park
Enderby
Leicester

LE19 1SU

7th October 2010

Actuarial Statement

As required by Regulation 77 of the Local Government Pension Scheme Regulations 1997, an actuarial valuation of the assets and liabilities of the Lincolnshire County Council Pension Fund ("the Fund") was carried out as at 31 March 2007.

Security of Prospective Rights

In my opinion, the resources of the Fund are likely in the normal course of events to meet the liabilities of the Fund as required by the Regulations. In giving this opinion, I have assumed that the following amounts will be, and have been, paid to the Fund:

- Contributions by the members in accordance with the Local Government Pension Scheme Regulations 1997 until 31 March 2008, then in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007; and
- Contributions by employers in accordance with the Rates and Adjustments Certificate dated 23 March 2005 for the year ending 31 March 2008. Thereafter for the three years commencing 1 April 2008 as specified in our Rates and Adjustments certificate included in our actuarial valuation report as at 31 March 2007, dated 17 March 2008.

Summary of Methods and Assumptions Used

Full details of the method and assumptions are described in our valuation report dated 17 March 2008 and the Rates and Adjustments certificate contained therein.

Copies of these documents are available on request from Lincolnshire County Council, administering authority to the Fund.

My opinion on the security of the prospective rights is based on:

- the projected unit valuation method where there is an expectation that new employees will be allowed to join an employer; or
- the attained age valuation method for employers who are closed to new entrants; where appropriate.

These methods allow for future salary increases and assess the cost of benefits accruing to existing members during:

- the year following the valuation; or
- the remaining working lifetime, respectively.

The resulting contribution rate is adjusted to allow for any difference in the value of accrued liabilities and the assessed value of assets.

Valuation of Assets

A "market related" valuation method has been used. This is consistent with the methodology adopted at the 2004 valuation. The Fund's assets are taken at their market value on the date of the valuation (in this case 31 March 2007).

Valuation assumptions

The key financial assumptions adopted at the 2007 valuation are set out in the table below:

Financial Assumptions	March 2007	
	% p.a. Nominal	% p.a. Real
Discount Rate	6.1%	2.8%
Pay Increases	4.7%	1.5%
Price Inflation / Pension Increases	3.2%	-

The 2007 valuation revealed that the Fund's assets, which at 31 March 2007 were valued at £1,142 million, were sufficient to meet approximately 86% of the liabilities accrued up to that date.

Individual employers' contributions have been set in accordance with the Fund's Funding Strategy Statement. The deficits for each individual employer are being spread over a period up to a maximum of 20 years.

Experience since April 2007

The financial experience of the Fund since 31 March 2007 has been unfavourable. Assets have significantly underperformed relative to the assumptions set at the valuation causing the funding level to deteriorate. In addition, increases in the future expectations of inflation and a fall in the real bond yields have increased the value of the liabilities. Further, this rise in inflation expectations has a significant impact on the expected cost of future benefits accruing since the valuation.

Accordingly, the level of employer contributions would be expected to increase above their current levels if a valuation were carried out at a current date on the current funding strategy. Our opinion on the security of prospective rights above is dependent upon any increased contribution requirements being met by the employers. However, this statement should also be read in the context of the statutory nature of the scheme.

The next valuation of the Fund will be carried out as at 31 March 2010.

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA'S Code of Practice on Local Authority Accounting 2010/11 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. This change is one of many which are being adopted by employers reporting under CIPFA guidance in the financial year 2010/11.

The actuarial present value of promised retirement benefits is to be calculated similarly to the defined benefit obligation under IAS19.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation to be disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Pension Fund's funding assumptions.

In order for the Administering Authority to comply, I have provided the information below.

Assumptions

The assumptions used are those adopted for the Administering Authority's FRS17/IAS19 reports at each year end as required by the Code of Practice. These can be found later in this statement.

