



Shropshire County Pension Fund

Annual Report

2012 - 2013



Valuable life investments



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Welcome

to the 20th annual report & accounts of the Shropshire County Pension Fund

Shropshire Fund Increase:

Fund Value Increase:
£147 million
Over the year

To be valued at:
£1.235 billion
As at 31 March 2013

Outperforming its Benchmark

14 %
Value Increase

2.3 %
Over Benchmark

The Shropshire Fund benefited from positive investment returns in a number of markets. The strongest returns were experienced in Japanese Equities where the Fund's investments increased in value by 24.3% in the year. In the last year Fixed Income managers delivered a notable absolute return of 9.6% and Private Equity returned 11.8%.

Equities, which saw a diverse range of results across geographic regions, achieved an absolute gain of 19.9% whilst achieving a relative outperformance of more than 3.2% compared to benchmark. Hedge Funds delivered a positive return of 3.4% and Property and Infrastructure were the only asset classes not to deliver positive returns over the last year. Property provided a negative return of 5.1% and infrastructure a negative return of 1.2%.

The Pensions Committee determine the strategic asset allocation for the Fund.

This outlines the proportion of assets that the Fund invests in equities, bonds and alternative assets such as property. This is the most important decision that the Committee makes because it has the biggest impact on the long term returns of the Fund. The Committee will be reviewing the strategic asset allocation of the Fund when the results of the actuarial valuation are known later in the year.

During 2012/13, the Committee carried out a review of the structure of the Fund with its investment consultant, Aon Hewitt. The recommendations from the review are being implemented in 2013/14. This involves replacing one of the Fund's Hedge Fund managers, Man Investment Ltd, with a Multi Strategy Hedge Fund manager and moving from regional equity managers (*with the exception of UK Equities managed by Majedie*), and appointing two Global Unconstrained Equity managers. The Fund is also increasing the equity allocation managed on a passive basis from 9% (*European Equities*)

to 20% (*Global Equities*) which will be passively managed by a new manager. In November 2012 the Fund also reduced its allocation in global bonds by 5% and increased its allocation to absolute return bonds (2.5%) and investment grade credit bonds (2.5%) due to the excess yields available compared to Government Bonds.

The Pensions Committee undertakes thorough monitoring of the Fund's investment managers and is prepared to make changes in response to investment underperformance or new investment opportunities. In May 2012, Global Infrastructure Partners, who were appointed to manage a 3% allocation in Infrastructure made their first capital call to fund their purchase of Edinburgh Airport. It will take a number of years to invest the full 3% allocation as the arrangement is similar to our Private Equity manager with capital calls made as and when investment opportunities are identified. It is expected that this appointment will provide further diversification of returns and will help maintain the high standards expected from Shropshire's investment managers.

Actuarial Valuation

The Fund undergoes an independent actuarial valuation every 3 years. The latest actuarial valuation was conducted at the end of March 2010, identifying that the Fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 81%. This funding level is above the average of council pension funds and has one of the lowest employers' contribution rates of all council funds. The next actuarial valuation is being undertaken in March 2013 and the results will be known in November 2013.

As a local government pension scheme the Fund is able to take a long term view to the recovery of any funding deficit and is able to phase in any changes in the employer contribution rate in a manageable way. Whilst there is a lot written in the press about gold plated public sector pensions the reality is very different. The average pension paid from the Shropshire Fund last year was £4,400.

LGPS Scheme Changes

There is to be a new LGPS in 2014 - the new scheme is to be based on career average earnings rather than the final salary as in the current scheme. The Government consulted further on the proposals in December 2012. The consultation covered the core elements of the new 2014 Scheme, in particular, provisions relating to membership, contributions and benefits. Further consultations covering the governance, cost control and scheme administration is still expected in 2013. It is also hoped that details on transitional protection in respect of all accrued rights being protected and linked to final salary, the protection underpin for those within 10 years of retirement and the rule of 85 protections will be known quickly so that they can be built into the 2013 Valuation.

The Pension Administration Team ensured all proposals with regard to the New 2014 Scheme were communicated to the membership and employers to keep them up to date.

Auto Enrolment

Auto Enrolment came into effect from 1 October 2012, although individual employers responsibilities will be staged over the next four years. The staging dates for employers will be based on the number of employees in the PAYE scheme that they have. The first staging date for the Funds largest employer, Shropshire Council, was 1 February 2013. Auto-enrolment is the main responsibility of the employer, but its introduction has added to the work load of the Administration Team as it introduces new rules around data collection for those employees who choose to opt out of the Pension Scheme. The Pension Fund is working closely with all the scheme employers to ensure they are fulfilling their responsibilities.

Administration Strategy

In June 2012 the Fund introduced an Administration Strategy for the sole purpose of improving its processes with the Fund Employers. The strategy aims to move towards a seamless pension service, employing appropriate technology and best practice which both significantly improves the quality of information overall and the speed with which it is processed to provide better information for employers and stakeholders and a more efficient service to members. See appendix 5 for the policy document.

Scheme Administrator

In January 2013 Rachel Musson, Corporate Head of Finance & Commerce and Scheme Administrator left the Authority. James Walton has now been formally appointed as Head of Finance, Governance & Assurance and Scheme Administrator from February 2013.

Feedback

These and other developments are covered in more detail on the following pages. We hope you find the report interesting and informative. As always we welcome your feedback on the report and indeed, on any aspect of the Scheme's activities. If you wish to make a comment or if you have any questions, our contact details are given on the back page of the report.



James Walton
Head of Finance, Governance & Assurance(s151
Officer & Scheme Administrator) - Shropshire Council



Malcolm Pate
Chair of Pensions Committee
- Shropshire Council

Committee Members 2012/13

Looking after your interests



Malcolm Smith
(Chairman 12/13)
Telford & Wrekin Council



Malcolm Pate
(Vice Chairman 12/13)
Shropshire Council



Anne Chebsey
Shropshire Council



Thomas Biggins
Shropshire Council



Andrew B Davies
Shropshire Council



Bill McClements
Telford & Wrekin
Council



Ron Pugh
Pensioner Representative



John Fox
Employee Representative



Charles Tranter
Employee Representative

Members, Managers & Advisors 2012/13

Independent Advisors

Aon Hewitt Limited

Roger Bartley

Custodian

Northern Trust Company

Banker

Natwest Bank

Legal Advisor

Shropshire Council

Auditor

Grant Thornton UK LLP

Fund Managers

Aberdeen Fund Managers Ltd

Baillie Gifford & Co

Blackrock Alternative Advisors

F & C Management Ltd

Global Infrastructure Partners

Goldman Sachs Asset Management

HarbourVest Partners (UK) Ltd

Legal & General

Majedie Asset Management

Man Investments

Martin Currie Investment

Management Ltd

MFS Investment Management

PIMCO Europe Ltd

Strategic Fixed Income

Actuary

Mercer Ltd

AVC Providers

Prudential Assurance Company Ltd

Equitable Life Assurance Society

Cash Equitisation

Russell Investment Group

Corporate Governance

Pensions Investment Research

Consultants Ltd (PIRC) (until August 2012)

Currency Hedging

Northern Trust Company

Responsible Engagement Advisor

F & C Management Ltd

Performance Measurement

Northern Trust Company

Participating Employers

Scheme Employers have the right to join the scheme and their employees are automatically admitted to the Fund unless they indicate in writing that they do not wish to participate. Employees of Parish and Town Councils and other Admission Bodies must be nominated by their employer before they are admitted to the scheme.

Scheme Employers

- Abraham Darby Academy
- Abraham Darby School *
- Adams Grammar School*
- Haberdashers' Adams' Federation Trust (Adams Grammar School)
- Barrow 16-18 Free school
- Blessed Robert Johnson College
- Bridgnorth District Council **
- Bridgnorth Endowed School
- Charlton School
- Corbet School *
- Corbet School Academy
- Ercall Wood School
- Greenacres Primary School
- Lakelands School, Sports & Language College
- Ludlow College
- Madeley Academy Trust Ltd
- Marches School & Technology Academy
- Moorfield Primary School
- New College Wellington
- Newport Girls High School Academy
- North Shropshire District Council **
- North West Education Action Zone*
- Oswestry Borough Council **
- Priorslee Primary Academy
- The Priory School Academy
- Shrewsbury & Atcham Borough Council **
- Shrewsbury College of Arts & Technology
- Shropshire Magistrates Court Committee *
- Shrewsbury Sixth Form College
- Shropshire & Wrekin Fire Authority
- Shropshire County Council **
- Shropshire Council
- Shropshire Probation Committee *
- South Shropshire District Council **
- Telford College of Arts & Technology
- Telford & Wrekin Education Action Zone *
- Telford & Wrekin Council
- Walford & North Shropshire College
- West Mercia Supplies*

Admission Bodies

- Accord Housing Association
- Age UK Shropshire, Telford & Wrekin
- Association of Local Councils
- Care Quality Commission
- Connexions *
- Coverage Care Ltd
- Coverage Care Crowmoor House
- Crime Reduction Initiatives (CRI)
- Energize
- Fastrack Maintenance*
- Funeral Services LTD
- Harper Adams University College
- (TheHive) Belmont Arts Centre HMM Arts Ltd
- Initial Catering Services *
- Interserve (Facilities Management) Ltd
- Ironbridge Gorge Museum Trust
- Landau Consultants*
- Mencap
- Meres & Mosses Housing Association
- Relate Shropshire*
- Ringway Infrastructure LTD
- Severnside Housing Association
- Severn Gorge Countryside Trust
- Shrewsbury, Telford & Wrekin Learning Hub*
- Shropshire County Leisure Trust
- Shropshire Disability Consortium*
- South Shropshire Housing Association
- South Shropshire Leisure Ltd
- Taylor Shaw Ltd (Priory School Catering)
- Telford & Wrekin Services Ltd
- Telford Development Corporation *
- Telford Trust*
- Transforming Telford ***
- Womens Royal Voluntary Service*
- Wrekin Housing Trust
- Veolia Environmental Services (UK) Plc

Designated Bodies

- Albrighton Parish Council*
- Alveley Parish Council*
- Bayston Hill Parish Council
- Bishop Castle Town Council
- Bridgnorth Town Council
- Broseley Town Council
- Church Stretton Town Council
- Condoover Parish Council
- Craven Arms Town Council*
- Dawley Hamlets Parish Council
- Ellesmere Town Council
- Gorge Parish Council
- Great Dawley Parish Council
- Great Hanwood Parish Council
- Hadley & Leegomery Parish Council
- Hollinswood & Randlay Parish Council
- IP&E Group
- Ketley Parish Council
- Lilleshall & Donnington Parish Council
- Ludlow Town Council
- Madeley Parish Council
- Market Drayton Town Council
- Much Wenlock Town Council
- Newport Town Council
- Oakengates Town Council*
- Oswestry Town Council
- Shifnal Town Council
- Shrewsbury Town Council
- Stirchley & Brookside Parish Council
- St Georges & Priorslee Parish Council*
- Wellington Town Council
- Wem Town Council
- Whitchurch Town Council
- Wrockwardine Parish Council

Administration

Review of the year

The LGPS is a statutory scheme, and operates on a “defined benefit basis”. The benefits are paid under the provisions of the LGPS Regulations 1997, the LGPS (Transitional Provisions) Regulations 1997, the LGPS Regulations 2008, and other applicable overriding legislation.

The government issues the pension scheme regulations through the Department of Communities and Local Government. The Regulations have the force of law. Under Regulation 34 of The Local Government Pension Scheme (*Administration*) Regulations 2008 all LGPS funds are required to publish an Annual Report.

Shropshire Council is required by law to administer the Scheme within the geographical area of Shropshire and the responsibilities for both administration and investments are met in-house. The LGPS is a contributory final salary scheme, which is contracted-out of the Second State Pension (S2P) and is exempt approved for tax purposes.

Since 1922 The Local Government Pension Scheme has developed from a scheme which just provided pensions for officers only, to today's Scheme which provides pensions and lump sums for all members, spouses, civil and nominated cohabiting partners and children's pensions. It also offers ill health, redundancy and death cover.



*Pension
Administration
Team*



*Scheme
Administrator,
Head of Treasury
and Pensions,
Pensions
Administration
Manager and
Treasury Team*

Participating Employers

The fund administers the LGPS for a number of employers including organisations such as local authorities, academies, further education colleges and voluntary and charitable organisations.

Each employer has to provide a named contact for pension purposes. This is reviewed regularly at least once a year. All employers are provided with Scheme Guidance and a link to the Administration Strategy, Appendix 5, which is on the Fund website.

The number of current employers Shropshire County Pension Fund administers the scheme for is 109.

New Scheme Employers for 2012/13

- The Priory School Academy
- Barrow 16-18 Free school
- Lakelands School, Sports & Language College
- Bridgnorth Endowed School

New Admission Bodies for 2012/13

- Energize
- Coverage Care Crowmoor House
- Ringway Infrastructure LTD
- Shropshire County Leisure Trust
- Taylor Shaw Ltd (Priory School Catering)

New Designated Bodies for 2012/13

- IP&E group Ltd

Valuation 2013

Every 3 years the fund appoints the actuary, Mercer, to carry out a valuation of the Fund. The employer contribution rates for the forthcoming three year period from April 2014 are set as part of this valuation process. The last valuation took place in 2010 with employer contribution rates being set for the period 1 April 2011 to 31 March 2014.

Pension News

The scheme is constantly changing and adapting to the new needs and demands of both the Government and the membership. There have been many changes over the last 12 months. The schemes two main employers Shropshire Council and Telford and Wrekin Council had staging dates for Auto Enrolment. Shropshire Council in February 2013 and the Telford and Wrekin Council in March 2013.

Team News

Following a review, from April 2013 the administration team has moved out of the Shared Service Centre and is now managed directly by the Treasury and Pensions Team. There have been no changes to the team and therefore this move has not been noticed by our membership as there has been no change in the service delivered.

Pensions Helpdesk Statistics

The pension helpdesk team manages all of the funds first point of contact queries by telephone, face to face, email and by post. In 2012/13 the team took over 8900 phone calls and received over 3000 emails to the pension inbox all of which were answered within 3 working days.

Over 8900 phone calls and 3000 emails dealt with in 2012/13.

Public Sector Pension Review

Work on LGPS 2014 continues.

Proposals were issued on the 31 May 2012 for the New Scheme to be introduced from 1 April 2014. Agreed jointly by the Local Government Association (LGA) and trade unions they were endorsed by employers and members in a consultation exercise undertaken in the Summer of 2012.

The consultations resulted in the proposals being supported by:

93%
of employers

90%
of UNISON members

95%
of GMB members

84%
of Unite members

Regulations to implement these proposals are to be consulted on and hope to be in Statute **Autumn 2013**. The work involved in developing the details required for the regulations has taken longer than initially envisaged. The delay will not change the basis of the agreement reached and the LGPS project Board 2014 has confirmed that the regulations will set out the scheme consulted on in the summer of 2012.

Changes to Lifetime Allowance & Annual Allowance

In the Autumn 2012 statement George Osborne announced a cut in the Lifetime Allowance and Annual Allowance from April 2014.

The Lifetime Allowance is the total capital value of all pension arrangements, but not state pension, which can be built up without paying additional tax. The cut in Lifetime Allowance will largely impact those individuals who are still working and are high earners with substantial pension savings.

The Annual Allowance is an annual limit set by HM Revenue & Customs and is the limit on the value of the increase in pension benefits built up in a tax year. The cut in annual allowance could catch a wider group and would again only affect individuals who are still working and receive a substantial pay increase.

In summary the changes are:

Lifetime Allowance

<i>Current value:</i>	<i>Due to decrease to:</i>
<i>£1.5 million</i>	<i>£1.25 million</i>
<i>In 2012/13 & 2013/14</i>	<i>From 6 April 2014</i>

Annual Allowance

<i>Current value:</i>	<i>Due to decrease to:</i>
<i>£50,000</i>	<i>£40,000</i>
<i>In 2012/13 & 2013/14</i>	<i>From 6 April 2014</i>

Fact sheets and individual letters were produced by the Fund for those members who were likely to be affected.

Single Tier State Pension

In other pensions news, on 14 January 2013 the Government published a White Paper outlining proposals to reform the State Pension into a single-tier State Pension. The White Paper also included proposals to change the State Pension age in the future.

The paper in January suggested the new single-tier pension will be introduced in April 2017, however in the April 2013 budget announcement it was confirmed by Chancellor George Osborne this would now be introduced a year earlier in 2016.

This reform will affect people who reach State Pension age from the time it is introduced. Current pensioners and those reaching State Pension age prior to the introduction of the single-tier pension will not be affected and will continue to receive their State Pension in line with existing rules.

More information on the White Paper can be found at:

www.dwp.gov.uk/policy/pensions-reform/state-pension

Proposals to reform State Pension into a single-tier State Pension.

Miscellaneous Regulations 2012

Three significant changes had been made to the LGPS in England and Wales in preparation for the introduction of the new duties under the Pensions Act 2008. An overview of the Miscellaneous Regulations was issued to employers and members in a newsletter.

Administration Strategy

The Local Government Pension Scheme (LGPS) (Administration) Regulations 2008 enabled Pension Fund Administering Authorities, such as Shropshire Council to introduce an Administration Strategy for the sole purpose of improving the administrative processes within the Fund.

In June 2012 the Fund introduced an Administration Strategy for the sole purpose of improving its processes with the Fund Employers and providing a more efficient service to members.

Pension Team performance is reported quarterly and employer performance is measured where we are able to e.g. timely payment of monthly contributions and where contribution payments are not paid on time interest is added. Employer performance is also to be reported quarterly and by exception. Overall the quality of data provided by scheme employers historically has been very high with very few issues and there been no reason to seek compensation from any of the Employers during this year.

(See Appendix 05 for the Administration Strategy and page 17 for Pension Statistics.)

Academies

Academies are employing bodies in the LGPS. The Shropshire County Pension Fund currently has 10 academies and this number continues to grow. The Fund has made visits to these new employers as well as providing specific guides to directly meet their needs.

In December 2012 the Fund contacted a number of schools in Shropshire to provide further information on the LGPS for schools considering Academy status.

Year End Procedures

At the end of each financial year all the Fund employers have to disclose details of the contributions paid by each of their employees who are members of the Local Government Pension Scheme (LGPS). The data is used to update records and provides the basis of the information for the production of the Annual Benefit Illustrations.

Membership with the Shropshire County Pension Fund continues to grow.

As at the 31st March 2013 there were:

14,422	13,007	9,614
Active contributors	Deferred beneficiaries¹	Pensioners & dependants

The number of members with a deferred benefit has increased significantly in 2012/13. A noticeable increase in deferred beneficiaries suggests members leaving the scheme are deciding to leave their pension benefits within the Shropshire Fund. An increased number of deferred beneficiaries can also be explained by employers not recruiting as frequently when employees leave.

Shropshire Council had also changed its terms and conditions in September 2011 which allowed members to defer benefits before a pay decrease and whilst continuing to contribute to the scheme. This may have attributed to an increase in the number of deferred beneficiaries in 2012/13 as this option became unavailable from March 2013.

A noticeable trend in the fund's profile which is continuing from 2011/12 is the shift in flexible working patterns for employees. 2012/13 has seen a further increase in the split between part and full time workers. In 2012/13 the funds active membership was split between 65% part-time members and 35% full time members.

Summaries of how the Fund membership has grown over the last 6 years and the age profile of the membership are shown in **GRAPHS 01-02** opposite.

Benchmarking

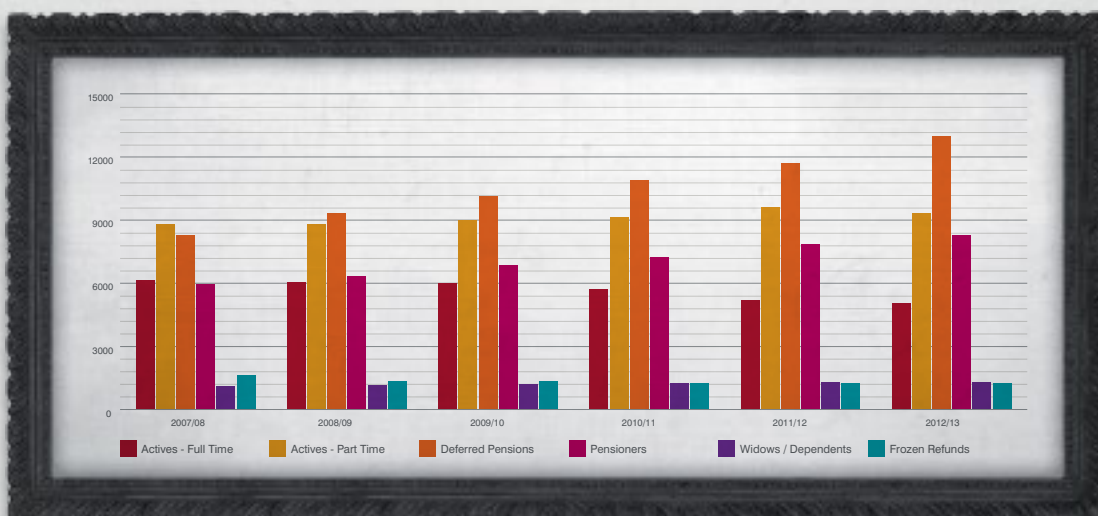
The Fund continues to participate in the Chartered Institute of Public Finance and Accountancy (CIPFA) annual benchmarking survey.

The results of the unit cost comparison for the most recent survey published are shown in **GRAPH 03** opposite.

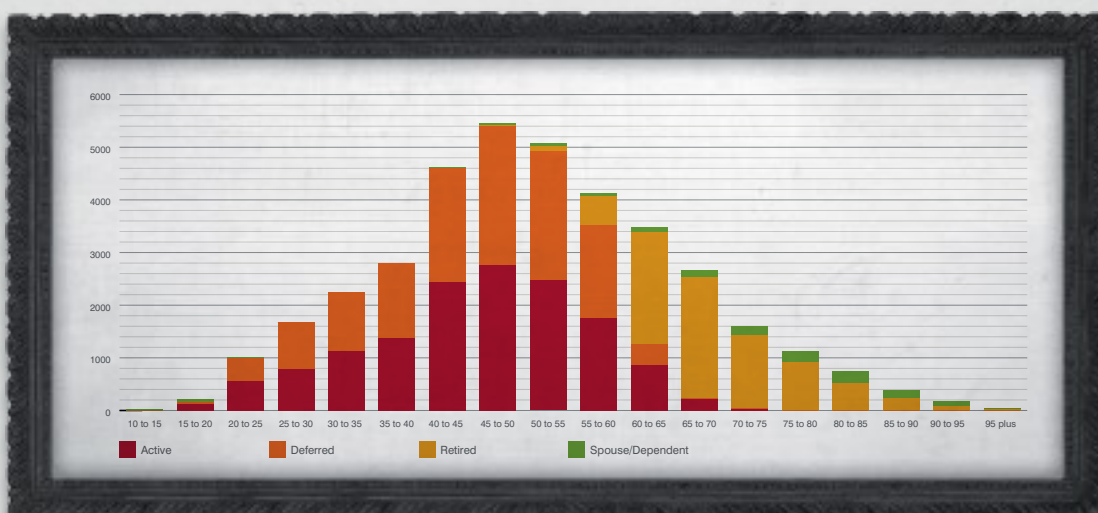
The graph illustrates cost per member of providing a service to active, retired and deferred members. The Shropshire Fund has a cost per member of £21.77.

We use this data to target areas for improvement in our service plan, to understand the specific service pressures that the Shropshire Fund faces and to operate as efficiently and effectively as possible.

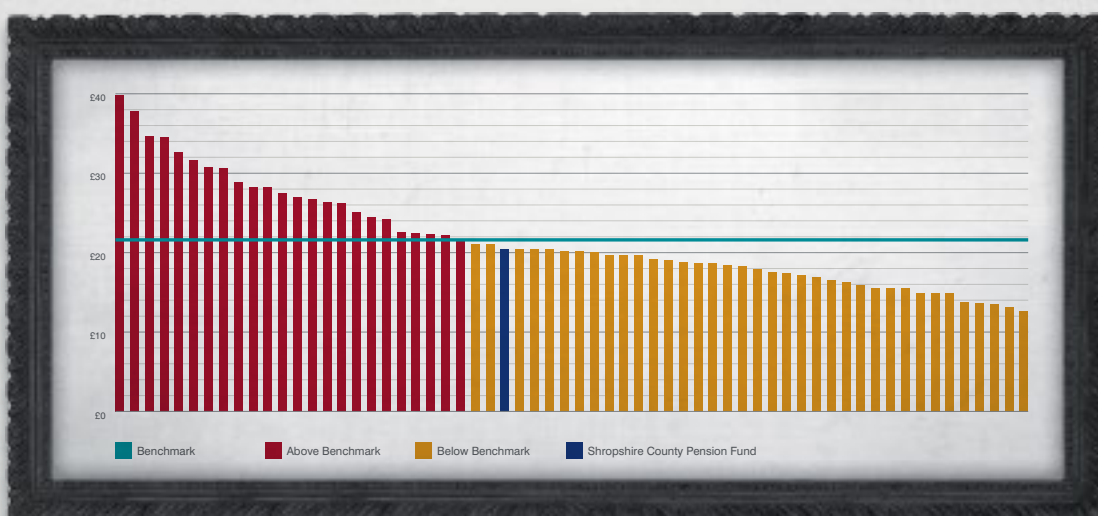
1. Former members who have left the scheme prior to retirement but have elected to keep their benefits in the scheme until they become payable at retirement age.



