



Shropshire Council
Legal and Democratic Services
Shirehall
Abbey Foregate
Shrewsbury
SY2 6ND

Date: 12th June 2014

Committee:
Pensions Committee

Date: Friday, 20 June 2014

Time: 10.30 am

Venue: Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire, SY2 6ND

You are requested to attend the above meeting.
The Agenda is attached

Claire Porter
Head of Legal and Democratic Services (Monitoring Officer)

Members of the Committee:

Thomas Biggins
Anne Chebsey
Andrew B Davies
Malcolm Pate

Co-opted Members (Voting):

Bill McClements (Telford & Wrekin Council)
Malcolm Smith (Telford & Wrekin Council)

Co-opted Members (Non-Voting):

John Fox (Employee Representative Shropshire Council)
Molly Hooper (Employee Representative Telford & Wrekin Council)
Jean Smith (Pensioner Representative)

Substitute Members of the Committee:

Joyce Barrow (SC)	Stuart West (SC)
Arnold England (T&W)	Michael Wood (SC)
Roger Evans (SC)	Vacancy (Employee Rep T&W)
Richard Overton (T&W)	Vacancy (Employee Rep SC)
Vacancy (Pensioner Rep)	

Your Committee Officer is:

Sarah Townsend Committee Officer

Tel: 01743 252803

Email: sarah.townsend@shropshire.gov.uk

AGENDA

1 Election of Chairman

2 Apologies for Absence and Substitutions

3 Appointment of Vice-Chairman

4 Disclosable Pecuniary Interests

Members are reminded that they must not participate in the discussion or voting on any matter in which they have a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

5 Minutes (Pages 1 - 6)

The Minutes of the meeting held on 20 March 2014 are attached for confirmation, marked 5.

Contact: Sarah Townsend (01743 252803)

6 Public Questions

7 F&C (Responsible Engagement Overlay)

Mr Ian Biscoe and Mr Yo Takatsuki will give a presentation.

8 Global Infrastructure Partners (Infrastructure)

Mr Mehrdad Noorani will give a presentation.

9 Prudential (AVC)

Mr Mike Johnstone and Mr Alistair Hogg will give a presentation.

10 Grant Thornton - Informing The Audit Risk Assessment for Shropshire County Pension Fund (Pages 7 - 22)

The report of Grant Thornton is attached, marked 10.

Contact: Ashley Wilson (0121 232 5430)

11 Grant Thornton - Shropshire Pension Fund Audit Plan 2013/14 (Pages 23 - 36)

The report of Grant Thornton is attached, marked 11.

Contact: Ashley Wilson (0121 232 5430)

12 Consultation Report (Pages 37 - 66)

The report of the Head of Finance, Governance & Assurance is attached, marked 12.

Contact: James Walton (01743 255901)

13 Fund Governance and Creation of New Pension Board (Pages 67 - 84)

The report of the Head of Finance, Governance & Assurance is attached, marked 13.

Contact: James Walton (01743 255901)

14 Corporate Governance Monitoring (Pages 85 - 118)

The report of the Head of Treasury & Pensions is attached, marked 14.

Contact: Justin Bridges (01743 252072)

15 Pensions Administration Monitoring (Pages 119 - 160)

The report of the Pension Administration Manager is attached, marked 15.

Contact: Debbie Sharp (01743 252192)

16 Exclusion of Press and Public

To consider a resolution under paragraph 10.2 of the Council's Access to Information Procedure Rules that the proceedings of the Committee in relation to Agenda Items 17 to 19 shall not be conducted in public on the grounds that they involve the likely disclosure of exempt information as defined by the categories specified against them.

17 Exempt Minutes (Exempted by Category 3) (Pages 161 - 164)

The Exempt Minutes of the meeting held on 20 March 2014 are attached for

confirmation, marked 17.

Contact: Sarah Townsend (01743 252803)

18 New Admission Bodies (Exempted by Category 3) (Pages 165 - 168)

The report of the Pension Administration Manager is attached, marked 18.

Contact: Debbie Sharp (01743 252192)

19 Investment Monitoring - Quarter to 31 March 2014 (Exempted by Category 3) (Pages 169 - 214)

The report of the Head of Treasury & Pensions is attached, marked 19.

Contact: Justin Bridges (01743 252072)

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<u>Pensions Committee</u>
20 June 2014
10.30 am

<u>Item</u>
5
Public

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 20 MARCH 2014 10.30 AM - 12.50 PM

Responsible Officer: Sarah Townsend
Email: sarah.townsend@shropshire.gov.uk Tel: 01743 252803

Present:

Members of the Committee:

Councillor Malcolm Pate (Chairman)
Councillors Thomas Biggins, Andrew Davies and Roger Evans (Substitute) (substitute for Anne Chebsey)

Co-Opted Members (Voting):

Malcolm Smith and Arnold England (Substitute) (substitute for Bill McClements)

Co-Opted Members (Non-Voting):

Jean Smith

1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillor Anne Chebsey and Mr Bill McClements.

Councillor Roger Evans substituted for Councillor Anne Chebsey and Mr Arnold England substituted for Mr Bill McClements.

2 Disclosable Pecuniary Interests

Members were reminded that they must not participate in the discussion or voting on any matter in which they had a Disclosable Pecuniary Interest and should leave the room prior to the commencement of the debate.

3 Minutes

RESOLVED:

That the Minutes of the meeting held on 27 November 2013 be approved and signed by the Chairman as a correct record.

4 Public Questions

There were no public questions.

5 Majedie Asset Management (UK Equities)

Mr Simon Hazlitt and Mr Mark Hepburn gave a presentation on the performance of the UK Equities Portfolio. They explained that they were still committed to remaining small which they felt was an advantage in the market and that they had been closed to new investments since 2006. In terms of performance, Majedie adopted a flexible investment approach which had consistently outperformed the FTSE All-Share Index (which they Benchmark against) through several market cycles. Whilst last year's performance had been very good, this had now gone slightly in reverse in the last two quarters to December 13, but was still above their Benchmark / Target.

In response to a query from a Member regarding ethical issues, the Committee noted that provided the companies operated within the law, there were no restrictions in place for the Funds Investment Managers.

The Chairman thanked the representatives from Majedie for their presentation and stated that the Committee was satisfied with the work that they were doing.

6 MFS Investment Management (Global Equities)

Mr Matt Hensher and Mr Ben Kottler gave a presentation on the performance of the Global Equities Portfolio.

Members were first provided with an overview of MFS and it was reported that their business strategy had not changed during the last year. There had also been no internal changes to either their investment team or investment process during the last year.

In terms of the Executive Summary, the Committee was informed that the Portfolio had increased in value over the past year with the beginning value as of 31 December 2012 being £114million and the ending value as of 31 December 2013 being £123million.

In respect of the Market Overview, the MFS representatives reported that in an environment of slow but improving economic growth and subdued inflation, equity markets had performed well in 2013.

It was reported that the global growth picture looked reasonably positive, particularly in the US, with the economy accelerating amid less fiscal drag. However, whether the improving economic backdrop would translate into further improvement in earnings growth remained a key question for equity investors.

In terms of the forecast for the next year, MFS reported that following a good year's performance, they anticipated another strong year but beyond that, were predicting that there would be a much slower growth environment.

7 **Aberdeen Fund Management Ltd (Pan European Property)**

Mr Michael Dinsdale, Mr Tom Richardson and Mr Mark Wilkins gave a presentation on the performance of the European Property Portfolio.

By way of a corporate update, it was confirmed that the acquisition of the Scottish Widow Investment Partners was a diversification strategy which had not yet completed. This acquisition was not expected to significantly affect Aberdeen Property Multi Manager which had been relocated to the Aberdeen Solutions Division to improve alignment of business processes.

Looking at Shropshire's Portfolio Summary, the Committee was reminded that in 2013, Aberdeen's Portfolio Strategy was revised with an increased UK focus and an additional allocation invested into the UK market during quarter four. It was also noted that further money was expected to be invested by June 2014 in order to increase the property allocation back up to its strategic allocation of 5%.

Several questions were asked and comments made by Members in terms of Aberdeen's decision to write down the value of investment in CG Malls to zero and the fact that going forward, investments would be focused on open ended UK balanced funds.

It was reported that despite increased investor confidence in the UK real estate market, capital raising for UK specific Fund of Funds continued to be challenging. Whilst Aberdeen had received expressions of interest from various UK institutional investors during 2013, no further capital had been subscribed to the Fund. This had resulted in the long term future of the Fund being uncertain and a decision had needed to be made on the future of the Fund. On the 13 February 2014, following feedback from all investors, the Fund's Management Company decided to place the Fund into liquidation. The liquidation would take place from the 18 May 2014, after expiration of a three month notice period provided to all investors on the 17 February 2014. On the 28 February 2014, in specie/cash distribution feedback from all investors, including Shropshire, was received. Shropshire had indicated that it would prefer an in specie distribution. It was therefore expected that the UK Fund of Funds would be substantially liquidated by the 30 June 2014.

8 **Schedule of Committee and Other Meetings 2014/15**

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which set out a schedule of meetings of the Committee and outside bodies on which the Committee was represented. It also identified which managers would be attending the respective meetings.

RESOLVED:

- (a) That the schedule of Committee meetings, including the Annual Meeting, as set out in the report be agreed.
- (b) That the representation at other conferences and training events as set out in the report be agreed.

9 Pension Fund Treasury Strategy 2014/15

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which proposed the Pension Fund Treasury Strategy for 2014/15 for the small cash balances that the Adminstrating Authority maintained to manage the day to day transactions of the Fund.

RESOLVED:

- (a) That authority be delegated to the Scheme Administrator (Section 151 Officer) to manage the Pension Funds day to day cash balances.
- (b) That the Pension Fund Treasury Strategy be approved.
- (c) That the Scheme Administrator (Section 151 Officer) be authorised to place deposits in accordance with the Pension Fund's Treasury Strategy.
- (d) That the Scheme Administrator (Section 151 Officer) be authorised to add or remove institutions from the approved lending list and amend cash and period limits as necessary in line with the Administering Authority's creditworthiness policy.

10 Corporate Governance Monitoring

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which informed Members of Corporate Governance and socially responsible investment issues arising in the quarter 01 October 2013 to 31 December 2013.

RESOLVED:

That the position as set out in the report, Manager Voting Reports (Appendix A) and F&C Responsible Engagement Overlay Viewpoint Reports (Appendix B) be accepted.

11 Funding Strategy Statement

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which informed Members of the requirement to publish an updated Funding Strategy Statement. Members were informed that the Statement was updated following the 2013 Actuarial Valuation and that employers were consulted on the updated content of the Funding Strategy Statement during February 2014. No comments had been received.

RESOLVED:

That the updated Funding Strategy Statement be approved.

12 Statement of Investment Principles

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which provided Members with an update to the

Pension Fund's Statement of Investment Principles to reflect changes to the Fund's investment management arrangements.

RESOLVED:

That the revised Statement of Investment Principles (Appendix A) be approved.

13 Pensions Administration Monitoring

The Committee received the report of the Pension Administration Manager (copy attached to the signed Minutes) which provided Members with monitoring information on the performance of and issues affecting the Pensions Administration Team.

Members noted that the Council's Voluntary Redundancy Programme continued to impact upon the team, increasing work levels much higher than normally expected and that this had had a knock on effect on other work.

The Pension Administration Manager confirmed that all councillors who were members of the Local Government Pension Scheme on the 31 March 2014 could continue to accrue rights until the end of their term of office. However, applications received from Councillors to join the scheme could not be accepted after the 31 March 2014. All Councillors had been informed of this via email.

RESOLVED:

That the position as set out in the report of the Pension Administration Manager be accepted.

14 Exclusion of Press and Public

RESOLVED:

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to the following items, shall not be conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the category specified against them.

15 Exempt Minutes (Exempted by Category 3)

RESOLVED:

That the Exempt Minutes of the meeting held on 27 November 2013 be approved and signed by the Chairman as a correct record.

16 New Admission Bodies (Exempted by Category 3)

The Committee received the exempt report of the Pension Administration Manager (copy attached to the Exempt signed Minutes) which provided details of a new Admission Body, a potential new Admission Body and a new Schedule 1 Part 1 Scheme Employer (Academies).

RESOLVED:

That the recommendations in the exempt report of the Pension Administration Manager be approved.

17 Investment Monitoring - Quarter to 31 December 2013 (Exempted by Category 3)

The Committee received the exempt report of the Head of Treasury and Pensions (copy attached to the Exempt signed Minutes) which provided Members with monitoring information on investment performance and managers for the quarter period to 31 December 2013, and reported on the technical meetings held with managers since the quarter end.

RESOLVED:

That the recommendations in the exempt report of the Head of Treasury and Pensions be approved.

(The full version of Minutes 16 and 17 constitutes exempt information under Category 3 of Paragraph 10.4 of the Council's Access to Information Rules and has accordingly been withheld from publication).

Signed (Chairman)

Date:

Informing the audit risk assessment for Shropshire County Pension Fund

Year ended 31 March 2014

February 2014

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Agenda Item 10

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Purpose

Shropshire Pension Fund is required by law to administer the Pension Scheme within the geographical area of Shropshire and the responsibilities for both administration and investments are met in-house.

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Pension Fund Committee , as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Pension Fund Committee under auditing standards

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Pension Fund Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Pension Fund Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Pension Fund Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Pension Fund Committee and supports the Pension Fund Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Pension Fund Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern
- accounting estimates
- related party transactions

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Audit Committee should consider whether these responses are consistent with the its understanding and whether there are any further comments it wishes to make.

Fraud

Issue

Matters in relation to fraud

ISA (UK&I) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Pension Fund Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Pension Fund Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls. As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Pension Fund Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Pension Fund Committee oversees the above processes. We are also required to make inquiries of both management and the Pension Fund Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

Question	Management response
<p>Has the Pension Fund assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?</p>	<p>The Pension fund completes its own accounts and the two main statements of account are also included with the main accounts of Shropshire Council, . Fraud risks are identified by Internal Audit in their audit plan covering the council and the pension fund and all fundamental systems which feed the statement including the pension fund accounts are reviewed annually to ensure that controls in place are satisfactory.</p> <p>The statement of pension fund accounts is also subject to an analytical review each year which considers any significant or material changes to figures, to confirm that the accounts are presented without such misstatements.</p>
<p>What processes does the Pension Fund have in place to identify and respond to risks of fraud?</p>	<p>Specific fraud risks are identified in the internal audit planning process noted above; in identifying key controls to be assessed as part of an audit; in targeted fraud prevention work and by raising awareness of the potential for fraud with staff, members and people working and involved with the Council and Pension Fund. This is done through the Counter Fraud, Bribery and Anti-Corruption Strategy, Speaking up about Wrongdoing Policy, online Meritec training package and supporting manual training packages.</p> <p>In addition systems and processes are designed by managers and users to minimise the risk of fraud and corruption.</p> <p>In relation to pensioner payroll, the Fund takes part in the National Fraud Initiative scheme. Any queries identified are investigated and resolved. Fund Managers and their Administrators send internal control reports to the Treasury Team e review who review them and report on any exceptions.. Internal Audit also reviews the internal control reports as part of their annual audit cycle. Quarterly Pension Committee meeting is held to monitor the fund's investment managers and business risk including fraud will be communicated to 'those charged with governance'.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>No areas with a high risk of material fraud have been identified. If any risks are identified, recommendations for mitigation are made to managers who then implement as necessary.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>Internal controls, including whether segregation of duties exist, are reviewed by Internal Audit as part of their routine and investigative work; exceptions are reported to managers and inform the Internal audit opinion.</p>

Fraud risk assessment

Question	Management response
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	There is always the potential for an override of controls within systems however our control framework has established secondary compensatory controls in place that would identify any such override taken place. Financial reporting is produced and balanced from the financial system, and the reporting hierarchy allows for checks to be performed throughout the process by the Head of Treasury and Pensions and the S151 Officer.,and No areas where there is a potential for override of controls or inappropriate influence over the financial reporting process have been identified.
Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?	No, as detailed above, there are compensatory controls in place to flag any overrides of controls.
How does the Pension Fund Committee exercise oversight over management's processes for identifying and responding to risks of fraud? What arrangements are in place to report fraud issues and risks to the Audit Committee?	The Internal Audit Risk Based Plan is approved by Audit Committee of the Council. Internal Audit completes a robust review of internal controls on a risk basis and reports regularly to the Shropshire Council Audit Committee. The Pension Fund Committee is informed of the audit opinions and seek management reassurance on the improvement of controls where the consequences are considered high risk. At each meeting the Audit Committee of the Council receive an update on instances of actual, suspected or alleged fraud investigations that have occurred since the last meeting and their outcomes. The Pensions Fund members are informed at their meetings of any pension based issues.
How does the Pension Fund communicate and encourage ethical behaviour of its staff and contractors?	The Pension Fund follows Shropshire Council's Whistle Blowing policy and guidelines. The Pension Fund shares the whistleblowing policy with the public and all contractors. The terms and conditions within Pension Fund contracts also include ethical considerations for contractors and suppliers. The vision and values for the Pension Fund identify the need for staff to act with integrity in all the undertakings we make and this is tested and reviewed via team meetings and engagement surveys undertaken across the whole organisation.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	Staff are encouraged to report their concerns about fraud as set out in the Speaking up about wrongdoing (whistleblowing) policy and the Council's Counter Fraud, Bribery and Anti-Corruption Strategy.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	None identified.
Are you aware of any instances of actual, suspected or alleged, Fraud within the Pension Fund as a whole since 1 April 2013?	None identified.

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA (UK&I) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
What arrangements does the Pension Fund have in place to prevent and detect non-compliance with laws and regulations?	Each year the Council's corporate governance arrangements and risk management arrangements are reviewed and reported upon by Internal Audit and Risk Management teams. This would include the Pension Fund if applicable. The Pension Fund has a robust corporate governance and risk management process in place, which are based on approved policies and procedures.
How does management gain assurance that all relevant laws and regulations have been complied with?	<p>The Council has a Monitoring Officer and S151 Officer who provide assurance that all relevant laws and regulations have been complied with.</p> <p>The Pensions Fund has adopted the Local Government Pensions Scheme Regulations. The Pension Committee receive regular reports of compliance from officers, who are suitably qualified. Any non compliance would be reported to management via Internal Audit reports and appropriate plans are put in place to remedy such issues. These would cover the pension fund if applicable.</p>
How is the Pension Fund Committee provided with assurance that all relevant laws and regulations have been complied with?	See above
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2013, or earlier with an on-going impact on the 2013/14 financial statements?	The Section 151 Officer is not aware of any instances of non-compliance with relevant laws and regulations in 2013/14. The Chair of the Pension Fund Committee is not aware of any instances of non-compliance during 2013/14.
What arrangements does the Pension Fund have in place to identify, evaluate and account for litigation or claims?	Risk management, insurance and legal work together to identify and evaluate any potential litigation or claims against the Council. Any potential liabilities are highlighted each year in the Council's Statement of Accounts, which includes consideration of the Pension Fund, which is consolidated into the Council's financial statements.
Is there any actual or potential litigation or claims that would affect the financial statements?	The Section 151 Officer is not aware of any actual or potential litigation or claims that would affect the financial statements.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No such reports have been received.

Going concern

Issue

Matters in relation to going concern

ISA (UK&I) 570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Pension Fund is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience.