Balance Sheet

Year Ended	31 March 2010 £m
Present Value of Promised Retirement Benefits	2,162

The above value makes no allowance for any unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the accounts of the Pension Fund. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Financial assumptions

The above figure is based on the following financial assumptions:-

Year Ended:	31 March 2010 % p.a.
Inflation / Pension Increase Rate	3.8%
Salary Increase Rate	5.3%
Discount Rate	5.5%

Mortality assumptions

PMA92 and PFA92 tables based on calendar year projections as set out below:-

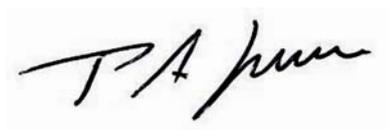
Year Ended	Prospective Pensioners	Pensioners
31 March 2010	year of birth, medium cohort and 1% p.a. minimum improvements from 2007	year of birth, medium cohort and 1% p.a. minimum improvements from 2007

Age ratings are applied to the above tables based on the membership profile.

Other Demographic assumptions

All other demographic assumptions (e.g. commutation, pre-retirement mortality) are the same as those used for the formal funding valuation as at 31 March 2007. Full details of these assumptions are set out in the formal valuation report.

Prepared by:-



Peter Summers FFA

21 June 2010

For and on behalf of Hymans Robertson LLP

INVESTMENT BACKGROUND

Returns for major markets

After the downturn of the previous year, the twelve months to 31st March 2010 provided a significant contrast. Equity markets staged a sharp rally on better than expected economic news and the concerted campaigns by central authorities across the world to support their respective economies. Equity returns ranged from 40% in the USA to 65% in the Far East.

Corporate bonds comfortably outperformed Government bonds, as their much higher yields offered investors a rare opportunity to buy at such a wide differential.

UK Commercial Property saw a recovery from last years fall and rose by over 16%, as inflows into the asset class caused asset values to bounce back.

Investment Returns to sterling based investors 1 April 2008 to 31 March 2010

Asset Class	Index	Index return to sterling investors %
Equities		
United Kingdom	FTSE All Share	52.3
Global Equities	FTSE World (ex UK)	44.4
United States	FTSE North America	40.2
Europe	FTSE Europe (ex UK)	42.6
Japan	FTSE Japan	27.6
Far East	FTSE Pacific (ex Japan)	64.8
Fixed Interest		
UK Index Linked Gilts	FTSE Index-Linked All Stocks	10.3
UK Gilts over 15 yrs	UK Gilts and All Stocks	(4.4)
Overseas Bonds	JP Morgan World ex UK	0.0
UK Corporate Bonds	IBoxx Sterling Non-Gilts All Stocks	21.0
Property	IPD Index	16.3
Cash	LIBID Seven Day Rate (compounded)	0.4

MARKETS OVER THE REPORTING PERIOD

World Equity Markets

- The year was a generally positive one for financial markets. Evidence of a global economic recovery continued to mount, with the US, UK and eurozone economies officially emerging from recession and growth in China remaining strong. This helped support demand for a range of commodities, goods and services, allowing company earnings to recover from the depressed levels they had reached during the recession. Investor risk appetite continued to improve, although there was a brief setback in January 2010 on the Greek debt concerns and fears of Chinese policy tightening. But this proved short-lived and equity markets posted healthy returns over the year.
- Greece's problems brought a renewed focus on government finances, with many commentators citing UK, Portugal and Spain as other countries with unsustainably high budget deficits. As a result, both the euro and sterling weakened on the foreign exchange markets. Geographically, the biggest equity market returns for sterling investors came from Latin America and other emerging markets, but a wide range of markets delivered double-digit gains. In sector terms, areas exposed to the recovering global economy, such as industrials and mining, performed particularly well.
- Within developed economies, official interest rates remained at historic lows. Base rates in the UK have now been held at 0.5% since March 2009. This is despite upward pressure on inflation in the first quarter of 2010 due to higher energy prices and the

re-imposition of the 17.5% VAT rate. Elsewhere, the Federal Reserve held US interest rates at an all time low of 0-0.25%, while rates in the eurozone stand at a record low of 1.0%. Interest rates in Japan are just 0.1%.