01: Scheme Membership Numbers Over last 6 years



02: Age Profile of Membership 2012/13



03: Benchmarking 2012/13

Feedback

Our membership regularly contacts us with their thoughts about the service that they receive and this is something that we encourage. We use this feedback to improve the service that we offer to our membership. The Shropshire County Pension Fund like every organisation receives occasional complaints, but every effort is made to address any issues that do arise, quickly and efficiently.

The fund sends out a Service Quality Questionnaire shortly after a member retires, some of the feedback we have received is below:

“I have always found email response very prompt”

“From start to finish an excellent all-round service. Thank you very much”

“Friendly, excellent service, efficient and polite”

“A very efficient service delivered with empathy and confidence” - spouse of deceased member

“Couldn’t have been better, wonderful service, can’t thank you enough!”

“A lot of hard work was put in February 2013 producing figures. For which I am very grateful”

“I have together with my wife found the pension meetings very useful, especially coming up to retirement, many thanks”

“The service you provided to me can only be described as excellent. The element of care shown to me in dealing with my concerns was very good. Please keep it up!”

“Very prompt service, on the occasions when I have phoned up, staff have always been helpful and informative”

At the recent employers meeting the fund asked its employers for feedback, some of the comments that we made are below:

“I think you provide an excellent service”

“The pensions team are always most helpful”

“Newsletters via email is great as we can place the material direct onto our staff intranet, meetings are also good as it gives an opportunity to discuss issues with peers”

Pension Statistics

The table below shows the actual casework volumes processed during the year and the amount completed within performance targets.

Process Commenced 2012/13	No. of Cases	% Within Target
Retirement Quotes	1217	84%
Normal retirement (65+)	182	67%
Early Retirements (55+), Flexible & Ill Health Retirements	699	82%
Deferred Benefits	2186	68%
Transfer in Quotes	126	83%
Deaths	194	68%
Divorce	92	90%
New Starters	1831	68%
Member self service pin requests	548	81%
Hours changes tasks	753	99%

Complaints & Appeals

Despite our best efforts we do, sometimes, receive complaints from our members when they have not been satisfied with scheme decisions. Members have the right to ask for the decision to be looked at again under the formal complaint procedure and also has the right to use the procedure if a decision should but has not been made by their employer or the Fund. The complaint procedure's official name is the Internal Dispute Resolution Procedure. The stage 1 and 2 cases are listed below.

Internal Dispute Resolution Procedure 2012/13

Stage	Cases submitted	Dismissed	Upheld
1st	0	0	0
2nd	2	1	1

Communications to contributing, deferred & retired members

The Shropshire County Pension Fund is fully committed to providing Scheme Members and Scheme Employers with as much information as possible concerning the operation of the Local Government Pension Scheme (LGPS).

01. Annual Benefit Statements

Once a year all current and deferred members are sent a benefit illustration direct to their home address. This summarises the basic information held about them such as hours of work, and pay for pension benefit purposes and gives estimates of the current and future value if applicable. It also includes an estimate of the current value of survivors' pension benefits and death benefits.

Over the years the statements that are produced have been improved. The positive feedback received, has demonstrated the success of the improvements.



02. Working with other Pension Funds

In the past 12 months collaborative working with other pension funds has increased significantly. In July 2012 a newsletter was produced in conjunction with Warwickshire, Staffordshire, Cheshire and Worcester Pension Funds which was led by Shropshire. All funds provided input into the design and content of the newsletter whilst sharing the cost of joint working.

It has been agreed that all Funds will continue to work together on future projects including a deferred benefit statement for 2013 and representatives from each fund meet quarterly to discuss communications issues.

03. Newsletters

During the last twelve months a number of newsletters have been issued to all contributing members. The main purpose of which is to satisfy disclosure requirements, by informing contributing members about changes in the regulations of the LGPS. These publications were not produced at fixed times, but rather in response to changes in the regulations.

04. Website:

www.shropshirecountypensionfund.co.uk

The core information about the Scheme is held on our website. We also publish latest news and updates on the website as soon as is practical. There is also an on-line facility where members can calculate their own benefits, after obtaining a secure password and log-in. Further developments have been made to this site in the last twelve months and these are continuing.

04. Email updates

A new development this year is email alerts for members. By capturing an email address for new starters or members who are retiring or leaving the scheme an email alert can be sent whenever there is a significant addition to the website, news update or an event being run.

05. Consultations

A number of consultations have been run in members' places of work. These are run on demand at the request of the members or employers and set up by the Fund. Since the New Scheme 2014 proposals were issued the fund has provided numerous presentations on the proposals around the county for all members to attend.

The main aim of these consultations is to reassure members about the benefits offered by the Scheme and to explain in greater detail the complex make-up of the benefit structure.

06. Literature

The main point of reference for members to find out about the key aspects of the LGPS is the Brief Scheme Guide. This is supported by a range of other literature, which go into more detail on various topics.

The Fund's library of Scheme literature, which features a range of information for members, has been updated, when required, to reflect the changes in pension and tax legislation.

The Fund's Annual Report is produced to update members and Fund Employers on Administration and Regulatory changes, Investment Performance as well as publishing the Fund Accounts.

Scheme literature is mainly available on the funds website:

www.shropshirecountypensionfund.co.uk
or hard copy on request.

07. Payslips

From 1 June 2013 a payslip will only be issued to Fund pensioners when net pay (*i.e. the amount that is paid into the bank or building society account*) either increases or decreases by £5 from the previous month. This means that pensioners will still be alerted when their pension amount has changed. This has saved a substantial amount of money in printing, postage and paper costs.

From 1 June 2013 members will be able to view their P60 and payslip online by logging onto a secure area via the website.

08. Retired Members Meeting

In July 2012 the Pension Fund, held its dedicated meeting for retired members which had guest speakers including a retired fire-fighter and a representative from Hatchers Solicitors.

09. Annual Meeting

In November the Annual Meeting is held. All Fund members and Fund Employers are invited to the Annual Meeting and there are two venues held around the county, this ensures as many people as possible are able to attend. In November 2012 the meeting was filmed for the first time and made available on the website for members to watch the meeting if they were unable to attend on the day.

10. Employer Guide

The dedicated Employer Guide has been updated during the last twelve months to take into account regulatory changes that have an impact on how employers discharge their pension administration responsibilities.

11. Employer Meetings

Meetings were held to which all Fund employers were invited in October 2012 and January 2013. At the meetings Automatic Enrolment, employers responsibilities, LGPS 2014 and the Actuarial Valuation were discussed. John Livesey from Mercer, the Fund Actuary, made a presentation on the valuation and Jeff Houston from the Local Government Association covered the proposals for the new LGPS pension scheme.

12. Fund Staff & Elected Members Training

Team and Management meetings were held on a regular basis where information was exchanged with regard to workloads and procedures as well as training and development.

The Pension Team received, regular in-house and external training. Two members of staff achieved nationally recognised qualifications in the past 12 months.

Members of the Pension Committee also attend a training day with a number of Fund Officers, which included a detailed look at the current structure of the Fund.

Governance Arrangements

Local Government Pension Schemes are required to publish a number of documents which are shown within the appendices of this report.

Governance Compliance Statement

Appendix 01 | Page 57

This document describes how the Shropshire Fund is governed. It explains the role of the Pensions Committee and how it reports into the Council. The make-up of the Committee is outlined and the reasons for the current representation. The role of officers, independent advisors and employee representatives are clearly explained.

The Governance Compliance Statement includes details of compliance against the best practice guidelines on pension fund governance that have been issued by the Department for Communities and Local Government. The governance arrangements of the Shropshire Fund adhere to these best practice guidelines.

Funding Strategy Statement

Appendix 02 | Page 67

This document provides the basis for the actuarial valuation which occurs every three years. The Funding Strategy Statement formed the basis of the 2010 actuarial valuation. It sets out in a transparent way the Fund's prudent approach to meeting pension liabilities and maintaining stable employer contribution rates. It outlines the financial assumptions used in the actuarial valuation and identifies the risks and countermeasures employed by the Fund.

Statement of Investment Principles

Appendix 03 | Page 75

This document sets out the investment objectives of the Fund and how investments are allocated between equities, bonds and alternatives. Target investment performance is defined for each of the Investment Managers. The Fund's approach to social, environmental and ethical issues is also explained as is the Fund's compliance with Myners Principles.

Communications Policy Statement

Appendix 04 | Page 85

This document sets out the principles on which the Fund bases its communication activities. The Communications Strategy is outlined and the many methods of communication and publications are described to the reader.

Administration Strategy Statement

Appendix 05 | Page 93

This document sets out the administration processes for the Fund.

Training Policy Statement

As an administering authority of the Local Government Pension Scheme, the Council recognises the importance of ensuring that all staff and members charged with the financial management and decision making with regard to the pension scheme are equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.

The Pension Committee meets quarterly or more often if required. At these committee meetings a wide range of topical investment issues are embraced and include responsible engagement overlay and corporate governance, asset classes and investment products, the economy and market conditions and administration changes. Delivery is by investment managers, consultants and senior officers.

The Scheme Administrator is responsible for ensuring that policies and strategies are implemented.

The following training has been provided during the year:

- **Pensions Training Day:**
LGPS regulation update, Review of Strategic Asset Allocation and Alternative Investment Review.
- **Pensions AGM:**
Overview of the Year, Review of Investment Performance, Presentation on Global Aggregate Bonds, Pension Scheme Regulation Changes.
- **Quarterly training at Committee:**
Infrastructure, Equities, Hedge Funds, Investment Strategy Review.
- **Officer attendance at conferences, seminars & networking groups:**
LGC Investment Symposium, LGC Investment Summit, Aon Hewitt seminar, NAPF conference, CIPFA Pension network seminars, North West & Wales Pension & Accounting Group.

As Head of Finance, Governance & Assurance & Scheme Administrator for Shropshire County Pension Fund I confirm that the officers and members charged with the financial management of and decision making for the pension scheme collectively possessed the requisite knowledge and skills necessary to discharge those duties and make the decisions required during the reporting period.

James Walton
Head of Finance, Governance & Assurance(s) Officer & Scheme Administrator)

Accounts

Pension Fund Account for the year ended 31 March 2013

2011/12 £m		Notes (pgs 24-39)	2012/13 £m
	Contributions & Benefits		
	Contributions		
42.794	Employers	8	40.495
14.205	Employees	8	13.455
3.869	Transfers In from other pension funds	3, 8	6.191
60.868	Total Income		60.141
	Benefits Payable		
40.424	Pensions	8	44.613
12.765	Commutation of pensions and lump sum retirement benefits	8	9.404
1.151	Lump sum death benefits	8	1.079
	Payment to & account of leavers		
0.007	Refund of contributions	8	0.002
3.563	Transfer to other Funds	3, 8	3.306
1.039	Administration Expenses	10	0.905
58.949	Total Expenditure		59.309
1.919	Net additions from dealings with scheme members		0.832
	Returns on Investments		
22.780	Investment Income	3, 7, 14, 15	26.369
(1.513)	Gain/(loss) on cash and currency hedging	12, 13	(4.707)
(0.156)	Taxes on Income	6	(0.211)
31.663	Profits and losses on disposal of investments and changes in value of investments	11	134.107
(6.219)	Less Investment Management Expenses	9	(8.692)
46.555	Net increase (decrease) in the net assets available for benefits during the year		146.866
48.474	Surplus / (deficit) on the pension fund for the year		147.698
1038.553	Opening Net Assets of the Scheme		1087.027
1087.027	Closing Net Assets of the Scheme		1234.725

Net Assets Statement as at 31 March 2013

31/03/2012		Notes	31/03/2013	
£m		(pgs 24-39)	£m	%
	Investment Assets			
	Fixed Interest Securities			
40.821	Public Sector		47.749	3.87
0.000	Other		0.000	0.00
465.375	Equities		555.561	44.99
	Pooled Investment Vehicles			
104.479	Unitised Investment Vehicles		116.634	9.45
408.363	Other Managed Funds		457.168	37.03
	Derivative Contracts			
0.676	Futures	13	1.098	0.09
1.471	Forward Foreign Exchange	12	1.627	0.13
	Cash Deposits			
5.450	Margin Balances		5.233	0.42
55.666	Deposits		46.513	3.77
4.610	Temporary Investments	26	2.860	0.23
1086.911	Total Investment Assets		1234.443	99.98
	Investment Liabilities			
	Derivatives Contracts			
(0.609)	Futures	13	(0.832)	(0.07)
(0.392)	Forward Foreign Exchange	12	(0.469)	(0.04)
	Other Financial Liabilities			
(1.957)	Margin Balances		(1.349)	(0.11)
1083.953	Net Investment Assets		1231.793	99.76
	Current Assets			
2.551	Contributions due from Employers	19	2.650	0.21
3.755	Other Current Assets	19	3.309	0.27
0.011	Cash Balances	26	0.863	0.07
	Current Liabilities			
(0.085)	Unpaid Benefits	20	(0.184)	(0.01)
(3.158)	Other Current Liabilities	20	(3.706)	(0.30)
1087.027	Net Assets of the Scheme - Available to Fund Benefits as at 31 March		1234.725	100.00

Notes to the Shropshire County Pension Fund

Accounts for the year ended 31 March 2013

Note 1: Description of Fund

The Shropshire County Pension Fund is part of the Local Government Pension Scheme and is administered by Shropshire Council. The Council is the reporting entity for this Pension Fund.

The Fund is governed by the Superannuation Act 1972. The Fund is administered in accordance with the following secondary legislation:

- The LGPS (*Benefits, Membership and Contributions*) Regulations 2007 (*as amended*).
- The LGPS (*administration*) Regulations 2008 (*as amended*).
- The LGPS (*Management and Investment of Funds*) Regulations 2009.

It is a contributory defined pension scheme administered by Shropshire Council to provide pensions and other benefits for pensionable employees of Shropshire Council and a range of other scheduled and admitted bodies within the county area. The Fund is overseen by the Shropshire County Pension Fund Committee, which is a committee of Shropshire Council.

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Shropshire County Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

A list of all participating employers in the Shropshire County Pension Fund can be found on page 8 and 9.

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS (*benefits, membership and Contributions*) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ending 31 March 2013. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuation. The last valuation was as at 31 March 2010.

Pension benefits under the LGPS are based on final pensionable pay and length of pensionable service as summarised below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth $1/80 \times$ final pensionable salary	Each year worked is worth $1/60 \times$ final pensionable salary
Lump sum	Automatic lump sum of 3x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2012/13 financial year and its position at year end as at 31 March 2013. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 which is based upon International Financial Reporting Standards (*IFRS*), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

Note 3: Summary of Significant Accounting Policies

Fund Account Contribution Income

Normal contributions, both from the member and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund Actuary in the payroll period to which they relate. Employers' augmentation and pensions strain contributions are

accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset and amounts not due until future years are classed as long term financial assets.

Transfers to and from other schemes

Transfer values represent amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations (see note 8). Individual transfers in/out are accounted for on a receipts and payments basis. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 8).

Investment Income

Interest income is recognised in the Fund accounts as it accrues, using the effective rate of interest of the financial instrument as at the date of acquisition or origination. Income includes the difference between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

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

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

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

Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due at the end of the financial year. Any amounts due but unpaid are disclosed in the net asset statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1 (1) of Schedule 36 of the Finance Act 2004 and is therefore exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises and in 2012/13 this figure is £211,134.

Administration expenses

All administration expenses are accounted for on an accruals basis. All staff costs of the pensions administration team are charged direct to the Fund. Management, accommodation and other overheads are apportioned to the Fund in accordance with Shropshire Council's policy.

Investment management expenses

All investment managers expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in each of their mandates governing their appointment, broadly based on the market value of the investments under their management and therefore increase or decrease as the value of these investments change. In addition, the Fund has negotiated with several managers that an element of their fee will be performance related. Performance related fees were £2.608m in 2012/13 (2011/12 £0.852m). The cost of obtaining investment advice from consultants is also included in investment managers expenses.

Net Assets Statement

Financial Assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. The values of investments as shown in the net assets statement have been determined as follows:

- I. Market quoted investments are valued by the bid market price ruling on the final day of the accounting period.
- II. Fixed interest securities are recorded at net market value based on their current yields.
- III. Investments in private equity funds are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the fund manager.
- IV. Investments in infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- V. Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published. If single priced, value at the single price.
- VI. Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rate at the date of transaction.
- VII. The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. They are valued at fair value at bid prices and liabilities fair valued at offer prices. The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin. The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.
- VIII. Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.
- IX. The Fund recognises financial liabilities at fair value as at the reporting date and is recognised in the net assets statement on the date the Fund becomes party to the liability.

Note 4: Critical judgments in applying accounting policies

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers set out by the British Venture Capital Association.

The pension fund liability is calculated every three years by the Fund Actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in note 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

Note 5: Assumptions made about estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Fund. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be different from the assumptions and estimates used.

The items in the net assets statement as at 31 March 2013 for which there is a risk that the assumption or estimate could be misstated are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Private Equity	Private Equity investments are valued at fair value in accordance with British Venture Capital Association guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £55.7 million. There is a risk that this investment may be under or overstated in the accounts.
Hedge Fund of Funds	The fund of funds is valued at the sum of the fair values provided by the Administrators of the underlying funds plus any adjustments deemed necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund of funds value in the financial statements is £92.8 million. There is a risk that these investments may be under/over - overstated in the accounts.

Note 6: Taxes on Income

The following table breaks down the taxes on income by asset class:

2011/12 £m		2012/13 £m
0.000	Withholding tax - Fixed interest securities	0.000
0.133	Withholding tax - equities	0.186
0.023	Withholding tax - pooled	0.025
0.156		0.211

Note 7: Investment Income

The table below analyses the investment income received by the Fund (mostly in the form of dividends) over the last 12 months.

2011/12 £m		2012/13 £m
1.170	Interest from Fixed Interest Securities	1.165
11.318	Dividends from equities	12.148
0.000	Income from index-linked securities	0.000
1.127	Income from pooled investment vehicles	1.109
0.054	Interest on cash deposits	0.031
9.111	Other	11.915
22.780		26.368

Note 8: Analysis of the main revenue account transactions

The following table provides further analysis of contributions received and benefits paid between the Administering Authority (*Shropshire Council*), Designated Bodies and Scheme Employers (*Unitary, Town and Parish Councils*) and Admission Bodies (*Private bodies carrying out former Local Government functions or bodies providing a public service on a non profit making basis*).

Note 8:

	Administering Authority	Admission Bodies	Designation Bodies / Scheme Employers	Total
2012/13	Contributions Received			
Employees	6.090	1.911	5.454	13.455
Employers	19.733	5.980	14.782	40.495
Transfers In	1.483	3.445	1.263	6.191
Total Income	27.306	11.336	21.499	60.141
	Payments Made			
Pensions	27.985	5.076	11.552	44.613
Lump Sums	5.189	1.697	2.518	9.404
Death Benefits	0.472	0.218	0.389	1.079
Refunds	0.002	0.000	0.000	0.002
Transfers Out	1.455	0.368	1.483	3.306
Administration Fees	0.905	0.000	0.000	0.905
Total Expenditure	36.008	7.359	15.942	59.309
2011/12	Contributions Received			
Employees	6.961	1.768	5.476	14.205
Employers	21.417	5.199	16.178	42.794
Transfers In	1.911	0.358	1.600	3.869
Total Income	30.289	7.325	23.254	60.868
	Payments Made			
Pensions	25.730	4.594	10.100	40.424
Lump Sums	5.639	1.360	5.766	12.765
Death Benefits	0.561	0.081	0.509	1.151
Refunds	0.001	0.005	0.001	0.007
Transfers Out	1.931	0.187	1.445	3.563
Administration Fees	1.039	0.000	0.000	1.039
Total Expenditure	34.901	6.227	17.821	58.949

Note 9: Investment Expenses

Each external Investment Manager receives a fee for their services based on the market value of the assets they manage on the Funds behalf. Active managers are required to produce a specific target return in excess of their benchmark return and are paid a performance related fee (*over and above a basic fee*) for reaching required levels of outperformance. The management fees disclosed also include all investment management fees directly incurred by the Fund by pooled fund investments.

2011/12 £m		2012/13 £m
5.675	Management Fees	8.210
0.347	Custody Fees	0.231
0.175	Investment Advisory Fees	0.227
0.022	Actuarial Fees - Investment Consultancy	0.024
6.219		8.692

Note 10: Administration Expenses

The costs incurred by the Council in administering the Fund totalled £0.905 million for the year ended 31 March 2013. A breakdown of the significant items is shown here:

2011/12 £m		2012/13 £m
0.863	Employee costs	0.783
0.075	IT	0.035
0.015	Legal and Committee	0.015
0.035	External Audit Fees	0.023
0.008	Office Accommodation	0.008
0.013	Internal Audit	0.019
0.030	Other Costs	0.022
1.039		0.905

Note 11a: Reconciliation of movements in investments & derivatives

Investment type	Value as at 1 April £m	Purchases at cost & derivative payments £m	Sale proceeds & derivative receipts £m	Other cash transactions	Change in market value £m	Value as at 31 March £m
2012/13						
Fixed Interest Securities - Public Sector	40.821	127.744	(123.722)		2.905	47.748
Equities	465.375	268.603	(258.681)		80.265	555.562
Pooled Investment Vehicles - Unitised Investment Vehicles	104.479	0.000	0.000		12.155	116.634
Pooled Investment Vehicles - Other Managed Funds	408.363	37.845	(27.492)		38.452	457.168
Derivative contracts	1.146	0.000	(0.039)		0.317	1.424
	1020.184	434.192	(409.934)	0.000	134.094	1178.536
Cash deposits - with Managers	55.666			(9.166)	0.013	46.513
Cash deposits - margin balances	3.493			0.391		3.884
Temporary Investments	4.610			(1.750)		2.860
TOTAL	1083.953	434.192	(409.934)	(10.525)	134.107	1231.793
2011/12						
Fixed Interest Securities - Public Sector	33.373	76.664	(72.015)		2.799	40.821
Equities	458.594	219.144	(208.727)		(3.636)	465.375
Pooled Investment Vehicles - Unitised Investment Vehicles	86.258	0.000	0.000		18.221	104.479
Pooled Investment Vehicles - Other Managed Funds	394.912	7.663	(2.315)		8.103	408.363
Derivative contracts	(5.005)	0.000	(0.065)		6.216	1.146
	968.132	303.471	(283.122)	0.000	31.703	1020.184
Cash deposits - with Managers	57.042			(1.336)	(0.040)	55.666
Cash deposits - margin balances	4.376			(0.883)		3.493
Temporary Investments	9.550			(4.940)		4.610
TOTAL	1039.100	303.471	(283.122)	(7.159)	31.663	1083.953

Note 11b: Analysis of investments (excluding derivative contracts)

2011/12 £m		2012/13 £m
Fixed Interest Securities		
UK		
110.332	Corporate quoted	120.578
110.332		120.578
Overseas		
40.821	Public sector quoted	47.749
40.821		47.749
Equities		
UK		
258.978	Quoted	292.742
258.978		292.742
Overseas		
328.117	Quoted	412.001
328.117		412.001
Pooled Funds - additional analysis		
UK		
104.479	Index Linked Bonds	116.634
0.009	Unit Trusts	0.009
104.488		116.643
Overseas		
89.754	Hedge Fund of Funds	92.757
89.754		92.757
35.181	Pooled property investments	32.975
51.367	Private Equity	54.868
0.000	Infrastructure	6.799
86.548		94.642
1019.038		1177.112

Note 12: Analysis of derivatives

In November 2007 the Pensions Committee took a decision to passively hedge 50% of all currency exposure. This move was designed to eliminate some of the risks involved in holding an increased proportion of overseas investments. The aim of this hedging strategy was not to produce returns but to reduce risk over the long term.

It was accepted that there would be periods where passively hedging would cost the Fund but equally there would be periods where it provided gains. The aim is to reduce the volatility of the overall Fund value due to currency movements. Forward currency contracts were put in place which are rolled every quarter and take account of any changes to the composition of the Fund. In the financial year to 31 March 2013 currency hedges made a realised loss of £4.649 million which was offset by currency gains in the value of the underlying assets owned by the Fund.

At the end of the financial year the Fund had open foreign exchange contracts with unrealised gains and losses.

