Investment Strategy Statement

1. Introduction

1.1. Lincolnshire County Council is the Administering Authority ("the AA") responsible for maintaining and managing the Lincolnshire Pension Fund ("the Fund"). The Fund is part of the Local Government Pension Scheme in England & Wales ("the Scheme").

1.2. The AA is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under LGPS regulations.

1.3. The responsibilities of all individuals responsible for the management of the Fund's Investment Strategy are set out in in Section 2.

1.4. The Investment Strategy Statement (ISS) was formulated under the draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026, which will revoke and replace the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 ("the Regulations"). Investment Strategy complies with the requirements contained in regulation 11 of the draft Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 and guidance issued under 10(2)(b).

1.5. The Committee acts on the delegated authority of the Administering Authority.

1.6. The Fund participates with a number of other administering authorities to pool its investment assets through the Border to Coast Pensions Partnership ("the Pool"). The Pool is authorised and regulated by the Financial Conduct Authority (FRN 800511) and is owned equally by all the administering authorities that participate in the pool.

1.7. The Committee recognises that the regulatory framework is new and the way the Fund complies with it continues to evolve. The Committee therefore considers this Investment Strategy Statement to be drafted on a best endeavours basis using the information currently available and acknowledges that updates may be required as the position develops and further work is undertaken.

1.8. The ISS was approved by the Committee on XX XXX 2026, following consultation. As per the Regulations, this ISS will be updated by 30 September 2029. Further details of which are set out in Section 7.

1.9. The ISS is consistent with the Funding Strategy Statement (FSS) dated 19 March 2026.

2. The roles of the Fund and the Pool

2.1. ***Administering Authority***

Lincolnshire County Council is the AA responsible for maintaining and managing the Fund. The AA is responsible for the final investment strategy and ensuring the ISS complies with regulations and guidance.

Key investment responsibilities of the Administering Authority include:

- to set the Fund's investment strategy, including investment objectives, after having taken principal advice from the Pool. The objectives must include a return, risk, cashflow and local investment objective. The local investment objective must include a target range;
- to ensure the ISS complies with regulations and guidance;
- to hold the Pool Board accountable for delivery and should, working with the Pool Board, ensure that the Pool is properly resourced to deliver the strategy;
- to consider the appropriateness (alongside other participating administering authorities, where appropriate) of a third party to conduct fiduciary management reviews on behalf of the AAs in a pool; and
- to input into how costs of the Pool are charged to Administering Authorities.

2.2. ***Senior LGPS Officer***

The Senior LGPS Officer has a senior responsibility across all pension functions of the authority in respect of all matters relating to the Scheme (such as administration, investment, and governance), in accordance with guidance issued by the Secretary of State.

Key responsibilities of the Senior LGPS Officer include:

- to provide advice, guidance, and assurance to the Pensions Committee ("the Committee") and Local Pension Board in relation to the Fund;
- to ensure LGPS functions are well resourced and structured;
- to draw up the Fund's budget and agree it with the Committee;
- ensuring that a draft investment strategy is prepared in accordance with legislation and guidance;
- to monitor performance of the Pool and hold the Pool to account for their performance, and report to the Committee;
- alongside the Section 151 Officer, to oversee the preparation and approval of the Fund's annual accounts, ensuring they present a true and fair view of the financial position.

The Senior LGPS Officer, in discharging these responsibilities, is supported by a wider team of Officers.

2.3. ***Pensions Committee***

The AA delegates its responsibility for administering the Fund to the Committee, which is its formal decision-making body.

The Committee's roles and responsibilities are primarily derived from the Local Government Pension Scheme Regulations 2013 (as amended), the Public Service Pensions Act 2013, and related statutory guidance.

Key responsibilities of the Committee include:

- to support and contribute to the development of all strategies for which the Committee is responsible;
- to scrutinise any advice given to the Committee, from any organisation or individual;
- to support scrutiny of performance against LGPS strategies, including administrative performance and the Pool's implementation of investment strategy and performance;
- to support consideration of the Committee's governance arrangements, including any action plans arising from Independent Governance Reviews; and
- to contribute in any other way appropriate to the authority's LGPS functions.