Fixed Interest Markets

- Corporate bond markets continued to improve, with a rise in investor risk appetite leading to better performance from lower quality bonds, but government bond markets weakened on concern over the large amount of government debt scheduled for issuance this year, needed to fund deficits.

Commercial Property

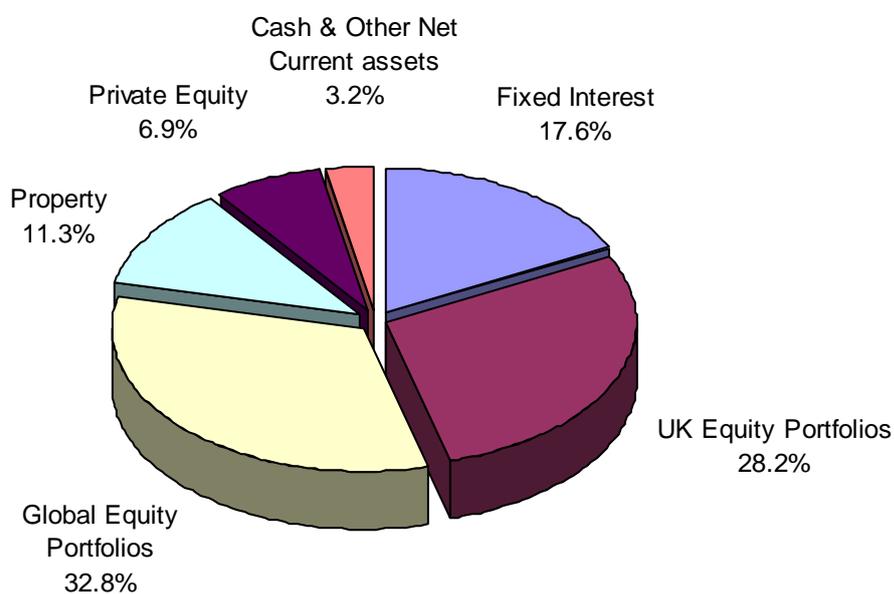
- UK Commercial property rallied strongly from early August 2009, as inflows to the asset class caused capital values to bounce back from depressed levels. Although performance moderated as the financial year came to an end, property continued to post positive monthly returns, in marked contrast to a year ago.
- Across the sectors, offices, industrial and retail returned +13.4%, +14.2% and +19.2% respectively, as the crisis in confidence impacted all areas.

ASSET DISTRIBUTION AT 31 MARCH 2010

Asset class	Market Value £000	31/3/10 %	31/3/09 %
Fixed Interest	211,916	17.6	20.4
UK Equity Portfolios	339,206	28.2	25.3
Global Equity Portfolios	395,290	32.8	29.8
Property	135,929	11.3	13.4
Private Equity	82,780	6.9	8.5
Cash & Other Net Current assets	38,246	3.2	2.6
Total	1,203,367	100	100

INVESTMENT DISTRIBUTION

ASSET ALLOCATION AS AT 31 MARCH 2010



TWENTY LARGEST HOLDINGS IN THE FUND AS AT 31 MARCH 2010

	Market Value £000	Proportion of Fund %
Standard Life Property Fund	37,723	3.2
BP	29,251	2.4
Royal Dutch Shell A & B Shares	23,412	1.9
HSBC	22,548	1.9
Pictet Emerging Markets Fund	21,923	1.8
Aviva Pooled Property Fund	20,210	1.7
Rreef UK Managed Property Fund	19,587	1.6
Vodafone	16,027	1.3
Rio Tinto	15,594	1.3
European Clean Energy Fund	13,909	1.2
Royal London Exempt Property Unit Trust	13,003	1.1
GlaxoSmithkline	12,547	1.0
Standard Life Investments European Property Growth Fund	11,559	1.0
Astrazeneca	11,407	0.9
BHP Billiton	10,465	0.9
Xstrata	9,818	0.8
Treasury 2.5% Index-Linked 2020	9,109	0.8
Treasury 2.5% Index-Linked 2016	9,063	0.8
British American Tobacco	8,584	0.7
BG Group	8,365	0.7
Total	324,104	27.0

SUMMARY OF LGPS CONTRIBUTIONS AND BENEFITS FROM 1ST APRIL 2008

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

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

Contributions

Employees contribution rate's from 1 April 2008 are based on full-time equivalent pay using the pay band table shown below. The exception being manual workers who were Fund members before 1 April 1998 who paid 5%, are to be assimilated on to the relevant rate from the pay band table by 1 April 2011.