Contract	Settlement	Currency bought	Currency sold	Asset	Liability
			000's	£000's	£000's
Forward OTC	3 months	British pound	11,783 Australian dollar		(1)
Forward OTC	3 months	British pound	23,798 Swiss franc	61	
Forward OTC	3 months	British pound	112,187 Euro	695	
Forward OTC	3 months	British pound	174,665 Hong Kong dollar	60	
Forward OTC	3 months	British pound	5,957,539 Japanese Yen		(422)
Forward OTC	3 months	British pound	6,190 Singapore dollar		(12)
Forward OTC	3 months	British pound	322,591 US dollar	549	
Forward OTC	3 months	British pound	21,752 South African Rand		(7)
Forward OTC	3 months	British pound	61,392 Swedish Krona	51	
Forward OTC	3 months	British pound	16,251 Danish Krona	22	
Forward OTC	3 months	British pound	8,078 Brazilian Real	59	
Forward OTC	3 months	British pound	329,423 Indian Rupee	11	
Forward OTC	3 months	British pound	28,661,913 Indonesian Rupiah	8	
Forward OTC	3 months	British pound	6,697 Malaysian Ringgit		(11)
Forward OTC	3 months	British pound	183,716 New Taiwan Dollar	45	
Forward OTC	3 months	British pound	15,775,208 South Korean Won	34	
Forward OTC	3 months	British pound	1,758 Canadian Dollar	7	
Forward OTC	3 months	British pound	0.000 Mexican Peso	1	
Forward OTC	3 months	British pound	21,911 Norwegian Krona		(5)
Forward OTC	3 months	British pound	2,785 New Zealand Dollar		(9)
Forward OTC	3 months	British pound	9,652 Polish Zloty	24	
Forward OTC	3 months	British pound	4,382 Turkish Lira		(2)
TOTAL				1,627	(469)

Note 13: Cash Equitisation

The Fund employs Russell Investment Group to conduct a cash equitisation programme. This programme is designed to reduce risk by maintaining the Fund close to its strategic asset allocation and minimise the drag on investment performance caused by holding cash. This risk is hedged with the purchase of financial futures on the most underweight asset class. In the financial year the cash equitisation programme made a realised loss of £0.058 million.

This programme is implemented with the use of futures contracts. The Fund had futures contracts outstanding at year end with unrealised gains and losses. The economic exposure represents the notional value of the stock purchased under the futures contract and therefore the value subject to market movements.

Contract	Settlement Date	Underlying Investment	Economic exposure £000's	Asset £000's	Liability £000's
Equity Derivatives					
Future	3 months	Australia	(2,661)	17	
Future	3 months	France	4,338		(106)
Future	3 months	Germany	16,381		(539)
Future	3 months	Hong Kong	(1,412)		(3)
Future	3 months	Japan	10,416	486	
Future	3 months	Singapore	(546)		(6)
Future	3 months	Switzerland	5,372	6	
Future	3 months	UK	(14,778)	171	
Future	3 months	US	(7,806)	6	(146)
Fixed Income Derivatives					
Future	3 months	Australia	249	3	
Future	3 months	Canada	516	6	
Future	3 months	Germany	8,914	72	(17)
Future	3 months	Japan	10,269	40	
Future	3 months	UK	9,972	258	(15)
Future	3 months	US	16,861	33	
TOTAL				1,098	(832)

Note 14: Securities Lending

In February 2011 the Fund reactivated its arrangement with its Custodian (*Northern Trust*) to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Collateral is restricted to AAA Sovereign debt (*the highest rated collateral available*). Collateralised lending generated income of £78,406 in 2012/13 and this is included within investment income in the Pension Fund Account. As at 31 March 2013 £30,148,416 worth of stock (*approx. 2% of the Fund*) was on loan, for which the Fund was in receipt of £31,907,385 worth of collateral.

Note 15: Commission Recapture

The Fund participates in Russell Investment Group's Commission Recapture Programme whereby Investment Managers execute a proportion of trades through specific brokers nominated by Russell Investment Group. In return the Fund receives a rebate which is included within the investment income in the Pension Fund Account. This programme allows the Fund to reduce trading costs without compromising the Investment Managers ability to achieve best execution. Commission Recapture income during 2012/13 was £1,333.

Note 16a: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities (*excluding cash*) by category and net assets statement heading. No financial assets were reclassified during the accounting period.

31 March 2012			31 March 2013		
Fair value through profit & loss	Loans and receivables	Financial liabilities at amortised cost	Fair value through profit & loss	Loans & receivables	Financial liabilities at amortised cost
£m	£m	£m	£m	£m	£m
Financial Assets					
40.821		Fixed Interest Securities - Public Sector	47.749		
465.375		Equities	555.561		
104.479		Pooled Investment Vehicles - Unitised Investment Vehicles	116.634		
408.363		Pooled Investment Vehicles - Other managed Funds	457.168		
2.147		Derivative contracts	2.725		
	63.780	Cash		53.257	
	6.306	Debtors		6.822	
1021.185	70.086	0.000	1179.837	60.079	0.000
Financial liabilities					
(1.001)		Derivative contracts	(1.301)		
		(3.243) Creditors			(3.890)
(1.001)	0.000	(3.243)	(1.301)	0.000	(3.890)
1020.184	70.086	(3.243)	1178.536	60.079	(3.890)

Note 16b: Net gains and losses on financial instruments

2011/12 £m		2012/13 £m
Financial Assets		
25.487	Fair value through profit and loss	134.094
(0.040)	Loans and receivables	0.013
0.000	Financial liabilities measured at amortised cost	0.000
Financial Liabilities		
6.216	Fair value through profit and loss	0.000
0.000	Loans and receivables	0.000
0.000	Financial liabilities measured at amortised cost	0.000
31.663		134.107

Note 16c: Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

Level 1:

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2:

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3:

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions. The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are usually undertaken quarterly. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate. The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The table on page 32 provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

Asset Type	Investment Manager	Investment Type	Market Value £m	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m
2012/13						
Fixed Interest Securities	Strategic Fixed Income	Global Bonds	47.748	47.748		
Equities	Majedie Asset Management	UK Equities	168.755	168.755		
	Legal & General	European Equities	91.991	91.991		
	F&C Management Ltd	Emerging Market equities	51.043	51.043		
	Martin Currie Ltd	Pacific Equities	55.606	55.606		
	Baillie Gifford & Co	Japanese Equities	57.909	57.909		
	Goldman Sachs Asset Management	US Equities	130.256	130.256		
Pooled Investment Vehicles	Legal & General	UK Index Linked Bonds	116.634	116.634		
	Majedie Asset Management	UK Pooled Fund	16.069	16.069		
	Pimco Europe Ltd	Global Aggregate Bonds	120.579	120.579		
	MFS	Global Equities	133.114	133.114		
	Man Investment Ltd	Hedge Fund	55.845			55.845
	HarbourVest Partners Ltd	Private Equity	54.868			54.868
	Aberdeen Property Investors	Property Unit Trusts	32.975		32.975	
	Blackrock	Hedge Fund	36.912			36.912
	Global Infrastructure Partners	Infrastructure	6.799		6.799	
Net Derivative Assets			1.424	1.424		
Net Current Assets (including cash)			56.198	56.198		
			1234.725	1047.326	39.774	147.625
2011/12						
Fixed Interest Securities	Strategic Fixed Income	Global Bonds	40.821	40.821		
Equities	Majedie Asset Management	UK Equities	152.097	152.097		
	Legal & General (Pooled Fund)	European Equities	78.228	78.228		
	F&C Management Ltd	Emerging Market equities	47.386	47.386		
	Martin Currie Ltd	Pacific Equities	48.808	48.808		
	Baillie Gifford & Co	Japanese Equities	46.207	46.207		
	Goldman Sachs Asset Management	US Equities	107.488	107.488		
Pooled Investment Vehicles	Legal & General	UK Index Linked Bonds	104.479	104.479		
	Pimco Europe Ltd	Global Aggregate Bonds	110.333	110.333		
	MFS	Global Equities	106.881	106.881		
	Man Investment Ltd	Hedge Fund	54.974			54.974
	HarbourVest Partners Ltd	Private Equity	51.367			51.367
	Aberdeen Property Investors	Property Unit Trusts	35.182		35.182	
	Blackrock	Hedge Fund	34.783			34.783
Net Derivative Assets			1.145	1.145		
Net Current Assets (including cash)			66.848	66.848		
			1087.027	910.721	35.182	141.124

Note 17: Nature and extent of risks arising from financial instruments

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

Market risk

The risk that the value of a portfolio will decrease due to the change in value of market risk factors. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. Excessive volatility in market risk is managed through the diversity of the portfolio of geographical and industry sectors and individual securities. To mitigate market risk the Pension Fund Officers and the Fund investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

Other price risk

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

Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. The fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by Fund Officers to ensure it is within limits specified in the Fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2013/14 reporting period:

Asset Type	Potential market movements (+/-)
UK Equities	13.0%
Global Equities	11.9%
Global Bonds	2.7%
Property	1.8%
Private Equity	5.2%
Hedge Funds	4.1%
Global Aggregate Bonds	2.2%
UK ILG over 5 years	8.3%
Infrastructure	4.2%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in the value of the assets. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (*the prior year comparator is shown below*):

Asset Type	Value as at 31 March 2013 £m	Percentage change %	Value on increase £m	Value on decrease £m
2012/13				
Net Assets including Cash	56.198	0.0	56.198	56.198
Investment Portfolio Assets				
UK Equities	176.188	13.0	199.092	153.284
Overseas Equities	528.556	11.9	591.454	465.658
Corporate Bonds	120.579	2.2	123.232	117.926
Property	32.975	1.8	33.569	32.381
Private Equity	54.868	5.2	57.721	52.015
Hedge Funds	92.757	4.1	96.560	88.954
Global Government Bonds	47.748	2.7	49.037	46.459
UK Index linked Gilts over 5 years	116.634	8.3	126.315	106.953
Infrastructure	6.799	4.2	7.085	6.513
Net derivative assets	1.423	0.0	1.423	1.423
Total assets available to pay benefits	1,234.725		1,341.687	1,127.763

Asset Type	Value as at 31 March 2012 £m	Percentage change %	Value on increase £m	Value on decrease £m
2011/12				
Net Assets including Cash	66.854	0.0	66.854	66.854
Investment Portfolio Assets				
UK Equities	164.457	15.2	189.454	139.460
Overseas Equities	422.637	14.2	482.651	362.623
Corporate Bonds	110.332	2.3	112.870	107.794
Property	35.182	5.8	37.223	33.141
Private Equity	51.367	10.4	56.709	46.025
Hedge Funds	89.753	3.9	93.253	86.253
Global Government Bonds	40.821	2.8	41.964	39.678
UK Index linked Gilts over 5 years	104.479	7.6	112.419	96.539
Net derivative assets	1.145	0.0	1.145	1.145
Total available to pay benefits	1,087.027		1,194.543	979.511

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The following analysis shows the effect in the year on the net assets available to pay benefits of a +/- one percent change in interest rates assuming all variables remain constant.

Asset Type	Carrying amount £	Change in year in the net assets available to pay benefits	
		+1% £	-1% £
As at 31 March 2013			
Cash deposits	46,513,058	465,131	(465,131)
Cash balances	862,599	8,626	(8,626)
Total change in assets available	47,375,657	473,757	(473,757)
As at 31 March 2012			
Cash deposits	55,666,054	556,661	(556,661)
Cash balances	11,393	110	(110)
Total change in assets available	55,677,447	556,771	(556,771)

As at 31 March 2013 the Fund also had £2.860 million of Pension Fund revenue cash invested. £0.200 million was invested in the call account and this is classified as a variable rate investment. If interest rates throughout the year

had been 1% higher this would have increased the amount of interest earned on these investments by £0.002m. Similarly, the impact of a 1% fall in interest rates would be a £0.002m reduction in interest received. The Fund also had £2.660 million invested in fixed term deposits and the fair value of this as at 31 March 2013 would have been £2,660,870.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than £ sterling. The following table summarises the Fund's currency exposure as at 31 March 2013 and as at the previous year end:

Currency exposure - Asset type	Asset value as at 31 March 2013 £m	Asset value as at 31 March 2012 £m
Overseas Equities	437.368	425.341
Overseas Private Equity	55.658	51.725
Overseas Pooled Property	20.790	22.519
Overseas Government Bonds	44.425	38.203
Overseas Infrastructure	6.799	0.000
Total overseas assets	565.040	537.788

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6% (as measured by one standard deviation). A 6% fluctuation in the currency is considered reasonable based on historical movements in the month end exchange

rates over a rolling 36 month period assuming all other variables remain constant. A 6% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/ decrease the net assets available to pay benefits as follows:

Currency exposure - Asset type	Asset value £	Change to net assets available to pay benefits*	
		3%	-3%
As at 31 March 2013			
Overseas Equities	437.368	450.489	424.245
Overseas Private Equity	55.658	57.328	53.988
Overseas Pooled Property	20.790	21.414	20.166
Overseas Government Bonds	44.425	45.758	43.092
Overseas Infrastructure	6.799	7.003	6.595
Total change in assets available	565.040	581.992	548.086
As at 31 March 2012			
Overseas Equities	425.341	438.101	412.581
Overseas Private Equity	51.725	53.277	50.173
Overseas Pooled Property	22.519	23.195	21.843
Overseas Government Bonds	38.203	39.350	37.057
Overseas Infrastructure	0.000	0.000	0.000
Total change in assets available	537.788	553.923	521.654

**Shropshire County Pension Fund has an overall 6% currency risk based on holdings, however, as 50% of all foreign currency is passively hedged, the figures above show a 3% risk.*

Credit Risk

Credit risk is the risk that the counterparty to a transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and therefore the risk of loss is provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The investment priorities for the management of the pension fund revenue cash held for day to day transactions are the security of the principal sums it invests. The enhancement of returns is a secondary consideration to the reduction of minimisation of risk. Accordingly, the Administering Authority ensures that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited.

The main criteria for determining the suitability of investment counterparties is outlined in the Administering Authority's creditworthiness policy which the Pension Fund

has also adopted and approved as part of the annual Pension Fund Treasury strategy.

The Fund's lending list is reviewed continuously in conjunction with the Administering Authority's treasury advisor. The total permitted investment in any one organisation at any one time varies with the strength of the individual credit rating. The maximum amount is currently limited to £4,000,000. With security of capital being the main priority, lending continues to be restricted to highly credit rated institutions, part nationalised institutions and other Local Authorities. In addition to credit ratings the Administering Authority continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate.

	Rating	Balances as at 31 March 2013 £	Balances as at 31 March 2012 £
NatWest Instant Access Account	A	200,000	2,610,000
Lloyds TSB	A	2,660,000	1,000,000
Barclays	A		1,000,000
TOTAL		2,860,000	4,610,000

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Fund therefore takes steps to ensure that there is adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also to meet investment commitments. The Fund has immediate access to cash through the instant access account which at any one time could have up to £4 million available. The Fund also has the ability to access immediate cash held by Russell Investment Group, the Funds Cash Equitisation Manager. The Fund does not have access to an overdraft facility. All financial liabilities at 31 March 2013 are due within one year.

Note 18: Funding Arrangements

In line with the Local Government Pension Scheme (*Administration*) Regulations 2008, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last valuation was undertaken as at 31 March 2010. The next valuation will take place as at 31 March 2013.

The key elements of the funding policy are :

- To ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- To ensure that employer contribution rates are as stable as possible

The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The Funding strategy statement specifies a target period for achieving full funding of 19 years (22 years as at the 2007 valuation). For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2010 actuarial valuation, the Fund was assessed as 81% funded (85% at the March 2007 valuation). This corresponded to a deficit of £226 million (2007 valuation was £156 million) at that time. Revised contributions set by the 2010 valuation were introduced in 2011/12 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 11.6% of pensionable pay. The valuation of the Fund has been undertaken by the projected unit method under which the salary increases assumed for each member are projected until the member is assumed to leave active service.

Note 19: Analysis of Debtors

Provision has been made for debtors known to be outstanding as at 31 March 2013. An analysis of debtors is shown below:

2011/12 £m		2012/13 £m
0.007	Central Government bodies	0.004
3.702	Other Local Authorities	3.265
0.000	NHS Bodies	0.000
0.000	Public Corporations	0.000
2.597	Other entities and individuals	2.690
6.306		5.959

Note 20: Analysis of Creditors

Provision has also been made for creditors known to be outstanding at 31 March 2013. An analysis of creditors is shown below:

2011/12 £m		2012/13 £m
0.288	Central Government bodies	0.299
1.795	Other Local Authorities	1.782
0.000	NHS Bodies	0.000
0.000	Public Corporations	0.000
1.160	Other entities and individuals	1.809
3.243		3.890

Note 21: Additional Voluntary Contributions

Scheme members have the option to make Additional Voluntary Contributions (AVC's) to enhance their pension benefits. These contributions are invested with an appropriate provider and used to purchase an annuity at retirement. Contributions are paid directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with regulation 4 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No3093). Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 505 scheme members with AVC policies. These policies are held either by Equitable Life or Prudential.

During 2012/13 contributions to the schemes amounted to £688,025. The combined value of the AVC funds as at 31 March 2013 was £4,460,808.

Note 22: Value Added Tax

The Fund is reimbursed VAT by HM Revenue and Customs. The accounts are shown exclusive of VAT.

Note 23: Custody of Investments

Custodial Services are provided to the Fund by Northern Trust. This includes the safekeeping of assets, the collection of income, the exercise of voting rights and the monitoring and execution of corporate actions in conjunction with investment managers. The Custodian also provides independent confirmation of the assets and their value held by the Fund. Securities are held on a segregated basis via a nominee account and are clearly separated from the Custodians own assets.

Note 24: Contractual Commitments

The Fund has a 5% (£61 million) strategic asset allocation to Private Equity. It is necessary to over commit the strategic asset allocation because some private equity investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2013 £82.046m had been committed to investment in private equity via a fund of funds manager (HarbourVest Partners). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2013 the funds Private Equity investments totalled £55.7m.

Note 25: Fund Auditors

Grant Thornton has completed its 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 Practice Board. The Audit Certificate is published within this report.

Note 26: Pension Fund Bank Account

In March 2010 a separate bank account was opened for the Shropshire County Pension Fund and from the 1 April 2010 all income received is being paid into this account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2013 £2.860 million was invested. The cash balance in the Pension Fund account as at the same date was £0.863 million. All expenditure is still being paid by Shropshire Council on behalf of the Fund and this is reimbursed to Shropshire Council on a monthly basis.

Note 27: Related Party Transactions

The Shropshire County Pension Fund is administered by Shropshire Council. Consequently there is a strong relationship between the Council and the Pension Fund. Shropshire Council incurred costs of £904,890 (2011/12 £969,405) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

Shropshire Council is also the single largest employer of members of the pension fund and contributed £18.234 million (2011/12 £19 million). All monies owing to the Fund were paid across in the year. The Scheme Administrator of the Shropshire County Pension Fund is also the Head of Finance, Governance & Assurance for Shropshire Council.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Head of Finance, Governance & Assurance (*s151 Officer & Scheme Administrator*), the Head of Treasury and Pensions, the Treasury Accountant, the Investment Officer and the Pensions Administration Manager are all active members of the Fund.

Paragraph 3.9.4.3 of the Code exempts local authorities from the key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (*which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit (Wales) Regulations 2005*) satisfy the key management personnel disclosure requirements of paragraph 16 of IAS 24. This applies in equal measure to the accounts of the Shropshire County Pension Fund.

The disclosures required by Regulation 7(2)-(4) of the Accounts and Audit (*England*) Regulations can be found in the main accounts of Shropshire Council.

Under legislation, introduced in 2003/04, Councillors are entitled to join the scheme and three Members of the Pension Fund Committee are Members of the Fund. These are Thomas Biggins, Malcolm Pate and Andrew B Davies.

Charles Tranter and John Fox, employee representatives are also both scheme members as is Ron Pugh, Pensioner representative.

Note 28: Contingent Assets

10 admitted body employers in the Shropshire County Pension Fund hold bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default.

Note 29: Events after the Balance Sheet date

There have been no events since 31 March 2013, and up to date when these accounts were authorised, that require any adjustments to these accounts.

Note 30: Fund Structure update

During 2012/13 a decision was taken to disinvest funds with Man Investments and some of the regional equity managers. Tender exercises were undertaken between January and June 2013 to find a new Hedge Fund Manager to replace Man Investments and also various Global Equity Managers to replace the current regional managers. Various appointments were made in June and July 2013.

Notice was given to Man Investments and funds were returned in April 2013. In the interim period these funds were invested in Northern Trust's Global Cash Fund until 1st August when funds were transferred to the newly appointed, Brevan Howard.

The Global equity manager appointments were made in July 2013 and funds are expected to be transferred in October 2013.

Investments

Investment of funds

The Fund pursues a policy of managing risk by diversifying both investments and investment managers.

The Fund's investment consultant Aon Hewitt, in conjunction with Officers and Members, completed a formal review of the structure of the Fund's investment arrangements during the year. A review of the Fund's strategic asset allocation will be undertaken once the actuarial valuation results are known later in the year.

Assets are held by the Fund in order to achieve returns consistent with the cost of future pension liabilities as assessed by the actuary. Actuarial valuations are undertaken every three years with the next valuation due in 2013, the results of which will be known in November 2013. For 2012/13 the Fund's strategic allocation was:

25%

Fixed interest stocks

52%

Equities

23%

Alternatives¹

Fixed Interest Stocks (*also known as Bonds*) are generally considered to be less risky, as returns are less volatile than Equities. Bonds are deemed to closely match liabilities as they are both valued on the same basis. Over longer periods, investment returns achieved by Bonds are expected to be lower than those achieved by Equities. During the year a switch was made from global bonds (5%) managed by PIMCO into their investment grade credit fund (2.5%) and their absolute return bond fund (2.5%). The 5% redemption from the global bond fund was made due to the low yields currently available on government bonds.

In April 2011 the Fund appointed an Infrastructure Manager, Global Infrastructure Partners, to manage a 3% allocation of the Fund following a tender process. It will take a number of years to invest the full 3% allocation as the arrangement is similar to our Private Equity manager with capital calls made as and when investment opportunities are identified. The first capital call was made in May 2012 to fund the purchase of Edinburgh Airport. It is expected that this appointment will help maintain the high standards expected from Shropshire's investment managers.

The Fund's strategic asset allocation at the start and end of the year are shown opposite:

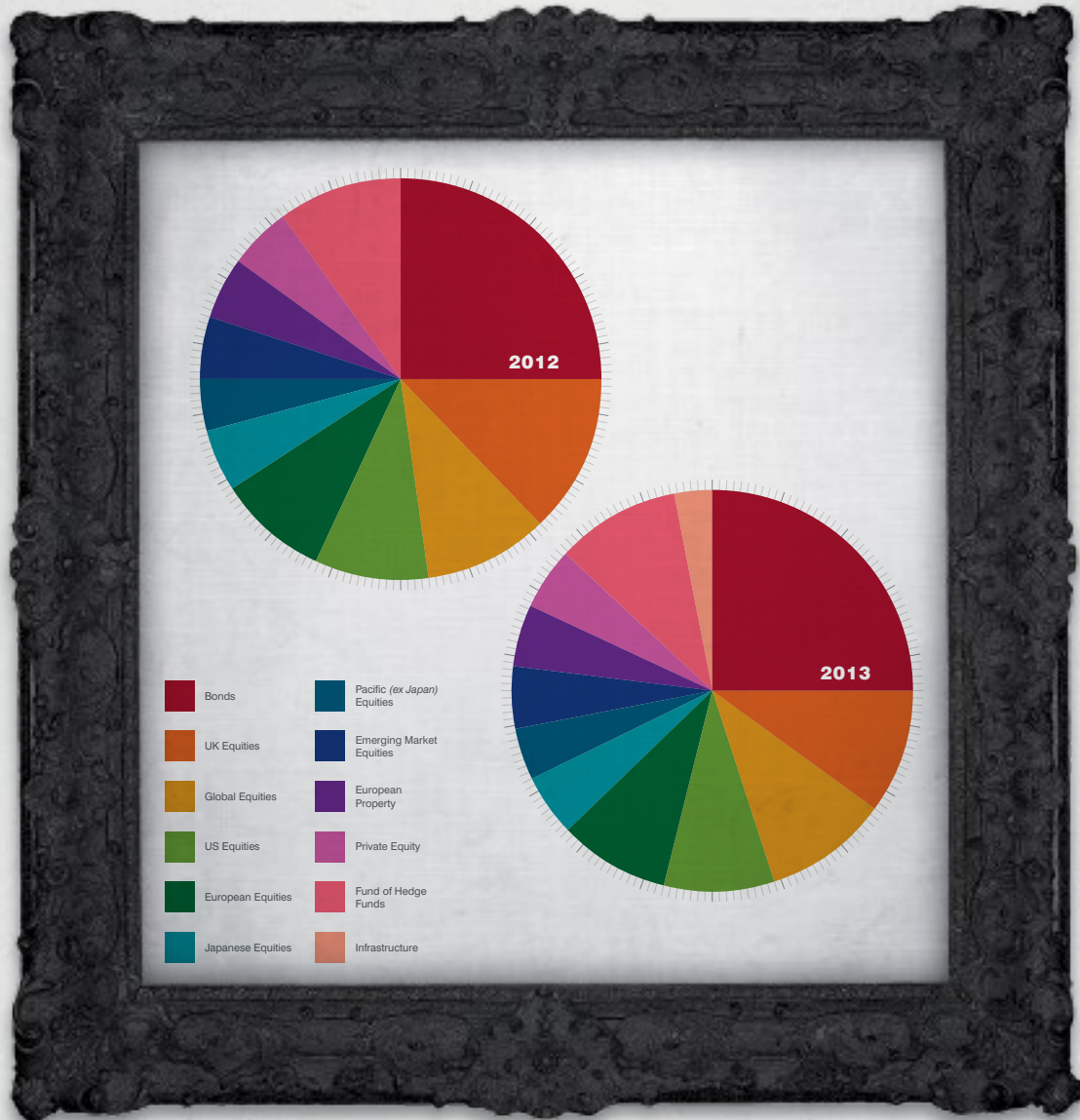
The Fund passively hedges 50% of its overseas currency exposure. This is designed to eliminate some of the risks in holding an increased proportion of overseas investments. The Fund's Global Custodian, Northern Trust, implements a passive currency hedging programme for the Fund.