2.4. ***Local Pensions Board***

The Local Pension Board was established under the Public Service Pensions Act 2013 to assist the AA in ensuring good governance and compliance with the law. The Local Pension Board has an oversight and scrutiny role to ensure good governance.

The key responsibilities of the Local Pensions Board are:

- to assist the AA in securing compliance with all relevant Regulations, any other legislation relating to the governance and administration of the Scheme, and requirements imposed by the Pensions Regulator in relation to the Scheme;
- to ensure the effective and efficient governance and administration of the Scheme, including:
    - to identify and report breaches or maladministration to the administering authority and, if needed, to The Pensions Regulator.
    - to provide advice to improve governance and administration.
    - to review and monitor risk controls related to the Fund.
- to engage during the formulation of the ISS as the primary mechanism for incorporating ensuring that stakeholder interests are considered.

2.5. ***Section 151 Officer***

The Section 151 Officer is a statutory role under the Local Government Act 1972.

Key responsibilities of the Section 151 Officer (with regards to the Fund) include:

- to ensure the proper administration of the LGPS Pension Fund's finances in accordance with the Local Government Pension Scheme Regulations and other relevant legislation; and
- alongside the Senior LGPS Officer, overseeing the preparation and approval of the Pension Fund's annual accounts, ensuring they present a true and fair view of the financial position.

2.6. ***Independent Person***

The Fund must appoint an Independent Person to provide assistance to the Committee. The Independent Person must be fully independent and not employed by any company that provides other paid pensions advice to the Administering Authority.

Once appointed, the key responsibilities of the Independent Person will be:

- to maintain a direct relationship with the Senior LGPS Officer;
- to play a role in developing the ISS, including interpreting or considering advice;
- to scrutinise the Pool's implementation of the Fund's Investment Strategy;
- to contribute to the Committee by providing additional independent and professional expertise and to scrutinise and challenge the advice given to them across investment strategy, governance and the role of the Administering Authority as a shareholder of the Pool; and
- to monitor performance of the Pool and hold the Pool to account for their performance, and report to the Committee.

2.7. ***The Pool***

The Fund participates with a number of other administering authorities to pool its investment assets through its pool, Border to Coast Pensions Partnership "(the Pool"). The Fund is a shareholder of the Pool and it is the responsibility of the Administering Authority to work with the Pool's Board to ensure that the Pool is adequately resourced.

Regulation requires that the Fund's assets for which the AA is responsible are held and managed by the Pool and that the AA must not invest or manage pension fund investments outside the Pool, with the exception of the management of operational cash.

Border to Coast is authorised and regulated by the Financial Conduct Authority (FRN 800511) to manage the Fund's assets and is owned equally by all the administering authorities that participate in the Pool. Guidance sets out that all investment management decisions that support the implementation of the investment strategy must be made by the Pool.

The Pool is responsible for the following activities, which the Fund may inform through its interactions with the pool, and must oversee the Pool's effectiveness in its implementation:

- Views on selection of asset managers, individual asset managers, and how asset managers are combined within an asset class;
- Views on geographical zones of investment or exposure targets;
- Investment decisions on individual holdings;
- Style of investment management, such as active and passive management;
- Undertakes stewardship activities on behalf of Partner Funds, including engagement, voting, and monitoring in relation to investee companies and assets.

It is for the Pool, as the entity undertaking investment activity, to implement appropriate risk management frameworks, controls, and reporting processes.

The Fund holds Border to Coast to account through the following mechanisms:

- Partner fund representatives on the Shareholder Board, with equal voting rights, who will provide oversight and control of the corporate operations of Border to Coast.
- A representative on the Joint Committee, being the Chair of the Pensions Committee, who will monitor and oversee the investment operations of Border to Coast.
- Officer support to the above representatives from the Officer Operations Group and the Statutory Officer Group.
- Use of independent oversight from external providers.

2.8. ***Fund Actuary***

The Fund has an appointed Actuary who is responsible for formulating the Funding Strategy Statement ("FSS").

The purpose of the FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency"; and
- to have regard to the desirability of maintaining a stable and predictable primary contribution rate.

The Fund's high-level financial objectives must be consistent with the AA's FSS.