FT Equivalent Pay	Contribution Rate
Up to £12,600	5.5%
More than £12,601 and up to £14,700	5.8%
More than £14,701 and up to £18,900	5.9%
More than £18,901 and up to £31,500	6.5%
More than £31,501 and up to £42,000	6.8%
More than £42,001 and up to £78,700	7.2%
More than £78,700	7.5%
Protected Manual Workers	
1 st April 2009	5.5%
1 st April 2010	6.5% (or the relevant rate from above if lower)
1 st April 2011	The relevant rate from the table above

Benefits

The retirement age for scheme members is 65. However, employees may retire between 60 and 65 but would suffer a reduction to their benefits (unless protected under the 85 year rule). Retirement before age 60, other than on ill-health grounds, is not possible without the permission of the employer.

Annual Pensions

Pensions are calculated at a rate of $1/60^{\text{th}}$ ($1/80^{\text{th}}$ for service accrued prior to 1 April 2008) of the employee's average 'final' pay in their last twelve months of employment for each year of pensionable service. Pensions for persons aged 55 and over (no age restriction for ill-health) are increased each April in line with Retail Price Index.

Lump Sum Payments

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

Ill Health Retirement

There are three tiers of benefits. The benefits are calculated as for normal retirement with additional service under tiers one and two depending on age.

Death-benefits

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

Supplementary Pensions

Scheme members may purchase additional pension of up to a maximum of £5,000 per annum, in blocks of £250. As an alternative, Scheme members may increase their benefits by paying Additional Voluntary Contributions (AVCs). The AVC provider, appointed by the County Council as the administering authority, is Prudential.

SUMMARY OF LGPS CONTRIBUTIONS AND BENEFITS TO 31st MARCH 2008

The department for Communities and Local Government (CLG) issued amended regulations to replace the existing scheme with a 'New Look' scheme from the 1st April 2008. Prior to this the key features were as follows:

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

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

Contributions

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

Benefits

The normal retirement age for Scheme members is 65 but employees in the Scheme prior to 1 April 1998 can retire at 60 provided they have 25 years service. Retirement before these ages, other than on ill-health grounds, is not possible without the permission of the employer.

Annual Pensions

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

Lump Sum Payments

A member receives a tax free lump sum payment in retirement of three times their pension, with an option to take a bigger lump sum by exchanging part of their pension. Up to 25% of the capital value

of a members pension can be taken as tax free cash.

III Health Retirement

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

Death-benefits

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

Supplementary Pensions

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

LIST OF PARTICIPATING EMPLOYERS

Employing authorities who are participating members of the Fund at 31 March 2010

Scheduled Authorities

Aubourn & Haddington Town Council
Black Sluice Internal Drainage Board
Boston Borough Council
Boston College
Bourne Town Council
Cherry Willingham Parish Council
City of Lincoln Council
Crowland Parish Council
Deeping St James Parish Council
East Lindsey District Council
Gainsborough Town Council
Grantham College
Greetwell Parish Council
Heighington Parish Council
Horncastle Town Council
Ingoldmells Parish Council
Langworth Parish Council
Lincoln College
Lincolnshire County Council
Lincolnshire Police Authority
Lincolnshire Probation Service
Lindsey Marsh Drainage Board
Louth Town Council
Mablethorpe and Sutton Town Council
Market Deeping Town Council
Metheringham Parish Council
Nettleham Parish Council
North East Lindsey Internal Drainage Board
North Hykeham Town Council
North Kesteven District Council
Saxilby & Ingham Parish Council
Skegness Town Council
Skellingthorpe Parish Council
Sleaford Town Council
South Holland District Council
South Holland Internal Drainage Board
South Kesteven District Council
Stamford College
Stamford Town Council
Sudbrooke Parish Council
Upper Witham Internal Drainage Board
Washingborough Parish Council