As auditor, we are responsible for considering the appropriateness of use of the going concern assumption in preparing the financial statements and to consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements. We discuss the going concern assumption with management and review the Council's financial and operating performance.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
Are management or members of the Pensions Fund Committee aware of the existence of events or circumstances that have or will lead to the winding up of the scheme or an entry into a Pensions Protection Fund assessment period.	No such events or circumstances are known of or considered likely in the foreseeable future.
Is management aware of the existence of other events or conditions that may cast doubt on the Pension Fund's ability to continue as a going concern?	No events or conditions have been identified.
Are arrangements in place to report the going concern assessment to the Audit Committee and Pensions fund?	The Pension Fund Committee consider a number of financial reports which provide them with assurance that the Pension Fund continues as a going concern. They also receive reports stating that all controls and risks have been managed appropriately and as Members will have access to all reports produced across the Pension Fund whether public or exempt.

Estimates

Issue

Matters in relation to accounting estimates

ISA (UK&I) 540 covers auditor responsibilities relating to estimates in an audit of financial statements.

Local authorities use estimates in the preparation of their financial statements. We need to obtain an understanding of:

- how management identifies the transactions, events and conditions that give rise to the need for an accounting estimate.
- how management actually make the estimates, including the control procedures in place to minimise the risk of misstatement.

We need to be aware of all estimates that the Pension Fund use as part of their accounts preparation. These are set out overleaf.

Estimate considerations

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Estimate	Method	Controls used to identify estimates	Use of an expert	Underlying assumptions - Assessment of degree of uncertainty - Consideration of alternative estimates	Change in accounting method in year?
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.	December valuation is received and cash flow adjustments are used to roll forward the valuation to 31 March as appropriate. Valuation is then compared to the year end capital statement to determine any significant fluctuations.	Custodian and Fund Manager Capital Statement		No
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 values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurance over the valuation are gained from the independent audit of the value.	Fund audited accounts and control reports		No
Accruals	Finance team collate accruals of expenditure and income. Activity is accounted for in the financial year that it takes place, not when money is paid or received.	Review financial systems to identified where goods have been received but not paid for. Requests of service managers to identify any other goods or services received or provided but not paid for.	No	Accruals for income and expenditure often based on known values. Where accruals are estimated the latest available information is used.	No

Related parties

Issue

Matters in relation to related parties

ISA (UK&I) 550 covers auditor responsibilities relating to related party transactions.

Many related party transactions are in the normal course of business and may not carry a higher risk of material misstatement. However in some circumstances the nature of the relationships and transaction may give rise to higher risks.

For local government bodies, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires compliance with IAS 24: related party disclosures. The Code identifies the following as related parties to local government bodies:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the Pension Fund (i.e. subsidiaries)
- associates
- joint ventures in which the Pension Fund is a venturer
- an entity that has an interest in the Pension Fund that gives it significant influence over the Council
- key officers, and close members of the family of key officers
- post-employment benefit plan (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

The Code notes that, in considering materiality, regard should be had to the definition of materiality, which requires materiality to be judged from the viewpoint of both the Pension Fund and the related party.

ISA (UK&I) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related party considerations

Question	Management response
Who are the Pension Fund's related parties?	The Pension Fund main related party is Shropshire Council., with some disclosure in relation to employees who hold key responsibilities.
What are the controls in place to identify, account for, and disclose, related party transactions and relationships?	A number of arrangements are in place for identifying the nature of a related party and reported value including: <ul style="list-style-type: none">• Maintenance of a Register of interests for Members, a register for pecuniary interests in contracts for Officers and Senior Managers requiring disclosure of related party transactions• Managers require disclosure?• Annual return from senior managers/officers requiring confirmation that read and understood the declaration requirements and stating details of any known related party interests.



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The Audit Plan for Shropshire County Pension Fund

Year ended 31 March 2014

April 2014

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Agenda Item 11

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Pension Fund is facing. We set out a summary of our understanding below.

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Challenges/opportunities

1. LGPS 2014

- The Public Service Pensions Act 2013 (the Act) and associated regulations replaces the current final salary scheme to a career average revalued earnings scheme (LGPS 2014) alongside other important provisions.
- Under the new scheme, it will become more complex requiring changes to systems and processes.

2. New governance arrangements

- The Act requires changes to governance arrangements, including that each scheme appoints a Scheme Manager who will be assisted by a Pension Board.
- DCLG has consulted on these and final regulations are expected in Autumn 2014 with implementation expected by April 2015 at the latest.

3. The Pensions Regulator

- The Act also provides for The Pensions Regulator (TPR) to oversee the operation of LGPS schemes and set standards of governance and administration.
- The Fund will need to monitor compliance with requirements set by TPR.

4. Administration costs/ structural change

- The DCLG has communicated its intention to consult on the future structure of the LGPS to improve efficiency and performance.
- LGPS management expenses are increasingly under scrutiny – in response CIPFA intend to issue guidance on reporting these in 2014.

Our response

- We will discuss with officers progress and implementation of LGPS 2014. Where appropriate, we will report any observations on implementation from 1 April 2014.
- As part of our 2014/15 audit we will consider changes to the pensions administration control environment in response to LGPS 2014 data requirements.

- We will consider the Pension Fund's revised governance arrangements as they develop and share good practice on emerging new arrangements.

- We will share our experience, as needed, of working with The Pensions Regulator as the Pension Fund prepares for a new regulatory regime.
- From 1 April 2015, we will consider our reporting responsibilities to The Pensions Regulator. We will discuss any draft reports with officers and the Pensions Committee before their issue.

- We will share good practice in reducing administration costs through collaboration or other initiatives.
- Once issued, we will consider the CIPFA guidance and discuss with officers.
- We will discuss any proposals for structural change and their impact on the Pension Fund with officers.

Developments relevant to your Pension Fund and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Financial reporting

There are no significant changes to the Pension Fund financial reporting framework as set out in the CIPFA Code of Practice for Local Authority Accounting (the Code) for the year ending 31 March 2014.

2. LGPS 2014

Planning and implementation of the Career Average Re-valued Earnings scheme (CARE), effective from 1 April 2014, will impact on the workload of the pensions administration team. This alongside, further developments in relation to governance may impact on their capacity to respond to audit queries.

3. Triennial valuation

Following the 31 March 2013 actuarial valuation the Council is in the process of considering the level of additional employer deficit contributions required and how to fund them.

4. Financial Pressures – Pension fund

- Nationally, pension funds are increasingly disinvesting from investment assets to fund cash flow demands on benefit and leaver payments that are not covered by contributions and investment income. Pension fund investment strategies need to be able to respond to these demands as well as the changing nature of investment markets.
- Local government is increasingly looking at alternative delivery models for services. This may lead to increasing numbers of admitted bodies into LGPS funds. These bodies have inherently higher covenant risks and potentially increased risks for the fund in the event of them failing.

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Our response

We will ensure that the Pension Fund financial statements comply with the requirements of the Code through our substantive testing.

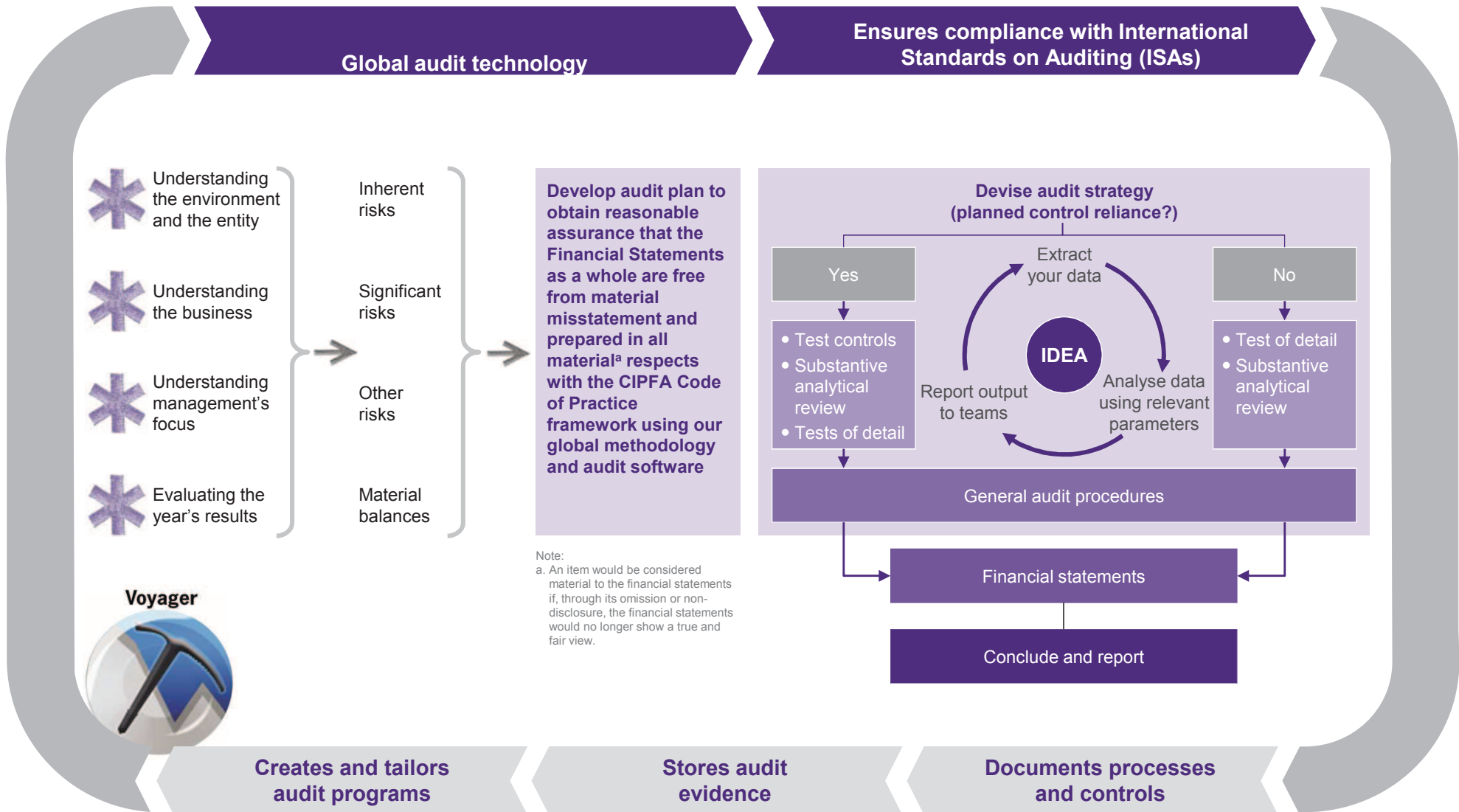
We will discuss the impact of the changes through our regular meetings with management. We will plan our audit and agree timetables with officers to ensure that the audit of the Pension Fund causes minimal disruption to officers.

We will maintain regular dialogue with management to assess the impact this has on the administration of the pension fund and any required disclosures in the 2013/14 Pension Fund financial statements.

- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management. We acknowledge the Pension Fund anticipates no short term need to disinvest to fund payments.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.
- Through our regular liaison with officers we will consider the impact of any planned large scale TUPE transfers of staff and the effect on the pension fund.

Our audit approach

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Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing (ISAs)) which are listed below:

Significant risk	Description	Substantive audit procedures
Revenue	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>We have rebutted this presumption and therefore do not consider this to be a significant risk for Shropshire County Pension Fund since:</p> <ul style="list-style-type: none"> • The nature of the Pension fund's revenue is in many respects relatively predictable and does not generally involve cash transactions. • The split of responsibilities between the Pension Fund, its Fund Managers and the Custodian provides a clear separation of duties reducing the risk around investment income. • Employee contributions are made by direct salary deductions and direct bank transfers from admitted /scheduled bodies and are supported by separately sent schedules. They are directly attributable to gross pay making any improper recognition unlikely. • Transfers into the scheme are all supported by an independent actuarial valuation of the amount which should be transferred, which is subject to agreement between the transferring and receiving funds.
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgements and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Planned audit procedure
Investments	Investments not valid Investments activity not valid Alternative Investments not valid* Fair value measurement not correct	We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for any variances. The existence of investments will be confirmed directly with independent custodians or by agreement to relevant documentation.
Benefit Payments	Benefits improperly computed/claims liability understated	We will select a sample of individual pensions in payment (new and existing), lump sum benefits and refunds and test them by reference to member files. We will rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year together with comparing pensions paid on a monthly basis to ensure that any unusual trends are satisfactorily explained.

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

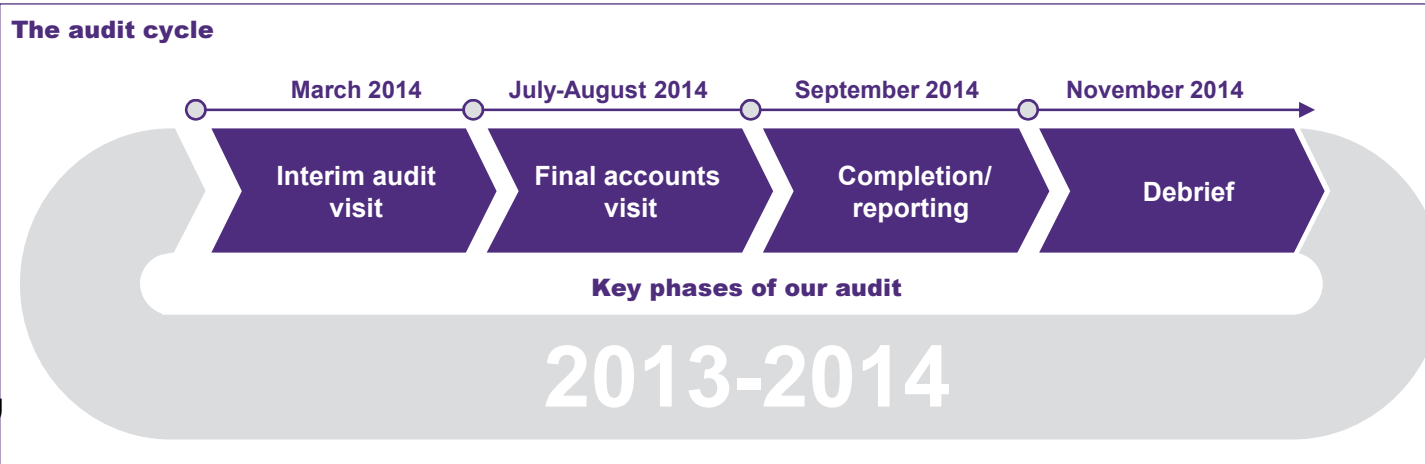
Other reasonably possible risks	Description	Planned audit procedure
Contributions	Recorded contributions not correct	We will rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.
Member Data	Member data not correct	<p>We will confirm the system of controls and reconciliations covering the determination of member eligibility , the input of evidence into the Pensions Administration System and the maintenance of member records. With a view to reducing the level of substantive testing required, we will then consider testing key controls in these areas.</p> <p>We will reconcile membership numbers for each category of member to previous year's figures via retirements, leavers and starters.</p>

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Pension Fund's systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Pension Fund and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist will perform a high level review of the Council's general IT control environment, as part of the overall review of the internal controls system. This will also include a follow up of the issues that were raised last year.</p>	<p>Our work will be reported when complete.</p>
Journal entry controls	<p>We will review the Pension Fund's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>We will complete journals testing as part of our final accounts audit and report any material weaknesses identified, which could adversely impact on the Pension Fund's control environment or financial statements.</p>	<p>Our work will be reported when complete.</p>

Logistics and our team



Date	Activity
March/April 2014	Planning
March 2014	Interim site visit
June 2014	Presentation of the Audit Plan to the Pensions Committee
July/August 2014	Year end fieldwork
August 2014	Audit Findings clearance meeting with James Walton and Justin Bridges
September 2014	Presentation of the Audit Findings to Pensions Committee and Audit Committee
September 2014	Opinion issued

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Our team

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Fees and independence

Fees

	£
Pension Fund Scale Fee	23,427
Proposed fee variation – IAS 19 Assurances	1,979
Proposed fee variation – Repayment of the element of 2012/13 fee to meet costs of work by KPMG to be recharged to the Council	(2,976)
Proposed fee payable	22,430

Proposed fee variation

IAS 19 Assurances

In line with Audit Commission standing guidance we are required to provide assurance to admitted body auditors over the reliability of the information provided by the Pension Fund to the actuary for the purposes of them making their IAS 19 estimates. As in the previous year the Audit Commission has confirmed that this work is not currently included in the scale fee and therefore a fee variation is proposed to cover the cost of the work required by the admitted bodies.

Repayment KPMG

In 2012/13 KPMG completed controls testing on our behalf at an admitted body. This variation to ensure the charge has a neutral impact on the overall fees charged.

Fees for other services

Service	£
None	Nil

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Pension Fund and its activities have not changed significantly
- The Pension Fund will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to those charged with governance.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council and Pension Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Pension Fund's key risks when reaching our conclusions under the Code.

The audit of the Pension Fund's financial statements does not relieve management or those charged with governance of their responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Committee and date
Pensions Committee

20 June 2014

10.30am

Item

12

Public

LGPS OPPORTUNITIES FOR COLLABORATION, COST SAVINGS & EFFICIENCIES REPORT

Responsible Officer James Walton

Email: James.Walton@shropshire.gov.uk

Tel: 01743 255011

Fax: 01743 255901

1. Summary

- 1.1 The report provides Members with an update on the recent consultation issued by the Department for Communities and Local Government (DCLG) in May 2014. The consultation document is attached at Appendix A.
- 1.2 The consultation has been developed drawing on three sources of evidence, a call for evidence on the future structure of the Local Government Pension Scheme which ran from 21 June to 27 September 2013 and 133 responses were received and analysed helping to inform the consultation. In addition, an analysis of the responses to the call for evidence was provided by the Shadow Scheme Advisory Board and a supplementary cost-benefit analysis of proposals for reform commissioned from Hymans Robertson.
- 1.3 The consultation sets out evidence for proposals for reforms to the Local Government Pension Scheme and opportunities to deliver savings of £660 million a year for local taxpayers.

2. Recommendations

- 2.1 Members are asked to delegate authority to the Scheme Administrator and the Chair of the Pension Committee to respond to the LGPS Opportunities for collaboration, cost savings and efficiencies consultation attached at Appendix A by the deadline of 11 July 2014. A copy of the final response will be circulated to Members for any further comments or amendments prior to the 11 July deadline.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1. The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.2. There are no direct environmental, equalities or climate change consequences arising from this report.
- 3.3. Risk management is considered by Committee in making decisions under the governance arrangements of the Pension Fund and in line with all relevant legislation.

4. Financial Implications

- 4.1 There are no financial implications to consider in this report as the value of the fund does not affect the resources of the Council.

5. DCLG LGPS Consultation

- 5.1 The DCLG has now released its consultation on the opportunities for collaboration, cost savings and efficiencies in the Local Government Pension Scheme. The four main proposals are listed below.
 - Establishing common investment vehicles to provide funds with a mechanism to assess economies of scale, helping them invest more efficiently in listed and alternative assets and to reduce investment costs.
 - Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since aggregate fund performance has been shown to replicate the market.
 - Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme.
 - A proposal not to pursue fund mergers at this time.
- 5.2 The consultation closes on the 11th July. Details of the consultation and how to engage can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307923/Consultation_LGPS_structural_reform.pdf

The document is also attached at **Appendix A** for information. The consultation questions are detailed below.