The Fund also employs a cash equitisation programme with the aim of reducing risk by maintaining the Fund close to its strategic asset allocation and minimising the potential drag on investment performance caused by holding cash. This programme is provided by Russell Investment Group.

¹ *e.g Property, Hedge Funds and Infrastructure.*

Asset Allocation

Low risk & good returns



*Asset allocation
as at 1 April 2012 &
31 March 2013*

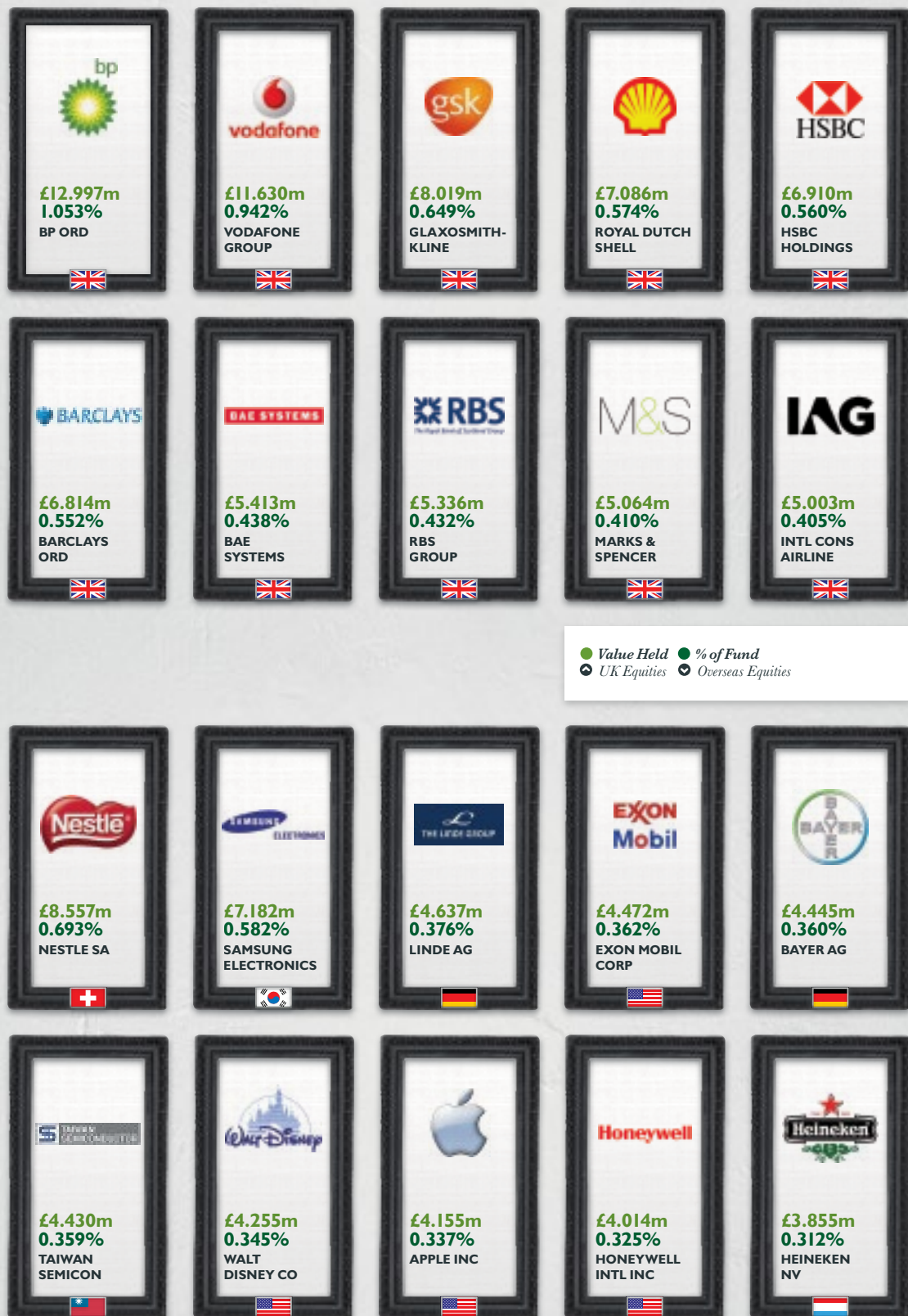


The following table shows the managers responsible for individual portfolios and the value of the Funds they manage.

Spread of Assets between Fund Managers

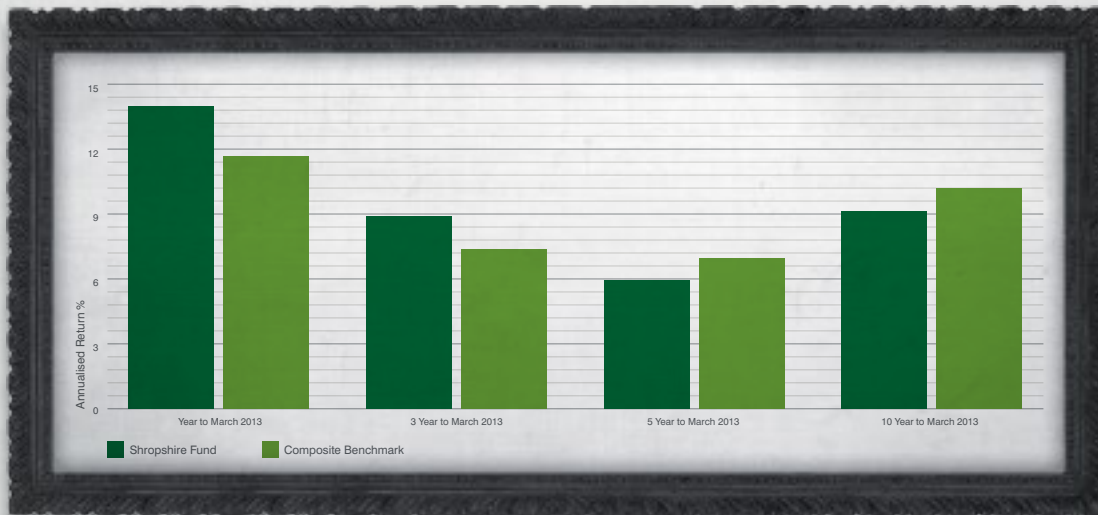
Fund Manager	% of Fund	Value of Fund Held (£m)	Portfolios Held
Majedie Asset Management	15.61	192.801	UK Equities
MFS	10.78	133.114	Global Equities
Goldman Sachs Asset Management	10.69	132.002	US Equities
PIMCO Europe Ltd	9.77	120.579	Global Aggregate Bonds
Legal & General Investment Managers	9.45	116.634	UK Index Linked Bonds
Legal & General Investment Managers	7.45	91.991	European Equities
Baillie Gifford & Co	4.72	58.286	Japanese Equities
Martin Currie Investment Management Ltd	4.60	56.739	Pacific Equities
Man Investment Ltd	4.52	55.845	Hedge Fund
HarbourVest Partners Ltd	4.51	55.658	Private Equity
F&C Management Ltd	4.22	52.126	Emerging Markets
Strategic Fixed Income	3.90	48.103	Global Bonds
Blackrock	2.99	36.912	Hedge Fund
Aberdeen Property Investors	2.88	35.501	Property Unit Trusts
Russells Investment Group	2.00	24.644	Futures
Other	0.91	11.198	Other
Global Infrastructure Partners	0.551	6.799	Infrastructure
Total Assets Held by Fund Managers	99.53	1,228.933	
Net Current Assets	0.47	5.792	Net Current Assets
Total Fund	100.00	1,234.725	

Major Shareholdings at 31 March 2013

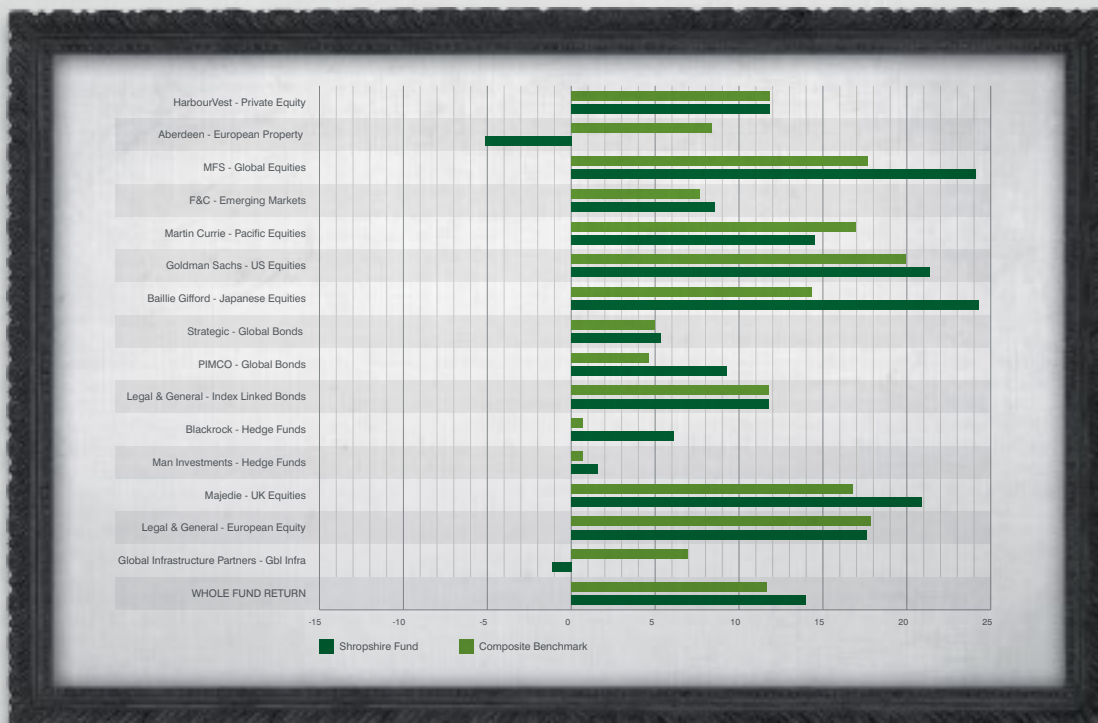


Investment Performance

Continual increase in value



01: Whole Fund performance



02: Individual fund manager performance



The last year...

...has seen positive returns in stock markets around the world.

In 2012/13 double digit gains were seen by all the Fund's equity managers with the exception of the Fund's emerging market equities but this asset class still returned 8.8%. The Fund's equity managers delivered a notable absolute return of 19.9% outperforming their benchmark by a relative 3.2%.

During the year the Shropshire Fund increased in value by over £147million to be valued at £1.235 billion at the end of the year.

14%

Fund increase

2.3%

Over Benchmark

The Fund invests in a range of asset classes so as to diversify risk and provide more stable returns. The Fund does not typically expect all of its investments to perform well at the same time. This was highlighted during the last year.

The Shropshire Fund benefited from strong investment returns in a number of markets including Japanese equities where the Fund's investments increased in value by 24.3% in the year. The Funds Global Government Bond portfolio achieved a return of 5.3% with Global Aggregate Bonds achieving a return of over 9.3% in the year. The Fund has also achieved strong

returns in Global Equities which delivered an investment return of 24.1% and UK Equities which achieved a return of 20.9% in the year. Returns in Private Equity were also positive, earning 11.8%.

The two asset classes which produced a negative return during the financial year was UK & European Property which posted an absolute loss of 5.1%. This was due to the losses made in the European Property Funds due to significant falls in capital values across Europe especially in Portugal and Spain. The second was infrastructure due to the upfront fees paid in the early years when few investments were made.

< Graph 1

The graph on page 44 shows total fund investment returns compared with the benchmark. The stock markets that make up the benchmark showed positive returns in 2012/13 of 19.9%. The Fund increased in value by 14% over the year outperforming its benchmark by 2.3%. Overall the Fund has increased in value by an average of 8.9% per annum over the last 3 years and 9.1% per annum over the last 10 years.

Performance data used in this report is provided by Northern Trust who supply independent confirmation of the investment performance of individual managers on the Fund's behalf.

< Graph 2

Individual portfolio managers are given performance benchmarks related to the indices of the assets in which they invest or an absolute return benchmark where this is more appropriate. Manager performance compared to their benchmark for the year is shown in the graph on page 44.

Corporate governance & socially responsible engagement

The Shropshire County Pension Fund takes corporate governance & social responsibility seriously.

Whilst the Pensions Committee has an overriding duty to consider its financial responsibilities above any other considerations it remains committed to these important issues. Through actively voting at shareholder meetings and sustained shareholder engagement it is felt the Fund is best able to change company behaviour.

The Shropshire Fund does not restrict its investment managers in the companies in which they can invest. To do so would be contrary to the overriding financial responsibility of the Pensions Committee. Furthermore, it is difficult to define a company for exclusion. For example, companies such as Boeing and Rolls Royce are often defined as arms companies but have highly profitable non-arms related aspects to their businesses.

The Pensions Committee believe it is more effective to influence company behaviour from the inside as a shareholder.

Shareholder voting

The Shropshire County Pension Fund has been actively voting at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests for over fifteen years. During the period 1st April to 31st August 2012 the Fund has voted at 52 UK and 116 US company meetings using independent best practice advice from Pensions Investment Research Consultants Ltd (PIRC). Following a decision of Pensions Committee in July 2012, the individual fund managers now vote on the Fund's behalf rather than PIRC. This change came into effect on 1st September 2012 and applies to all segregated equity portfolios.

The Fund believes that good governance is an important element in reducing the risk of corporate failures in the future. It also believes that over the long term, commitment to corporate best

practice will enhance investment returns. As shareholders, we have a fiduciary interest and a responsibility in ensuring the highest standards of governance and accountability within the companies in which we invest.

Through PIRC & ISS (*Institutional Shareholder Services*) the Fund has adopted a corporate governance policy based on codes of best practice and governance reports. The Fund has incorporated the recommendations of the Combined Code on internal controls and the Higgs report on roles and responsibilities of directors.

During the last year the Fund's voting activity has continued to focus on encouraging the boards of listed companies to be transparent and accountable, maintain effective systems of internal control and adopt fair remuneration structures.

Socially responsible engagement

The Shropshire Fund is addressing its social responsibility through a strategy of responsible engagement with companies. As a shareholder, the Shropshire Fund is a part owner in the large number of UK companies and by entering into dialogue with these companies it is felt that there is potential to achieve change from the inside. However, it is also recognised that there are certain industries and sectors where engagement is less effective.

Given that the Fund does not have the resources to regularly visit the companies itself, an external advisor has been employed to develop an engagement programme. F&C Asset Management provide this responsible engagement overlay on the Fund's UK Equities portfolios. F&C enter into dialogue with companies on the Fund's behalf to put to them the case for improved financial performance through better management of the negative impacts they might have on the environment and society in general.

For example, in 2012 F&C counted itself among the 55% of shareholders in US financial giant Citigroup to vote against or abstain on the company's executive pay plan. This was the first time a large US bank had been on the receiving end of such a decisive shareholder rejection of a remuneration scheme. Within two days of the Citi vote, shockwaves were being felt in the UK, as the equally heated debate over bank pay turned to Barclays's AGM vote. F&C continue to be a constructive and critical voice in the debate about bank pay, as regards both individual executives and aggregate pay.

Local Authority Pension Fund Forum

Shropshire remains a committed and active member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF brings together 56 public sector pension funds (as at 31 March 2013) representing more than 75% of local government pension funds when measured by assets. LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards in corporate governance among the companies in which they invest.

As a member of the Forum the Shropshire Fund has a stronger voice in influencing the companies in which it invests. Over the last 12 months our work with the Forum has included the following areas:

News Corp

LAPFF stepped up the pressure to reform corporate governance at News Corp. The Forum has engaged extensively with the company for a number of years over the need for more independent representation on the board, and this escalated again following the hacking scandal. The engagement with News Corp directors has been positive in tone throughout, and the Forum welcomes the efforts the company has made, albeit belatedly, to clear up the mess left by the scandal. On the specific issue of governance reform LAPFF believe there has not been significant change and therefore decided to proceed with the shareholder resolution calling on the company to adopt a policy the chair of the company should be independent.

Getting pay right – a critique of executive remuneration

The Forum commissioned a report which both surveyed the territory of executive pay, and defined the Forum's own perspective on remuneration. This represents a valuable extension of the Forum's work in this crucial area of governance, and provides a platform on which LAPFF can base its engagement with companies, seek collaboration with other shareholders and work with policy makers. The report entitled 'Expectations for Executive Pay' will be sent to target companies seeking feedback and will also be sent to the FTSE 350 for information only, in advance of the voting season.

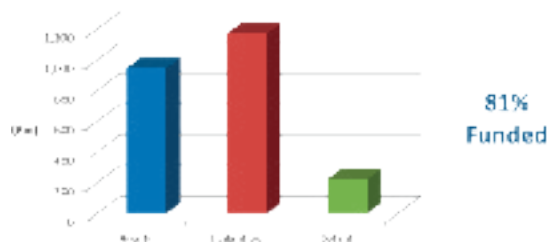
Independent Opinions

Statement by the Consulting Actuary

Accounts for the year ended 31 March 2013

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014. On the basis of the assumptions adopted, the Fund's assets of £951 million represented 81% of the Fund's past service liabilities of £1,177 million (the "Funding Target") at the valuation date.



The valuation also showed that a common rate of contribution of 11.6% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 5.9% of pensionable pay for 19 years. This would imply an average employer contribution rate of 17.5% of pensionable pay in total.

Further details regarding the results of the valuation are contained in our formal report on

the actuarial valuation dated 31 March 2011.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (*other than ill-health retirements*) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

Rate of:	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Return on investments (<i>discount rate</i>)		
• pre retirement	7.5% per annum	6.75% per annum
• post retirement	5.5% per annum	6.75% per annum
Pay increases	4.5% ¹ per annum	4.5% per annum
Increases in pensions in payment (in excess of <i>Guaranteed Minimum Pension</i>)	3.0% per annum	3.0% per annum

1. Allowance was also made for short-term public sector pay restraint over a 2 year period, as announced in 2010 by the Government.
2. A corresponding allowance to that made in the actuarial valuation has been made for short-term public sector pay restraint.



The assets were assessed at market value. The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes. To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2013 (the 31 March 2012 assumptions are included for comparison):

Rate of:	31 March 2012	31 March 2013
Return on investments (<i>discount rate</i>)	4.9% per annum	4.2% per annum
Pay increases	4.0% ² per annum	3.9% per annum
Increases in pensions in payment (<i>in excess of Guaranteed Minimum Pension</i>)	2.5% per annum	2.4% per annum

The demographic assumptions are the same as those used for funding purposes other than the allowance for future improvements in life expectancy, which has been updated taking into account the latest evidence on this issue. The updated allowance underlying the 31 March 2013 calculations is in line with the projections model published in November 2009 by the Continuous Mortality Investigation (CMI) with a long-term improvement rate of 1.25% p.a. The previous allowance as at 31 March 2012 used a long-term improvement rate of 1.0% p.a.

During the year, corporate bond yields reduced, resulting in a lower discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.2% p.a. versus 4.9% p.a.). The impact of this was offset slightly by the 0.1% p.a. fall in assumed inflation.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2012 was estimated as £1,540million. The effect of the changes in actuarial assumptions between 31 March 2012 and 31 March 2013 as described above is to increase the liabilities by c£196 million. Adding interest over the year increases the liabilities by a further c£75 million, and allowing for net benefits accrued/paid over the period increases the liabilities by another c£3 million. The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2013 is therefore £1,814 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2013

1. Allowance was also made for short-term public sector pay restraint over a 2 year period, as announced in 2010 by the Government.
2. A corresponding allowance to that made in the actuarial valuation has been made for short-term public sector pay restraint.

Statement of responsibilities for the statement of accounts.

Shropshire Council's Responsibilities

Shropshire Council, as administering authority for the Shropshire County Pension Fund, is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, the responsibility of Chief Financial Officer is allocated to the Head of Finance, Governance & Assurance(s151 Officer & Scheme Administrator);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

Approved by Pensions Committee

The Statement of Accounts was approved at a meeting of the Pensions Committee on 20 September 2013.

Malcolm Pate

Chair of Pensions Committee

20 September 2013

Responsibilities of Head of Finance, Governance & Assurance(s151 Officer & Scheme Administrator) as Chief Financial Officer

The Head of Finance, Governance & Assurance & Scheme Administrator is responsible for the preparation of the Shropshire County Pension Fund's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this Statement of Accounts, the Head of Finance, Governance & Assurance & Scheme Administrator:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice.

The Head of Finance, Governance & Assurance & Scheme Administrator has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Financial Officer

I hereby certify that the Shropshire County Pension Fund Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Fund for the year ended 31 March 2013 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2011.

James Walton
Head of Finance, Governance & Assurance(s151 Officer & Scheme Administrator)
 20 September 2013

Independent Auditor's report to the members of Shropshire Council Pension Fund

Opinion on the pension fund financial statements

We have audited the pension fund financial statements of Shropshire Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Shropshire Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance, Governance and Assurance & Scheme Administrator and auditor

As explained more fully in the Statement of Responsibilities, the Head of Finance, Governance & Assurance & Scheme Administrator is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (*UK and Ireland*). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance, Governance & Assurance & Scheme Administrator; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matters

In our opinion, the information given in the pension fund annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if, in our opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (*Administration*) Regulations 2008 and related guidance. We have nothing to report in this respect.

Opinion on financial statements

In our opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2013 and the amount and disposition of the fund's assets and liabilities as at 31 March 2013, other than liabilities to pay pensions and other benefits after the end of the scheme year;; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.



Grant Patterson
Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor
20 Colmore Circus
Birmingham
West Midlands
B4 6AT
September 2013

Glossary

Actuary

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

Additional Voluntary Contributions (AVC)

An option available to individuals to secure additional pension benefits by making regular payments in addition to the basic employee contribution payable.

Admission Bodies

Bodies whose staff can become members of the Pension Fund by virtue of an admission agreement made between the Fund and the relevant body.

Benchmark

A yardstick against which the investment performance of a fund manager can be compared, usually the index relating to the particular assets held.

Cash Equitisation

A technique using financial futures to minimise the drag on investment performance by holding cash.

Corporate Bonds

Investment in certificates of debt issued by a company. These certificates represent loans which are repayable at a future date with interest.

Currency Hedging

A technique using forward currency contracts to off set the risks associated with the changing value of currency on the Funds overseas investments.

Custody

Safe-keeping of securities by a financial institution. The custodian keeps a record of a client's investments and may also collect income, process tax reclaims and provide other services according to the client's instructions.

Deferred Pension

The inflation linked retirement benefits payable from normal retirement age to a member of the Fund who has ceased to contribute as a result of leaving employment or opting out of the pension scheme before the normal retirement age.

Designated Bodies

An organisation which must make a statutory resolution covering some or all of its employees, stating that they may be scheme members.

Emerging Markets

Developing economies in Latin America, Africa, Asia, and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to be more volatile than those in more established markets.

Equities

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

Fixed Interest Securities

Investments in mainly government but also company stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange before the repayment date.

Fund of Funds

Funds whose principle activity is investing in other investment funds. Investors in funds of funds can increase their level of diversification and take advantage of the experience and research capability of the fund of funds manager.

Futures

A contract made to purchase or sell an asset at an agreed price on a specified date.

Hedge Funds

An investment fund that uses sophisticated investment strategies to profit from opportunities on financial markets around the world. These strategies include borrowing money to make investment, borrowing shares in order to sell them and profiting from company mergers.

Infrastructure

A relatively new asset class often regarded as a stable source of cash flow with limited correlation to other asset classes providing diversification and low volatility. Its inflation hedging and long duration characteristics have also added to its attraction for investors. Infrastructure encompasses two broad groups: economic (*transportation, utilities and communications*) and Social (*schools, hospitals, prisons and government buildings*).

Index linked Securities

Investment in government stock that guarantee a rate of interest linked to the rate of inflation. These securities represent loans to government which can be traded on recognised stock exchanges.

Market Value

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

Myners Principles

A set of 6 principles which Pension Schemes are required to consider and publish their degrees of compliance. The principles require Pension Schemes to disclose, for example, the effectiveness of decision making, performance management reporting and approach to shareholder voting.

Pooled Investment Vehicles

Any fund in which multiple investors contribute assets and hold them as a group.