Welland and Deeping Internal Drainage Board
West Lindsey District Council
Witham First Internal Drainage Board
Witham Fourth Internal Drainage Board
Witham Third Internal Drainage Board
Woodhall Spa Parish Council

Admitted Authorities

Acis Group
Adults Supporting Adults
Bishop Grosseteste College
Boston Mayflower
Centre for British Teachers
Community Leisure Services
Heritage Trust for Lincolnshire
Lincolnshire Home Improvements Agency
Lincolnshire Partnership Trust
Lincolnshire Sports Partnership
Lincolnshire Tourism
Mouchel (Connexions IT staff)
National Child Minding Association
New Linx Housing Trust

ADDITIONAL INFORMATION AVAILABLE

Additional information regarding the Pension Fund and the scheme is available by going to the website below:

<http://microsites.lincolnshire.gov.uk/pensions/>

The following documents can be found by selecting Fund in the main menu. Alternatively, if you have an electronic version of this document, the links below can be used.

FUNDING STRATEGY STATEMENT

This document is prepared in collaboration with the Fund's actuary, Hymans Robertson, and sets out the Fund's approach to funding its liabilities. It is reviewed in detail every three years.

STATEMENT OF INVESTMENT PRINCIPLES

This document describes the key issues that govern the investment of the Pension Fund, and states the extent to which the Council's investment principles comply with six principles set out in a publication by the Chartered Institute of Public Finance and Accountancy (CIPFA), entitled 'Investment Decision Making and Disclosure in the Local Government Pension Scheme'.

COMMUNICATIONS POLICY

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

GOVERNANCE COMPLIANCE STATEMENT

This document details how the Pension Fund is governed, and sets out where it complies with best practice guidance as published by the Department for Communities and Local Government. The Statement is included at page 32 of this Annual Report.

If you would like hard copies of any of the documents above, please contact:

Jo Ray, Financial Advisor - Pensions & Investments
Lincolnshire County Council, County Offices, Newland, Lincoln, LN1 1YL
Tel: 01522 553656
Email: **jo.ray@lincolnshire.gov.uk**

GOVERNANCE POLICY AND COMPLIANCE STATEMENT

LINCOLNSHIRE COUNTY COUNCIL

LOCAL GOVERNMENT PENSION SCHEME

Lincolnshire County Council, as administering authority for the Local Government Pension Scheme, is required by statute to publish a governance compliance statement. The Council has elected to do this by publishing a concise Governance Policy Statement and then to outline, as required by legislation, the extent to which that statement and the underlying practices demonstrate compliance with best practice guidance as published by the Department for Communities and Local Government. This latter aspect constitutes the Governance Compliance Statement.

The Governance Policy and Compliance Statements are set out in turn below.

GOVERNANCE POLICY STATEMENT

The County Council has delegated its pension fund administering authority functions to a Pensions Committee and the Director of Resources.

Pensions Committee

The Pensions Committee has 19 members in total, 15 of which are County Councillors and 4 co-opted members. All the members have full voting rights.

The 15 County Councillors represent the political balance of the Council.

The 4 co-opted members comprise:

- 2 representatives from the Lincolnshire Local Government Association, representing other local authorities within the County,
- 1 representative for non Local Authority employers, and
- 1 Trade Union representative, reflecting the interests of scheme members.

Under the County Council's Constitution, the Pensions Committee exercises the following functions, to;

- set investment policies for the Fund, including the establishment and maintenance of a strategic benchmark for asset allocation, drawing upon appropriate professional advice,
- appoint and review the performance of all Fund Managers and associated professional service providers,
- approve the Annual Report and Statement of Accounts of the Fund,

- consider any other matters relevant to the operation and management of the fund, and
- respond to any relevant consultation impacting upon the benefit provisions of the Local Government Pension Scheme.