Question 1: Do you agree that common investment vehicles would allow funds to achieve economies of scale and deliver savings for listed and alternative investments? Please explain and evidence your view.

Question 2: Do you agree with the proposal to keep decisions about asset allocation with the local fund authorities.

Question 3: How many common investment vehicles should be established and which asset classes do you think should be separately represented in each of the listed asset and alternative asset common investment vehicles.

Question 4: What type of common investment vehicle do you believe would offer the most beneficial structure? What governance arrangements should be established?

Question 5: In light of the evidence on the relative costs and benefits of active and passive management, including Hymans Robertson's evidence on aggregate performance, which of the four options set out below offers best value for taxpayers, Scheme members and employers?

- Full compulsion
- Partial compulsion
- Comply or explain
- Simply consider the benefits

Respondents to the consultation are also invited to submit any feasible proposals for the reduction of fund deficits.

- 5.3 The consultation has been developed drawing on three sources of evidence, a call for evidence on the future structure of the Local Government Pension Scheme which ran from 21 June to 27 September 2013 and 133 responses were received and analysed helping to inform the consultation. In addition, an analysis of the responses to the call for evidence was provided by the Shadow Scheme Advisory Board and a supplementary cost-benefit analysis of proposals for reform commissioned from Hymans Robertson can be found at:
- https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307926/Hymans_Robertson_report.pdf
- 5.4 The consultation sets out evidence for proposals for reforms to the Local Government Pension Scheme and opportunities to deliver savings of £660 million a year for local taxpayers.
- 5.5 Members are asked to approve the recommendation to delegate authority to the Scheme Administrator and the Chair of the Pension Committee to respond to the LGPS Opportunities for collaboration, cost savings and efficiencies consultation by the deadline of 11 July 2014 once further in-house analysis has been undertaken and evidence from our investment managers and investment consultant has been received. A copy of the final response will be circulated to Members for any further comments or amendments prior to the 11 July deadline.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Call for Evidence Consultation response

Cabinet Member (Portfolio Holder)

N/A

Local Member

N/A

Appendices

Appendix A – DCLG Consultation



Department for
Communities and
Local Government

Local Government Pension Scheme: Opportunities for collaboration, cost savings and efficiencies

Consultation

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This document/publication is also available on our website at www.gov.uk/dclg

If you have any enquiries regarding this document/publication, email contactus@communities.gov.uk or write to us at:

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1. The consultation process and how to respond

Scope of the consultation

Topic of this consultation:	The structure of the Local Government Pension Scheme and opportunities to reduce administration and investment management costs.
Scope of this consultation:	The consultation sets out the evidence for proposals for reforms to the Local Government Pension Scheme and opportunities to deliver savings of £660 million a year for local taxpayers. The Government seeks respondents' views on the proposals set out in section four, and asks respondents to consider how if adopted, these reforms might be implemented most effectively.
Geographical scope:	This consultation applies to England and Wales.
Impact Assessment:	It is not possible to provide an impact assessment at this stage as the detailed mechanism needed to implement the proposed reforms is still being developed.

Basic Information

To:	The consultation is aimed at all parties with an interest in the Local Government Pension Scheme and in particular those listed on the Government's website: https://www.gov.uk/government/publications/local-government-pension-scheme-regulations-information-on-who-should-be-consulted
Body/bodies responsible for the consultation:	Secretary of State, Department for Communities and Local Government. The consultation will be administered by the Workforce, Pay and Pensions division.
Duration:	The consultation will last for 10 weeks, opening on 1 May and closing on 11 July 2014.
Enquiries:	Enquires should be sent to Victoria Edwards. Please email LGPSReform@communities.gsi.gov.uk or call 0303 444 4057.
How to respond:	Responses to this consultation should be submitted to LGPSReform@communities.gsi.gov.uk by 11 July 2014 . Electronic responses are preferred. However, you can also write to: Victoria Edwards

	<p>Department for Communities and Local Government Zone 5/F5, Eland House Bressenden Place London, SW1E 5DU</p> <p>Please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation, please give a summary of the people and organisations it represents and where relevant, who else you have consulted in reaching your conclusions.</p>
After the consultation:	The responses to the consultation will be analysed and a Government response published. Should any legislative changes be needed, a further consultation will follow.
Agreement with the Consultation Principles:	This consultation has been drafted in accordance with the Consultation Principles.

Background

Getting to this stage:	<p>This consultation has been developed drawing on three sources of evidence:</p> <ul style="list-style-type: none"> • A call for evidence on the future structure of the Local Government Pension Scheme, which ran from 21 June to 27 September 2013. 133 responses were received and analysed, helping to inform this consultation. • An analysis of the responses to the call for evidence provided by the Shadow Scheme Advisory Board. • Supplementary cost-benefits analysis of proposals for reform commissioned from Hymans Robertson using the Contestable Policy Fund. The commission did not extend to making recommendations. <p>The Shadow Board's analysis, the Hymans Robertson report and the Government's response to the call for evidence are all available on the Government's website: https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies.</p>
Previous engagement:	<p>As outlined above, this consultation follows a call for evidence that gave anyone with an interest in the Scheme the opportunity to inform the Government's thinking on potential structural reform. The call for evidence was run in conjunction with the Local Government Association and the responses were shared with the Shadow Scheme Advisory Board, which provided the Minister for Local Government with their recommendations and analysis of the responses.</p> <p>The call for evidence also drew on a round table event that took place on 16 May 2013 with representatives of administering</p>

	authorities, employers, trade unions, the actuarial profession and academia. This event discussed the potential for increased co-operation within the Scheme, including the possibility of structural change to the existing 89 funds.
--	--

Additional copies

- 1.1 This consultation paper is available on the Government's website at:
<https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

Confidentiality and data protection

- 1.2 Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).
- 1.3 If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, in itself, be regarded as binding on the Department.
- 1.4 The Department will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.

Help with queries

- 1.5 Questions about the policy issues raised in the document can be sent to LGPSReform@communities.gsi.gov.uk.
- 1.6 A copy of the Consultation Principles is at www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance. Are you satisfied that this consultation has followed these principles? If not or you have any other observations about how we can improve the process please email: consultationcoordinator@communities.gsi.gov.uk
- 1.7 Alternatively, you can write to:

DCLG Consultation Co-ordinator,
Zone 8/J6, Eland House,
Bressenden Place
London SW1E 5DU.

2. Introduction and background

Introduction

- 2.1 The Government believes that there is scope for significant savings, of £660 million per year, to be achieved through reform of the Local Government Pension Scheme. To that end, from 21 June to 27 September 2013, the Government ran a call for evidence on structural reform of the Local Government Pension Scheme. The paper asked respondents to consider what might be done to improve fund performance and drive efficiencies across the Scheme.
- 2.2 This consultation represents the next step in reform of the Scheme, building on the responses to the call for evidence and further cost benefit analysis of potential options for reform. It sets out the Government's preferred approach to reform and seeks views on the proposals.

Background

- 2.3 With assets of £178 billion in 2012-13, the Local Government Pension Scheme is one of the largest funded pension schemes in Europe. Several thousand employers participate in the Scheme, which has a total of 4.68 million active, deferred and pensioner members.¹ The Department for Communities and Local Government is responsible for the regulatory framework governing the Scheme in England and Wales.
- 2.4 The Scheme is managed through 89 funds which broadly correspond to the county councils following the 1974 local government reorganisation as well as each of the 33 London Boroughs. In most cases, the fund administering authorities are upper tier local authorities such as a county or unitary council, but there are also some administering authorities established specifically to manage their fund, for example the Environment Agency Pension Fund and the London Pension Fund Authority. The fund authorities have individual governance and working arrangements. Each fund has its own funding level, cash-flow and balance of active, deferred and pensioner members, which it takes into account when adopting its investment strategy, which is normally agreed by the councillors on the fund authority's pensions committee.
- 2.5 Employer contributions to the Scheme, the majority of which are funded by taxpayers, were more than £6 billion in 2012-13. The costs of managing and administering the scheme were estimated as being £536 million in 2012-13.² However, the actual costs are likely to be rather higher; the investment costs alone have recently been estimated as in excess of £790 million.³ While investment returns and the costs of providing

¹ Scheme asset value and membership figures taken from Department for Communities and Local Government statistical data set - Local government pension scheme funds summary data: 2012 to 2013 <https://www.gov.uk/government/statistical-data-sets/local-government-pension-scheme-funds-summary-data-2012-to-2013>

² Local government pension scheme funds summary data: 2012 to 2013

³ Department for Communities and Local Government: Local Government Pension Scheme structure analysis, Hymans Robertson p.11. <https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

benefits are the most significant drivers of the overall financial position of funds, management costs also have an impact on funding levels and thus the pension contributions made by employers and scheme members.

2.6 Under the Public Service Pensions Act 2013, there will be a requirement for a national scheme advisory board, as well as a local board for each of the 89 funds. The regulations that will establish national and local governance arrangements have not yet been made and the Department will be consulting on these issues shortly. In the meantime, scheme employers and the trade unions have established a Shadow Board, which has been considering a number of issues connected with the Scheme, including its efficient management and administration. In addition, the Minister for Local Government has asked the Shadow Board to consider how the transparency of the funds might be improved.

Getting to this stage

2.7 In 2010, the Government commissioned Lord Hutton to chair the Independent Public Service Pensions Commission. The purpose of the Commission was to review public service pensions and to make recommendations on how they might be made more sustainable and affordable in the long term, while being fair to both taxpayers and public sector workers.

2.8 Lord Hutton's final report was published on 10 March 2011 and formed the basis for major reforms to all public service pension schemes. The new Local Government Pension Scheme which came into effect on 1 April 2014 is the first scheme to be introduced that follows Lord Hutton's principles for reform as enacted in the Public Service Pensions Act 2013.

2.9 Lord Hutton highlighted the collaborative approach being taken by funds within the Local Government Pension Scheme and recommended that the benefits of co-operative working between local government pension funds and opportunities to achieve efficiencies in administration more generally should be investigated further.⁴

Recommendation 23: Central and local government should closely monitor the benefits associated with the current co-operative projects within the Local Government Pension Scheme, with a view to encouraging the extension of this approach, if appropriate, across all local authorities. Government should also examine closely the potential for the unfunded public service schemes to realise greater efficiencies in the administration of pensions by sharing contracts and combining support services, including considering outsourcing.

2.10 More generally, Lord Hutton went on to comment about the need for change and improved scheme data. At paragraph 6.1 he said:⁵

⁴ Independent Public Service Pensions Commission: Final Report p.17
[https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.p
df](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf)

⁵ Independent Public Service Pensions Commission: Final Report p.122

In its interim report, the Commission noted the debate around public service pensions is hampered by a lack of consensus on key facts and figures and a lack of readily available and relevant data. There are also inconsistent standards of governance across schemes. Consequently it is difficult for scheme members, taxpayers and commentators to be confident that schemes are being effectively and efficiently run. It also makes it more difficult to compare between and within schemes and to identify and apply best practice for managing and improving schemes.

- 2.11 The Department therefore co-hosted a round-table event to consider these issues with the Local Government Association in May 2013. There were 25 attendees from administering authorities, employers, trade unions, the actuarial profession and academia. The discussion centred on the possible aims of reform, the potential benefits of structural change and the work required to provide robust evidence to analyse the emerging options and establish a starting point and target.
- 2.12 The objectives for reform identified at the round-table fed into a call for evidence on the future structure of the Scheme, which ran from 21 June to 27 September 2013. This asked respondents to set out the data required to enable a reliable comparison of fund performance and to consider how the administration, management and structure of the Scheme might be reformed to address the objectives identified at the round-table event. These objectives included reduced fund deficits and improved investment returns, as well as reduced investment fees and administration costs, greater flexibility of investment, especially in infrastructure and more use of better in-house investment management.
- 2.13 133 responses were received to the call for evidence and these submissions have been analysed to inform this consultation. A separate response to the call for evidence has been published and is available at: <https://www.gov.uk/government/consultations/call-for-evidence-on-the-future-structure-of-the-local-government-pension-scheme>. The Shadow Scheme Advisory Board has also reviewed the responses to the call for evidence and submitted recommendations to the Minister for Local Government. Its findings have been considered in the development of this consultation and are available via a link on its webpage or from the Shadow Board's website: <http://www.lgpsboard.org/index.php/structure-reform/board-analysis-menu>.
- 2.14 To support the call for evidence, the Minister for Local Government and the Minister for the Cabinet Office commissioned additional analysis using the Contestable Policy Fund. The Fund gives Ministers direct access to external policy advice through a centrally managed match fund, allowing Ministers to draw directly on the thinking, evidence and insight of external experts. Following a competitive tender process, Hymans Robertson were selected to establish the aggregate performance of the Scheme by asset class and to provide a detailed cost-benefit analysis of three potential options for reform:
- Establishing one common investment vehicle for all funds;
 - Creating five to ten common investment vehicles for fund assets
 - Merging the existing structure into five to ten funds.
- 2.15 The analysis set out the costs and benefits of each option; the time required to realise savings; the practical and legal barriers to implementation and how they might

be addressed. Hymans Robertson's findings have been reflected in this consultation, alongside the call for evidence responses and analysis by the Shadow Scheme Advisory Board. A copy of the Hymans Robertson report, which did not extend to making recommendations, is available on the Government's website:

<https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

3. The case for change

Summary of the proposals

3.1 Having considered the responses to the call for evidence, as well as the Shadow Board’s recommendations and the Hymans Robertson report, the Government believes that the following steps are needed to help ensure that the Scheme remains affordable in the long term for both employers and members. The proposals aim to balance the opportunities from aggregation and scale whilst maintaining local accountability.

3.2 The package of proposals set out in this document include:

- Establishing common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently in listed and alternative assets and to reduce investment costs.
- Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since the aggregate fund performance has been shown to replicate the market.
- Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme.
- A proposal not to pursue fund mergers at this time.

3.3 Hymans Robertson’s analysis, which was based on detailed, standardised data, demonstrated that the significant savings could be achieved by the Scheme if all of the funds adopt the following proposals in full. The Government is interested in exploring these proposals further with a view to maximising value for money for taxpayers, Scheme employers and fund authorities.

Proposal	Estimated Annual saving
Moving to passive fund management of all listed assets, accessed through a common investment vehicle.	£420 million
Ending the use of “fund of funds” arrangements in favour of a common investment vehicle for alternative assets	£240 million

3.4 The saving of £420 million associated with moving to passive management of listed assets is comprised of two elements:

- Reduction in investment fees: £230 million
- Reduction in transaction costs: £190 million

The performance that is reported by the Local Government Pension Scheme funds is net of these transaction costs.

3.5 The savings associated with passive fund management can be achieved quickly, within one to two years. The annual savings arising from using common investment vehicles for alternative assets would build gradually, with the full annual savings reached over 10 years, as existing contracts came to an end.

- 3.6 This package of proposals provides a clear opportunity to substantially reduce the investment costs of the Scheme. They are most effective when adopted by all 89 funds and the Government proposes to implement them together. Indeed, the passive management of listed assets could be most easily facilitated through a common investment vehicle.
- 3.7 In addition, the cost of investment has been estimated to be considerably higher than previously reported. Recognising the need for more reliable and comparable performance and cost data, the Government will continue to work with the Shadow Scheme Advisory Board to improve the transparency of fund data as set out in paragraph 5.3.
- 3.8 The remainder of this section sets out the objectives and rationale for reform and the evidence underpinning the approach taken. A more detailed explanation of the proposals for reform is provided in section four.

The objective of reform

- 3.9 The cost of the Local Government Pension Scheme has risen considerably since the 1990s, with the increased costs falling predominantly on Scheme employers and local taxpayers. In England alone, the cost to Scheme employers has almost quadrupled from £1.5 billion in 1997-98 to £5.7 billion in 2012-13. Indeed, when the Welsh funds are also considered, the total cost to employers is around £6.2 billion a year.⁶ The Government has already taken action to reduce the cost of the Scheme and make it more sustainable and affordable to employers and taxpayers in the long term. For example, the new 2014 Scheme with a revised benefit structure came into effect on 1 April, helping to reduce and rebalance the cost between members and employers. However, it is clear from examining the aggregate data on the Scheme which has come to light as part of this review, that there is more that can be done to improve the sustainability of the funds.
- 3.10 At present, the funds report that administration and investment management costs are £536 million per year, of which £409 million is attributed to investment. Indeed, the reported cost of investment in cash terms has continued to rise in recent years: from £340 million in 2010-11; to £381 million in 2011-12; and £409 million in 2012-13.⁷ In fact, using more detailed and standardised data CEM Benchmarking Incorporated, as sub-contractors to Hymans Robertson, identified that the fees for investment management of the Scheme could be much higher than reported, at in excess of £790 million. Some of the fees for investment management are not fully transparent to the funds and are therefore difficult to quantify. In practice, the actual cost of investment to the funds is likely to be even higher than £790 million, as their analysis did not include other costs in their calculation such as transaction costs and performance related fees on alternative assets.
- 3.11 Coupled with the responses to the call for evidence, Hymans Robertson's analysis has provided a system review, shedding light on the aggregate performance of the Scheme by asset class, as well as the transactions and processes that underpin the

⁶ Local government pension scheme funds summary data: 2012 to 2013

⁷ Local government pension scheme funds summary data: 2012 to 2013

costs of investment. The work carried out by CEM Benchmarking Incorporated found that while funds were paying investment fees comparable with a peer group of funds of much larger size with similar mandates, there remained considerable scope for savings through a more efficient approach to investment.

- 3.12 The priorities of reducing fund deficits and improving investment returns set out in the call for evidence are underpinned by one overarching objective: that the Scheme remains sustainable and affordable for employers, taxpayers and members in the long term. Having considered this new aggregate view of the funds, the evidence indicates that there are opportunities to reduce costs without damaging overall Scheme performance. The Government therefore believes that it is right to consider opportunities to reduce costs and deliver value for money for employers and taxpayers, in pursuit of the overarching objective of a more sustainable and affordable Scheme.

Reducing fund costs or tackling deficits?

- 3.13 Although the call for evidence was developed around the primary objectives of reducing fund deficits and improving investment returns, very few responses set out ideas for managing deficits in a different way. The Shadow Scheme Advisory Board argued that more thinking could be done to consider how deficits might be addressed in the longer term. Its sixth recommendation stated⁸:

The Board will support the Government by (a) developing a shortlist of feasible options for managing deficits and (b) conducting further research on the costs and benefits of the key options for reform.

- 3.14 The Government agrees that opportunities to improve funding levels should continue to be explored and looks forward to considering the Shadow Board's proposals for alternative ways of managing deficits. **Respondents to this consultation are also invited to submit any feasible proposals for the reduction of fund deficits.**
- 3.15 While very few submissions effectively tackled deficit reduction, both public and private sector respondents recognised that the Scheme may benefit from addressing the secondary aim of reducing investment costs, partly by managing investments more efficiently. Taking action to reduce the cost of running the Scheme will help to meet this objective by increasing the funding available for investment. In the longer term, this should help to improve the funding level of the Scheme and reduce the pressure on employer contribution rates. This consultation therefore focuses on the cost savings to be found through collaboration and more efficient investment.