Private Equity

Investments into new and developing companies and enterprises which are not publicly traded on a recognised stock exchange.

Return

The total gain from holding an investment over a given period, including income and increase (decrease) in market value.

Scheme Employers

Councils and other similar bodies whose staff automatically qualify to become members of the Pension Scheme.

Stakeholders

Members who have a financial interest in the Fund's investments.

Transfer Value

These are sums which represent the capital value of past pension rights which a member may transfer on changing pension schemes.

Unit Trust (Managed Funds)

A pooled Fund in which small investors can buy and sell units. The pooled Fund then purchases investments, the returns on which are passed on to the unit holders. It enables a broader spread of investments than investors could achieve individually.

APPENDIX 01

GOVERNANCE COMPLIANCE STATEMENT

APPENDIX 02

FUNDING STRATEGY STATEMENT

APPENDIX 03

STATEMENT OF INVESTMENT PRINCIPLES

APPENDIX 04

COMMUNICATIONS POLICY STATEMENT

APPENDIX 05

ADMINISTRATION STRATEGY STATEMENT

APPENDIX 01

GOVERNANCE COMPLIANCE STATEMENT

Agreed by Pensions Committee on 18th June 2013



INTRODUCTION

1. This Statement has been prepared by Shropshire Council (*the Administering Authority*) to set out the governance compliance statement for the Shropshire County Pension Fund (*the Scheme*), in accordance with The Local Government Pension Scheme (*Administration*) Regulations 2008 (*Regulation 31 refers*), and its predecessor, Regulation 73A of the Local Government Pension Scheme Regulations 1997 (*as amended*).
2. It has been prepared by the administering authority in consultation with appropriate interested persons.

PURPOSE OF GOVERNANCE COMPLIANCE STATEMENT

3. The regulations on governance compliance statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out...
 - a) whether it delegates its functions, or part of its functions, in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority;
 - b) and, if so, it must state:
 - the terms of reference, structure and operational procedures of the delegation;
 - the frequency of any committee/sub-committee meetings;
 - whether the committee/sub-committee includes representatives of employing authorities (*including non-scheme employers*) or scheme members and, if there are such representatives, whether they have voting rights.
 - c) the extent to which delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
4. Thus, the policy statement should include information about all of the administering authority's pension fund governance arrangements. Information about the representation of employers should cover any arrangements for representing admitted body employers (*non-scheme employers*).

GOVERNANCE OF SHROPSHIRE COUNTY PENSION FUND

5. Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the Shropshire Council governance structure that is set out below.
6. The Pensions Committee was established in 1994 with responsibility for all matters relating to the management and administration of the Shropshire County Pension Fund. The Pensions Committee is a standing committee of the Council and is linked to Full Council by virtue of the Chairman or Vice Chairman being a Shropshire Council member.

SHROPSHIRE COUNCIL

Pensions Committee (*non-executive committee*)

The Pensions Committee reports to Full Council. It meets formally at least quarterly and more frequently if formal decisions are required. In between meetings Chairman's approval may be sought.

Terms of Reference:

- a) To advise the Council on the arrangements for the proper administration of the Shropshire County Pension Fund in accordance with the Local Government (*Administration*) Regulations 2008 and the Local Government Pension Scheme (*Management and Investment of Funds*) Regulations 2009;
- b) To advise employing organisations and employees within the Fund of their benefits, contributions and the financial performance of the Fund;
- c) To advise and assist the Council on the determination of any matters of general policy relating to the investment of the Pension Fund;
- d) To approve the annual report and accounts of the Fund and hold an Annual Meeting.

7. The Pensions Committee formal terms of reference (*above*) are interpreted as including:

- Admission of employing organisations to the Fund where discretion is permitted;
- Appointment of external advisors and actuaries to assist with the administration of the Fund, and of external managers for the management of the Fund's portfolio of assets;
- Approval of the periodic formal valuation of the Fund;
- Consideration of the advice of the Council's external investment advisers and of the Scheme Administrator;
- Determination of the objectives and general investment approach to be adopted by external fund managers;
- Review and monitoring of investment transactions and the overall investment performance of the Fund;
- To develop and implement shareholder policies on corporate governance issues;
- To review and approve on a regular basis the content of the Statement of Investment Principles and to monitor compliance of the investment arrangements with the Statement;
- To review the Funding Strategy Statement in detail at least every three years ahead of the triennial valuations being carried out, in order to inform the valuation process;
- To review and approve on a regular basis the Communications Policy for the Fund;

REPRESENTATION

8. Representation on the Pensions Committee is as follows:

Organisation	Allocation
Shropshire Council	4
Borough of Telford and Wrekin Council (co-opted)	2
Employees (co-opted)	2 (non-voting)
Pensioners (co-opted)	1 (non-voting)

The Administering Authority (*Shropshire Council*) always holds either the Chairmanship or Vice Chairmanship. The position of Chairman and Vice Chairman rotate between Shropshire Council and the Borough of Telford & Wrekin on a one year basis.

The Committee is supported by the advice from an independent advisor and investment consultant – one advises on strategic issues and overall investment approach and the investment consultant provide analysis and advice of a technical nature in relation to portfolio construction, interpretation of performance measurement and the monitoring of investment managers.

The role of Scheme Administrator is held by the officer who has responsibilities under S151 of the Local Government Act 1972 and provides financial (*non-investment*) advice to the Committee, including advice on financial management, issues of compliance with internal regulations and controls, budgeting and accounting and liaison with independent advisers.

Legal advice is provided by the Head of Legal and Democratic Services.

The remit for the LGPS vests formal statutory responsibility for the LGPS and fund investment with the administering authority which is answerable for the effective and prudent management of the scheme.

9. **The power to co-opt rests with the Council in full assembly and not with committees; although in practice the selection of persons to serve as co-opted members is usually left to committees. The co-opted members from the Borough of Telford & Wrekin are voting members.**
10. **The Pensions Committee can, if so minded, elect a co-opted member as its Chairman but in this instance the Chairman is unable to:**
- attend council meetings and pilot Pension Committee proposals through the full assembly;
 - answer questions put to him/her there;
 - represent the Pensions Committee on other committees

However, a Shropshire Council Vice-Chairman is able to deputise for the co-opted member Chairman.

REASONS FOR CURRENT REPRESENTATION

11. Myners' first principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. All members of the Pensions Committee are offered the Employers Organisation training. The Fund holds an annual training day when members of the Committee are exposed to presentations on topical issues, such as hedge funds, private equity, actuarial valuations, infrastructure etc.

12. In the CIPFA Guidelines relating to the governance regulations, it states that...

'As things stand, Section 7 of the Superannuation Act 1972 does not permit the Secretary of State to make regulations which impact on the constitution and membership of local authority committees. There are no plans at present to amend local government law to change the provisions regarding the composition of investment or pension committees. This must be a matter for individual fund administering authorities to consider, reflecting local circumstances and choice. But in exercising that choice, it is important that authorities recognise the desirability of achieving an effective and comprehensive level of stakeholder representation within the LGPS nationally.'

'The challenge for pension fund panels is to find ways of engaging those people with an interest in decisions made without undermining the operation of the Panel. The Funding Strategy Statements will encourage greater emphasis on consultation and if local authority employers contributing to a fund do not have representation on the panel or committee, be it voting or non voting, then there would be a need to demonstrate they were being engaged in other ways.'

For example by the holding of

- *bi-lateral discussions, or similar forums, involving employers and other stakeholders;*
- *an annual general meeting for all employers;*
- *a triennial meeting between all employers and the actuary to discuss the results of the actuarial valuation'.*

13. The Myners principle, the CIPFA guidance and the statutory position have led the Council as administering authority to conclude that current representation provides the appropriate balance between accountability and inclusion.

DELEGATION TO OFFICERS

14. Under the Local Government Pension Scheme Regulations 1997 the Shropshire Fund is required to formulate a policy on local discretions. These discretions were approved by Pensions Committee in March 1998 and have been updated following subsequent regulation changes. The latest version is listed in Appendix A.
15. In addition to these local fund-wide discretions there are certain employer discretions which under regulations employers have the authority to determine. These discretions are employer specific.

ARRANGEMENTS OUTSIDE OF FORMAL GOVERNANCE

16. The Council is committed to the widest inclusion of all stakeholders in consultation and communication outside of the formal governance arrangements. The arrangements include:

WITH EMPLOYING AUTHORITIES

17. The Fund's primary long term investment objective is to achieve and maintain a funding level at, or close to, 100% of the Fund's estimated liabilities; and within this to endeavour to maintain stable employers' contribution rates. Employing Authorities are pro-actively consulted on the Funding Strategy Statement on which the valuation and employer contribution rates are based.
18. The ratio of membership from the various employing authorities in the Shropshire County Pension Fund is:

Organisation	Contributors %
Shropshire Council	51
Borough of Telford & Wrekin Council	28
Parish / Town Councils	1
Other Scheme Employers	10
Admitted Bodies	10
Total	100

The Shropshire County Pension Fund involves all employers, irrespective of size, in consultations and communications.

The information to be supplied by employers to enable the Administering authority to discharge its functions is outlined in the Pensions Administration Strategy Statement and can be found on the fund's website.

19. Over the last decade, consultation with employing authorities on pension fund investment, actuarial matters and proposed central government changes to the regulations has evolved. A large step forward was afforded by the introduction of Statements of Investment Principles and Funding Strategy Statements, the consultation process surrounding them, and their accessibility to the Council's web site.
20. All employers are invited to regular employer meetings which provide information on changes in regulations, investment matters and actuarial valuations. All employing authorities are also kept abreast of events, by e-mail, and they are encouraged to get in touch if they have questions.
21. The Fund undertakes annual monitoring of its actuarial valuation position. Employer organisations are kept up to date of the latest position and its likely impact on employer contributions at the next formal valuation. At triennial valuations the Scheme Actuary presents to the employers meeting to explain changes in the funding level and implications on employer contribution rates. Employers meetings are also used to discuss the Funding Strategy Statements and data requirements for FRS17.
22. An annual meeting is held each year to which all employers are invited. The meeting outlines investment performance and any changes to the Fund's investment strategy as well as regulation changes and administration issues. A Fund Manager also presents at the meeting and allows employers and scheme members the opportunity to ask questions.

WITH SCHEME MEMBERS

23. Employees are represented on the Pensions Committee by two non-voting members (*both Union members*) who have an active role in the selection of managers, performance monitoring, investment strategy and responses to consultations on regulation changes. Pensioners are represented by a non-voting pensioner member.
24. All employees, as well as representatives from employer organisations, are invited to the Annual Meeting each year. All pensioners and deferred members also receive an invite to the Annual Meeting. Meetings are usually held in November at locations in Telford and Shrewsbury. The meeting is filmed and made available online to enable members unable to attend in person to watch. The meeting is well attended and provides a useful opportunity for members to meet their Employee or Pensioner Representative, learn about the fund and ask questions.

25. Where possible every member of the scheme receives Pensions Newsletters. The funds annual report and a financial summary of the scheme are published on The Pension Fund's web site and from September 2013 email notifications (*where an email address is held*) will be issued when the website is updated. The full communication policy can be found on the website. This outlines the fund approach on communicating with members, representatives of members, prospective members and employing authorities including the format, frequency and method of communications.

The Pension Fund's web site includes further information on:

- Full annual report and financial summary
- Statement of Investment Principles
- Myners Compliance

- Funding Strategy Statement
- Communication Policy
- Actuarial Valuation
- Investments
- Pensioner meetings

26. The Pensions Section has a very good informal working relationship with the unions, and is always there to assist with any problems in understanding the regulations.

COMPLIANCE AGAINST BEST PRACTICE GUIDELINES

27. The current governance arrangements which were established in 1994 adhere to the best practice guidance given by the Secretary of State. The extent to which delegation complies with the best practice guidance is shown in Appendix B.

APPENDIX A: SHROPSHIRE COUNTY PENSION FUND – POLICY ON LOCAL DISCRETIONS

Regulation	Discretion	Guideline	Delegated To
A52 (2)	Payment of death grant	The death grant will normally be paid to or amongst nominated beneficiaries. Where no nomination has been made, we would normally pay a death grant to the deceased's personal representatives (<i>in that capacity</i>). Where both of these options are seen to be inappropriate or impossible perhaps because nominees have died, circumstances appear to have changed since the nomination was made or other persons claiming some or all of the death grant or would seem to have a claim, we may pay the grant as we see fit to or between surviving nominees or personal representatives or any person appearing to us to have been a relative or dependant of the deceased at any time.	Scheme Administrator
B26 (4)	Payment of Child's pension after attaining age 18.	To be paid when the child commences full time education or vocational training after the date of the member's death as an eligible child after the child attains age 18 and until age 23.	Scheme Administrator
B26 (5) (a) (b)	Child's pension following	To be paid in equal proportions	Scheme Administrator
B27 (5)	Split of children's pensions	To be paid in equal proportions	Scheme Administrator
A52 (A) B27 (5)	Payment of children's pensions to parent or guardian	To be paid to child and only paid to parent or guardian in exceptional circumstances.	Scheme Administrator
B39 & T14 (13)	Commutation of small pensions	To be commuted in all cases where annual value is below Inland Revenue limits.	Scheme Administrator
LGPS97 - 50 and 157	Commutation – serious ill health	To be commuted with agreement of pensioner	Scheme Administrator
A56 (2)	Medical requirements	To be based on advice from the Council's Occupational Health Physician or one of the doctors on the list as approved by the pensions committee in September 2012 for the giving of certificates regarding permanent incapacity.	Scheme Administrator
LGPS97 - 60 (5)	Minimum level of Additional Voluntary Contribution	NONE	Scheme Administrator

Regulation	Discretion	Guideline	Delegated To
A42 (1) (4) & (7)	Employer's Contributions	To be paid within 1 month of the end of the month to which they relate after which time interest will be chargeable and be split by employees (EE's) and employers (Er's) contributions.	Scheme Administrator
A28 (2)	Charge for estimate of transfer of AVC to main scheme	First calculation free thereafter £25 per estimate.	Scheme Administrator
LGPS97 - 92	Recovery of Contribution Equivalent Premium	To be recovered in all cases permitted by the regulations.	Scheme Administrator
A83 (9)	Acceptance of transfer value	To be refused if insufficient to meet Guaranteed Minimum Pension liability.	Scheme Administrator
Financial Rules of the Administering Authority, Shropshire Council.	Overpayment of pension	Overpayments of less than £100 not to be recovered where they occur during the month of death and recovery is likely to cause hardship or be impractical.	Scheme Administrator
LGPS97 - B3 (11)	Frequency of payment of members contributions	On a monthly basis.	Scheme Administrator
A40 (2) & (4) (9)(b)	Agree method of paying augmented membership	SCPF require the payment for augmented service to be paid by BACS, in whole and before the date of retirement (<i>leaving</i>) once the resolution has taken place (<i>actives</i>).	Scheme Administrator
A60 (8)	Procedure to be followed by Admin Authority when exercising its stage two IDRPs functions	Full procedure can be found on: www.shropshirecountypensionfund.co.uk	Scheme Administrator
LGPS97 - 109 & 110 (4) (b)	Abatement of pensions following re-employment	<p>From the 1 June 2006 the abatement and suspension of pension policy operated by the Council changed and since this date no adjustments are required to funded pensions in respect of re-employment, regardless of the level of earnings.</p> <p>This policy applies to the funded element of the pension only and not the added year's compensation. This will still be subject to adjustment as per the regulations.</p>	Scheme Administrator
B10 (2)	Where a member dies before making an election of average of 3 years pay for final pay purposes.	Election to be made by the Fund on behalf of the deceased member.	Scheme Administrator
A52 A B27 (5)	Payments for persons (<i>other than an eligible child</i>) incapable of managing their affairs	<p>If it appears that a person (<i>other than an eligible child as defined in Regulation 26 of the Benefits Regulations</i>) is entitled to the payment of benefits under the Scheme but is, by reason of mental disorder or otherwise, incapable of managing his or her affairs, taking regard to the circumstances of the case and medical guidance where appropriate the following will be considered;</p> <p>(a) paying benefits or any part of them to a person having care of the person entitled, or such other person as the Scheme Administrator may determine, to be applied for the benefit of the person entitled as the Scheme Administrator may direct, or</p> <p>(b) applying the benefits in such manner as the Scheme Administrator may determine for the benefit of the person entitled, or his/her beneficiaries and is authorised to implement the Regulation subject to any third parties who are not the legal partner of the pension benefit recipient being required to provide Power of Attorney where the annual pension payable exceeds £1000 (<i>linked to CPI</i>); in cases where the annual pension benefit is below £1000, medical and documentary evidence as applied for legal partners would be deemed acceptable.</p>	Scheme Administrator
B25	Evidence required to determine financial dependence of nominated co-habitee	A signed declaration form is required when nominating co-habitee confirming the conditions which have been met and evidence provided.	Scheme Administrator

Regulation	Discretion	Guideline	Delegated To
TSch I & L23 (9)	In the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	Benefit which is more beneficial to member to be used.	Scheme Administrator
31 (2)	Recharging payments to employers for annual compensation	A 1% handling fee of the total recharge of compensation being paid on behalf of the Employer, will be levied.	Scheme Administrator

APPENDIX B: GOVERNANCE COMPLIANCE STATEMENT

The best practice guidelines on pension fund governance that has been issued by Communities and Local Government and the extent of the Council's compliance with each of the guidelines is set out below.

1. 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.

Fully compliant

The Council delegates the management of the Shropshire County Pension Fund to the Pensions Committee.

- 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.

Fully compliant

The Pensions Committee includes a representative from Shropshire Council and Borough of Telford and Wrekin Council. Representatives of employees and pensioners are also members of the Pension Committee.

- c) That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

Not applicable.

The Shropshire County Pension Fund does not have any secondary committee or panel. It is felt that including all members including employee and pensioner representatives on the main Pensions Committee is more inclusive.

- 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 applicable

The Shropshire County Pension Fund does not

have any secondary committee or panel. It is felt that including all members including employee and pensioner representatives on the main Pensions Committee is more inclusive.

2. REPRESENTATION

- a) That all key stakeholders are afforded the opportunity to be represented within the main committee or advisory panel. These include:
- i) employing authorities (*including non-scheme employers, eg admitted bodies*)
 - ii) scheme members (*including deferred and pensioner scheme members*),
 - iii) independent professional advisors
 - iv) expert advisors (*on an ad-hoc basis*)

Fully compliant

The Pension Committee includes representatives from its main employers which represent 81% of active members. The Committee includes two co-opted employee representatives and a pensioner representative. The Committee is supported by the advice of an independent advisor and investment consultant.

- b) That where lay members sit on a 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.

Fully compliant

All Pension Committee members have equal access to all papers and meetings, and are able to participate in training, and contribute to the Committee's decision-making process.

3. SELECTION AND ROLE OF LAY MEMBERS

- a) That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.

Fully compliant

All Pension Committee members are given training on their responsibilities and are aware of the terms of reference and remit of the Pensions Committee.

- 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

Fully compliant

All Pension Committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda at the start of each committee meeting.

4. VOTING

- a) 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.

Fully compliant

The elected councillor representatives, from Shropshire Council and Borough of Telford and Wrekin Council representative all have voting rights. The Constitution of the Administering Authority requires voting members to be democratically elected. The employee and pensioner representatives are therefore co-opted non-voting members of the Committee.

5. TRAINING/ FACILITY TIME/ EXPENSES

- a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.

Fully compliant

The Pensions Committee hold an Annual Training day to which all Committee members and substitute members are invited. Training is also provided to new members and on an ad hoc basis as required. All Pensions Committee members are covered by their respective Council's scheme for reimbursement of expenses for committee members.

- b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.

Fully Compliant

All Pensions Committee members have equal access to training and reimbursement of expenses.

6. MEETINGS (FREQUENCY/QUORUM)

- a) That an administering authority's main committee or committees meet at least quarterly.

Fully compliant

The Pensions Committee meets quarterly. Additional meetings are arranged for specific items of business as required.

- 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 applicable

The Shropshire County Pension Fund does not have any secondary committee or panel. It is felt that having all members including employee and pensioner representatives on the main Pensions Committee is more inclusive.

- c) That administering authorities who do 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

Fully compliant

The Fund includes employee and pensioner representatives on its main Committee. The Fund also hold an Annual Meeting to which all employers, employees, deferred members and pensioners are invited.

7. ACCESS TO INFORMATION, DOCUMENTS AND ADVICE

- a) That subject to any rules in the Councils constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that fails to be considered at meetings of the main committee.

Fully compliant

All Pensions Committee members have equal access to all papers and meetings.

8. SCOPE

- a) That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements

Fully compliant

The Pensions Committee terms of reference are multi-disciplined and include the monitoring of investments, scheme administration and general scheme issues.

9. 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.

Fully compliant

The Pension Fund Governance Policy Statement is published on the Administering Authority's web-site and hard copies are available on request.

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GOVERNANCE COMPLIANCE STATEMENT

APPENDIX 02

FUNDING STRATEGY STATEMENT

APPENDIX 03

STATEMENT OF INVESTMENT PRINCIPLES

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COMMUNICATIONS POLICY STATEMENT

APPENDIX 05

ADMINISTRATION STRATEGY STATEMENT

APPENDIX 02

FUNDING STRATEGY STATEMENT

Agreed by Pensions Committee on 24th November 2010



This Statement has been prepared by Shropshire Council (*the Administering Authority*) to set out the funding strategy for the Shropshire County Pension Fund (*the Scheme*), in accordance with Regulation 35 of the Local Government Pension Scheme (*Administration*) Regulations 2008 (*as amended*) and the guidance paper issued in March 2004 by the Chartered Institute of Public Finance and Accountancy (*CIPFA*) Pensions Panel.

1. INTRODUCTION

- 1.1 The Local Government Pension Scheme (*Administration*) Regulations 2008 (*as amended*) ("*the Regulations*") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement. The key requirements for preparing the FSS are set out below:
- After consultation with all relevant interested parties involved with the Scheme the Administering Authority will prepare and publish their funding strategy statement.
 - In preparing the FSS, the Administering Authority must have regard to:
 - the guidance issued by CIPFA for this purpose, and
 - the Statement of Investment Principles (*SIP*) for the Scheme published under Regulation 12 of the Local Government Pension Scheme (*Management and Investment of Funds*) Regulations 2009 (*as amended*).
 - The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.
- 1.2 Benefits payable under the Scheme are guaranteed by statute and hence the pensions promise to employees is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability.
- 1.3 The LGPS is a defined benefit final salary scheme under which the benefits are specified in the governing legislation (*the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)*). The required levels of employee contributions are also specified in the Regulations.
- 1.4 Employer contributions are determined in accordance with the Regulations (*principally Regulation 36*) which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the Scheme should be set so as to "*secure its solvency*", whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.
- 1.5 Shropshire's original FSS was published in 2005 following consultation with the scheme employers. This Statement has been updated to incorporate the key assumptions to be used in the 2010 actuarial valuation.

2. PURPOSE OF THE FSS IN POLICY TERMS

- 2.1 The purpose of this Funding Strategy Statement is:
- To establish a clear and transparent fund-specific investment strategy which will identify how employers' pension liabilities are best met going forward.
 - To support the regulatory requirement to maintain as constant a contribution rate for employers as is possible; and
 - To take a prudent long-term view of funding those liabilities.
- 2.2 Whilst the position of individual employers must be reflected in the FSS, it must remain a single strategy in order for the Administering Authority to implement and maintain it efficiently.

3. AIMS AND PURPOSE OF THE SCHEME

The main aims of the Scheme are to:

- Enable employer contribution rates to be kept as low and as stable as possible.
- To aim for a 100% funding level.

In pursuing these aims the Fund intends to:

- Manage employers' liabilities effectively
- Ensure that sufficient resources are available to meet all liabilities as they fall due.
- Maximise the returns from investments within reasonable risk parameters.

The purpose of the LGPS is to:

- receive monies in respect of contributions, transfer values and investment income
- pay out scheme benefits, transfer values, costs, charges and expenses as defined in the Regulations.

4. RESPONSIBILITIES OF THE KEY PARTIES

The Administering Authority should:

- Collect employer and employee contributions.
- Invest surplus monies in accordance with the Regulations.
- Ensure that cash is available to meet liabilities as and when they fall due.
- Manage the valuation process in consultation with the actuary.
- Prepare and maintain a FSS and a SIP, both after due consultation with interested parties.
- Monitor all aspects of the Scheme's performance and funding and amend the FSS/SIP accordingly.
- Administer member benefits and the payment of pensions.

The Individual Employer should:

- Deduct contributions from employees' pay correctly.
- Pay all contributions, including their own as determined by the actuary, promptly by the due date.
- Exercise discretions within the regulatory framework in consultation with the Administering Authority.
- Make additional contributions in accordance with

agreed arrangements, for example, to meet the costs of augmentation of scheme benefits on early retirement strain.

- Notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Scheme actuary should:

- Prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS.
- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters.
- Advise on funding strategy, the preparation of the FSS, and the inter-relationship between the FSS and the SIP.