The Pensions Committee has four regular meetings in any twelve month period. In addition, one or more special meetings may be held to appoint new investment managers or other professional advisers.

The Pension Committee's regular quarterly meetings are open to the public and agendas, reports and minutes are made available through the County Council's website. An annual report on the management of the fund is provided to all scheme employers with an abbreviated version distributed to scheme members.

Director of Resources

The Director of Resources is responsible for the day to day administration of the benefits and assets of the pension scheme, specifically to:

- authorise payment of statutory pensions and allowances,
- undertake or arrange for all necessary transactions associated with the management of the assets of the Pension Fund, and
- to agree appropriate means of securing external representation on the Pension Committee, in consultation with relevant external bodies.

Any questions about the governance of the Lincolnshire Local Government Pension Fund should be addressed to David Forbes, Assistant Director of Resources, Finance and Asset Management. david.forbes@lincolnshire.gov.uk, telephone 01522 553642.

GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance	Comments
A - Structure	a.The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Yes	See terms of reference for the Pensions Committee in the Policy Statement above.
	b.That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Partial	The Council has not, to date, seen the need to establish a secondary committee/panel. It will, however, keep this aspect under review and may, for example, establish such a forum in future to deal with specific issues. Pensioner and deferred beneficiaries are not presently represented directly on the Committee – see B a. below.
	c.That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Not Relevant	As discussed above, no such forum has been established as yet.
	d.That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Not Relevant	As discussed above, no such forum has been established as yet.
B - Representation	a.That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include :- <ul style="list-style-type: none"> • Employing authorities (including non-scheme employers, e.g. admitted bodies); • Scheme members (including deferred and pensioner scheme members), • Where appropriate, Independent 	Partial	At 19 voting members the existing Committee is well above average size and this has been set, in part at least, to be inclusive of all employing bodies in the Fund. Member related issues are dealt with by having a single trade union representative on the Committee. Given the statutory guarantee that exists in respect of member benefits this is felt to be sufficient

	<p>professional observers, and</p> <ul style="list-style-type: none"> • Expert advisors (on an ad hoc basis) 		representation although the Council will review this aspect periodically.
	<p>b. That where lay members sit on the main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.</p>	Yes	All members of the Committee have full voting rights and equal access to information, training, etc.
C – Selection and Role of Lay Members	<p>a. That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</p>	Yes	Nationally available customised training is available to all members and this is supplemented by locally provided induction sessions for new members of the Committee.
	<p>b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.</p>	Yes	The declaration of member's interests is a standard item on the agenda of the Pensions Committee.
D - Voting	<p>a. That the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>	Yes	Full voting rights are given to all members of the Committee.
E – Training/Facility Time/Expenses	<p>a. That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</p>	Yes	See C a. above. All expenses incurred by members of the Pensions Committee are either met by the body they represent or directly by the Fund itself.
	<p>b. That where such a policy exists, it applies</p>	Yes	All members are treated equally in every

	equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.		respect.
	c. That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.	Partial	All training undertaken by members of the Pensions Committee is recorded and training opportunities are regularly brought to the attention of the Committee, either in monthly update letters or in reports taken to Committee.
F – Meetings - Frequency	a. That an administering authority’s main committee meet at least quarterly.	Yes	See Compliance Policy Statement above.
	b. That an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	Not Relevant	As discussed above, no such forum has been established as yet.
	c. That an administering authority who does not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	Not Relevant	Four added members exist and have equal rights with all mainstream members in all respects.
G – Access	a. That subject to any rules in the council’s constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	Yes	All members are treated equally in every respect.
H – Scope	a. That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Partial	The terms of reference of the Pensions Committee were changed a few years ago to include benefit related matters which up until

			<p>that time had been dealt with elsewhere within the governance arrangements of the Council.</p> <p>At present the Council does not believe there is a strong argument in favour of appointing an independent professional observer on administration/governance issues in addition to the independent advisor already in place in respect of investment matters.</p>
I - Publicity	a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.	Yes	<p>The County Council publishes the many governance documents and communicates regularly with employers and scheme members.</p>