Achieving scale to reduce fund costs

- 3.16 There is already a growing consensus across the Local Government Pension Scheme that there are opportunities to deliver further efficiencies and savings for local taxpayers through collaboration. When the call for evidence was launched, funds in

⁸ Call for Evidence on the Future Structure of the Local Government Pension Scheme: The Local Government Pension Scheme Shadow Scheme Advisory Board analysis and recommendations, p.4 <http://www.lgpsboard.org/images/CFE/20140115SSABreportFINAL>

Wales, Scotland and London had already begun to research the benefits of scale and explore the relative merits of mergers and common investment vehicles. Similarly, shared administration arrangements had been established in a number of areas including across Kensington and Chelsea, Hammersmith and Fulham, and Westminster; as well as in Northamptonshire and Cambridgeshire.

3.17 Several responses to the call for evidence cited earlier reports or academic research into the benefits of fund size, drawing heavily on the exploratory work of Scotland, Wales and London, as well as the international experience of countries including Australia and Canada.⁹ On balance, these reports found that there was no clear link between investment returns and fund size. However, they did show that there were significant benefits to scale, such as lower investment and administration costs, easier access to alternative asset classes like private equity and hedge funds, and improved governance. This view was also reached by the Shadow Board in its analysis of the call for evidence responses, which argued that:¹⁰

The evidence appears to show indirect benefits of larger fund sizes, although any direct link between fund size and investment return in the Local Government Pension Scheme is inconclusive.

3.18 Although managed as 89 funds, with an asset value of £178 billion the Local Government Pension Scheme clearly has the potential to achieve the benefits of scale realised by larger funds. Whilst many of the funds have gone some way to achieving this by using procurement frameworks or establishing joint-working arrangements, there is more that can be done. This consultation will set out how using common investment vehicles and passive management for listed assets can in the long term lead to savings of over £660 million a year for the Scheme.

Achieving efficiencies and safeguarding local accountability

3.19 The call for evidence asked interested parties to suggest options for reform that would best meet the primary and secondary objectives set out in paragraph 2.12 above. A range of tools and approaches to achieving greater economies of scale were suggested, with fund mergers, common investment vehicles, and existing collaborations such as procurement frameworks all discussed extensively.

3.20 Two themes were discussed consistently when respondents sought to evaluate the merits of the main proposals for reform:

- The potential cost and time required for implementation;
- The importance of local accountability.

Costs and benefits of the proposals

3.21 Around half of the responses discussed the cost effectiveness of merging funds and how this might be implemented. Many argued that while savings could be achieved as a result of economies of scale, more analysis was needed to ensure that the benefits

⁹ A list of the most commonly referenced papers can be found on the Shadow Scheme Advisory Board's web-pages: <http://www.lgpsboard.org/index.php/structure-reform/responses-public-view>

¹⁰ The Local Government Pension Scheme Shadow Scheme Advisory Board analysis and recommendations, p.3

of mergers outweighed the cost and time required to implement them successfully.

3.22 Analysis was undertaken by Hymans Robertson who evaluated the costs and benefits of three options for reform over 10 years. They found that although significant savings could be realised over the period by amalgamating into five funds, merger could take around 18 months longer to implement than common investment vehicles; the delay in the emergence of savings leading to a significant reduction in the net present value of savings over 10 years. The report also showed that the savings achieved by pooling assets into two common investment vehicles would be slightly higher than if 10 were used.¹¹

Possible model for reform	Net present value of savings over 10 years (£ billions)
Assets pooled into two common investment vehicles	£2.8
Assets pooled in 10 common investment vehicles	£2.6
Fund assets and liabilities merged into five funds	£1.9

3.23 The calculations shown exclude the impact of the reduced transaction costs, which Hymans Robertson showed would also help to deliver additional savings of £1.9 billion for the Scheme over 10 years.

3.24 A number of fund authorities also submitted evidence of the benefits to their fund of procurement frameworks such as the National LGPS Frameworks. A procurement framework provides authorities with a short list of organisations who can bid for contracts, reducing the time and cost of running a more substantial process.

National LGPS Frameworks' response to the call for evidence cited one fund who had used their actuarial framework to secure services at a procurement cost of £4,000 instead of the estimated £30,000-£40,000 required for a full procurement process. If this same rate of savings applies to Global Custodian procurements, with costs again reduced by 90 per cent, the Framework believes savings of £90,000 per fund can be found.

3.25 Although there are clear benefits to using frameworks, the scale of savings achievable does not match those possible through more substantial reform such as common investment vehicles. However, the Government believes that there is still a role for procurement frameworks to play in delivering savings for the Scheme and is keen to see this opportunity taken up by more of the funds.

Local accountability

3.26 Most call for evidence responses stressed the importance of local accountability and the direct link to elected councillors, which would be lost if funds were merged. At present the authority's Councillors, usually through the pensions committee, are asked to agree the fund's investment strategy. The authority then publishes an annual report which details the costs and investment performance of the fund, enabling the public to assess how effective the investment strategy has been. Some respondents argued that this allows local taxpayers to hold the fund and local councillors to account. As one fund authority stated:

¹¹ Local Government Pension Scheme structure analysis; Hymans Robertson p.6.

“There is a clear, democratic link to local voters and businesses through elected members sitting on pensions committees...

The regulatory requirements to produce an annual report and accounts and policy statements...ensure that key information on the management of funds is held in the public domain. This approach ensures local and national accountability.

The Pensions Committee believes that a forced merger of funds could only weaken accountability and the democratic link.”

3.27 However, a smaller number of respondents queried the benefit of this link, emphasising the importance of Myners Principle 1 – that administering authorities should ensure that investment decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make effective decisions and monitor their implementation.¹² Although Councillors on the committee receive training, there is a risk that they have neither a background in finance nor the time to invest in developing the knowledge required to a sufficient depth. In addition, some suggested that the frequent turnover of Pensions Committee members as a result of the electoral cycle made it difficult to ensure a long term view of the investment strategy.

3.28 The ability to set a tailored investment strategy and determine the asset allocation locally was seen as vital amongst respondents from both the public and private sectors. This is perceived as an important tool for managing each fund’s unique funding position and cash-flow requirements. Several respondents also emphasised the importance of local accountability as a means to ensuring the representation of Scheme members and employers. As one Scheme employer set out in their response to the call for evidence:

The existing arrangements in English County Council and London Funds promote and facilitate a clear link between the relevant individual Fund and employing bodies... As the public sector continues to fragment the number of scheduled/ admitted bodies will increase making all the more important a genuinely “local”, as presently exists, link between employers and Funds.

3.29 Under a fund merger, asset allocation would need to take place at the new, larger fund authority level. However, common investment vehicles offer greater flexibility and can be established with the asset allocation made either centrally within the vehicle, or by the local fund authority.

3.30 Around 15 responses to the call for evidence stressed that common investment vehicles could achieve the benefits of scale attributed to fund mergers, without the associated disruption, implementation time, cost or loss of local accountability. As one fund outlined when talking of pooling assets in common investment funds:

¹² Pensions Regulator – adaptation of Myners principles for the Local Government Pension Scheme
<http://www.thepensionsregulator.gov.uk/docs/igg-myners-principles-update.pdf>

This approach might realise significant scale benefits more speedily and with less disruption, while still retaining local accountability and decision making on key matters such as deficit recovery plans and asset allocation.

3.31 Having considered the responses to the call for evidence and Hymans Robertson's analysis, the Government has decided not to consult on fund mergers at this time. However, there remains a strong case for achieving economies of scale through the use of common investment vehicles.

4. Proposals for reform

Proposal 1: Common investment vehicles

The case for change

- 4.1 Using common or collective investment vehicles to aggregate the Scheme's investments and moving to passive investment of listed assets has the potential to deliver significant savings of over £660 million per year, through reduced investment and other costs for all asset classes in the Scheme. These savings were set out by Hymans Robertson, whose report showed that it was likely that the economies of scale from aggregation would be best accessed through common investment vehicles.
- 4.2 Further savings arise from the efficient structure offered by a common investment vehicle. Within any common investment vehicle or pooled fund, money will flow in and out as investors purchase and redeem units in the fund. If those buying and selling units within a pool can be matched, fund managers will not need to sell assets to meet redemption requests and as such the volume of transactions can be minimised, improving cost efficiency.
- 4.3 Common investment vehicles may also deliver savings by reducing the use of "fund of funds" to access alternative assets, such as hedge funds, private equity, property and infrastructure. Fund of funds are used to achieve the scale required for individual funds to make investments they may not be able to access directly. However, this introduces an additional layer of fees, increasing the total cost of investment. Setting up a common investment vehicle would help funds achieve the scale required to invest, without the high costs associated with a "fund of funds".
- 4.4 Hymans Robertson found that investment fees for alternative assets were particularly high compared to other asset classes, accounting for less than 10 per cent of the Scheme's assets, but for at least 40 per cent of fees.¹³ The firm's analysis showed that savings of up to £240 million per year could be achieved by ending the use of "fund of funds" across the Scheme, provided that the existing contracts were permitted to run their full course in order to avoid potentially significant termination costs. Consequently, although some savings would begin to accrue straight away, this annual total would be reached over 10 years.¹⁴
- 4.5 The wider benefits of common investment vehicles include improved transparency. As the funds would be subject to the same investment costs and asset managers, the effect of asset allocation and local decision making would become more transparent, revealed in part by the variation in investment returns. This should provide the Department, fund authorities and taxpayers with an opportunity to compare the effectiveness of a fund's asset allocation. In addition, the vehicle could provide a platform for the operation of national framework agreements, helping to minimise the cost of procurement and other administrative costs of investment such as actuarial and custodial services.

¹³ Local Government Pension Scheme structure analysis; Hymans Robertson p.11

¹⁴ Local Government Pension Scheme structure analysis; Hymans Robertson p.7

- 4.6 A common investment vehicle for alternative assets could also help to improve governance by providing an independent assessment of alternative investment strategies, particularly for local infrastructure investment. A pooled vehicle could make it easier for funds to invest in infrastructure when appropriate opportunities arise, by providing a cost effective way to realise the scale needed.
- 4.7 As discussed in paragraph 3.28, local determination of a fund's asset allocation was seen as a vital consideration amongst respondents to the call for evidence. A common investment vehicle could be designed to allow asset allocation to remain at local fund authority level, consistent with ensuring that decisions are taken in line with existing local accountabilities.

Proposal for reform

- 4.8 The Government believes that there are clear advantages to funds in pooling their assets in common investment vehicles for all asset classes, but that all asset allocation decisions should remain with the fund authorities.
- 4.9 Hymans Robertson's analysis demonstrated that there were slightly higher returns over ten years if the funds were organised through one common investment vehicle for listed assets and a second for alternatives, rather than a greater number. This evidence suggests that savings will be maximised by the creation of two vehicles: a single common investment vehicle for listed assets organised by asset class (for example, UK equity, European equity, UK bonds and so on), and a second vehicle for alternative assets.
- 4.10 Concentrating the Scheme into two common investment vehicles may increase its exposure to risk. Several public and private sector responses to the call for evidence also stressed that capacity constraints may begin to apply if a fund became too large. As one fund authority stated in their response to the call for evidence:

Furthermore there may be issues about capacity – the best fund managers may be closed to new business, and even if indeed the capacity exists, they may be reluctant to have too much business from a single client (as that creates business risks).

- 4.11 However, the Government believes that the exposure to risk should be mitigated if the asset allocation remains as diversified as it is at present. The Hymans Robertson report noted that the issue of capacity constraint would not apply to the common investment vehicle for listed assets if it were invested in passive funds.

- Q1. Do you agree that common investment vehicles would allow funds to achieve economies of scale and deliver savings for listed and alternative investments? Please explain and evidence your view.**
- Q2. Do you agree with the proposal to keep decisions about asset allocation with the local fund authorities?**
- Q3. How many common investment vehicles should be established and which asset classes do you think should be separately represented in each of the listed asset and alternative asset common investment vehicles?**

Further considerations

A. Changes to the investment regulations

4.12 The current investment regulations place restrictions on the amount of a fund that can be invested in certain types of vehicle, for example limited partnerships in aggregate are subject to a limit of 30 per cent. In addition, while some types of common investment vehicle are listed within the regulations, others are not. Squire Sanders, as subcontractor to Hymans Robertson, indicated that secondary legislation could be used to reform the investment regulations, removing the anomalies created between different types of vehicle and any ambiguity about the funds' ability to invest substantially in common investment vehicles.

4.13 The Government recognises that the investment regulations are in need of review. The Department will consult separately on reforms to these regulations, including any changes required to facilitate investment in common investment vehicles. **However, any initial thoughts would be welcome in response to this consultation.**

B. The type of common investment vehicle

4.14 The term collective or common investment vehicle can be used very broadly and take different forms. At this time, the Government would like to seek views on the specific type of common investment vehicle to be used, but anticipates that the following principles might underpin the design:

- Pooling of assets, possibly on a unitised or share basis;
- Safeguards for individual funds, for example through Financial Conduct Authority authorisation;
- Governance arrangements considered as part of wider governance reforms arising from 2013 Public Service Pensions Act;
- Strategic asset allocation remains with individual funds; and
- An option for other funded public service pension schemes to participate in the common investment vehicles if they wish.

4.15 There are a number of types of common investment vehicle available that might fulfil some or all of these principles. One such model currently under review is the tax transparent Authorised Contractual Scheme.¹⁵ However, careful consideration of the governance arrangements for any common investment vehicle would be needed before any more detailed proposals are developed.

Q4. What type of common investment vehicle do you believe would offer the most beneficial structure? What governance arrangements should be established?

Proposal 2: Passive fund management of listed assets

4.16 There are two main types of investment approach, which can be used individually or in combination.

- Passive management typically invests assets to mirror a market in order to deliver a

¹⁵ More information can be found on the Financial Conduct Authority's website:

<http://www.fca.org.uk/firms/firm-types/collective-investment-schemes/authorised-contractual-schemes>

return comparable with the overall performance of the market being tracked.

- An actively managed fund employs a professional fund manager or investment research team to make discretionary investment decisions on its behalf.

4.17 The Local Government Pension Scheme makes use of both of these approaches, although active management is used more extensively than passive. By applying their expertise, it is hoped that active managers will deliver a level of return in excess of the market's performance, although this comes at a much higher cost than passive management. A few funds gave examples of how they had benefited from active management in their response to the call for evidence.

For example, the active manager of one fund had outperformed their performance benchmark by 3.2 per cent since 2007 and by 5.7 per cent in the last three years.

4.18 However, Hymans Robertson cite evidence from defined benefit pensions funds in the United States which shows that for equities, returns are explained predominantly by market movements and asset allocation policy, with active management playing no role¹⁶.

The case for change

4.19 There are some risks associated with paying for active management, since not all active managers will be able to achieve returns higher than the market rate. Hymans Robertson was therefore asked to examine the performance of the Scheme in aggregate to see whether the funds' overall performance was benefiting from active management.

4.20 Hymans Robertson considered the performance before fees of equities and bonds in aggregate across the Scheme over the 10 years to March 2013. This new analysis, evaluating the funds' investment as one Scheme, showed that there was no clear evidence that the Scheme as a whole had outperformed the market in the long term. They concluded that listed assets such as bonds and equities could have been managed passively without affecting the Scheme's overall performance.

Equity market ¹⁷	UK	North America	Europe excluding UK	Japan	Developed Pacific excluding Japan	Emerging Markets
FTSE Index	10.7	9.5	11.4	7.4	16.4	18.2
Aggregate Local Government Pension Scheme	10.8	8.4	11.6	7.5	17.3	17.1
Excess active return gross of fees	0.1	-1.1	0.2	0.1	0.9	-1.1

¹⁶ Local Government Pension Scheme structure analysis; Hymans Robertson, p.19. Data based on 'Rehabilitating the Role of Active Management for Pension Funds' by Michel Aglietta, Marie Briere, Sandra Rigot and Ombretta Signori.

¹⁷ Local Government Pension Scheme structure analysis, Hymans Robertson, table 9 p.20. Sources: State Street Investment Analytics (The WM Company), CEM Benchmarking Inc. *This is Hymans Robertson's estimate of the extra cost which reflects the low fees that the Local Government Pension Scheme in aggregate pay for active management of UK equities. The global cost premium is estimated by CEM as 0.56%

Extra cost (per annum) of active	0.34*	0.27	0.20	n/a	0.49	0.53
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- 4.21 This analysis of investment return is specific to the performance of the Local Government Pension Scheme in aggregate.
- 4.22 In their report, Hymans Robertson quantified the fees savings achievable from moving to passive management of listed assets as £230 million per annum, assuming that all funds participated.¹⁸
- 4.23 In addition to the savings arising from lower fees, a move to passive management will also reduce the level of asset turnover. This occurs as investment managers buy and sell assets within an asset class. Both passive and active managers buy and sell assets, but turnover is generally much higher, and therefore more costly, under active management. Hymans Robertson estimated that if all of the Scheme's UK and overseas equities had been managed passively in the financial year 2012-13, turnover costs would have been around £190 million lower.¹⁹
- 4.24 Hymans Robertson also conducted a detailed analysis of the transition methodology and costs to move to passive management of all listed assets. They identified that the cost of transition could be around £215 million.²⁰ These transition costs are approximately equal to the savings achieved from reduced turnover costs in just one year.
- 4.25 Their analysis of transition also concluded that any market disruption will be limited as there is no proposed change to asset allocation. Hymans Robertson suggested that a single coordinated but phased transition would minimise market impact.

Proposals for reform

- 4.26 The Hymans Robertson report concluded that if the Scheme acts collectively and moves all listed assets into passive management, investment fees and turnover costs could be reduced by up to £420 million per year. This represents a significant saving for the funds, employers and local taxpayers which would begin to accrue within two years of moving to passive management of listed assets.
- 4.27 Having considered this analysis, the Government believes that funds should make greater use of passive management for all listed assets such as bonds and equities. Alternative assets such as property, infrastructure or private equity would continue to be managed actively through a separate common investment vehicle.

Further consideration

A. Take up of passive management

- 4.28 A number of the responses to the call for evidence emphasised that a small movement in investment performance has the potential to have a more significant impact on the Scheme's finances than the savings achievable from investment management fees. It is therefore important that full consideration is given to the

¹⁸ Local Government Pension Scheme structure analysis; Hymans Robertson p.7

¹⁹ Local Government Pension Scheme structure analysis; Hymans Robertson p.7

²⁰ Local Government Pension Scheme structure analysis; Hymans Robertson p.17

impact of a move to passive management on overall Scheme performance.

4.29 The Government acknowledges that, as set out in paragraph 4.17, there are funds who feel they have benefited from active management. However, Hymans Robertson's analysis of the savings associated with moving to passive management of listed assets is underpinned by a full consideration of investment performance by asset class across the Local Government Pension Scheme. This analysis shows that a move to passive management would not have damaged returns across the Scheme as, in aggregate, the funds' investment performance has replicated the market in much the same way as passive investment.

4.30 The Government therefore wishes to explore how to secure value for money for taxpayers, Scheme members and employers through effective use of passive management, while not adversely affecting investment returns. There is a range of options open to Government and the funds to achieve this:

- Funds could be required to move all listed assets into passive management, in order to maximise the savings achieved by the Scheme.
- Alternatively, funds could be required to invest a specified percentage of their listed assets passively; or to progressively increase their passive investments.
- Fund authorities could be required to manage listed assets passively on a "comply or explain" basis.
- Funds could simply be expected to consider the benefits of passively managed listed assets, in the light of the evidence set out in this paper and the Hymans Robertson report

Q5. In light of the evidence on the relative costs and benefits of active and passive management, including Hymans Robertson's evidence on aggregate performance, which of the options set out above offers best value for taxpayers, Scheme members and employers?