5. SOLVENCY ISSUES AND TARGET FUNDING LEVELS

- 5.1 To meet the requirements of the Regulations the Administering Authority's long-term funding objective is to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis including allowance for projected final pay.
- 5.2 The current actuarial valuation of the Scheme is effective as at 31 March 2010. The results of the valuation indicate that overall the assets of the Scheme represented 81% of projected accrued liabilities at the valuation date.
- 5.3 The key financial assumptions making up the funding strategy and as adopted for the 31 March 2010 actuarial valuation are in the table below.

	In respect of past service liabilities	In respect of future service liabilities
Fixed interest gilts yield:	4.5%	n/a
Index linked gilts real yield:	1.5%	n/a
Asset Out-performance Assumption Pre Retirement	3.0%	n/a
Asset Out-performance Assumption Post Retirement	1.0%	n/a
Real Earnings Inflation (above CPI)	1.5%	1.5%
Discount rate (pre retirement)	7.5%	6.75%
Discount rate (post retirement)	5.5%	6.75%
Price Inflation	3.0%	3.0%
Earnings Inflation	4.5%	4.5%
Pension Increases	3.0%	3.0%

Underlying these assumptions are the following key assumptions:

- that the Scheme is expected to continue for the foreseeable future; and

- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

5.4 The asset out-performance assumption represents the allowance made, in calculating the past service liabilities, for the long term additional investment performance on the assets of the Scheme relative to the yields available on long dated gilt stocks as at the valuation date. The allowance for this out-performance is based on the liability profile of the Scheme, with a higher assumption for "pre-retirement" (i.e. active and deferred pensioner) liabilities than for the "post-retirement" (i.e. pensioner) liabilities. This approach allows for a gradual shift in the overall equity/bond weighting of the Scheme as the liability profile of the membership matures over time.

5.5 In relation to future service (i.e. calculation of the future service contribution rate) the assumptions are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 3.75% per annum, with a long term average assumption for price inflation of 3.0% per annum. This approach means that the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the "Common Rate" of contributions. In the market conditions applying as at the 2010 valuation date this means taking a more optimistic view about the cost of the accrual of future benefits when compared with the market related basis used for the assessment of past service liabilities.

5.6 A number of changes have been made to the demographic assumptions adopted for the 2010 valuation. The 2010 valuation takes into account increased longevity and assumes that the accelerated trend in longevity seen in recent years will continue. The assumptions made in the valuation reflect the mortality experience analysis which has been carried out by the Fund's actuary.

5.7 In the light of the continued reduction in the numbers of members taking ill-health retirement, the assumption for the frequency of such retirements in future has been reduced in line with an ill health experience analysis which has been carried out by the Fund's actuary.

5.8 Following the introduction of the option for members to take an increased cash sum at retirement in return for a lower pension, it has again been assumed that on average 50% of retiring members will take the maximum cash sum available and 50% will take the standard 3/80ths cash sum.

5.9 Full details of the assumptions adopted for the 2010 valuation will be set out in the actuary's

formal report, which is made available to all employers in the Scheme.

5.10 As part of each valuation, separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole.

5.11 In 2004, the Administering Authority consulted with participating employers on the Fund's objectives for setting individual employer contribution rates. These objectives have been updated for the 2010 actuarial valuation as follows:

- The total employer contribution rate will be made up of an element to meet the ongoing accrual of benefits for current members, plus an addition for deficit recovery (*or if applicable an offset in respect of surplus*). The costs of non-ill health early retirements will be recovered separately, over a maximum of three years.
- The fund will operate a default deficit recovery period of 19 years. However, in order to allow some flexibility for employers to maintain their current contribution rates, employers will normally have some limited options to extend the deficit recovery period. Nevertheless, in current circumstances, as a general rule, the Fund does not believe it appropriate for contribution reductions to apply where substantial deficits apply. As a result, all employers in deficit will be required to adopt a deficit recovery period in line with the default period (*or shorter*) before any reduction in overall contributions will be allowed.
- A maximum deficit recovery period of 25 years will apply in any event.
- Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted.
- With effect from April 2011 employer contributions will be expressed and certified as two separate elements:
 - a percentage of pensionable payroll in respect of future accrual of benefits
 - a schedule of fixed £s amounts over 2011/14, building in an allowance for increases annually in line with the valuation funding assumption for long term pay growth, in respect of the past service deficit or surplus subject to review from April 2014 based on the results of the 2013 actuarial valuation.

Where an employer is in a surplus position the fixed amount deduction from the future service rate will be subject to a threshold of £1,000 below which no deduction will be made.

- Where increases in employer contributions are required from 1 April 2011, following completion of the 2010 actuarial valuation, the increase from the contributions payable in the year 2010/11 will be

implemented from 1 April 2011, unless it is agreed with the Administering Authority that the new rate can be implemented in steps, over a maximum period of 3 years.

- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme for an employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer.

5.12 In determining the above objectives the Administering Authority has had regard to:

- The responses made to the consultation with employers in 2004 on the FSS principles.
- The supplementary guidance on the funding strategy issued by the CIPFA Pensions Panel in November 2004.
- The need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose.
- The Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

6. LINK TO INVESTMENT POLICY SET OUT IN THE STATEMENT OF INVESTMENT PRINCIPLES

6.1 The results of the 2010 valuation show the liabilities to be 81% covered by the current assets, with the funding deficit of 19% being covered by future deficit contributions. This is after allowing for the change in the Actuary's demographic assumptions and allowing for benefits to increase in line with CPI in future rather than RPI.

6.2 In assessing the value of the Scheme's liabilities in the valuation, allowance has been made for asset out-performance as described in Section 5, taking into account the investment strategy adopted by the Scheme, as set out in the SIP.

6.3 It is difficult and potentially costly to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgoings. However, it is possible to construct a portfolio which closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts. Departure from a least risk investment strategy, in particular to include equity investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements.

6.4 The current benchmark investment strategy, as set out in the SIP, is:

Asset class	Strategic allocation %
Matching Assets	
UK Index Linked Bonds	10
Global Aggregate Bonds	10
Global Government Bonds	5
Total Matching Assets	25
Growth Assets	
UK Equities	10
Global Equity	10
US Equities	9
Europe (ex UK) Equities	9
Japan Equities	5
Pacific (ex Japan) Equities	4
Emerging Markets Equities	5
European Property (incl UK)	5
Private Equity (fund of funds)	5
Infrastructure	3
Hedge funds (fund of funds)	10
Total Growth Assets	75
Total Fund	100

6.5 The funding strategy adopted for the 2010 valuation is based on an assumed asset out performance of 3% for liabilities pre-retirement, and 1% for post-

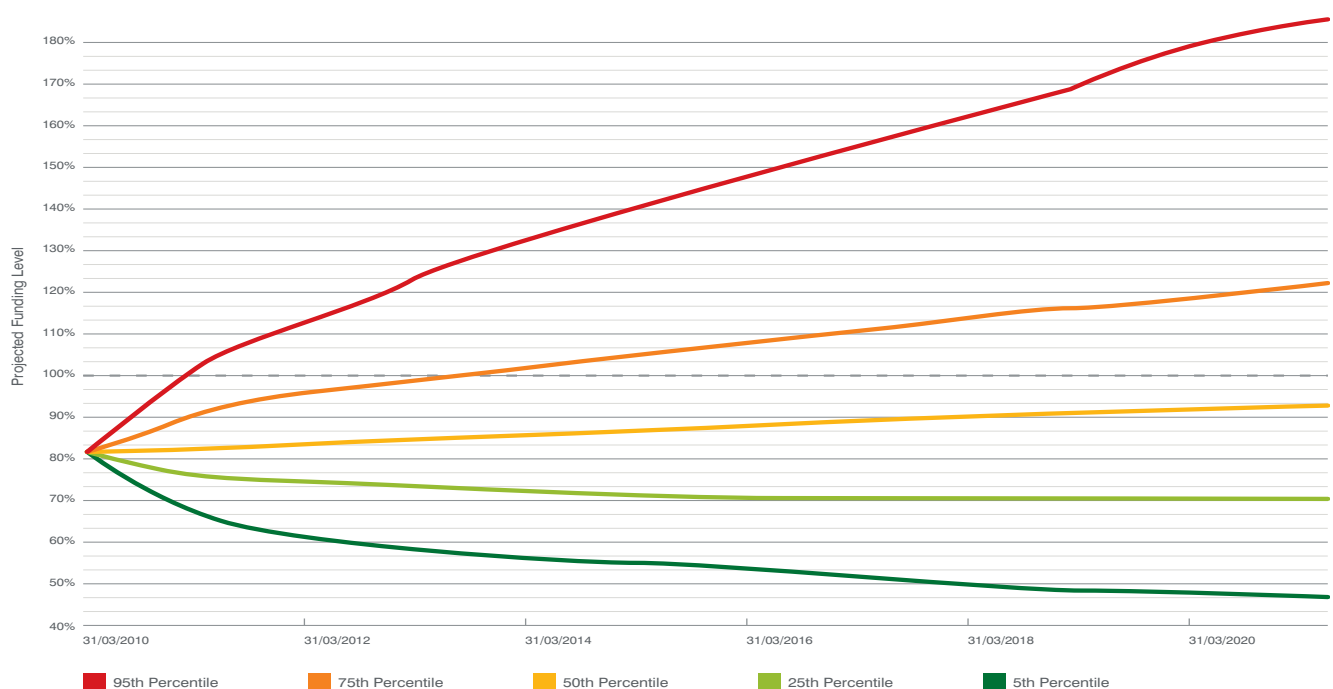
retirement liabilities. Based on the liability profile of the Scheme at the valuation, this equates to an overall asset out-performance to keep pace with the liabilities of 2.1% per annum. The Administering Authority believes that this is a reasonable and prudent allowance for asset out-performance, based on the investment strategy adopted as set out in the SIP.

7. IDENTIFICATION OF RISKS AND COUNTER-MEASURES

7.1 The funding of defined benefits is by its nature uncertain. Funding of the Scheme is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

7.2 The Administering Authority has been advised by the actuary that the greatest risk to the Scheme's funding is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the overall 2.1% per annum currently required on the basis of the 2010 valuation assumptions.

7.3 The following chart illustrates the potential variability of future funding levels, based on the funding and investment strategies currently adopted. In projecting these funding levels, typical best estimate expectations for asset returns and the variability of those returns underlying the SIP have been taken into account.



7.4 A more complete list of the risks to which the Scheme is subject is set out below.

7.5 Financial risks

- Investment markets fail to perform in line with expectations.
- Market yields move at variance with assumptions.
- Changes in investment strategy increase the risk that the funding strategy may not be delivered.
- Investment Fund Managers fail to achieve performance targets over the longer term.
- Asset re-allocations in volatile markets may lock in past losses.
- Pay and price inflation are significantly more or less than anticipated.
- Employer's contribution rates may increase.

We undertake rigorous monitoring of the investment performance of our managers and carefully monitor other financial events which may affect the financial performance of the Scheme.

7.6 Demographic risks

- People continue to live longer lives.
- Employers permit early retirements.

In order to manage this risk the Scheme's valuation position, including demographic changes, is monitored annually in consultation with the Scheme Actuary.

7.7 Regulatory risks

- Changes to Regulation, e.g. more favourable benefits packages, potential new entrants to scheme, e.g. part-time employees.
- Changes to national pension requirements and/or HMRC rules.

In order to manage this risk changes to regulations are monitored continually.

7.8 Governance risks

- The Administering Authority is not made aware of structural changes in the employers' membership (e.g. *large falls in employee numbers, large numbers of retirements*)
- The Administering Authority is not advised of an employer closing the Scheme to new entrants.
- An employer ceases to exist with insufficient funding and / or inadequate cover from a bond.

In order to manage this risk we have Service Level Agreements with scheme employers so as to ensure that the Administering Authority holds up to date information about Scheme membership. In addition a Governance Policy Statement has been published which clearly outlines the governance arrangements for the Shropshire Fund.

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COMMUNICATIONS POLICY STATEMENT

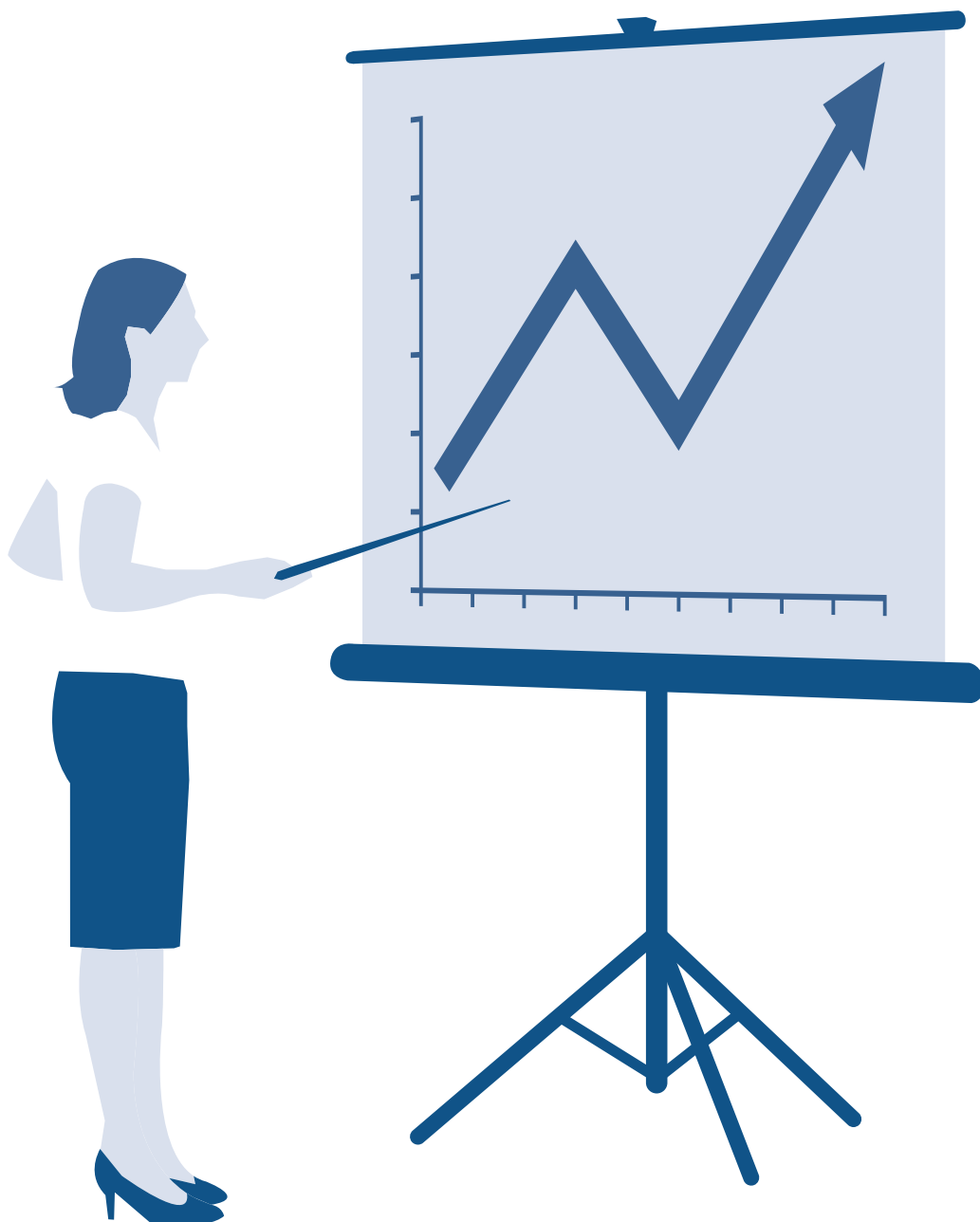
APPENDIX 05

ADMINISTRATION STRATEGY STATEMENT

APPENDIX 03

STATEMENT OF INVESTMENT PRINCIPLES

Agreed by Pensions Committee on 18th June 2013



1. INTRODUCTION

The purpose of the Statement of Investment Principles (*'the Statement'*) is to document the principles, policies and beliefs by which the Pensions Committee of the Shropshire County Pension Fund (*'the Fund'*) manages the Fund's assets. This document takes account of:

- The Local Government Pension Scheme (*Management and Investment of Funds*) Regulations 2009
- The requirements of the Pensions Act 2004
- The requirements of the Occupational Pension Schemes (*Investment*) Regulations 2005;
- The principles of the Myners Code
- CIPFA guidance

The Local Government Pension Scheme (*"LGPS"*), of which the Fund is a part, is established under the Superannuation Act 1972 and is regulated by a series of Regulations made under the 1972 Act. Shropshire Council is the Adminstrating Authority for the Fund.

The Pensions Committee consulted with employing bodies and received written advice from the Fund's investment consultant, Aon Hewitt, on this statement. There are close links between this statement and two other statements. The Funding Strategy Statement (*"FSS"*) sets out the main aims of the fund and explains how employers' contribution rates are set to achieve those aims. The Governance Compliance Statement sets out the structure of delegations of responsibilities for the Fund.

A copy of this Statement will be sent to each investment manager hired by the Fund, the auditor, the actuary and the investment consultant.

The Statement will be reviewed annually and when there is a significant change in the Fund's circumstances.

2. GOVERNANCE

Shropshire Council has delegated to the Pensions Committee the administration of the Pension Fund, and the functions relating to local government pensions, etc., as set out in Schedule 1 to the Functions Regulations. The main areas of investment responsibility include:

- determination of strategic asset allocation;
- determination of portfolio structure;
- selection and appointment of external investment managers; and
- ongoing monitoring and evaluation of the investment arrangements.

The Pensions Committee is made up of nine members comprising both elected councillors and non-voting employee and pensioner representatives.

Members of the Pensions Committee recognise that they have a duty to safeguard, above all else, the financial interests of the Fund's beneficiaries. Beneficiaries, in this context, are considered to be the Fund Members (*pensioners, employees and employers*), together with local Council Tax Payers.

2.1 Advice and Consultation

Members of the Committee receive independent investment advice from the following sources:

- Roger Bartley - strategic and overall investment approach advice.
- Aon Hewitt - analysis and advice of a technical nature in relation to all investment related aspects of the pension fund including (*but not limited to*) portfolio construction, manager monitoring and appointment, and interpretation of performance measurement information.

The Fund Scheme Administrator has responsibilities under S151 of the Local Government Act 1972 and provides financial (*non-investment*) advice to the Committee, including advice on financial management, issues of compliance with internal regulations and controls, budgeting and accounting and liaison with independent advisers.

2.2 Liabilities

The LGPS is a defined benefit pension scheme which provides benefits related to the final salary of members. The Scheme is a contributory defined benefit arrangement, with active members and employing authorities contributing to the Scheme.

The value of the Fund's ongoing liabilities is sensitive to various demographic (*principally longevity*) and financial factors. The financial factors relevant to the fund's investment policy are:

- the rate of return on assets;
- salary escalation for active members;
- price inflation for pensioners; and
- long-term interest rates.

2.2 Maturity and Cashflow

The Fund remains open to new members and new accruals. Contributions are received from both active members and Employing authorities. Active members contribute on a tiered system. Employing authorities contributions are determined based on advice from the Fund's actuary based on the triennial valuation. Cash inflows from contributions currently exceed cash outflows (*benefit payments*).

3. OBJECTIVES

The Fund's primary long term investment objective is to achieve and maintain a funding level at, or close to, 100% of the Fund's estimated liabilities; and within this, to endeavour to maintain low and stable employers' contribution rates. Given the constraints on local authority spending, volatility in the employer's contribution rate is undesirable.

4. RISKS

The Committee regards *'risk'* as the likelihood that it fails to achieve the objectives set out above and has taken several measures, which are set out in this Statement, to minimise this risk so far as is possible.

In particular, in arriving at the investment strategy and the production of this Statement, the Committee have considered the following key risks:

- asset-liability mismatch risk (*asset allocation risk*)
- the need to pay benefits when due (*cash-flow risk*)
- actions by the investment managers (*investment risk*)
- the failure of some investments (*concentration risk*)
- currency and counterparty risk
- custody risk

In terms of magnitude, the Committee considers asset-liability mismatch risk to be one of the most important to control. Therefore, following each actuarial valuation, the Committee conducts an asset/liability review, which focuses on the impact of asset allocation on expected future funding levels. The Committee considers the results using advanced modelling techniques, and, with the assistance of expert advisers, are able to measure and quantify them in terms of their definitions of risk. This allows the Committee to assess the probabilities of critical funding points associated with different investment strategies.

Consideration is given to the volatility of a number of parameters (e.g. *items associated with accounting measures, contributions etc.*), to further assess the potential risks associated with a particular investment strategy.

The process of risk management continues through to implementation. The decision as to whether to pursue active management is evaluated separately for each asset class, with regard to the potential reward within that class for taking on active risk. Active risk is then diversified through the use of different investment managers and pooled funds. Each investment manager appointed by the Committee is bound by the terms and conditions of an Investment Management Agreement where restrictions and targets are clearly documented, including a measure of risk. The pooled fund investments and direct investments are governed by the terms and conditions of the fund and or policy documents. Frequent monitoring of portfolio performance and exposure characteristics also aids in the ongoing risk management for the Fund.

5. STRATEGIC ASSET ALLOCATION

The Committee regards the choice of asset allocation policy as the decision that has most influence on the likelihood of achieving their investment objective. The Committee retains direct responsibility for this decision which is made on the advice of their investment adviser with input from their Fund actuary and in consultation with the Employing Authorities.

The investment strategy will normally be reviewed every three years. In addition if there is a significant change in the capital markets, in the circumstances of the Fund or in governing legislation then an earlier review may be conducted.

In keeping within the regulatory framework set out in the LGPS regulations, the Committee formulates the investment strategy with a view to:

- the advisability of investing money in a wide variety of investments
- the suitability of particular investment and types of investment

The Committee will consider a full range of investment opportunities including:

- quoted and unquoted private equity
- government and non-government bonds
- property
- hedge funds and other alternative investments

The Committee further considers the legality of all investments for compliance with the LGPS.

The Committee determines the strategic asset allocation policy after considering projections of the Fund's assets and liabilities which are calculated by the Fund's investment adviser, in liaison with the Fund's actuary. This asset-liability study examines different combinations of assets to determine which combination will best meet the Fund's objectives.

5.1 Expected return on investments

The study takes into account the particular liabilities of the Fund.

In addition to a full specification of the Fund's benefits, the study will make important assumptions about the behaviour of various asset classes (*such as their expected return over long periods of time and the variability of those returns*) and the liabilities in the future. In framing these assumptions, it is assumed that:

- Equities may be expected to outperform other asset classes over the long term, but the returns are more unpredictable over the short term. Gilts in turn can be expected to outperform cash deposits but with greater variability.
- Asset classes do not perform in the same way; some may go up in value while others are going down.
- The performance of certain asset classes (*particularly index-linked gilts*) is more closely linked to the behaviour of inflation than others and so they represent a good match for liabilities linked to inflation.

Expected annualised returns are formulated for each asset class based on long term capital market assumptions, using ten year expected returns and volatilities. The returns and volatilities used for each asset class are shown in the table below, and represent the current 10 year annualised nominal return assumptions from Aon Hewitt at 31 March 2013.

Asset class	Expected Return	Volatility
UK Equities	8.0	22.5
US Equities	7.5	21.0
Europe X UK Equities	7.6	22.5
Japan	7.2	22.5
Emerging Markets	9.0	31.5
Global Unconstrained Equities	10.7	25.1
Global Passive Equities	8.3	22.4
UK Property	7.3	16.0
UK Gilts (15 year duration)	2.5	11.0
UK Investment Grade Corporate Bonds (10 year duration)	3.2	9.0
UK Index-Linked Gilts (15 year duration)	1.5	9.0
Global Fund of Hedge Funds	5.3	8.0
Multi-Strategy Hedge Funds	5.8	8.3
Global Private Equity	9.6	29.0
Infrastructure (USD)	8.2	18.5
Inflation (CPI)	2.4	-

5.2 Current strategy

The Fund's current strategic asset allocation was agreed by Pensions Committee in November 2012.

Asset class	Allocation	Control Ranges
Total Equity	52.0	47.0 – 57.0
Unconstrained Global Equity	24.0	20.0 – 28.0
UK Equity	8.0	5.5 – 10.5
Passive Equity (100% Hedged to GBP)	20.0	16.0 – 24.0
Total Alternatives	23.0	18.0 – 28.0
European (Incl UK) Property	5.0	n/a
Private Equity	5.0	n/a
Infrastructure	3.0	n/a
Fund of Hedge Funds	5.0	n/a
Multi-Strategy Hedge Funds	5.0	n/a
Total Bonds	25.0	20.0 – 30.0
UK Index Linked Bonds	10.0	7.5 – 12.5
Global Aggregate Bonds	5.0	2.5 – 7.5
Global Credit	5.0	2.5 – 7.5
Absolute Return Bonds	5.0	2.5 – 7.5

5.3 Rebalancing policy

Russell Investments is employed to manage fund rebalancing. A combination of futures and physical rebalancing is used to maintain a balance of assets allocated to each asset class. Risk is controlled by way of control bands around the strategic benchmark which restrict the extent to which the fund, through market movements, can deviate away from benchmark proportions. Futures are used within bands to ensure the Fund is as close to the strategic benchmark as possible. Periodic physical re-balancing is undertaken should any of the futures control bands be breached.