2.9 ***Contacts***

If you would like to contact any of the individuals detailed above, please email LGPSpensions@lincolnshire.gov.uk and it will be directed to the appropriate person.

3. Investment Objectives

3.1. ***Investment Philosophy***

In November 2025, the Committee undertook a review of the Fund's investment philosophy to set a number of preferences to help inform the Pool's implementation of the Fund's investment strategy. The Committee recognised that some areas of the Investment Philosophy are within the responsibility of the Pool and therefore may not be implemented.

The agreed Investment Philosophy is set out below:

- There are pros and cons to active, passive, and factor-based investment styles, and using a blend of approaches provides diversification benefits. Passive management is preferred for its lower costs and ability to provide a market return, but we are open to more active approaches where there is reasonable expectation that it will be rewarded with higher returns and/or lower risk.
- There are benefits to both internal and external investment management approaches, and that using a blend of approaches provides diversification benefits. Internal management, when there is appropriate scale, provides the benefit of lower costs, but external management is often advantageous in more specialist styles of investing.
- Illiquid alternative investments provide return and diversification benefits, and the Fund has the liquidity and timescales to manage the risks of investing in illiquid investments. That said, the ability to invest in these types of investments, and the optimal allocation, should be kept under review as the Fund's circumstances change.
- There are benefits to investing sustainably for an investor with a long time horizon, such as the Fund. However, the focus should always be on achieving

strong levels of risk-adjusted returns and there is no appetite to give up returns to achieve a positive impact.

- Investment cost management is important, however value for money and net-of-fees returns are more important than the management of absolute costs. The Fund will utilise its pool to achieve reduced fees in the implementation of its investment strategy.
- The Fund's investment objective is to pay pensions as they fall due by achieving a strong level of risk-adjusted return, with the absolute return level being at least as high as its discount rate, over the long-term.

3.2. ***Investment Objectives***

The Fund's overall investment objective is to achieve a return on assets, consistent with an acceptable level of risk, that will enable the Fund to meet its obligations over time. The investment strategy seeks to generate returns to both stabilise, and achieve and maintain affordability in employer contribution rates in the long-term.

To achieve the overall objective, the Fund has set the following objectives:

Area	Objective
Investment Return	To achieve a long-term return (net of fees) that exceeds the discount rate. At the date of the strategy review, the best estimate expected return of the portfolio was 8.3% p.a. over 20-years.
Risk	A maximum volatility of returns of 15.0% p.a.
Cash Flow	To manage the cashflow position of the Fund in the most efficient manner taking into account the size and timing of cash inflow and outflow. The Fund will work with the Pool to manage the operational delivery and investment of cashflow in a timely manner. The Fund is estimated to be in a cashflow negative position of between £12-18m p.a. which takes into account the contribution income, expected benefit outflow and expenses.
Local	To target investment of 0-5% of the Fund's portfolio in Local Investments. More detail on the Fund's local investment objective and preferences is set out in section 6.

3.3. ***Link to Funding Requirements***

The high level objectives are consistent with the funding strategy as set out in the Funding Strategy Statement.

The primary risk to the Fund is that its assets are insufficient to meet its liabilities, as determined by the Funding Strategy Statement. The main risk to the employers is the affordability and volatility of the contribution rates that they are charged. Given the long-term nature of the Fund's liabilities, the Committee has appetite to take investment risk, to achieve returns and contribution rate affordability, but in a controlled manner, to manage funding and contribution rate volatility.

The Committee acknowledges that the level of risk taken over the long term will impact the level of contributions from the employers. If too much risk is taken, this could result in a material and sustained decrease in the funding level which would put pressure on employers to increase contributions. Conversely, if too little risk is taken, this could also result in less affordable contribution rate levels as not enough return is earnt over the long term. The Committee therefore takes a balanced and controlled approach to managing investment risk.

3.4. ***Evaluation of risks***

Evaluation of risks that may impact the investment strategy and expected future returns is crucial in determining the appropriate measures to mitigate those risks.