5. Additional considerations

Data transparency

- 5.1 Although all of the funds publish annual reports setting out their costs and investment returns, a theme common to the majority of responses to the call for evidence was the need for greater transparency and more comparable data. As one fund outlined in its response to the call for evidence:

There is currently insufficient information available to permit a robust comparison of different Local Government Pension Scheme funds. This includes data on investment performance, investment management costs, pension administration costs, and actuarial information. All of this data should already be available within each Local Government Pension Scheme fund but there needs to be a central repository to collate and analyse the information and ensure that it is comparable.

- 5.2 Moving to a common investment vehicle will help to facilitate this transparency, as the investment fees derived from a common vehicle will be more comparable. It will also help to highlight the effect of asset allocation and fund decision making. Since the funds would be investing through the same vehicles, the effect of asset allocation will be more easily seen from the resulting variation in investment returns. The common investment vehicles would also allow greater clarity over variations between asset allocations and actuarial discount rates.
- 5.3 However, it is clear that further improvements are needed to ensure published Scheme data is comparable between funds. The Minister for Local Government has asked the Shadow Board to look at data transparency in more detail and it has already made progress in this area, bringing together all of the funds' annual reports on its website. The Government is keen to support the Shadow Board in this work and looks forward to working with it to ensure more comparable data is available in the future.

Procurement frameworks

- 5.4 As set out in paragraph 3.24, there are clear advantages and savings to making use of the National LGPS Frameworks. The frameworks provide funds with the opportunity to reduce the cost and time associated with procurement. By developing a short list of approved candidates, the frameworks can help funds reduce the time taken to procure a service from six to nine months to a matter of weeks, as well as offering standardised terms and conditions. In addition to offering savings to the funds, the small fee paid by funds to access the framework helps to ensure that the model is self-financing in the long term.
- 5.5 At present, frameworks have been established by the National LGPS Framework for investment consultancy, global custody and benefit and actuarial services. The Government believes that funds can deliver further savings, using these frameworks to procure a range of services including actuarial and investment advice. Funds should give serious consideration to making greater use of these frameworks. In addition, common investment vehicles could be used as a platform from which to operate such frameworks.

Administration

5.6 The question of how to improve the cost effectiveness of administration was posed in the call for evidence as a secondary objective for structural reform. Around 12 submissions suggested that larger funds were able to achieve lower administration costs. Some fund authorities and pensions administrators set out the benefits they had seen from aggregating administration services, arguing that significant savings could be achieved from reduced staff and accommodation costs, greater automation, member and employer self service and I.T cost reductions. For example, as a shared service for fund authorities set out in their response:

Local Government Shared Services (“LGSS”) Pensions Service is a collaborative venture between two Scheme funds established in October 2010, which has already saved £500k per annum in pensions administration.

5.7 However, while these savings are valuable to the Scheme, they are small in comparison to the cost reductions associated with greater passive management of listed assets and the use of common investment vehicles. In addition, as some respondents stressed, the administration of the Scheme is already facing a period of significant change with the introduction of the 2014 Scheme from 1 April 2014.

5.8 Having considered these factors, the Government has decided not to consult on administration reform at this time. However, the call for evidence has highlighted the scope for potential administrative efficiencies as well as the associated risks. At this stage, the Government proposes to allow the administration arrangements for the 2014 Scheme to mature before considering reform any further.

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<u>Committee and Date</u>	<u>Item</u>
Pensions Committee	
20 June 2014	13
10.30	Public

FUND GOVERNANCE & CREATION OF NEW PENSION BOARD

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1. Summary

- 1.1 The report outlines the requirement to produce a Governance Compliance Statement in line with the best practice principles published by the Communities & Local Government Department and recommends an update of the Governance Compliance Statement that was first published in February 2006 and last revised in June 2013. It also provides an update on the introduction of a Pension Board under the requirements of the Public Service Pensions Act 2013 and recommends procedures for the implementation of the Board.

2. Recommendations

- 2.1 The Committee is asked to approve, with or without comment, the revised Governance Compliance Statement at Appendix A.
- 2.2 To note the contents of the report, and in particular the requirements for the Council to establish a Pension Board by 1 April 2015.
- 2.3 To agree to the establishment of a Task and Finish Group to consider how best to implement the changes and;
- 2.4 To delegate any decisions regarding the creation of the Pension Board jointly to the Chairman of the Pensions Committee and Head of Finance, Governance and Assurance (Scheme Administrator), taking the advice of the Task and Finish Group.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk management

Risk management is considered by Committee in making decisions under the governance arrangements outlined and in line with all relevant legislation. The Governance Compliance Statement will be issued to employers and published on the Scheme's website.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

3.3 Environmental Appraisal

There are no direct environmental, equalities or climate change consequences of this proposal.

3.4 Financial Implications

There are no direct financial implications arising from this report.

4. Background Governance

4.1 In February 2006 Members approved the Governance Compliance Statement for the Shropshire Fund which outlined the governance arrangements that had been in existence since 1994. This document was published following consultation with employers.

4.2 The Governance Compliance Statement was last approved by Committee in June 2013.

5. Purpose of Governance Compliance Statement

5.1 The regulations require an administering authority to prepare a written statement setting out:-

(a) Whether it delegates its functions, or part of its function, 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 so, whether these representatives 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.

5.2 In 2008 the Communities & Local Government Department issued a document entitled "Best Practice in Governance Arrangements for

Local Government Pension Schemes” which required pension funds to outline compliance against a range of best practice principles. The governance arrangements of the Shropshire Fund adhere to all these best practice principles. Compliance against these principles is shown within the Governance Compliance Statement.

- 5.3 The Governance Compliance Statement has been updated to take account of changes in Administration and to update the local discretions delegated to the Scheme Administrator in the 2014 Scheme.
- 5.4 The revised Governance Compliance Statement is attached at Appendix A. Following approval this document will be issued to all employers and published on the website.

6. Public Service Pensions Act 2013

- 6.1 During the last year the Pensions Committee have been made aware of the requirements of The Public Service Pensions Act 2013, in particular the need to introduce a new local Pension Board to assist the Scheme Manager (i.e. Shropshire Council) in ensuring compliance with legislation and the Pensions Regulator's requirements.
- 6.2 The Act requires that:
- the members of the Pension Board must not have a conflict of interest (though being a member of the LGPS is specifically mentioned as not being treated as a conflict in this circumstance), and
 - the Pension Board must have equal numbers of employer representatives and member representatives.
- 6.3 It further puts a requirement on each Pension Board member to have an appropriate level of knowledge and understanding in relation to the scheme, local policy and overall pension legislation to properly exercise their function as a Pension Board member.

7. LGPS Pension Board Requirements

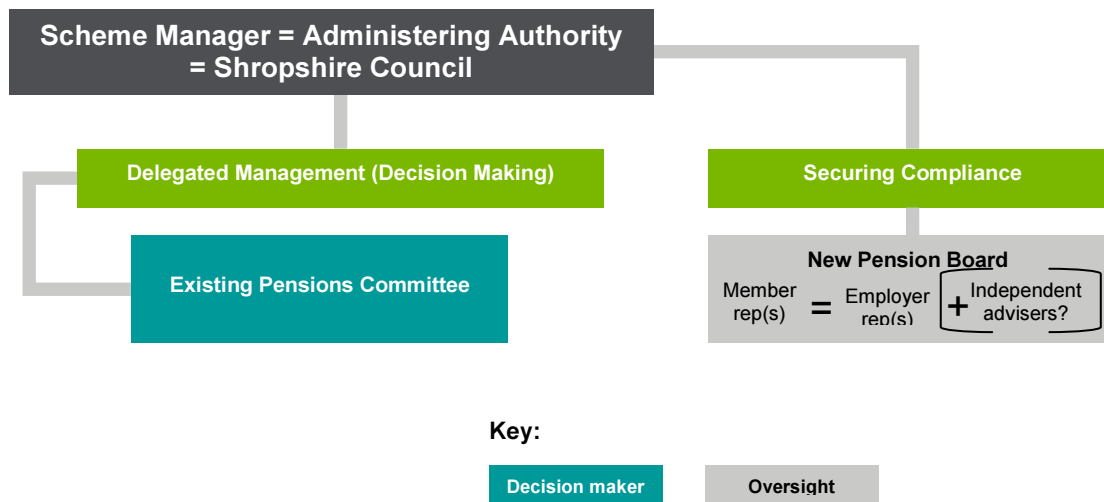
- 7.1 It is expected that the LGPS legislation:
- will require each LGPS Administering Authority to put a Pension Board in place **in addition** to any existing Pensions committee – this will be the default position.
 - may have minimum requirements in relation to the numbers of scheme member and employer representatives on the Board (and, under the Act, those numbers have to be equal numbers)
 - may prevent some or all members of the existing Pensions Committee from also being members of the Pension Board (to ensure some element of independent oversight)
 - will require the terms of reference and all appointments to the Pension Board to be agreed by full Council (and, as such, these cannot be delegated to the Pensions Committee)

- will highlight that the Pension Board can provide oversight as to whether the Fund is complying with legislation and with the Pension Regulator's guidance.
 - will confirm that the Pension Board should not have decision making powers in relation to the Fund.
- 7.2 It is important to note that local authority legislation (such as the delegating of functions via a local authority committee or allowing co-opted members to sit on such a committee) will not apply to this new Pension Board as it is being constituted under the Public Service Pensions Act (rather than any Local Government Act). Accordingly the LGPS regulations, when made, will include the appropriate powers and limitations for the creation of the Pension Board.
- 7.3 The draft LGPS regulations are expected to include some flexibility to allow this new Pension Board role to be merged with an existing Pension Committee. However, it is understood that this flexibility is intended for non-local authorities (such as the Environment Agency) for which it is more suited. Any authority wishing to consider this route will be required to demonstrate that they will have the necessary structure and processes in place to meet certain requirements. The potential conflict between local authority legislation and the Public Service Pensions Act will make this option highly impractical for bodies such as Shropshire Council, not least due to the difficulty in demonstrating self-scrutiny and the need to have equal numbers of employer representatives and scheme member representatives (resulting in Shropshire Council losing majority membership of the Pension Committee).

8. Creation of the Shropshire Pension Board

- 8.1 The draft regulations are expected to have an eight week consultation period (from late June or early July) with final regulations being issued in the autumn (we understand September is being aimed for, though this may slip to October).
- 8.2 Some of the key stages to implementing the new Pension Board will include:
- Responding to the draft regulations
 - Considering options for the structure of the Pension Board
 - Developing terms of reference
 - Formally agreeing creation of the Pension Board (by Council)
 - Inviting nominations to sit on the Pension Board and then holding interviews or voting
 - Training (likely three separate days)
 - Agreeing and developing the format of reporting packs

8.3 The end result will likely be as illustrated below:



8.4 Given this whole process must be completed by April 2015, it is expected that any final decision by Council will need to be made no later than the 10 December 2014 meeting, leaving very little time once final regulations are made, as illustrated below.

Regulations laid	September / mid-October 2014
Consider options / develop terms	Possibly just 4-6 weeks
Council approval	10 December 2014
Appointments	January / February 2015
Induction training – say 3 x ½ days	February / March 2015

Deadline
1/4/15

It will be necessary for the response to the consultation on the draft regulations and the initial work in considering the appropriate options and developing the proposed terms of reference for the new Board to be carried out prior to the final regulations being issued. Accordingly, the Pensions Committee are asked to establish a Task and Finish Group to consider and develop options relating to the establishment of the Board. It is recommended that this Task and Finish Group's membership consists of the Chairman of the Pensions

Committee together with one other employer representative and one scheme member representative. It is expected that the Group would need to meet on at least two occasions, perhaps in late July and early September.

In addition, it is expected that some decisions may need to be made outside of the times when the Pensions Committee will be meeting. It is therefore recommended that delegated authority be jointly provided to the Chairman of the Pensions Committee and the Head of Finance, Governance and Assurance to decide these matters as they arise, taking the advice of the Task and Finish Group as appropriate. Reports will be provided to the Pensions Committee at each meeting on the progress of the Task and Finish Group, and on any decisions made by the Chairman and Head of Finance, Governance and Assurance. It should be noted that any decision in relation to the format, size and operation of the Pension Board will be subject to formal agreement by the Council, and accordingly any decisions made by the Chairman and Head of Finance, Governance and Assurance will likely form part of the recommendations to Council.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pensions Committee, 18 June 2013, Governance Compliance Statement</p>	
<p>Cabinet Member</p>	<p>N/A</p>
<p>Local Member</p>	<p>N/A</p>
<p>Appendices</p>	<p>A – Governance Compliance Statement (revised June 2014)</p>

Shropshire County Pension Fund

GOVERNANCE COMPLIANCE STATEMENT

June 2014



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 Regulations 2013 (Regulation 55 refers), and its predecessor, Regulation 31 of the Local Government Pension Scheme Regulations 2008 (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 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 2013 the Shropshire Fund was required to formulate a policy on local discretions. These discretions were originally approved by Pensions Committee in March 1998 and have been updated following subsequent regulation changes. The latest version taking into account LGPS Regulations 2013 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.

17. The ratio of membership from the various employing authorities in the Shropshire County Pension Fund is:

Organisation	Contributors %
Shropshire Council	48
Borough of Telford and Wrekin Council (co-opted)	27
Parish / Town Councils	1
Other Scheme Employers	14
Admitted Bodies	10

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 which is usually held in November in the county. 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 fund's annual report and a financial summary of the scheme are published on The Pension Fund's web site and in September an email notifications (where an email address is held) is issued notifying the website update. 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 website 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.

of the latest regulatory change, 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.

COMPLIANCE AGAINST BEST PRACTICE GUIDELINES

27. The current governance arrangements which were established in 1994 and updated since to take account

APPENDIX A: SHROPSHIRE COUNTY PENSION FUND POLICY ON LOCAL DISCRETIONS

- **The Local Government Pension Scheme Regulations 2013 [prefix R]**
- **The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]**
- **The Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]**
- **The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]**
- **The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]**
- **The Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]**

Regulation	Discretion	Guideline	Delegated To
A52 (2) TP17 (5) TO (8) R40 (2) R43 (2) R46 (2) R82 (2) LGPS 1997 38 (1) & 155 (4) R17 (12)	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 (in that capacity). 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. Any Additional Voluntary Contributions (AVCs)/ Shared Cost Additional Voluntary Contributions (SCAVCs) monies will be paid as above.	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
Rsch1 & TP 17 (9)	Decide to treat child as being in continuous education or vocational training despite a break	To be reinstated where break does not exceed one academic year	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
R-30 (8)	Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age (Relevant to Admin. Authority where Employer has become defunct)	Due to the potential costs of waiving actuarial reduction it is recommended that it be applied only on strong compassionate grounds e.g. where evidence shows that long-term care is being given to a dependent relative (solely dependent on the employee) and that this is likely to continue for many years. However, the cost of pension strain will be given significant relevance in reaching a decision.	Scheme administrator
B39 & T14 (13) R34 (1)	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) R 36 (3)	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 for the giving of certificates regarding permanent incapacity.	Scheme Administrator
LGPS97 - 60 (5)	Minimum level of Additional Voluntary Contribution	NONE	Scheme Administrator
R71 (1)	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) TP15 (1) (d) 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) R100 (7)	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
R69 (1)	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 (leaving) once the resolution has taken place (actives). Not relevant for 2013 Regulations only transitional period.	Scheme Administrator
A60 (8) R76 (4)	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
R100 (68)	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	The fund will generally support employers who wish to allow an employee to transfer in pension rights outside of the standard 12 month election period. However, where the Fund considers that such a transfer would have a significantly adverse effect on an individual employers funding position and/or there is a possibility that the additional liability will fall to a sponsoring employer or some other employing authority a late transfer will not be permitted.	Scheme Administrator
LGPS97 - 109 & 110 (4) (b) TP3 (13) A70 (1) A71 (4) (c) T12	Abatement of pensions following re-employment	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. 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.	Scheme Administrator
B10 (2) TP3 (6) TP4 (6)(c) TP8 (4) TP10 (2) a TP17 (2)(b)	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

Tsch1 L23(9)			
A52 A B27 (5) R83	Payments for persons (other than an eligible child) incapable of managing their affairs	<p>If it appears that a person (other than an eligible child as defined in the appropriate regulations 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 (linked to CPI from 2014); 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 RSch1 TP17 (9)(b)	Evidence required to determine financial dependence of co-habiting partner	A signed declaration form is required confirming the conditions which have been met and evidence provided.	Scheme Administrator
TSch 1 & L23 (9) B42 (1) (c) R49 (1) (c)	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 75% 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.



<u>Committee and Date</u>
Pensions Committee
20 June 2014
10.30am

<u>Item</u>
14
Public

CORPORATE GOVERNANCE MONITORING

Responsible Officer Ed Roberts
e-mail: ed.roberts@shropshire.gov.uk

Tel: (01743) 252078 Fax (01743) 255901

1. Summary

- 1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter 1st January 2014 to 31st March 2014.

2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report, Manager Voting Reports at Appendix A and F&C Responsible Engagement Overlay Activity Report at Appendix B.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 The Fund's Corporate Governance Policy enables it to influence the environmental policies of the companies in which it invests.
- 3.4 There are no direct Equalities or Community consequences.

4. Financial Implications

- 4.1 There are no direct financial implications arising from this report.

5. Background

- 5.1 The Shropshire County Pension Fund has been actively voting for over fifteen years at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests. Voting is carried out by individual Fund Managers on all equity portfolios.

5.2 The Fund is also addressing its social responsibility through a strategy of responsible engagement with companies. F&C Asset Management provide this responsible engagement overlay on the Fund's UK equities portfolio.

6. Manager Voting Activity

6.1 Details of managers voting activity during the quarter relating to equity portfolios are attached (Appendix A).

7. Responsible Engagement Activity

7.1 During the last quarter F&C have continued to actively engage with companies on the Fund's behalf. An update on the engagement activities for the quarter is attached at Appendix B in the REO Activity report.

7.2 F&C will present to Committee as part of the routine cycle of meetings.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Corporate Governance Monitoring report, Pensions Committee 20 March 2014

Cabinet Member

N/A

Local Member

N/A

Appendices

A. Manager Voting Activity Reports.

B. F&C Responsible Engagement Overlay Reports.

VOTING SUMMARY



Over the quarter, Majedie Asset Management voted at a total of 40 meetings on 91 resolutions.

Please see below a breakdown of the meetings and resolutions which pertain to the UK Equity Fund.

Number of meetings we voted at this quarter	35	
Number of resolutions	82	
Where we voted in line with Management	77	(93.9%)
Where we have not voted in line with Management	5	(6.1%)
Where we voted against ISS's recommendation	6	(7.3%)

Source: Majedie, ISS (Institutional Shareholder Services)

The table below is a breakdown of the number of resolutions where we have either voted against Management or against the recommendation of ISS.