Following the move to the new strategy featured above (*expected during 2013*), the Russell rebalancing mandate will be terminated. Officers will review the position of the fund quarterly to ensure the assets are within the control ranges listed above, and will rebalance as appropriate.

5.4 Currency hedging policy

The Committee considers currency risk as an unrewarded risk – one that is expected to increase the volatility of the Fund, but not increase return. Fixed income investments are fully currency hedged by the investment managers.

6. IMPLEMENTATION

The committee have appointed investment managers to manage the Fund's investments as set out in Appendix A.

The Committee believe the use of active management within the Fund will increase the likelihood that the Fund will meet its objectives.

The Committee also avails of passive management where they believe the extra risk and costs of active management would not benefit the Fund and to manage overall risk.

The activities of each manager are governed by their Investment Management Agreement. This includes details on the portfolio performance objectives and risk limits as well as information on permissible investments.

6.1 Selection & realisation of investment

Each investment manager has full discretion in terms of stock selection within the constraints of the investment management agreement signed with each manager. The majority of investments held within the Fund are quoted on major markets and may be realised quickly, if required. Certain asset classes, Hedge funds, Private Equity, Property and Infrastructure are relatively illiquid and may take longer to realise, if required. The current list (*as at 31 March 2013*) of investment managers and pooled funds used with a view to implementing the above strategy is set out in the Appendix A to this document. The Appendix is included for information only, and does not form part of the Statement of Investment Principles.

6.2 Security Lending

The fund reactivated its security lending policy with Northern Trust in February 2011, having temporarily paused the lending activity in the period after the collapse of Lehmans. The collateral arrangements for the lending programme have been tightened on advice from Aon Hewitt, and the programme restarted.

The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unit-holders. Where a pooled fund engages in this activity the extent is fully disclosed by the manager.

6.3 Custody

The Committee regards the safekeeping of the Fund's assets as of paramount importance and has appointed Northern Trust company as global custodian and record-keeper of the Fund's assets.

7. REVIEW AND CONTROL

The Committee are satisfied that they have adequate resources to monitor the investment arrangements.

7.1 Performance Measurement

The Committee monitors the strategy and its implementation as follows:

- The Committee receives, on a quarterly basis, a written report on the returns of the fund and asset classes together with supporting analysis.
- The performance of the total fund is also measured against the strategic benchmark, which is comprised of the asset class benchmarks weighted by the strategic allocations, and against agreed out-performance targets.
- The performance of the fund in each asset class is measured against the relevant benchmark. A comparison against a universe of portfolios with similar mandates will also be made from time to time.

7.2 Service Provider Monitoring

The Committee reviews from time to time the services provided by the investment adviser and other service providers as necessary to ensure that the services provided remain appropriate for the Fund.

8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND EXERCISE OF RIGHTS

The Committee expects the investment managers to take steps to ensure that environmental, social and governance factors are adequately addressed in the selection, retention and realisation of investments as far as such factors may affect investment performance.

F&C provides a responsible engagement overlay on the Fund's UK equity portfolios. F&C enters into constructive discussions with companies on the Fund's behalf to put to them the case for improved financial returns through better management of the negative impacts they might have on the environment and society in general.

The Fund is also a member of the Local Authorities

Pension Fund Forum (LAPFF), which seeks to combine like-minded bodies to promote the above issues. At present 49 Local Authorities are members of this forum with a combined asset value of 75% of local government pension fund assets.

8.1 Myners Investment Principles

Details to the extent to which the Pensions Committee complies with the six Myners principles and the extent to which management and investment arrangements at Shropshire comply (*in accordance with the existing CIPFA guidance*), and where not, what action is proposed in order to comply are set out in Appendix B.

9. INVESTMENT MANAGER AND ADVISER FEES

Investment management fees comprise an ad valorem or fixed base fee element and in some cases a performance based element. The ad valorem fee is calculated as a percentage of assets under management. Where applicable, the performance based element is calculated as a percentage of outperformance. The assessment period ranges from one to three years depending on the investment manager and the mandate. The exact details of the fee arrangements are specific to the investment manager and are as agreed in the respective Investment Manager Agreements.

APPENDIX A: INVESTMENT MANAGERS

Fund assets are invested in portfolios managed by external investment managers shown in the table below. They are benchmarked against the indicated indices. The table shows whether portfolios are managed on a segregated or pooled basis, and their out-performance target. Based on expert advice, investment managers may be replaced at any time and this list may not always be current.

This appendix shows the position at 31 March 2013. It has been appended to the Statement of Investment Principles for information only, and does not form part of the Statement.

Investment Manager	Asset class	Benchmark	Target
Active portfolios			
Strategic Fixed Income	Global Government Bonds	Citigroup World Government Bond Index (<i>Sterling Hedged</i>)	+1.0% pa over rolling 3yr periods
PIMCO Europe Ltd	Global Aggregate Bonds	Barclays Global Aggregate Index (<i>Sterling Hedged</i>)	+1.0% pa over rolling 3yr periods
	Absolute Returns	1 month Stirling LIBOR	+4% p.a.
	Global Credit	Barclays Corporate (<i>ex-Treasuries, ex-Securitised</i>)	+1.0% pa over rolling 3yr periods
Majedie Asset Management	UK Equities	FTSE All Share	+2% pa over rolling 3 year periods
MFS Investment Management	Global Equities	MSCI World	+2% pa over rolling 3 year periods
Goldman Sachs Asset Management	US Equities	S&P 500	+0.75% pa over rolling 3 year periods
Baillie Gifford & Co	Japan Equities	FTSE Japan	+2.0% pa over rolling 3 year periods
Martin Currie Investment Management	Pacific (<i>ex Japan</i>) Equities	FTSE WI Asia Pacific (<i>ex. Japan</i>)	+2.0% pa over rolling 3 year periods
F&C Management Limited	Emerging Markets Equities	MSCI Emerging Markets Free (£)	Match or exceed Benchmark
Harbour Vest Partners Limited	Private Equity Fund of Funds	Broad public equities index	+ 3-5% pa
Aberdeen Property Investors	European (<i>incl UK</i>) Property	75% INREV VA Europe Index, vintage 2005 – 2008 and 25% IPD UK All Balanced Funds Index	Match or exceed Benchmark
Man Investments Ltd	Fund of Hedge Funds	3month Stirling LIBOR	+ 5.0% pa
BlackRock	Fund of Hedge Funds	3month Stirling LIBOR	+5.0% pa
Indexed (Passive) Portfolios			
Legal & General Investment Management	UK Index linked Bonds	FTSE (<i>over 5 yrs</i>) Index Linked stocks	Match benchmark
Legal & General Investment Management	Europe ex UK equities	FTSE AW-Developed Europe (<i>ex-UK</i>)	Match benchmark

APPENDIX B: EXPECTED INVESTMENT MANAGERS

Following the manager selections in 2013, the investment managers are expected to be as follows:

Investment Manager	Asset class	Benchmark	Target
Active portfolios			
Strategic Fixed Income	Global Government Bonds	Citigroup World Government Bond Index (<i>Sterling Hedged</i>)	+1.0% pa over rolling 3yr periods
PIMCO Europe Ltd	Global Aggregate Bonds	Barclays Global Aggregate Index (Sterling Hedged)	+1.0% pa over rolling 3yr periods
	Absolute Returns	1 month Stirling LIBOR	+4% p.a.
	Global Credit	<i>Barclays Corporate (ex-Treasuries, ex-Securitised)</i>	+1.0% pa over rolling 3yr periods
Majedie Asset Management	UK Equities	FTSE All Share	+2% pa over rolling 3 year periods
MFS Investment Management	Global Equities	MSCI World	+2% pa over rolling 3 year periods
TBC	Global Equities	TBC	TBC
TBC	Global Equities	TBC	TBC
Harbour Vest Partners Limited	Private Equity Fund of Funds	<i>Broad public equities index</i>	+ 3-5% pa
Aberdeen Property Investors	European (<i>incl UK</i>) Property	75% INREV VA Europe Index, vintage 2005 – 2008 and 25% IPD UK All Balanced Funds Index	Match or exceed Benchmark
TBC	Multi-Strategy Hedge Fund	TBC	TBC
BlackRock	Fund of Hedge Funds	3month Stirling LIBOR	+5.0% pa
Indexed (Passive) Portfolios			
Legal & General Investment Management	UK Index linked Bonds	FTSE (over 5 yrs) Index Linked stocks	Match benchmark
TBC	Global Equity	FTSE Developed World	Match benchmark

APPENDIX C: MYNERS PRINCIPLES COMPLIANCE STATEMENT

Principle	Comply/ explain	Comment/Examples	Development needs
1. Effective decision making Administrating authorities should ensure: <ul style="list-style-type: none"> • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation • Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest 	Comply	Pensions Committee takes decisions relating to setting investment objectives and strategic asset allocation, appointment of investment managers. Pensions Committee members, substitute members and officers participate in an annual training day, attend educational seminary and receive occasional papers and presentations at committee meetings. The training requirements of new Pensions Committee members are addressed and appropriate training programmes made available, with a formal Training Programme being submitted to the Committee for consideration on an annual basis.	
2. Clear Objectives <ul style="list-style-type: none"> • An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administering authority and scheme employers, and these should be clearly communicated to advisors and investment managers 	Comply	A Fund specific investment objective is set to maintain a funding level at, or close to 100% and within this, to endeavour to maintain low and stable employers contribution rates. As set out in the Funding Strategy Statement, the actuary takes account of a range of factors on the Fund's liabilities in setting contribution rates as part of the valuation process. Performance and risk parameters are specified in relation to relevant indices and appropriate time periods and are set out in investment mandates.	
3. Risk and liabilities <ul style="list-style-type: none"> • In setting and reviewing their investment strategy administering authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk 	Comply	Asset/Liability review is carried out every three years and the actuary takes account of a range of factors on the Fund's liabilities as set out in the Fund's Funding Strategy Statement which addresses the issues of financial assumptions, longevity and strength of covenant. The actuarial funding position will be monitored on a quarterly basis by the Pensions Committee, using information provided by Aon Hewitt.	
4. Performance assessment <ul style="list-style-type: none"> • Arrangements should be in place for formal measurement of performance of the investments, investment managers and advisors • Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members 	Partial Compliance – there is more work planned in 2013/2014	Target performance and risk are explicitly included in manager contracts and formal and rigorous performance appraisal procedures at both officer and member level.	Consideration to be given to how the Fund assesses its effectiveness as a decision-making body – more work to be completed in 2013/2014.
5. Responsible ownership Administrating authorities should: <ul style="list-style-type: none"> • Adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents • Include a statement of their policy on responsible ownership in the statement of investment principles • Report periodically to scheme members on the discharge of such responsibilities 	Comply	The SIP includes a statement on responsible ownership. An independent advisor is appointed to engage with companies on socially responsible issues and voting at company meetings is effected through the Fund's Investment Managers.	
6. Transparency and reporting Administrating authorities should <ul style="list-style-type: none"> • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives • Provide regular communication to scheme members in the form they consider most appropriate 	Comply	A range of documents are published relating to the Fund's investment management and governance including the Governance Compliance Statement, Funding Strategy Statement, Statement of Investment Principles, Communication Policy Statement and Annual report and accounts. These documents are available in full on the Fund's website and any amendments are published. Stakeholders are also invited to attend the annual meeting of the scheme.	

APPENDIX 01

GOVERNANCE COMPLIANCE STATEMENT

APPENDIX 02

FUNDING STRATEGY STATEMENT

APPENDIX 03

STATEMENT OF INVESTMENT PRINCIPLES

APPENDIX 04

COMMUNICATIONS POLICY STATEMENT

APPENDIX 05

ADMINISTRATION STRATEGY STATEMENT

APPENDIX 04 COMMUNICATIONS POLICY STATEMENT

Agreed by Pensions Committee on 18th June 2013



This Statement has been prepared by Shropshire Council (*the Administering Authority*) to set out the communications strategy for the Shropshire County Pension Fund (*the Scheme*), in accordance with Regulation 67 of the Local Government Pension Scheme (*Administration*) Regulations 2008.

Shropshire Council, in its capacity as Administering Authority deals with over 100 employers and approximately 14,500 scheme members, 13,000 deferred members and 9,600 pensioners in relation to the Local Government Pension Scheme (*LGPS*). The delivery of benefits involves communication with the membership and a whole range of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

This statement is effective as of 18 June 2013 and the membership details were correct as of that date.

Any enquiries in relation to this Communications Policy Statement should be made to:

Debbie Sharp,
Pensions Administration Manager,
Shropshire Council,
Shirehall,
Abbey Foregate,
Shrewsbury,
Shropshire
SY2 6ND

1. INTRODUCTION

- 1.1 The principal aim of the Shropshire County Pension Fund is to provide secure pensions, effectively and efficiently administered at the lowest cost to the contributing employers.
- 1.2 The Fund is committed to providing comprehensive information to all stakeholders, through the most appropriate communication methods. Effective communication cannot be left to chance and this document outlines the ways in which the Fund aims to meet this objective.
- 1.3 The Shropshire County Pension Fund has experience of using innovative communication techniques and intends to continue using a wide variety of communication tools in the future.
- 1.4 The Fund is now part of a 'Shared Services Group' with neighbouring Local Government Pension Fund Authorities. Thus the funding and resourcing of elements of our communication service is shared, such as the development and production of newsletters. This has already and will continue to provide Fund efficiency savings.
- 1.5 The Fund Officers will endeavour to ensure that value for money and quality of service is obtained from sourcing both imaginative designers and reliable printing departments.

2. PRINCIPLES OF COMMUNICATION

- 2.1 The Fund has adopted five key principles that support all of its communication. The Fund is committed to ensuring that:
 - Communication is factual and presented in plain language
 - Communication is designed in a manner appropriate to its audience
 - Communication is looked upon as involving a dialogue with others
 - Communication exploits the developments and improvements in new technology
 - Communication is planned, co-ordinated and evaluated.
- 2.2 The Fund makes every effort to make communication materials available in large print, Braille, audio tape and different languages on request.
- 2.3 The Local Government Pension Scheme is a useful tool in attracting employees to work in local government. For Employers it is a key part of their recruitment and retention package. Pension Services are also the last, and often the only, link between former staff members and their employers. The Fund therefore has an important role in ensuring that it communicates effectively with all its stakeholders.
- 2.4 Pension Services work to maintain a thorough knowledge of the regulations in order to retain the confidence of its members. Pension Services should always be the first place staff members turn for pension information during their working life and in retirement.
- 2.5 Pension Services are committed to responding promptly to members' requests for information, whether it's by face to face communication, e-mail or by letter. Information is provided within set timescales.

3. HOW DOES THE FUND COMMUNICATE WITH STAKEHOLDERS?

3.1 Printed/ Electronic Literature

The Fund produces all paper and electronic based communications in a corporate style, be that brochures, guides or individual letters. PDF format communications are produced and made available to members as appropriate, on our website.

3.2 Drop in Service

For those members who prefer 'face to face' communication the Fund's office is centrally situated in Shrewsbury and is easily accessible by public transport from all areas of Shropshire.

Appointments can be made to discuss specific pension options or problems, but generally this is not

necessary as a member of the team is generally available. We run a drop in service where appointments held are confidential and private.

3.3 Telephone

All Fund communications have a published telephone number. The number may be the general helpdesk number (01743) 252130 or the direct telephone number of the staff member responsible for carrying out the individual request.

3.4 Internet

The Fund has a website (www.shropshirecountypensionfund.co.uk) that is extremely popular amongst members and other stakeholders as a source of information. Electronic copies of Fund Literature, policies and reports are available for download: such as this Communications Policy Statement.

The Fund provides a secure area on the site which allows Scheme members to access their own records, calculate benefit estimates, projections and to update home address information.

3.5 Fax, Mail and E-Mail

For general Communications, the Fund has a central FAX number, e-mail account and postal address. These details can be found on the back cover of this statement.

3.6 Email alerts

The fund records email addresses of all its active, deferred and retired members and can send out an email notification to its members when there has been a significant update to the website or upcoming event.

3.7 Presentations and Courses

The Fund delivers standard or tailored presentations on a wide range of subjects for both Employers and their staff. These presentations are provided at the request of Employers at geographically convenient locations by Fund staff and other specialists.

Presentations are held around the county to keep members informed of any changes that may alter their benefits.

3.8 Roadshows / Consultations

The Fund organise 'Roadshow' events. They are run on a consultation/ surgery basis with half-hour time slots for members and prospective members. This is particularly useful for employers with small numbers of staff, although all our employers are catered for.

Our membership is dispersed over a large rural area and therefore these consultations are an ideal way to reach them.

3.9 Newsletters

Pension Update is the Fund's in-house newsletter, currently produced in conjunction with our Shared

Services Group. This in-house newsletter is issued periodically. With an audience of Scheme and eligible non-members the newsletter aims to provide topical news, articles and the latest information about the Scheme and pensions in general.

In TOUCH is the Fund's in-house newsletter for retired members. Published twice a year, the newsletter proves to be a useful way of providing up dates on relevant changes in legislation, topical news, competitions and members articles.

Deferred members also receive a newsletter, when information needs to be communicated to them, again providing updates on relevant changes in legislation, topical news and reminding the member to keep the Fund notified of any future changes in address.

A newsletter is also issued out to Scheme Employers at least once year. It provides legislation, operational items and technical updates and support.

3.10 Annual Report, Accounts & Meeting

The aim of the report is to highlight the important issues affecting the Fund over the previous twelve month, along with detail on both investment and administration performance.

The Report and Accounts are the main focus of the Annual Meeting held in November. An abridged version of the accounts is available on the Fund website and made available to active, deferred and retired members where possible.

All retired, active and deferred members are invited to attend the Annual Meeting. The meeting gives members the opportunity to meet the Pension Committee and the members of staff who administer the Scheme on a one to one basis. The Fund is committed to making the meeting widely accessible to the membership and ensuring its content is of both interest and relevance. The Annual Meeting aims to cover scheme benefits, valuation position and investments in an interesting and informative manner.

4. WHO ARE THE STAKEHOLDERS OF THE FUND AND WHAT IS PROVIDED TO THEM?

4.1 Active & Deferred Scheme Members

Certificate of Membership

Within thirteen weeks of joining the Fund, each Member receives a Statutory Notification detailing the information recorded on the Pension Administration System about them, such as date they joined the Scheme and whether or not they have transferred service into the Fund from elsewhere. A new notification is issued every time a member's record is amended.

Annual Benefit Statement

An Annual Benefit Statement is sent direct to the

home address of all active and deferred members. The Statements include various pension details including the current value of benefits within the scheme. The format of our statements is continually being developed to provide members with information they require in a clear and concise manner.

Scheme Literature

A large range of literature is produced by the Administering Authority and is made available to both Employers and Scheme members. The literature includes Guides and Information sheets.

A different guide is available for councillors to whom different rules apply.

Retirement Booklet

All active members on reaching retirement receive a comprehensive booklet providing information on the Scheme and the retirement process.

4.2 Prospective Scheme Members

Scheme Booklet

The Fund produces an information booklet on the Local Government Pension Scheme. This should be provided by Scheme Employers to all new employees as part of their letter of employment, terms and conditions – some Employers choose to email this to new employees.

Scheme Website

The Fund's website contains specific information on joining the Scheme and the benefits of membership

Promotional Campaigns

Periodically the Fund produces dedicated marketing literature that is sent to those who choose not to join or opt to leave the Scheme. This literature promotes the benefits of having an occupational pension and gives an option to join the Scheme.

Corporate Induction Courses

Officers of the fund are invited to attend or to contribute to Corporate Inductions (*including e-learning*) for prospective members.

Other Employer Communications

The increasing role of communication within all organisations means that more Employers have staff newsletters, intranets and other broadcast communications. The Fund actively works to provide their employees with the best information and opportunities in regard to the Scheme.

4.3 Retired Members

Pay Advices

The Fund issues a pay advice slip to scheme pensioners only when net pension payments vary by £5 or more from the previous month.

Online access to Payslips and P60s

Members can view P60's and payslips by logging onto a secure area on the website, called MyView.

P60s

Every retired member and/or their dependents will receive a P60 each year normally at the end of April.

Annual Pension Increase

Retired members will receive a pension increase notification each year to inform them of the inflation increase on their pension. This letter will include details of the monetary value of their revised pension and details of the amount to be paid in April.

Retired Members Meeting

Every summer a dedicated meeting is held for our retired members. These include a presentation from an outside speaker on a non-pension related subject.

Cards & Flowers

The Fund sends Birthday Cards and Flowers to all our retired members' age 100 years and over.

Validation - Retired Members Living Abroad

The Fund undertakes a regular exercise conducted through correspondence in order to establish the continued existence of pensioners living abroad.

4.4 Employing Authorities

Employer Meetings & Training Sessions

Meetings and training sessions are arranged for employers on a regular basis. They are used to communicate major issues with employers, specifically benefit regulation changes, employer contribution rates and the funding level of the Shropshire Fund.

Employers' Guide

An Employers' Guide is issued to all employers, detailing the processes, procedures and forms required to effectively discharge their pension administration responsibilities.

Employers Bulletin

A technical newsletter/bulletin is periodically sent out to all employers. It aims to inform employers on common problems, issues, queries and regulatory changes. The bulletin is also used to communicate any consultations in regard to policy and regulations.

Data Transmission

A secure system of data transmission has been developed which allows employers to forward information directly to the Fund in order for the administering authority to update their records.

4.5 Pension Committee & Fund Staff

Pensions Committee

The Committee is comprised of 9 members, representing the principal employing authorities, trade union representatives and a retired member representative. The Fund has an ongoing training programme for Members and Officers to ensure that decision making is on an informed basis.

Knowledge building and training is provided via the Fund's Officers, advisors and external training courses. An annual training day is held for all Pension Committee Members and their substitutes.

Pension Committee reports are available on the council's website www.shropshire.gov.uk and by following the link for 'Committees, meetings and decisions' and on the 'Pension Committee' page.

Service Management Team

The Scheme Administrator (*the section 151 officer*) is responsible for the Pensions Administration and Pension Investment Teams. The Pensions Management Team meets on a monthly basis to discuss items in relation to the running of the team and regulation changes. It comprises the Pensions Administration Manager and Team Leaders. A similar monthly meeting is held between the Head of Pensions and Treasury, the Pensions Administration manager and investment staff. Any items raised from such meetings can be escalated to the Scheme Administrator.

Team Meetings

Team Meetings involving all staff are held on a monthly basis. Notes of all meetings and items arising from such meetings are passed through to the Treasury and Pensions service manager and to the Scheme administrator if necessary.

Training

The Fund seeks to continually improve the ability of staff to communicate effectively and to understand the importance of good communication. Both general and pension-specific training is provided to all staff as part of the Fund's commitment to staff development. The Fund conducts performance appraisals for its entire staff.

Intranet and E-Mail

Each member of staff has access to e-mail and the Fund's Intranet which contains electronic copies of many of the Key documents, manuals, minutes and circulars.

Local Authority Pensions Web

All senior members of the pension's team have access to the Local Authority Pensions Web where information can be exchanged with other Local Authority Pension colleagues.

three years as required by the Regulations. Mercer also deal with Interim valuations when required and information and advice on a range of issues affecting the Fund, such as new employers, bulk transfers and regulatory changes.

Legal Advice

The Fund obtains legal advice from Shropshire Council as appropriate on benefits administration and investment matters. External legal advice is also obtained as and when required.

DCLG

The Fund communicates with the Department of Communities and Local Government (DCLG) while in consultation on proposals for change to the scheme and with regard to providing information under disclosure regulations.

Trade Unions

Trade Unions are valuable ambassadors for the Pension Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention and assist in negotiations under TUPE, in order to ensure, whenever possible, continued access to the Local Government Pension Scheme.

Press & Media

The Fund in conjunction with the Council's Communications Unit, actively engages with the press and other media organisations in order to ensure clarity, facts and fair representation.

Shrewsbury Regional Pension Officers' Group (SPOG)

The Shropshire County Pension Fund (SCPF) hosts the Shrewsbury Pension Officers' Group which meets on a quarterly basis. The group which comprises a number of local authority funds discuss technical queries and legislation matters of common interest.

Joint working with other pension funds

To reduce costs the Fund leads on collaborative working with other pension funds. Representatives from each fund meet quarterly to discuss communications issues.

Investment Practitioner Group

The Fund has an active involvement in the Investment Practitioner Group for the region where common investment issues between Funds are discussed.

Software Provider Group

Members of the team attend meetings with the pension's administration software provider, to ensure the computerised administration system is able to deal with regulation changes when they occur.

4.6 Communication with Other Bodies

Mercer (*Pension Fund Actuary*)

The Fund performs an Actuarial Valuation every

4.7 Measure of Successful Communication

Service Quality Questionnaire

A questionnaire is issued to members with various correspondences, including retirements and benefit quotes. This allows the fund to evaluate the service provided. Survey responses are collated and reviewed twice a year.

Employer Satisfaction Survey

A survey is issued to employers, periodically to allow the fund to evaluate the service and methods of communication provided to employers. The responses are collated and used to identify any employer requirements and possible areas for improvement.