The principal risks affecting the Fund are set out below:

Risk	Description	Mitigants
Market	Value of an investment decreases as a result of changing market conditions.	Strategic asset allocation, with suitable diversification and appropriate ranges, determined on a triennial basis. The Committee has put in place rebalancing arrangements to ensure the Funds actual allocation does not deviate substantially from its target.
Performance	The Pool fails to deliver returns in line with the underlying asset classes.	Regular analysis of market performance and Pool performance relative to their index benchmark on a quarterly basis. Representatives of the Pool present to the Committee regularly.
Valuation	Valuations disclosed in the financial statements, particularly for unquoted investments, are not reflective of the value that could be achieved on disposal.	The valuation of investments is derived using a conservative valuation methodology and, where applicable, market observable data. The Fund is externally audited annually.

Liquidity	The Fund is not able to meet its financial obligations as they fall due or can do so only at an excessive cost.	The Fund always maintains sufficient liquidity to ensure that it can meet its financial obligations.
Interest Rate	A change in interest rates will result in a change in the valuation of the Fund's assets and liabilities.	The Fund and Pool regularly monitor exposure to interest rates and may consider hedging where appropriate.
Foreign exchange	An adverse movement in foreign exchange rates will impact on the value of the Fund's investments.	The Fund and Pool regularly monitor foreign exchange exposure and may consider hedging where appropriate.
Inflation	A change in inflation, or expected inflation, will result in a change in the valuation of the Fund's assets and liabilities.	The Fund, Fund Actuary and Pool regularly monitor the exposure to inflation within the Fund's asset and liabilities. The Fund invests in a range of asset classes with links to inflation in their returns.
Credit	The risk of financial loss from counterparty the Fund has lent money to being unable to repay.	Where money is lent out, the Fund and its pool and managers manage credit risk using diversification, credit analysis, investment limits, manager oversight and regular reviews of counterparties and market conditions.

The operational responsibility for managing the above risks is delegated to the Pool, however, during the transitional period to full pooling, legacy managers may manage these risks.

4. Strategic Asset Allocation

4.1. *Formulating the Strategic Asset Allocation*

The primary purpose of the Fund when setting our investment strategy is to achieve the long term returns needed to pay pensions when due, and in order to do so, set an investment strategy that has regard to the timing and value of expected pension payments. The Fund has formulated the Strategic Asset Allocation after receiving advice, which is designed to have a high likelihood of achieving the risk and return objectives set out in section 3.

4.2. *Strategic Asset Allocation*

In-line with the Regulations, the Fund's target investment strategy is set out below, as well as tolerance ranges for each asset class.

Asset Class	SAA (%)	Tolerance Range
Listed Equity	50.0	44.0-56.0
Private Equity	7.0	4.0-10.0
Private Credit	3.5	2.0-5.0
Property/Real Estate	9.75	8.0-11.5
Infrastructure	1.75	1.0-2.5
Other alternatives[1]	3.5	2.0-5.0
Credit[2]	22.5	20.0-25.0
UK Government Bonds	0.0	0.0-2.0
Cash[3]	2.0	1.0-3.0
Total	**100.0**	**-**

4.3. ***Connected Entities***

In line with the Regulations, the Authority's investment strategy does not permit more than 5% of the total value of all investments of Fund money to be invested in entities which are connected with the Authority within the meaning of section 212 of the Local Government and Public Involvement in Health Act 2007.

5. Responsible Investment

5.1. ***Approach to Responsible Investment***

The Fund considers all factors that are financially material to performance of their investments and the impact of their investments. The Fund's approach to Responsible Investment ("RI") supports its Investment Objectives and reflects its duty to act in the best financial interests of members and beneficiaries. All beliefs and activities are focussed on where they will add financial value to the Fund.

In setting its RI approach, the Fund works collaboratively with the Pool and other Partner Funds, to support efficient and effective implementation. The Fund seeks to ensure that stewardship activities undertaken on its behalf are aligned with the Fund's objectives and priorities. As stewardship activities are delivered by the Pool, the Fund expects the Pool to exercise investor rights (including engagement and voting) in line with policies agreed with Partner Funds.

[1] Other alternatives are investments which do not fit into the other asset classes.
[2] Including credit instruments of investment grade quality, including (but not limited to) corporate bonds and non-UK government bonds.
[3] Refers to cash held by the pool as part of the SAA. AAs would still be expected to hold cash for the purpose of paying benefits outside the pool.