RESOLUTION	AGAINST MANAGEMENT	AGAINST ISS
Routine/Business	4	4
Remuneration	1	2
Capitalisation	0	0
Board election & related proposals	0	0
Reorganisations and Mergers	0	0
Total	5	6

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING BREAKDOWN

SECURITY	MEETING DATE	MEETING TYPE	MAJEDIE VOTE	IN LINE WITH ISS
Aminex	24 Feb 2014	EGM	Voted for all	Yes
Brewin Dolphin (1)	17 Feb 2014	AGM	Against Resolution 20	No
Bwin.Party Digital Entertainment	24 Feb 2014	EGM	Voted for all	Yes
CareTech	04 Mar 2014	AGM	Voted for all	Yes
Chemring (2)	20 Mar 2014	AGM	Voted for all	No
Consolidated General Minerals	30 Jan 2014	EGM	Voted for all	Yes
Conygar Investment (3)	06 Feb 2014	AGM	Voted for all	No
easyJet (4)	13 Feb 2014	AGM	Against Resolution 18	No
Enterprise Inns	06 Feb 2014	AGM	Voted for all	Yes
F&C Asset Management	25 Mar 2014	EGM	Voted for all	Yes
Fenner	15 Jan 2014	AGM	Voted for all	Yes
Grainger (5)	05 Feb 2014	AGM	Against Resolution 21	No
Hewlett-Packard (6)	19 Mar 2014	AGM	Against Resolution 4	Yes
InterBulk	13 Mar 2014	AGM	Voted for all	Yes
ITM Power	21 Feb 2014	EGM	Voted for all	Yes
Koninklijke KPN	10 Jan 2014	EGM	Voted for all	Yes
Leyshon Resources	13 Jan 2014	EGM	Voted for all	Yes
Numis Corporation	04 Feb 2014	AGM	Voted for all	Yes
Oxford BioMedica	06 Jan 2014	EGM	Voted for all	Yes
Paragon	06 Feb 2014	AGM	Voted for all	Yes
Parkmead	13 Feb 2014	EGM	Voted for all	Yes
RM	19 Mar 2014	AGM	Voted for all	Yes
RWS (7)	11 Feb 2014	AGM	Abstention on Resolution 2	No
Safestore (8)	19 Mar 2014	AGM	Against Resolution 13	No
Terrace Hill (9)	27 Feb 2014	AGM	Voted for all	No
Top Level Domain	19 Mar 2014	EGM	Voted for all	Yes
Topps Tiles	24 Jan 2014	AGM	Voted for all	Yes
Torotrak	08 Jan 2014	EGM	Voted for all	Yes
Trinity Mirror	28 Mar 2014	EGM	Voted for all	Yes
Vodafone	28 Jan 2014	EGM	Voted for all	Yes

Source : ISS (Institutional Shareholder Services)

VOTING NOTES

- 1) Brewin Dolphin: our internal guidelines are against the granting of political donations.
- 2) Chemring: ISS recommended that we abstain regarding the approval of the Remuneration Report owing to the quantum of increase in salaries for the CEO and FD. Both were paid below the market rate when recruited in 2012, at a time when the Defence Industry was facing real challenges (government cuts to Defence spending). These pay rises in our view are not excessive, and merely take their salaries up to the sector standard. Equally, we feel they deserve this rise. We therefore chose to vote in favour of the report.
- 3) Conygar Investments: ISS recommended an abstention on the re-election of Nigel Hamway because he is the Company's Non-Executive Chairman who is considered to be ultimately responsible for the Company's corporate governance practices and there is a lack of independent representation on the Audit and Remuneration Committees, which is contrary to UK best practice recommendations. Consistent with our policy of allowing smaller companies greater flexibility in the composition of their boards we decided to vote in favour.
- 4) easyJet: our internal guidelines are against the granting of political donations.
- 5) Grainger: on Resolution 3, ISS recommended that we abstain with regards to the Remuneration Policy as there was a lack of information surrounding the severance payment of Peter Crouch. We voted in favour, as we deem the management sensible, and it is therefore unlikely to be excessive. On Resolution 5, ISS recommended a vote against the re-election of John Barnsley as he is deemed non-independent because he has served for 11 years, concurrent with the CEO. Additionally, he is a member of the Audit Committee, which should be wholly independent under the Code. We like to give smaller companies greater flexibility in the make up of their boards, so we chose to vote in favour of Mr Barnsley's re-election.
- 6) Hewlett-Packard: Resolution 4 was a shareholder proposal where we chose to vote in line with both ISS and management.
- 7) RWS: On Resolution 2, ISS recommended a vote against the Remuneration Report as the performance hurdles for long term incentive awards are unclear. Whilst we would like greater clarity, we balance this by having a very high regard for Andrew Brode, the Chairman, who has presided over a very successful company for a decade, delivering excellent shareholder returns. We therefore decided to abstain. On Resolution 4, ISS recommended a vote against the re-election of Peter Mountford as Director as he a non-independent NED and currently Chairman of the Audit Committee and a member of the Remuneration Committee, which does not adhere to best practice. We feel that smaller companies should be afforded greater flexibility in the composition of their boards, so we voted in favour of his appointment. On Resolution 9, ISS recommended a vote against the waiver of the Tender-Bid requirement for the Concert Party's shareholding. The Concert Party comprises the Chairman, Andrew Brode, and his wife; as discussed above, Mr Brode been shown to be entirely aligned with shareholders' best interests for over a decade, and we see no reason to doubt that this will continue. Therefore, we voted in favour of the waiver.
- 8) Safestore: our internal guidelines are against the granting of political donations.
- 9) Terrace Hill: ISS recommended a vote against the re-election of Andrew Gaskell as Director as he a non-independent Director and currently a member of the Audit Committee, which does not adhere

to best practice. We feel that smaller companies should be afforded greater flexibility in the composition of their boards, so we voted in favour of his reappointment.



Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Walgreen Co.

Meeting Date: 01/08/2014

Country: USA

Provider Security ID: 931422109

Meeting ID: 840885

Record Date: 11/11/2013

Meeting Type: Annual

Ticker: WAG

Primary CUSIP: 931422109

Primary ISIN: US9314221097

Primary SEDOL: 2934839

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Janice M. Babiak	Mgmt	For	For
1b	Elect Director David J. Brailer	Mgmt	For	For
1c	Elect Director Steven A. Davis	Mgmt	For	For
1d	Elect Director William C. Foote	Mgmt	For	For
1e	Elect Director Mark P. Frissora	Mgmt	For	For
1f	Elect Director Ginger L. Graham	Mgmt	For	For
1g	Elect Director Alan G. McNally	Mgmt	For	For
1h	Elect Director Dominic P. Murphy	Mgmt	For	For
1i	Elect Director Stefano Pessina	Mgmt	For	For
1j	Elect Director Nancy M. Schlichting	Mgmt	For	For
1k	Elect Director Alejandro Silva	Mgmt	For	For
1l	Elect Director James A. Skinner	Mgmt	For	For
1m	Elect Director Gregory D. Wasson	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Ratify Auditors	Mgmt	For	For
4	Stock Retention/Holding Period	SH	Against	Against
5	Adopt Proxy Access Right	SH	Against	For

Komerčni Banka A.S.

Meeting Date: 01/28/2014

Country: Czech Republic

Provider Security ID: X45471111

Meeting ID: 845058

Record Date: 01/21/2014

Meeting Type: Special

Ticker: BAAKOMB

Primary CUSIP: X45471111

Primary ISIN: CZ0008019106

Primary SEDOL: 4519449

Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Komerčni Banka A.S.

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Open Meeting	Mgmt		
2.1	Approve Meeting Procedures	Mgmt	For	For
2.2	Elect Meeting Chairman and Other Meeting Officials	Mgmt	For	For
3	Amend Articles of Association	Mgmt	For	For
4	Close Meeting	Mgmt		

Visa Inc.

Meeting Date: 01/29/2014

Country: USA

Provider Security ID: 92826C839

Meeting ID: 843914

Record Date: 12/03/2013

Meeting Type: Annual

Ticker: V

Primary CUSIP: 92826C839

Primary ISIN: US92826C8394

Primary SEDOL: B2PZM04

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Mary B. Cranston	Mgmt	For	For
1b	Elect Director Francisco Javier Fernandez-Carbajal	Mgmt	For	For
1c	Elect Director Alfred F. Kelly, Jr.	Mgmt	For	For
1d	Elect Director Robert W. Matschullat	Mgmt	For	For
1e	Elect Director Cathy E. Minehan	Mgmt	For	For
1f	Elect Director Suzanne Nora Johnson	Mgmt	For	For
1g	Elect Director David J. Pang	Mgmt	For	For
1h	Elect Director Charles W. Scharf	Mgmt	For	For
1i	Elect Director William S. Shanahan	Mgmt	For	For
1j	Elect Director John A. C. Swainson	Mgmt	For	For
1k	Elect Director Maynard G. Webb, Jr.	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Ratify Auditors	Mgmt	For	For

Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Accenture plc

Meeting Date: 01/30/2014

Country: Ireland

Provider Security ID: G1151C101

Meeting ID: 844135

Record Date: 12/06/2013

Meeting Type: Annual

Ticker: ACN

Primary CUSIP: G1151C101

Primary ISIN: IE00B4BNMY34

Primary SEDOL: B4BNMY3

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
2a	Elect Director Jaime Ardila	Mgmt	For	For
2b	Elect Director Charles H. Giancarlo	Mgmt	For	For
2c	Elect Director William L. Kimsey	Mgmt	For	For
2d	Elect Director Blythe J. McGarvie	Mgmt	For	For
2e	Elect Director Mark Moody-Stuart	Mgmt	For	For
2f	Elect Director Pierre Nanterme	Mgmt	For	For
2g	Elect Director Gilles C. Pelisson	Mgmt	For	For
2h	Elect Director Wulf von Schimmelmann	Mgmt	For	For
3	Approve Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For
4	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
5	Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights	Mgmt	For	For
6	Authorize Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Mgmt	For	For
7	Approve Reduction in Share Capital and Creation of Distributable Reserves	Mgmt	For	For
8	Authorize the Holding of the 2015 AGM at a Location Outside Ireland	Mgmt	For	For
9	Authorize Open-Market Purchases of Class A Ordinary Shares	Mgmt	For	For
10	Determine the Price Range at which Accenture Plc can Re-issue Shares that it Acquires as Treasury Stock	Mgmt	For	For

Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Sally Beauty Holdings, Inc.

Meeting Date: 01/30/2014 Country: USA Provider Security ID: 79546E104 Meeting ID: 842924
Record Date: 12/02/2013 Meeting Type: Annual Ticker: SBH
Primary CUSIP: 79546E104 Primary ISIN: US79546E1047 Primary SEDOL: B1GZ005

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Declassify the Board of Directors	Mgmt	For	For
2.1	Elect Director John R. Gollhofer	Mgmt	For	For
2.2	Elect Director Edward W. Rabin	Mgmt	For	For
2.3	Elect Director Gary G. Winterhalter	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
4	Ratify Auditors	Mgmt	For	For

Rockwell Automation, Inc.

Meeting Date: 02/04/2014 Country: USA Provider Security ID: 773903109 Meeting ID: 844906
Record Date: 12/09/2013 Meeting Type: Annual Ticker: ROK
Primary CUSIP: 773903109 Primary ISIN: US7739031091 Primary SEDOL: 2754060

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
A1	Elect Director Steven R. Kalmanson	Mgmt	For	Withhold
A2	Elect Director James P. Keane	Mgmt	For	Withhold
A3	Elect Director Donald R. Parfet	Mgmt	For	Withhold
B	Ratify Auditors	Mgmt	For	For
C	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
D	Require a Majority Vote for the Election of Directors	SH	None	For

Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Compass Group plc

Meeting Date: 02/06/2014	Country: United Kingdom	Provider Security ID: G23296182	Meeting ID: 841445
Record Date: 02/04/2014	Meeting Type: Annual	Ticker: CPG	
Primary CUSIP: G23296182	Primary ISIN: G80005331532	Primary SEDOL: 0533153	

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Remuneration Policy	Mgmt	For	For
3	Approve Remuneration Report	Mgmt	For	For
4	Approve Final Dividend	Mgmt	For	For
5	Elect Paul Walsh as Director	Mgmt	For	For
6	Re-elect Dominic Blakemore as Director	Mgmt	For	For
7	Re-elect Richard Cousins as Director	Mgmt	For	For
8	Re-elect Gary Green as Director	Mgmt	For	For
9	Re-elect Andrew Martin as Director	Mgmt	For	For
10	Re-elect John Bason as Director	Mgmt	For	For
11	Re-elect Susan Murray as Director	Mgmt	For	For
12	Re-elect Don Robert as Director	Mgmt	For	For
13	Re-elect Sir Ian Robinson as Director	Mgmt	For	For
14	Reappoint Deloitte LLP as Auditors	Mgmt	For	For
15	Authorise Board to Fix Remuneration of Auditors	Mgmt	For	For
16	Authorise EU Political Donations and Expenditure	Mgmt	For	For
17	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For
18	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For
19	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For
20	Authorise the Company to Call EGM with Two Weeks Notice	Mgmt	For	For

Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Franklin Resources, Inc.

Meeting Date: 03/12/2014 Country: USA Provider Security ID: 354613101 Meeting ID: 848641
Record Date: 01/14/2014 Meeting Type: Annual Ticker: BEN
Primary CUSIP: 354613101 Primary ISIN: US3546131018 Primary SEDOL: 2350684

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Samuel H. Armacost	Mgmt	For	For
1b	Elect Director Peter K. Barker	Mgmt	For	For
1c	Elect Director Charles E. Johnson	Mgmt	For	For
1d	Elect Director Gregory E. Johnson	Mgmt	For	For
1e	Elect Director Rupert H. Johnson, Jr.	Mgmt	For	For
1f	Elect Director Mark C. Pigott	Mgmt	For	For
1g	Elect Director Chutta Ratnathicam	Mgmt	For	For
1h	Elect Director Laura Stein	Mgmt	For	For
1i	Elect Director Anne M. Tablock	Mgmt	For	For
1j	Elect Director Geoffrey Y. Yang	Mgmt	For	For
2	Ratify Auditors	Mgmt	For	For
3	Approve Executive Incentive Bonus Plan	Mgmt	For	For
4	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
5	Institute Procedures to Prevent Investments in Companies that Contribute to Genocide or Crimes Against Humanity	SH	Against	Against

Samsung Electronics Co. Ltd.

Meeting Date: 03/14/2014 Country: South Korea Provider Security ID: Y74718100 Meeting ID: 852554
Record Date: 12/31/2013 Meeting Type: Annual Ticker: 005930
Primary CUSIP: Y74718100 Primary ISIN: KR7005930003 Primary SEDOL: 6771720

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Approve Financial Statements, Allocation of Income, and Dividend of KRW 13,800 per Share	Mgmt	For	For

Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Samsung Electronics Co. Ltd.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
2	Approve Total Remuneration of Inside Directors and Outside Directors	Mgmt	For	For

The Walt Disney Company

Meeting Date: 03/18/2014	Country: USA	Provider Security ID: 254687106	Meeting ID: 84888
Record Date: 01/17/2014	Meeting Type: Annual	Ticker: DIS	
Primary CUSIP: 254687106	Primary ISIN: US2546871060	Primary SEDOL: 2270726	

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Susan E. Arnold	Mgmt	For	For
1b	Elect Director John S. Chen	Mgmt	For	For
1c	Elect Director Jack Dorsey	Mgmt	For	For
1d	Elect Director Robert A. Iger	Mgmt	For	For
1e	Elect Director Fred H. Langhammer	Mgmt	For	For
1f	Elect Director Aylwin B. Lewis	Mgmt	For	For
1g	Elect Director Monica C. Lozano	Mgmt	For	For
1h	Elect Director Robert W. Matschullat	Mgmt	For	For
1i	Elect Director Sheryl K. Sandberg	Mgmt	For	For
1j	Elect Director Orin C. Smith	Mgmt	For	For
2	Ratify Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against
4	Provide Right to Call Special Meeting	Mgmt	For	For
5	Adopt Proxy Access Right	SH	Against	For
6	Pro-rata Vesting of Equity Awards	SH	Against	Against

Carlsberg

Meeting Date: 03/20/2014	Country: Denmark	Provider Security ID: K36628137	Meeting ID: 846574
Record Date: 03/13/2014	Meeting Type: Annual	Ticker: CARL B	
Primary CUSIP: K36628137	Primary ISIN: DK0010181759	Primary SEDOL: 4169219	

Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Carlsberg

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Approve Publication of Annual Report in English	Mgmt	For	For
2	Receive Report of Board	Mgmt		
3	Approve Financial Statements and Statutory Report; Approve Discharge of Directors	Mgmt	For	For
4	Approve Allocation of Income and Dividends of DKK 8.00 Per Share	Mgmt	For	For
5a	Approve Guidelines for Incentive-Based Compensation for Executive Management and Board	Mgmt	For	For
5b	Approve Remuneration of Directors in the Amount of DKK 1,400,000 for the Chairman, DKK 600,000 for the Vice Chairman, and DKK 400,000 for Other Directors; Approve Remuneration for Committee Work	Mgmt	For	For
5c	Authorize Share Repurchase Program	Mgmt	For	For
	Shareholder Proposals Submitted by Kjeld Beyer	Mgmt		
5d1	Require Inclusion of Certain Financial information to Meeting Notice	SH	Against	Against
5d2	Require Availability of Certain Reports in Danish for Five Years on Company Website	SH	Against	Against
5d3	Simplify Access to Documents Available on Company's Website	SH	Against	Against
5d4	Require Company to Offer at AGM a Meal Corresponding to Company's Outlook	SH	Against	Against
	Management Proposals	Mgmt		
6a	Reelect Flemming Besenbacher as Director	Mgmt	For	For
6b	Reelect Jess Soderberg as Director	Mgmt	For	For
6c	Reelect Lars Stemmerik as Director	Mgmt	For	For
6d	Reelect Richard Burrows as Director	Mgmt	For	For
6e	Reelect Cornelis Job van der Graaf as Director	Mgmt	For	For
6f	Reelect Donna Cordner as Director	Mgmt	For	For
6g	Reelect Elisabeth Fleuriot as Director	Mgmt	For	For
6h	Reelect Soren-Peter Olesen as Director	Mgmt	For	For
6i	Reelect Nina Smith as Director	Mgmt	For	For

Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Carlsberg

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
6j	Elect Carl Bache as Director	Mgmt	For	For
7	Ratify KPMG 2014 P/S as Auditors	Mgmt	For	For

Canon Inc.

Meeting Date: 03/28/2014	Country: Japan	Provider Security ID: J05124144	Meeting ID: 856867
Record Date: 12/31/2013	Meeting Type: Annual	Ticker: 7751	
Primary CUSIP: J05124144	Primary ISIN: JP3242800005	Primary SEDOL: 6172323	

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Approve Allocation of Income, with a Final Dividend of JPY 65	Mgmt	For	For
2	Amend Articles to Indemnify Directors	Mgmt	For	For
3.1	Elect Director Mitarai, Fujio	Mgmt	For	For
3.2	Elect Director Tanaka, Toshizo	Mgmt	For	For
3.3	Elect Director Ikoma, Toshiaki	Mgmt	For	For
3.4	Elect Director Adachi, Yoroku	Mgmt	For	For
3.5	Elect Director Mitsuhashi, Yasuo	Mgmt	For	For
3.6	Elect Director Matsumoto, Shigeyuki	Mgmt	For	For
3.7	Elect Director Homma, Toshio	Mgmt	For	For
3.8	Elect Director Ozawa, Hideki	Mgmt	For	For
3.9	Elect Director Maeda, Masaya	Mgmt	For	For
3.10	Elect Director Tani, Yasuhiro	Mgmt	For	For
3.11	Elect Director Nagasawa, Kenichi	Mgmt	For	For
3.12	Elect Director Otsuka, Naoji	Mgmt	For	For
3.13	Elect Director Yamada, Masanori	Mgmt	For	For
3.14	Elect Director Wakiya, Aitake	Mgmt	For	For
3.15	Elect Director Ono, Kazuto	Mgmt	For	For
3.16	Elect Director Kimura, Akiyoshi	Mgmt	For	For
3.17	Elect Director Osana, Eiji	Mgmt	For	For

Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Canon Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
3.18	Elect Director Saida, Kunitaro	Mgmt	For	For
3.19	Elect Director Kato, Haruhiko	Mgmt	For	For
4.1	Appoint Statutory Auditor Araki, Makoto	Mgmt	For	For
4.2	Appoint Statutory Auditor Yoshida, Osami	Mgmt	For	For
4.3	Appoint Statutory Auditor Kitamura, Kuniyoshi	Mgmt	For	Against
5	Approve Annual Bonus Payment to Directors	Mgmt	For	For

Credicorp Ltd.