Compliments, Complaints and Comments

Any compliments, complaints are comments made in letter, e-mail or verbal format are recorded on a monthly basis. The fund aims to always learn from the feedback received and continue to make improvements to the service provided.

5. CONFIDENTIALITY

5.1 To protect any personal information held on computer the Administering Authority is registered under the data Protection Act 1988. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund.

5.2 Members who wish to apply to access their data on Data Protection Grounds should contact the Data Protection Officer on (01743) 252774.

6. FURTHER INFORMATION

Further information can be obtained from:

Pensions Helpline: (01743) 252130

Email: pensions@shropshire.gov.uk

Website: www.shropshirecountypensionfund.co.uk

FUND PUBLICATIONS AND COMMUNICATIONS

Communication Document/Tool	When Issued	Available To	Format	When Reviewed
Brief Pension Scheme Guide	Upon commencing employment/ when requested	Prospective/Active/Deferred/ Retired Members	Paper/Website	As regulations change
F.A.Q Leaflets	Upon request	Active/Deferred/ Retired Members	Paper/Website/Intranet	As regulations change/ new leaflets introduced regularly
Benefit Statements	Annually (<i>rolling programme</i>)	Active/Deferred Members	Paper	Annually
Encouraging New Members Literature	Annually	Prospective Members	Paper-Flyer	Annually
Communication Document	When Issued	Available To	Format	When Reviewed
Members Newsletter	As Required	Active/Deferred Members	Paper/PDF	As regulations change/as required
Pension Consultations	As Required	Active Members	Face to face	As required
Retirement Process Booklet	As Required	Prospective/Active/Deferred/ Retired Members	Paper	As regulations change/as required
Service Quality Survey	Continually	Active/Deferred/Retired Members	Paper/email	As required
Presentations	As Required	Prospective/Active Members	Presentation/Face to face	As required
Induction Presentations	When requested	Prospective/Active Members	Face to face/e -learning	As required
Statutory notification	When member record changed	Active Members	Paper	As regulations change/as required
Retirement Courses	When Requested	Retiring Members	Face to face	As required
Internet and Intranet	Continually	All Members/ Employers/ Fund Managers/Non Scheme Members	Website/Intranet	Monthly
Annual Meeting	Annually (<i>November</i>)	All Members/ Employers/Fund Managers	Presentation/Face to face/ film	Annually
Annual Report	Annually	All Members/ Employers/Fund Managers	Paper/Website/Intranet	Annually

Communication Document/Tool	When Issued	Available To	Format	When Reviewed
Helpdesk	Continually (within Office Hours)	All Members/ Employers/Fund Managers	Face to face/Telephone/ Paper/E-mail	As required
Correspondence	Continually (within Office Hours)	All Members/ Employers/Fund Managers	Face to face/ Telephone/ Paper/E-mail	As required
Communication Document	When Issued	Available To	Format	When Reviewed
Pay Advice	Monthly	Pensioner Members	Paper/MyView	Issued when £5 variation in net pay
P60	Annually (April)	Pensioner Members	Paper/MyView	Annually
Pensioner Newsletter	Biannually (April/ October)	Pensioner Members	Paper/Website	Biannually
Retired Members Meeting and invitations	Annually (June)	Pensioner Members	Paper/Face to face/ Website	Annually
Pensions Increase Correspondence	Annually (April)	Pensioner Members	Paper	Annually
Age 100 Pensioners	As Required	Pensioner Members	Paper/Gift	As required
Pensioners Living Abroad	Annually	Pensioner Members	Paper	Annually
Employers Guide including forms	As Required	Employing Authorities	Email	As regulations change/as required
Employers Bulletin	As Required	Employing Authorities	Paper/Email	As regulations change/as required
Employer Meetings and Training	As Required	Employing Authorities	Face to face/Paper	As regulations change/as required
Service Level Agreement	Annually (February/March)	Employing Authorities	Paper	Annually
Employer Satisfaction Survey	As Required	Employing Authorities	Paper/Online survey	Annually
Online Access to Pensions Administration	As Required	Employing Authorities	Electronic	As required
Communication Document	When Issued	Available To	Format	When Reviewed
Data Transmission	As Required	Employing Authorities	Electronic	As required
Abridged Reports and Accounts	Annually (October)	All Members	Paper/Website/Intranet/ Email	Annually
Valuation Report	Tri-Annually	Employing Authorities	Paper/Website (Overview)/ AGM	Triennially
Statement of Investment Principles	Annually	All Members	Website	As required
Corporate Governance & Responsible Engagement Reports	Quarterly	All Members	Website	Quarterly
Pension Committee Training Day	Annually	Committee Members/Fund Staff	Face to face/Paper	Annually
Other Body Communications inc. SPOG, NIF, Media/Press, Trade Unions, Joint Communication meeting	As Required	All Relevant Bodies	Paper/Website/Intranet/ Face to face	As required
Fund Staff Training and Meetings	Monthly/ as required	Fund Staff	Face to face/Paper	As regulations change/as required
Email alerts	As required when there is a significant website update/ event/regulation change	All members	Email	As required

APPENDIX 01

GOVERNANCE COMPLIANCE STATEMENT

APPENDIX 02

FUNDING STRATEGY STATEMENT

APPENDIX 03

STATEMENT OF INVESTMENT PRINCIPLES

APPENDIX 04

COMMUNICATIONS POLICY STATEMENT

APPENDIX 05

ADMINISTRATION STRATEGY STATEMENT

APPENDIX 05 ADMINISTRATION STRATEGY STATEMENT

Agreed by Pensions Committee on 18th June 2013



1. INTRODUCTION

Shropshire County Pension Fund (*“the Fund”*) is responsible for the administration of the Local Government Pension Scheme (*“the Scheme”*) within the geographical area of Shropshire. The Fund also administers the Scheme on behalf of a number of qualifying employers who are not situated within the Shropshire area. The service is carried out by Shropshire Council (*“the administering authority”*) on behalf of qualifying employers and ultimately the Scheme members.

This document is the Pensions administration Strategy statement outlining the policies and performance standards towards providing a cost-effective, inclusive and high quality pensions administration service. Delivery of such an administration service is not the responsibility of one person or one organisation, but is rather the joint working of a number of different stakeholders which between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership.

2. COMPLIANCE

Developed in consultation with employers within the Fund, this statement seeks to promote good working relationships, improve efficiency and ensure agreed standards of quality in delivery of the pension administration service amongst the employers and the Fund. A copy of this strategy is issued to each of the relevant employers.

The undertakings set out within this Pension Administration Strategy will be reviewed annually by the Fund. In no circumstances does this strategy override any provision or requirement of the Regulations set out below nor is it intended to replace the more extensive commentary provided by the Employers' Guide and Website.

3. REVIEW

The Fund will review this policy statement and make revisions as appropriate following a material change in its policies in relation to any of the matters contained in the strategy. Employers will be consulted and informed of the changes.

4. REGULATORY FRAMEWORK

Regulation 65(1) of the LGPS Administration Regulations 2008 enables an LGPS administering authority to prepare a document (*“the pension administration strategy”*) detailing administrative standards, performance measures, data flows and communication with employers.

In addition, Regulation 43 of the (Administration) Regulations 2008 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority's level of performance in carrying out its functions under these Regulations. See Poor Performance section.

This document has been presented, considered and ratified by the Pensions Committee on the 18th June 2013 and, as such, the contents of which apply to all existing and future employers of Shropshire County Pension Fund from that date.

5. LIAISON AND COMMUNICATION

The delivery of a high quality, cost effective administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

Each Employing authority will designate a named individual to act as the main point of contact with regard to any aspect of administering the LGPS.

The Fund currently holds the name of an individual for each Scheme Employer as a the main point of contact as supplied through Service Level Agreements currently in place, but this document will replace that former Agreement.

Their key responsibilities will be:

- to act as a conduit for communications to appropriate staff within the employer - for example, Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained
- to ensure that details of all nominated representatives and authorised signatures are correct and to notify the Fund of any changes immediately;
- to arrange distribution of communications literature as and when required;
- to inform the Fund of any alternative service arrangements required;
- to assure data quality and ensure the timely submission of data to the Fund; and
- to assist and liaise with the Fund on promotional activities.

Employer Training

The Fund holds annual training for employers: officers provide information on Fund Finances, Investment Performance and also Administration Performance. Attendance by each employer's main contact and Senior Management is actively encouraged.

Policy Discretions

Each employer is required to produce, publish and maintain a statement of policy regarding the exercise of certain discretionary functions available to them within the LGPS regulations. The policy statement must be kept under review and where revisions are made; the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date.

Notification of employee's rights

Any decisions made by an employing authority affecting an employee's rights to membership or entitlement to benefits must be notified to the employee in writing.

Internal Disputes Resolution Procedures (IDRP)

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the Internal Disputes Resolution Procedures should be made. The name, job title and contact details of this nominated person must be kept up-to-date with the Fund.

Computer Links

The Fund will, to appropriate large employers, provide the software, hardware and communication facilities in order for employing authority staff to

produce retirement estimates and enquire on their employees' record of membership.

The Fund will ensure that the Pensions Administration computer system is available for use during normal office hours with the exception of any necessary scheduled maintenance of the system.

6. SERVICE STANDARDS TO SCHEME MEMBERS

Overriding legislation dictates minimum standards that Pension Schemes should meet in providing certain pieces of information to the various associated parties – not least of which the Scheme member. The LGPS Regulations also identifies a number of requirements for the Fund and Employers.

These performance standards are held within the following tables:

NEW APPOINTMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To ensure that pensions information is included as part of any induction process.	To provide to employers on request appropriate tools for inductions.
To provide each new employee with a booklet and application form, with their contract.	To provide to employers on request appropriate tools for inductions.
To update pension information in accordance with regulatory changes and provide sufficient stock within five weeks of request by the employer.	

NEW STARTERS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
To ensure that all employees subject to automatic admission are brought into the Scheme from the date of appointment, and provide the Pension Administration Team, with details within 4 weeks of their start date by electronic interface or approved paper form.	To provide to employers on request appropriate tools for inductions.
To assist the Fund in ensuring that all new starters complete the Scheme application form containing information including National Insurance Number, Date of Birth and Home Address on either electronic interface or approved forms to the Fund within four weeks of the employees first pay date.	To provide to employers on request appropriate tools for inductions.
Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified.	
To send the Fund notification in agreed electronic or paper format of any eligible employees subject to automatic entry, who opt out of the scheme within three months of appointment.	
To accurately record and update associated member records on the pension administration system.	
To apply for any Transfer Value details within two weeks of receipt of all the relevant information from the member and to produce Membership Certificates and forward them to member's home address, within thirteen weeks of joining the Scheme. As stated within the Regulations.	
To accurately record these member records on the pension administration system within four weeks of receipt of documents.	

CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS

EMPLOYERS' RESPONSIBILITY

To ensure that the Fund is informed of any changes in the circumstances of employees on approved forms or by agreed electronic templates within four weeks of the change. Forms can be found in the Employers Guide.

These include:

Status:

- Change of Name
- Marital Status
- National Insurance Number

Conditions of service:

- Contractual Hours
- Remuneration changes due to promotion and down grading
- Contribution Rate
- Employee Number and or Post Number
- Date Joined Scheme (if adjusted)

NB. An Employee can easily exceed HMRC Annual Allowance if their pay increases. You therefore are asked to inform the Fund of :

- augmentation,
- Honorariums
- AVC contributions

Further information is available from the fund on this issue.

Absence:

- Maternity, Paternity and Adoption
- Paid & Unpaid leave of absence
- Industrial Action
- Any other material period of absence

Each employer must ensure that the relevant contributions are deducted, if required.

FUND'S RESPONSIBILITY

To provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically.

To accurately record and update member records on pension administration systems within four weeks of notification or any shorter period as requested by the employer with regard to specific requirements.

To highlight Annually if an individual has exceeded their Annual Allowance

ANNUAL RETURN, VALUATION & ANNUAL BENEFIT STATEMENTS

EMPLOYERS' RESPONSIBILITY

To provide the Fund with year-end information to 31 March each year in an approved format no later than 30 April or the next working day.

The information should be accompanied by a final statement, duly signed, balancing the amounts paid during the year with the total amounts on the year end return data file.

To provide any additional information that may be requested for the production of Annual Benefit Statements for service up until the 31st March in each particular year by the end of May of each year.

To provide the Fund with up to date and correct information on members working hours, breaks in service and pensionable pay in accordance with agreed timescales and the regulations.

To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.

FUND'S RESPONSIBILITY

To process employer year end contribution returns within three months of receipt i.e. 30th April, or within three months of receipt of the information if later.

To produce annual benefit statements for all active members and post to member's home address and provide Annual Allowance information by the 5th October each year.

Statements will also be produced for deferred members, but no information from employers will be required.

To provide data to the Fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined.

To provide an electronic copy of the valuation report and contributions certificate to each employer answer any questions arising.

RETIREMENT ESTIMATES

EMPLOYERS' RESPONSIBILITY

To submit a request using forms PEN010 by post or attaching it to an e-mail.

For larger bulk estimates, requests can be made in alternative formats.

FUND'S RESPONSIBILITY

To issue the quotations within seven working days of receiving the request or by separate agreed timescales for bulk requests.

To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff.

ACTUAL RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To submit the appropriate form to the Fund at least one month before retirement.</p> <p>Further information can be found in the Employers Guide.</p>	<p>To issue the member with a letter and retirement information within seven days of notification.</p> <p>To make payment of any lump sum within two working days of the date of retirement provided all relevant forms and certificates have been received from the member.</p> <p>In the case of Shropshire Council Compulsory Redundancies within seven working days, provided all forms and certificates have been received.</p> <p>To pay any pension payment on the 29th of each month, following retirement unless this falls on a weekend or bank holiday.</p>
ILL HEALTH RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To determine based on medical opinion and advice of one of the Administering Authorities approved Independent Medical Registered Practitioners (Independent Medical Registered Practitioners (IMRP)) whether an ill health award is to be made and determine which tier 1, 2 or 3.</p> <p>Arrange for completion of the PEN007 or PEN006 and then submit to the Fund with all related paperwork and signatures.</p> <p>To keep a record of all Tier 3 ill health retirements, particularly in regard to the 18 month review of their gainful employment and any subsequent appointment with an (IMRP) approved by the Administration Authority for a further medical certificate.</p> <p>To recover any overpayment of pension benefits following subsequent re-employment and notify the Fund, where appropriate.</p> <p>To review all Tier 3 ill health retirement cases prior to discontinuance at three years. Further information on Ill health retirements can be found in the Employers Guide.</p>	<p>To calculate and pay required benefits in line with actual retirement timescales.</p> <p>To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.</p> <p>To notify employers three months prior to scheduled discontinuation of benefit payments and before updating the members records as becoming a "pensioner member with deferred benefits from the date of the suspension".</p>
MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To notify the Fund of the employee's date and reason for cessation of membership and all other relevant information on approved forms within four weeks of the event.</p>	<p>To accurately record and update member records on the pension administration system.</p> <p>To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement within one month of receiving all relevant information.</p>
FORMER MEMBERS WITH DEFERRED BENEFITS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required:</p> <ul style="list-style-type: none"> • Name & Last known address • National Insurance Number • Payroll Number • Date of Birth • Last job including job description • Salary details • Date and reason for leaving <p>On application from the former employee to have their deferred benefits paid early, a determination as to whether or not they are eligible for early payment on ill health grounds after seeking a suitable medical opinion from an (IMRP) approved by the Administering Authority, to determine</p> <p>whether benefits should to be released early on compassionate grounds and whether any early retirement reduction should be waived.</p>	<p>To record and update member records on pension administration system.</p> <p>To provide former members, where possible, an annual benefit statement of their deferred benefits updated by accrued annual pensions increase awards.</p> <p>To provide estimates of benefits that may be payable and any resulting employer costs within seven days of request.</p>

DEATH IN SERVICE & TERMINAL ILLNESS

EMPLOYERS' RESPONSIBILITY

To inform the Fund immediately on the death of an employee, or when a member is suffering from a potentially terminal illness and provide details of next of kin.

Further information can be found in the Employers Guide.

FUND'S RESPONSIBILITY

To assist employers, employees and their Next of Kin in ensuring the pension options are made available and that the payment of benefits are expedited in an appropriate caring manner.

FINANCIAL OBLIGATIONS

EMPLOYERS' RESPONSIBILITY

To pay the Fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions, no later than the 19th day of the month following the period of deductions. Further information can be found in the Employer Guide.

To apply the correct employee contribution rate. To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.

To pay all rechargeable items to the Fund within four weeks of the invoice.

FUND'S RESPONSIBILITY

To allocate the received contributions to each employers record.

Interest will be charged for late payment as detailed in Regulation 44(4) of the LGPS (Administration) Regulations 2008.

Inform each employer of any new contribution banding

The Fund will inform employers of any recharge items as they become due.

ADDITIONAL BENEFITS (ARCs)

EMPLOYERS' RESPONSIBILITY

To collect from the employee payroll, contributions and to arrange the prompt payment to the Fund, according to the published schedule and to be no later than the 19th of the month following deduction, as stated in the Regulations (Reg 42 Admin Regs 2008). More Information can be found in the Employers Guide.

FUND'S RESPONSIBILITY

To provide information on ARCs on request to members and employers and issue quotations to a Scheme member on the option of making Additional Regular Contributions (ARCs), within seven days.

7. STANDARDS OF DATA

Overriding Legislation In performing the role of administering the LGPS, The Fund and Employers will comply with the overriding legislation, including:

- the Occupational Pensions Schemes
 - (*Disclosure of Information*) Regulations 1986;
 - the Pensions Act 1995 & 2004;
 - any Transitional Regulations currently in place;
 - the Discretionary and Compensation Regulations 2006;
 - the Data Protection Act 1998;
 - the Freedom of Information Act 2000;
 - the Disability Discrimination Act 1995;
 - the Age Discrimination Act 2006;
 - the Finance Act 2004;
 - Health and Safety legislation;
 - Employment Rights Act 2010;
 - HMRC Legislation and Current GAD Guidance
 - Public Service Pensions Act 2013
- and any future amendments to the above legislation.**

Secure Data Transfer

The Fund will follow Shropshire Council data security guidelines when sending any personal data in bulk.

This means that if data is sent on CD or by email:

- We will agree an authentication process and confirm that it is an appropriate person and contact number in the receiving organisation.
- Encryption software will be used, which will be self extracting, and allow the recipient to open the file,
- without the need for the software, but with the requested password. We will follow delivery guidelines if the data is sent by courier.
- The appropriate agreed person will confirm the data has been received, request the password and confirm the file is successfully opened.

If you have access to the Shropshire Council Intranet these guidelines can be found by clicking on:

- eShrops
- Top Shrop
- Information Management & Governance
- Information Security
- Use of Encryption

8. FUND ADMINISTRATION PERFORMANCE MEASURES

In performing the role of administering the LGPS, The Fund and Employers will comply with the overriding legislation, including:

Performance Measure	Target (Working Days)
Payment of retirement benefits	7
Payment of monthly pensions on the appropriate day of the month	1
Payment of transfer values	7
Provision of inward transfer quotes	10
Notification of deferred benefits	30
Respond to members postal / telephone enquiries	5

All these measures start from the date of receipt of all relevant information. The annual figures for the Fund performance measures across all employers are reported in the Annual Report.

Audit

The Fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations will be considered and where appropriate implemented with Employing authority cooperation.

Benchmarking

The Fund will regularly monitor its costs and service performance by benchmarking with other administering authorities. Details of the costs of administration, quality measures and standards of performance will be published in the Annual Report.

9. EMPLOYER PERFORMANCE REPORTING

As part of this Pensions Administration Strategy the Fund will develop, with employer consultation, arrangements for quarterly reporting on key performance measures as contained in section 6 of this document

This approach to reporting will facilitate early engagement with employers and also provide a mechanism for service level review and recognition of best practice.

Poor Performance

The Fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of poor performance, provide the necessary training and development to put in place appropriate processes to improve the level of service into the future.

In the event of continued poor performance and a lack of any evidence of any measures being taken to achieve improvement by an employing authority the Fund will seek to recover any additional costs arising.

Any third party costs or regulatory fines incurred by the Fund as a consequence of administrative failures or poor performance by the employing authority will be recovered from the employer. These may include fines imposed by the Courts or the Pensions Ombudsman and additional charges in respect of actuarial fees, third party computer charges and additional printing and distribution costs.

In dealing with poor performance the Fund will:

- write to the employer setting out the area (s) of poor performance;
- meet with the employing authority, to discuss area(s) of poor performance and how these can be addressed;
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- make claim for cost recovery, taking account of time and resources in resolving the specific area(s) of poor performance.
- Will report any claim for the cost of recovery to the Pension Committee at the next available meeting and may form part of the administration report in the Fund's published Annual Report.

10. ASSOCIATED POLICY STATEMENTS & DISCRETIONS COMMUNICATIONS POLICY

The statement outlines the Fund's policy on:

- Information to members, representatives and employers;
- The format, frequency and method of distributing such information;
- The promotion of the Scheme to prospective members and their employing authorities

Governance Policy

Shropshire Council has delegated to the Pensions Committee various powers and duties in respect of its administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation.

Employer Discretions

Since 1997, the LGPS Regulations have required every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the Scheme;
- keep it under review;
- revise it as necessary.

A list of the Employer discretions can be found in your Employers Guide.

Local Government Pension Scheme (Administration) Regulations 2008 Regulation excerpts related to Pensions Administration Strategy Documents

Exchange of information by authorities 64.

- I. **An employing authority which is not an administering authority must -**
 - a) inform the appropriate administering authority of all decisions made by the employer under Part 6 or this Part concerning members; and
 - b) give that authority such other information as it requires for discharging its Scheme functions.
2. **If -**
 - a) an administering authority makes any decision under Part 6 or this Part about a person for whom it is not the employing authority; and
 - b) information about the decision is required by his employing authority for discharging that employer's Scheme functions, that authority must give that employer that information.

Pension administration strategy 65.

- I. **An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.**
2. **The matters are -**
 - a) procedures for liaison and communication with employers in relation to which it is the administering authority ("its employers");
 - b) the establishment of levels of performance which the administering authority and its employers are expected to achieve in carrying out their Scheme functions by -
 - i. the setting of performance targets,
 - ii. the making of agreements about levels of performance and associated matters, or
 - iii. such other means as the administering authority considers appropriate;
 - c) procedures which aim to secure that the administering authority and its employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
 - d) procedures for improving the communication by the administering authority and its employers to each other of information relating to those functions;
 - e) the circumstances in which the administering authority may consider giving written notice to any of its employers under regulation 43(2) on account of that authority's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
 - f) the publication by the administering authority of annual reports dealing with -
 - i. the extent to which that authority and its employers have achieved the levels of performance established under sub-paragraph (b), and

- ii. such other matters arising from its pension administration strategy as it considers appropriate; and
- g) such other matters as appear to the administering authority, after consulting its employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

3. An administering authority must -

- a) keep its pension administration strategy under review; and
- b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

4. In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its employers and such other persons as it considers appropriate.

5. An administering authority must publish -

- a) its pension administration strategy; and
- b) where revisions are made to it, the strategy as revised.

6. When an administering authority publishes its pension administration strategy, or that strategy is revised, it must send a copy of it to each of its employers and to the Secretary of State.

7. An administering authority and its employers must have regard to the current version of any pension administration strategy when carrying out their Scheme functions.

8. In this regulation references to the functions of an administering authority include, where applicable, its functions as an employing authority.

Additional costs arising from employing authority's level of performance 43.

- I. **This regulation applies where, in the opinion of the appropriate administering authority, it has incurred additional costs which should be recovered from an employing authority because of that employing authority's level of performance in carrying out its functions under these Regulations or the Benefits Regulations.**
2. **The administering authority may give written notice to the employing authority stating -**
 - a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
 - b) the authority's opinion that the employing authority's contribution under regulation 42(1)(d) should include an amount specified in the notice in respect of the additional costs attributable to that authority's level of performance;
 - c) the basis on which the specified amount is calculated; and
 - d) where the administering authority has prepared a pension administration strategy under regulation 65, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in subparagraph (a), (b) or (c).

Interest 44.

1. An administering authority may require an administering or employing authority from which payment of any amount due under regulations 39 to 42 (employers' contributions or payments) or regulation 86 (changes of fund) is overdue to pay interest on that amount.
2. The date on which any amount due under regulations 39 to 41 is overdue is the date one month from the date specified by the administering authority for payment.
3. The date on which any amount due under regulation 42 (*other than any extra charge payable under regulation 40 or 41 and referred to in regulation 42(1)(c)*) is overdue is the day after the date when that payment is due.
4. Interest due under paragraph (1) or payable to a person under regulation 45(5) (*deduction and recovery of member's contributions*), 46(2) (*rights to return of contributions*) or 51 (*interest on late payment of certain benefits*) must be calculated at one percent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.
5. Interest on any amount due in respect of regulation 86 shall be calculated in accordance with guidance issued by the Government Actuary.

FURTHER INFORMATION

If you can read this but know someone who can't, please contact the Pensions Helpline so we can provide this information in a more suitable format.

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