The Fund takes account of the views of employer and member representatives on their approach to responsible investment, including through the Local Pension Board.

The approach to Responsible Investment will be reviewed at least every valuation period to ensure it remains relevant and up to date, and aligned with regulatory requirements, the Fund's investment objectives, and the Pool's RI and stewardship framework. It was last reviewed on 11 December 2025.

5.2. ***Objectives, Priorities and Preferences, and implementation***

The Fund's Responsible Investment objectives, priorities, and preferences are set out at a high level in the Fund's Investment Philosophy earlier in this document.

The Fund recognises that these are implemented through the Pool. The Pool must endeavour to take these into account, whilst balancing them with efficient delivery and the need to maintain consistency across Partner Funds. The Fund will monitor the Pool's effectiveness of implementation.

The Fund will work collaboratively with the Pool and other Partner Funds to support alignment where possible, and maintain an approach that is high-level, deliverable and reflect that activity will principally be undertaken by the Pool.

5.3. ***Stewardship***

Stewardship forms an important part of the Fund's approach to Responsible Investment. Stewardship aims to promote the long-term success of companies through monitoring and engaging with companies on matters such as strategy, performance, risk, capital structure, and corporate governance, including culture and remuneration.

The Pool undertakes stewardship activities on behalf of Partner Funds, including engagement, voting, and monitoring in relation to investee companies and assets. The Pool's approach is set out in its Responsible Investment Policy and Corporate Governance & Voting Guidelines, developed in consultation with Partner Funds, and available on its website. The Fund expects stewardship undertaken on its behalf to be aligned with the Pool's policies. This includes:

- engaging with companies on financially material issues in line with the Pool's stewardship and engagement framework;
- seeking constructive dialogue with companies to promote long-term, sustainable business practices;
- escalating engagement where progress is insufficient or where material risks remain unmanaged; and

- publishing regular and transparent reporting on stewardship activity and outcomes.

The Fund will oversee the Pool's stewardship activities to ensure they remain in line with agreed policies.

5.4. ***Exercise of voting rights***

The implementation of voting activity held within pooled arrangements is delegated to the Pool.

The Pool exercises voting rights on behalf of Partner Funds in line with its Corporate Governance & Voting Guidelines, which set out the principles applied when assessing governance arrangements, board effectiveness, transparency, remuneration practices, shareholder rights, and other material issues.

The Fund expects voting activity undertaken on its behalf to:
- be consistent with the Pool's published policies and guidelines;
- support high standards of governance and accountability;
- align with the stewardship priorities agreed across Partner Funds; and
- be reported to the Fund on a regular basis.

The Fund will oversee the Pool's voting activities to ensure they remain in line with agreed policies.

6. Local Investment

6.1. The Fund is required to set out its approach to Local Investment. After consultation with the Committee, the below approach was agreed.

The Fund has a target to invest 0%-5% of its total assets under management in local investments. There is a preference for investments to be invested within Greater Lincolnshire, however achieving attractive levels of risk and return, at least in line with those achievable from investments outside of Greater Lincolnshire, is more important. Investments across the wider area covered by the Partner Funds of the Border to Coast Pensions Partnership are preferred if they offer better risk-adjusted returns. Similarly, the Fund does not target specific investment types or impacts with its local investment, but leaves the widest possible opportunity set to find the best risk-adjusted returns.

7. Approval and Review

7.1. In formulating this Investment Strategy Statement, we have consulted:

- those Scheme employers, or members of the Scheme, in respect of which the authority is the appropriate administering authority under Part 2 of Schedule 3 to the 2013 Regulations(a);
- the relevant strategic authority;
- any person specified in guidance issued by the Secretary of State from time to time; and
- any person that the authority considers that it ought to consult as to the proposed contents of its investment strategy

7.2. The views of the Local Pension Board, and other parties who it considers may have an interest, have been taken into account when drafting the ISS.

7.3. This Investment Strategy Statement was approved on XX XXX 2026 by the Pension Fund Committee.

The ISS will be formally reviewed from time to time and within 18 months of each valuation date. The Fund will carry out a review of its investment strategy and, if necessary, revise the strategy, and publish a statement of the strategy as revised within the 18-month timeframe.