Meeting Date: 03/31/2014

Country: Bermuda

Provider Security ID: G2519Y108

Meeting ID: 848672

Record Date: 02/11/2014

Meeting Type: Annual

Ticker: BAP

Primary CUSIP: G2519Y108

Primary ISIN: BMG2519Y1084

Primary SEDOL: 2232986

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Present 2013 Annual Report	Mgmt		
2	Approve Audited Consolidated Financial Statements of Credicorp and its Subsidiaries for FY 2013, Including External auditors' Report	Mgmt	For	For
3.1	Elect Dionisio Romero Paoletti as Director	Mgmt	For	For
3.2	Elect Raimundo Morales Dasso as Director	Mgmt	For	For
3.3	Elect Fernando Fort Marie as Director	Mgmt	For	For
3.4	Elect Reynaldo A. Llosa Barber as Director	Mgmt	For	For
3.5	Elect Juan Carlos Verme Giannoni as Director	Mgmt	For	For
3.6	Elect Luis Enrique Yarur Rey as Director	Mgmt	For	For
3.7	Elect Benedicto Cigüeñas Guevara as Director	Mgmt	For	For
3.8	Elect Martín Pérez Monteverde as Director	Mgmt	For	For
4	Approve Remuneration of Directors	Mgmt	For	For
5	Appoint Ernst & Young Global as External Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For

Vote Summary Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Votes Against Management Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Walgreen Co.

Meeting Date: 01/08/2014	Country: USA	Provider Security ID: 931422109	Meeting ID: 840885
Record Date: 11/11/2013	Meeting Type: Annual	Ticker: WAG	
Primary CUSIP: 931422109	Primary ISIN: US9314221097	Primary SEDOL: 2934839	

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
5	Adopt Proxy Access Right	SH	Against	For

Rockwell Automation, Inc.

Meeting Date: 02/04/2014	Country: USA	Provider Security ID: 773903109	Meeting ID: 844905
Record Date: 12/09/2013	Meeting Type: Annual	Ticker: ROK	
Primary CUSIP: 773903109	Primary ISIN: US7739031091	Primary SEDOL: 2754060	

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
A1	Elect Director Steven R. Kalmanson	Mgmt	For	Withhold
A2	Elect Director James P. Keane	Mgmt	For	Withhold
A3	Elect Director Donald R. Parfet	Mgmt	For	Withhold

The Walt Disney Company

Meeting Date: 03/18/2014	Country: USA	Provider Security ID: 254687106	Meeting ID: 848888
Record Date: 01/17/2014	Meeting Type: Annual	Ticker: DIS	
Primary CUSIP: 254687106	Primary ISIN: US2546871060	Primary SEDOL: 2270726	

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against
5	Adopt Proxy Access Right	SH	Against	For

Votes Against Management Report

Date range covered: 01/01/2014 to 03/31/2014

Location(s): Massachusetts Financial Services

Institution Account(s): MFS Investment Fund - Global Equity Fund

Canon Inc.

Meeting Date: 03/28/2014	Country: Japan	Provider Security ID: J05124144	Meeting ID: 856867
Record Date: 12/31/2013	Meeting Type: Annual	Ticker: 7751	
Primary CUSIP: J05124144	Primary ISIN: JP3242800005	Primary SEDOL: 6172323	

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
4.3	Appoint Statutory Auditor Kitamura, Kuniyoshi	Mgmt	For	Against

Vote Summary Report

Reporting Period: 01/01/2014 to 03/31/2014
 Location(s): All Locations
 Institution Account(s): Shropshire County Pension Fund

Family Dollar Stores, Inc.

Meeting Date: 01/16/2014	Country: USA	Provider Security ID: 307000109		
Record Date: 11/27/2013	Meeting Type: Annual	Ticker: FDO		
Primary CUSIP: 307000109	Primary ISIN: US3070001090	Primary SEDOL: 2331225		
Shares Voted: 28,300		Votable Shares: 28,300	Shares on Loan: 0	Shares Instructed: 28,300

Proposal Text	Proponent	Mgmt Rec	Vote Instruction
Elect Director Mark R. Bernstein	Mgmt	For	For
Elect Director Pamela L. Davies	Mgmt	For	For
Elect Director Sharon Allred Decker	Mgmt	For	For
Elect Director Edward C. Dolby	Mgmt	For	For
Elect Director Glenn A. Eisenberg	Mgmt	For	For
Elect Director Edward P. Garden	Mgmt	For	For
Elect Director Howard R. Levine	Mgmt	For	For
Elect Director George R. Mahoney, Jr.	Mgmt	For	For
Elect Director James G. Martin	Mgmt	For	For
Elect Director Harvey Morgan	Mgmt	For	For
Elect Director Dale C. Pond	Mgmt	For	For
Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
Ratify Auditors	Mgmt	For	For

Ballot Details

Institutional Account Detail (IA Name, IA Number)	Custodian Account Number	Ballot Status	Instructor Name	Date Instructed	Approver Name	Date Approved	Votable Shares	Shares Voted
Shropshire County Pension Fund, SHR40	1799952	Confirmed	jpowers	01/15/2014	jpowers	01/15/2014	28,300	28,300
Total Shares:							28,300	28,300

Visa Inc.

Meeting Date: 01/29/2014	Country: USA	Provider Security ID: 92826C839	
Record Date: 12/03/2013	Meeting Type: Annual	Ticker: V	
Primary CUSIP: 92826C839	Primary ISIN: US92826C8394	Primary SEDOL: B2P2N04	

Vote Summary Report

Reporting Period: 01/01/2014 to 03/31/2014

Location(s): All Locations

Institution Account(s): Shropshire County Pension Fund

Visa Inc.

Shares Voted: 21,800

Votable Shares: 21,800

Shares on Loan: 0

Shares Instructed: 21,800

Proposal Text	Proponent	Mgmt Rec	Vote Instruction
Elect Director Mary B. Cranston	Mgmt	For	For
Elect Director Francisco Javier Fernandez-Carbajal	Mgmt	For	For
Elect Director Alfred F. Kelly, Jr.	Mgmt	For	For
Elect Director Robert W. Matschullat	Mgmt	For	For
Elect Director Cathy E. Minehan	Mgmt	For	For
Elect Director Suzanne Nora Johnson	Mgmt	For	For
Elect Director David J. Pang	Mgmt	For	For
Elect Director Charles W. Scharf	Mgmt	For	For
Elect Director William S. Shanahan	Mgmt	For	For
Elect Director John A. C. Swainson	Mgmt	For	For
Elect Director Maynard G. Webb, Jr.	Mgmt	For	For
Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
Ratify Auditors	Mgmt	For	For

Ballot Details

Institutional Account Detail (IA Name, IA Number)	Custodian Account Number	Ballot Status	Instructor Name	Date Instructed	Approver Name	Date Approved	Votable Shares	Shares Voted
Shropshire County Pension Fund, SHR40	1799952	Confirmed	jrecks	01/27/2014	jpowers	01/27/2014	21,800	21,800
Total Shares:							21,800	21,800

Novartis AG

Meeting Date: 02/25/2014

Country: Switzerland

Provider Security ID: H5820Q150

Record Date:

Meeting Type: Annual

Ticker: NOVN

Primary CUSIP: H5820Q150

Primary ISIN: CH0012005267

Primary SEDOL: 7103065

Shares Voted: 25,811

Votable Shares: 25,811

Shares on Loan: 0

Shares Instructed: 25,811

Proposal Text	Proponent	Mgmt Rec	Vote Instruction
Accept Financial Statements and Statutory Reports	Mgmt	For	For

Vote Summary Report

Reporting Period: 01/01/2014 to 03/31/2014

Location(s): All Locations

Institution Account(s): Shropshire County Pension Fund

Novartis AG

Proposal Text	Proponent	Mgmt Rec	Vote Instruction
Approve Discharge of Board and Senior Management	Mgmt	For	Against
Approve Allocation of Income and Dividends of CHF 2.45 per Share	Mgmt	For	For
Approve Remuneration of Directors in the Amount of CHF 8.0 Million (Non-Binding)	Mgmt	For	Against
Approve Remuneration of Executive Committee in the Amount of CHF 67.7 Million for Performance Cycle 2013 (Non-Binding)	Mgmt	For	For
Reelect Joerg Reinhardt as Director and Chairman of the Board of Directors	Mgmt	For	For
Reelect Dimitri Azar as Director	Mgmt	For	For
Reelect Verena Briner as Director	Mgmt	For	For
Reelect Srikant Datar as Director	Mgmt	For	For
Reelect Ann Fudge as Director	Mgmt	For	For
Reelect Pierre Landolt as Director	Mgmt	For	For
Reelect Ulrich Lehner as Director	Mgmt	For	For
Reelect Andreas von Planta as Director	Mgmt	For	For
Reelect Charles Sawyers as Director	Mgmt	For	For
Reelect Enrico Vanni as Director	Mgmt	For	For
Reelect William Winters as Director	Mgmt	For	For
Elect Srikant Datar as Member of the Compensation Committee	Mgmt	For	Against
Elect Ann Fudge as Member of the Compensation Committee	Mgmt	For	For
Elect Ulrich Lehner as Member of the Compensation Committee	Mgmt	For	Against
Elect Enrico Vanni as Member of the Compensation Committee	Mgmt	For	Against
Ratify PricewaterhouseCoopers AG as Auditors	Mgmt	For	For
Designate Peter Andreas Zahn as Independent Proxy	Mgmt	For	For

Ballot Details

Institutional Account Detail (IA Name, IA Number)	Custodian Account Number	Ballot Status	Instructor Name	Date Instructed	Approver Name	Date Approved	Votable Shares	Shares Voted
Shropshire County Pension Fund, SHR40	SHR40	Confirmed	jcorbh	02/19/2014	jpowers	02/19/2014	25,811	25,811
Total Shares:							25,811	25,811

Vote Summary Report

Reporting Period: 01/01/2014 to 03/31/2014

Location(s): All Locations

Institution Account(s): Shropshire County Pension Fund

Novartis AG

Applied Materials, Inc.

Meeting Date: 03/04/2014

Country: USA

Provider Security ID: 038222105

Record Date: 01/08/2014

Meeting Type: Annual

Ticker: AMAT

Primary CUSIP: 038222105

Primary ISIN: US0382221051

Primary SEDOL: 2046552

Shares Voted: 281,400

Votable Shares: 281,400

Shares on Loan: 0

Shares Instructed: 281,400

Proposal Text	Proponent	Mgmt Rec	Vote Instruction
Elect Director Aart J. de Geus	Mgmt	For	For
Elect Director Gary E. Dickerson	Mgmt	For	For
Elect Director Stephen R. Forrest	Mgmt	For	For
Elect Director Thomas J. Iannotti	Mgmt	For	For
Elect Director Susan M. James	Mgmt	For	For
Elect Director Alexander A. Karsner	Mgmt	For	For
Elect Director Gerhard H. Parker	Mgmt	For	For
Elect Director Dennis D. Powell	Mgmt	For	For
Elect Director Willem P. Roelandts	Mgmt	For	For
Elect Director James E. Rogers	Mgmt	For	For
Elect Director Michael R. Splinter	Mgmt	For	For
Elect Director Robert H. Swan	Mgmt	For	For
Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
Ratify Auditors	Mgmt	For	For
Amend Bylaws -- Call Special Meetings	SH	Against	Against

Ballot Details

Institutional Account Detail (IA Name, IA Number)	Custodian Account Number	Ballot Status	Instructor Name	Date Instructed	Approver Name	Date Approved	Votable Shares	Shares Voted
Shropshire County Pension Fund, SHR40	1799952	Confirmed	Jonathank	02/27/2014	jpowers	02/27/2014	281,400	281,400
Total Shares:							281,400	281,400

Vote Summary Report

Reporting Period: 01/01/2014 to 03/31/2014

Location(s): All Locations

Institution Account(s): Shropshire County Pension Fund

Franklin Resources, Inc.

Meeting Date: 03/12/2014 Country: USA Provider Security ID: 354613101
 Record Date: 01/14/2014 Meeting Type: Annual Ticker: BEN

Primary CUSIP: 354613101 Primary ISIN: US3546131018 Primary SEDOL: 2350684

Shares Voted: 85,500 Votable Shares: 85,500 Shares on Loan: 0 Shares Instructed: 85,500

Proposal Text	Proponent	Mgmt Rec	Vote Instruction
Elect Director Samuel H. Armacost	Mgmt	For	For
Elect Director Peter K. Barker	Mgmt	For	For
Elect Director Charles E. Johnson	Mgmt	For	For
Elect Director Gregory E. Johnson	Mgmt	For	For
Elect Director Rupert H. Johnson, Jr.	Mgmt	For	For
Elect Director Mark C. Pigott	Mgmt	For	For
Elect Director Chutta Ratnathicam	Mgmt	For	For
Elect Director Laura Stein	Mgmt	For	For
Elect Director Anne M. Tallock	Mgmt	For	For
Elect Director Geoffrey Y. Yang	Mgmt	For	For
Ratify Auditors	Mgmt	For	For
Approve Executive Incentive Bonus Plan	Mgmt	For	For
Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
Institute Procedures to Prevent Investments in Companies that Contribute to Genocide or Crimes Against Humanity	SH	Against	Against

Ballot Details

Institutional Account Detail (IA Name, IA Number)	Custodian Account Number	Ballot Status	Instructor Name	Date Instructed	Approver Name	Date Approved	Votable Shares	Shares Voted
Shropshire County Pension Fund, SHR40	1799952	Confirmed	jpowers	02/24/2014	jpowers	02/24/2014	85,500	85,500
Total Shares:							85,500	85,500

Canon Inc.

Meeting Date: 03/28/2014 Country: Japan Provider Security ID: J05124144
 Record Date: 12/31/2013 Meeting Type: Annual Ticker: 7751

Primary CUSIP: J05124144 Primary ISIN: JP3242800005 Primary SEDOL: 6172323

Vote Summary Report

Reporting Period: 01/01/2014 to 03/31/2014

Location(s): All Locations

Institution Account(s): Shropshire County Pension Fund

Canon Inc.

Shares Voted: 157,400

Votable Shares: 157,400

Shares on Loan: 0

Shares Instructed: 157,400

Proposal Text	Proponent	Mgmt Rec	Vote Instruction
Approve Allocation of Income, with a Final Dividend of JPY 65	Mgmt	For	For
Amend Articles to Indemnify Directors	Mgmt	For	For
Elect Director Mitarai, Fujio	Mgmt	For	For
Elect Director Tanaka, Toshizo	Mgmt	For	For
Elect Director Ikoma, Toshiaki	Mgmt	For	For
Elect Director Adachi, Yoroku	Mgmt	For	For
Elect Director Mitsuhashi, Yasuo	Mgmt	For	For
Elect Director Matsumoto, Shigeyuki	Mgmt	For	For
Elect Director Homma, Toshio	Mgmt	For	For
Elect Director Ozawa, Hideki	Mgmt	For	For
Elect Director Maeda, Masaya	Mgmt	For	For
Elect Director Tanl, Yasuhiro	Mgmt	For	For
Elect Director Nagasawa, Kenichi	Mgmt	For	For
Elect Director Otsuka, Naoji	Mgmt	For	For
Elect Director Yamada, Masanori	Mgmt	For	For
Elect Director Wakiya, Aitake	Mgmt	For	For
Elect Director Ono, Kazuto	Mgmt	For	For
Elect Director Kimura, Akiyoshi	Mgmt	For	For
Elect Director Osanai, Eiji	Mgmt	For	For
Elect Director Saida, Kunitaro	Mgmt	For	For
Elect Director Kato, Hanuhiko	Mgmt	For	For
Appoint Statutory Auditor Araki, Makoto	Mgmt	For	For
Appoint Statutory Auditor Yoshida, Osami	Mgmt	For	For
Appoint Statutory Auditor Kitamura, Kuniyoshi	Mgmt	For	Against
Approve Annual Bonus Payment to Directors	Mgmt	For	For

Ballot Details

Institutional Account Detail (IA Name, IA Number)	Custodian Account Number	Ballot Status	Instructor Name	Date Instructed	Approver Name	Date Approved	Votable Shares	Shares Voted
Shropshire County Pension Fund, SHR40	SHR40	Confirmed	Jcorbin	03/12/2014	jpowers	03/12/2014	157,400	157,400

Vote Summary Report

Reporting Period: 01/01/2014 to 03/31/2014

Location(s): All Locations

Institution Account(s): Shropshire County Pension Fund

Canon Inc.

Total Shares:	157,400	157,400
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Stewardship review

Quarter ended 31 March 2014

Investec Asset Management (IAM) takes an active and transparent approach to voting and engagement with the companies in our portfolios. We aim to encourage and reward better corporate governance and business integrity. The goal of this is to benefit clients and also improve the broader environmental, social realms in which we invest.

This quarter marks 25 years since the *Exxon Valdez* oil tanker spill in Alaska. The disaster sparked the birth of a range of organisations aimed at addressing environmental sustainability and resulted in important US environmental legislation – the Oil Pollution Act. It also had an impact on the validity and focus of the work already undertaken within the finance industry, including the way shareholders translate the importance of environmental risk into financial impact.

It is encouraging to see how attitudes of companies and investors have changed towards management of these issues and the strengthening of the multi-stakeholder approach. Engagement is now increasingly proactive, as opposed to only reactive. Within emerging markets, South Africa has long been at the forefront of addressing environmental, social and governance (ESG) issues. We are pleased to note the increased attention and focus on these issues throughout the investment supply chain from asset owners, consultants and companies. A development we have seen across other regions of the world, including Australia, Europe and North America.

The ESG team's objectives for the year range from practical and operational management, such as enhancing our integration and communication, to more specific areas of focus regarding asset classes, portfolio research and themes. We believe we have made considerable progress in raising awareness of our ESG research, including portfolio and company analysis. We continue to work on a number of ongoing projects, including sustainable palm oil cultivation, labour management and mining, corporate governance in emerging markets, supply chain management and ESG fixed income analysis. Indeed, we anticipate this final theme will gather momentum and the quality of debate will continue to improve, particularly in light of some of the research circulated last year by the UN Principles for Responsible Investment Initiative and Responsible Investor.

It is also important to highlight the growing attention being paid to the concept of 'unburnable carbon' – an attempt to quantify the reserves of coal, oil or natural gas that, if utilised, could lead to dangerous levels of global warming – and the push by an array of groups to divest from segments of the energy industry. Not only is this seen as an important ethical issue, but it is increasingly a financial risk issue given that these limitations may not be properly reflected in valuation models for the companies. This is an ongoing discussion with our clients and we expect it to continue through the year, especially given the recent Mitigation of Climate Change report from the Intergovernmental Panel on Climate Change. This report gives the starkest warnings yet about global warming.

Lastly, we produce declarations against the Code for Responsible Investing in South Africa (CRISA) and the UK Stewardship Code. We think these are important initiatives which allow our clients to hold portfolio managers to account, with regards to policies and their ownership responsibilities. This year we have decided to specifically report against the CRISA and disclose this document on our website. We support efforts to encourage portfolio managers to provide such disclosures to their clients.

For further details on our ESG efforts, please visit: www.investecassetmanagement.com/stewardshipreport, where you can access the latest quarterly Stewardship report.



Voting

Quarter ended 31 March 2014

Voting policy

- We believe in the importance of responsible corporate governance and vote the shares held in your portfolio.
- For any queries specifically related to proxy voting, please email us on proxyvoting@investecmail.com
- Over the period under review, the following votes were cast on your behalf:

Company	Type	Date	For	Against	Abstained	Withheld	Did not vote*
Samsung Electronics Co. Ltd.	Annual	14/03/2014	2				
Emerson Electric Co.	Annual	04/02/2014	10			1	
Novartis AG	Annual	25/02/2014	22				
NXP Semiconductors NV	Special	28/03/2014	1				

* Due to POA markets or share blocking:

Source: Investec Asset Management.



IGIM Voting Summary by Topic and Region

Legal & General Investment Management

	UK		Europe		North America		Japan		Asia Pacific		Emerging Markets		Total	
	FOR	AGAINST	FOR	AGAINST	FOR	AGAINST	FOR	AGAINST	FOR	AGAINST	FOR	AGAINST		
Between 01/01/2014 and 31/03/2014														
Management Proposals	Board structure	444	2	274	28	377	17	247	43	331	27	214	55	2,059
	Remuneration	138	15	90	16	62	7	14	5	125	10	66	9	557
	Capital structure	321	5	145	10	23	1	32		50	11	73	7	678
	Auditors	137	1	49	1	52		26	16	11	1	30	1	325
	Voting rights	47				1								48
	General governance	6												6
	Routine and company business	91		123		10	3			107	4	83	8	429
	Anti-takeover measures			1		3			4	2				10
	Takeover/merger/reorganisation	14	1	15	1	2		7		16		46	9	111
	Social issues	13		1										14
Shareholder Proposals	SP - Anti-takeover measures													11
	SP - Board structure			2	2	2	2					3		3
	SP - Remuneration					1	2							3
	SP - Capital structure													8
	SP - Voting rights					5	3							1
	SP - General governance						1							42
	SP - Routine and company business				42									3
	SP - Environmental issues						3							9
	SP - Social issues				3	2	4							9
	Total Votes	1,211	24	700	103**	540	43**	326	68	642	53	515	89	4,314
Total number of resolutions	1,235		803		583		394		695		604		4,314	
Annual General Meetings (AGM)	75		43		47		36		112		33		346	
Extraordinary General Meetings (EGM)	34		6		6		2		19		68		135	
Number of companies voted at	104		49		53		38		129		98		471	

*The above table details the voting that has been carried out for the PMC UK, Europe, North America, Japan, Asia Pacific and Emerging Markets – Equity Index Funds
 **Please note that abstentions were included within the 'Against' categories in the table above. This was three in Europe and 11 in North America.



Shropshire County Council

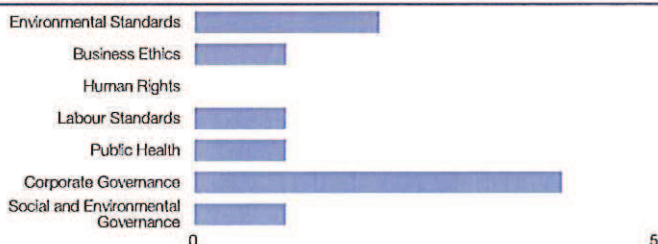
Responsible Ownership Activity Report Q1 2014

The purpose of the **reoo**® (responsible engagement overlay)* service is to engage with companies held in portfolios with a view to promoting the adoption of better environmental, social and governance (ESG) practices. The **reoo**® approach focuses on enhancing long-term investment performance by making companies more commercially successful through safer, cleaner, and more accountable operations that are better positioned to deal with ESG risks and opportunities. Through a combination of constructive dialogue and active share voting, **reoo** works to drive behavioural change with companies, and records successful outcomes as 'milestones' – changes in corporate policies or behaviour following intervention.

Companies engaged this quarter

Companies engaged	24
Milestones achieved	10
Countries covered	1

Milestones achieved by issue



Companies engaged by country



Companies engaged by issue**



* **reoo**® is currently applied to £82.1 billion (€98.7 billion / \$136 billion) of assets as at 31 December 2013

** Companies may have been engaged on more than one issue.

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Company Engagement and Your Fund

Name	Country	Priority Company	Engagement	Milestones	In this report	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Social and Environmental Governance
Associated British Foods	United Kingdom	✓		✓	✓							
AstraZeneca	United Kingdom	✓	✓		✓							
Barclays	United Kingdom	✓	✓		✓							
BG Group	United Kingdom		✓		✓							
BP	United Kingdom	✓	✓	✓	✓							
Burberry Group plc	United Kingdom		✓									
Development Securities	United Kingdom		✓		✓							
DSG International	United Kingdom		✓									
HSBC	United Kingdom	✓	✓		✓							
Hunting plc	United Kingdom			✓	✓							
Kingfisher	United Kingdom			✓	✓							
Lancashire Holdings	United Kingdom		✓									
Legal & General Group Plc	United Kingdom		✓	✓	✓							
Lonmin	United Kingdom		✓		✓							
Marks & Spencer	United Kingdom		✓	✓	✓							
Premier Foods Plc	United Kingdom		✓		✓							
Royal Bank of Scotland Group	United Kingdom	✓	✓		✓							
Royal Dutch Shell	United Kingdom	✓	✓	✓	✓							
SOCO International	United Kingdom		✓		✓							
Spectris	United Kingdom			✓	✓							
Standard Chartered Plc	United Kingdom		✓		✓							
Tate & Lyle plc	United Kingdom		✓									
Tesco Plc	United Kingdom		✓		✓							
The Automobile Association	United Kingdom		✓		✓							
Trifast PLC	United Kingdom		✓		✓							
Tuflow OI	United Kingdom	✓	✓	✓	✓							
Tyman Plc (formerly known as Lupus Capital)	United Kingdom		✓		✓							
WM Morrison Supermarkets	United Kingdom		✓		✓							



<u>Committee and date</u> Pensions Committee	<u>Item</u>
20 June 2014	15
10.30am	<u>Public</u>

PENSIONS ADMINISTRATION MONITORING REPORT

Responsible Officer Debbie Sharp

Email: Debbie.sharp@shropshire.gov.uk

Tel: 01743 252192

Fax: 01743 255901

1. Summary

- 1.1 The report provides Members with monitoring information on the performance of and issues affecting the Pensions Administration Team.

2. Recommendations

- 2.1 Members are asked to accept the position as set out in the report and;
- 2.2 Approve, with or without comment, the revised Administration Strategy, Appendix D and:
- 2.3 Approve, with or without comment the Communications Policy Appendix E.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 **Risk Management**
Performance is considered and monitored to ensure regulatory timescales and key performance indicators are adhered to.
- 3.2 **Human Rights Act Appraisal**
The recommendations contained in this report are compatible with the Human Rights Act 1998.
- 3.3 **Environmental Appraisal**
There is no direct environmental, equalities or climate change consequence of this report.
- 3.4 **Financial Implications**
There are no direct financial implications arising from this report. Managing team performance and working with other Administering Authorities ensures costs to scheme employers for Scheme

Administration are reduced. However, it must be noted that the introduction of the 2014 LGPS and the increased governance being introduced by the Public Services Pension Act 2013 will increase the resources required by the administration team.

4. Performance and Team Update

- 4.1 The team’s output and performance levels to the end of May 2014 are attached at **Appendix A**.
- 4.2 Procedures outstanding at the end of the month has fallen since last reporting and has levelled out. The team continue to deal with requests for quotes for the Council where teams are being “restructured”. The Fund’s other largest employer is also undergoing a VR programme resulting in requests for quotes increasing. Encouragingly the procedures completed on time have gradually risen over the quarter.
- 4.3 Year end returns have been submitted by most employers’ for 2013/14 and the team are now working on updating records with contributions. Checks will be made across records to ensure they are accurately updated with a pay figure to 31 March 2014.
- 4.4 Due to the introduction of the new scheme on 1 April 2014, it has been identified that extra resources are needed in order to continue to deliver a high level of service. A revised structure has been introduced. This has created opportunities for current Team members with resulting vacancies now being recruited too. It is hoped that by July the team will be back to full capacity and able to move forward.

5. Help Desk Statistics

- 5.1 The following chart shows the number of queries received through the helpline number and the number of emails received by the generic Pensions email inbox.

	February 2014	March 2014	April 2014
Telephone calls answered	819	1007	865
Queries dealt with by helpdesk at first point of contact %*	91.33%	92.45%	94.68%
E-mails Received and responded by the helpdesk	315	306	306

* Where queries have not been dealt with by helpdesk, this will usually mean that the calls have been picked up by the rest of the team outside of the helpdesk.

6. Communications

- 6.1 Committee will be aware that a project was set up to produce a combined P60/Pensions Increase notification. The project is now complete with a combined P60, Payslip and details of April's Pension Increase successfully issued to all pensioners on 1 May 2014. This has been very well received with minimal queries to the helpdesk.
- 6.2 The Retired Members Meeting is to be held on 30 June 2014. This meeting format may be changed in the future. Feedback requested in the recent "InTouch" magazine on the future of the meeting included:
- "I'd really like to hear a presentation and debate between the "ethical investment" camp and the standard "duty to maximise" even if it is arms, tobacco, fossil fuels group".
 - "I am sure the fund account updates are useful and interesting to some. But I don't follow it and find it rather tedious. I would prefer other more interesting general topic speakers".
 - "I have been to most, if not all, of the annual meetings in November.
 - "I enjoy meeting up with former colleagues, as well as hearing updates on the Fund performance and any changes to the scheme".
 - "I do attend the Annual Meeting in November. This gives far more information on the financial aspects of the Scheme, including performance and projections for the future".
- 6.3 The new pension's website was launched on 1 April 2014. A dedicated secure employers' area is currently being worked on and will be available to employers shortly. Website statistics including the visited pages are now being monitored and will be available and reported to committee in September.
- 6.4 Pension Committee member training day is on 18th July 2014 and will be held again in the Hayden Smith room at the Theatre Severn in Shrewsbury.
- 6.5 A presentation on the new scheme was given to all employees at Shropshire Town & Rural Housing.
- 6.6 Annual Benefit Statements for active scheme members are currently planned for issue by September.
- 6.7 The Pension Fund logo has been updated to provide a fresh look. Pension fund letter headed paper and communications documents will

now feature the updated Fund logo and the logos issued by the LGA for the 2008 and 2014 scheme. (**See Appendix B**).

7. Local Government Pension Scheme 2014

- 7.1 As previously reported the new Local Government Pension Scheme Regulations 2013 came into force from 1 April 2014. This has moved the Scheme from a Final Salary to a CARE Benefit Scheme. It is still a defined Benefit Scheme though. The Transitional Regulations were laid before Parliament just in time for the 1 April 2014 launch date. However, due to the lateness certain factors required from the Government Actuaries Department were much later than expected and our Systems Provider are having to do “patch releases” to correct the calculations within the Pension Administration Software. This has resulted in some manual calculations having to be done by the Team.
- 7.2 Under the Disclosure Regulations, all active members were required to be notified of their transfer into the new scheme within three months of 31 March 2014. The notification was required to include the scheme changes. This has been complied with by sending a personalised newsletter to home addresses before the end of April. (**Appendix C**).
- 7.3 A training session for employers on discretions took place on 25 April 2014 where 19 employers were represented along with a colleague from Greater Manchester Pension Fund who is part of the joint communications group. The training was delivered by Tim Hazelwood and was very well received and each attendee received a comprehensive set of notes.
- 7.4 The Local Government Association (LGA) has developed a modeller to assist employers, funds and fund employees in the calculation of the cost of Additional Pension Contributions and Shared Cost Additional Pension Contributions. The modeller is available at www.shropshirecountypensionfund.co.uk
- 7.5 The project group set up to implement the 2014 Scheme is now ensuring all documentation and processes are updated.
- 7.6 The Pensions Communication Officer is part of the LGA national Communications Working Group. The group meets quarterly and has fed into the projects into the run up to 1 April 2014, this group will continue to meet post April 2014.

8. Pensions Administration Strategy

- 8.1 The Local Government Pension Scheme Regulations 2013 enables the Pension Fund Administering Authorities to publish a strategy for the sole purpose of improving the processes with their Fund.

- 8.2 The Shropshire County Pension Fund introduced its Strategy in June 2012 and its latest version was approved at committee in June 2013. The Administration Strategy Statement has been updated to take account of changes in legislation from the introduction of the new LGPS on 1 April 2014 and other relevant legislation. Fund Employers have been consulted on the changes. The revised Statement is attached at **Appendix D.**
- 8.3 Following committee approval this document will be issued to all employers and published on the website.

9. Communications Policy

- 9.1 The Local Government Pension Scheme Regulations 2013 states that an administering authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and scheme employers.
- 9.2 The Communications Policy has been recently updated to take account of changes in legislation from the introduction of the new LGPS Regulations and other relevant legislation. Fund Employers have been consulted on the changes. The revised Statement is attached at **Appendix E.**
- 9.3 Following committee approval this document will be issued to all employers and published on the website.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Pensions Committee Meeting 20 March 2014 Pensions Administration Report

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

Appendix A – Performance Monitoring

Appendix B – New Letterhead

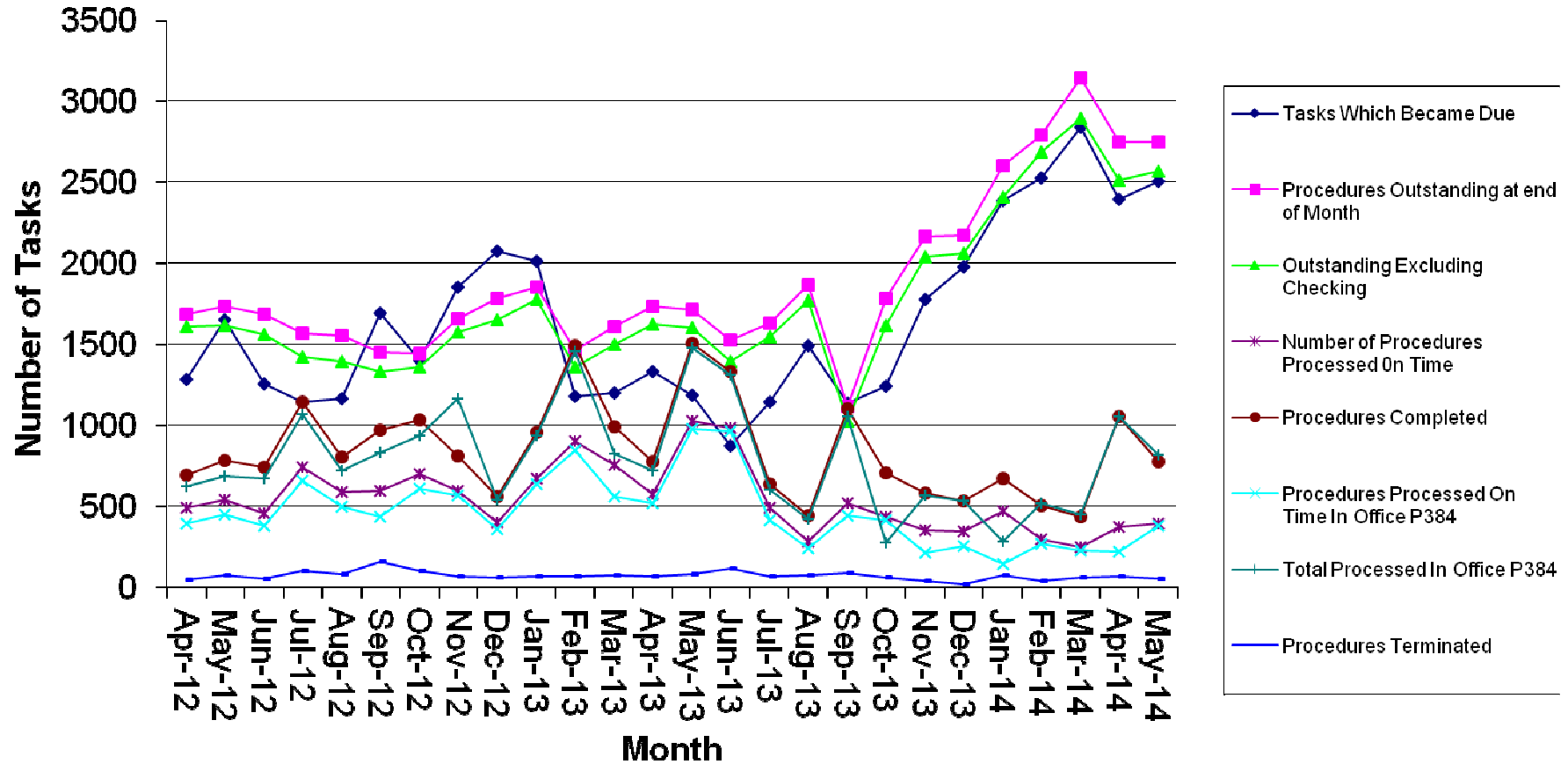
Appendix C – Newsletter

Appendix D - Administration Strategy

Appendix E - Communications Policy

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Task Statistics



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**SHROPSHIRE COUNTY
PENSION FUND**
Administered by Shropshire Council



Shropshire County Pension Fund,
Guildhall, Frankwell Quay, Shrewsbury, Shropshire SY3 8HQ
T: 01743 252230 E: pensions@shropshire.gov.uk
www.shropshirecountypensionfund.co.uk

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Pension Update

SHROPSHIRE COUNTY
PENSION FUND

Administered by Shropshire Council

April 2014

Dear Member

Notification of transfer into the New LGPS from 1 April 2014

As a member of The Local Government Pension Scheme (LGPS) you will have been made aware over the last year that the scheme is changing. This notification follows on from the 'Pension Update' sent in Summer 2013 and it covers the main changes and how they affect you.

If you were an active member of the scheme on the 31 March 2014 you will automatically transfer into the new scheme on the 1 April 2014. If you have left the scheme or received payment of your benefits before the 31 March 2014 then the changes do not affect you.

The change to the LGPS is part of the wider Public Service Pension Review. The Government has set out to ensure Public Service Pensions remain sustainable and affordable in the long term whilst still offering a high level of benefits to their members. Negotiations between trade unions, employers and the Government have been significant throughout the review and the new scheme should result in no increase in the cost of the scheme for the majority of its membership.

The change means the LGPS is now a Career Average Revalued Earnings (CARE) scheme and the benefits built up from 1 April 2014 will be calculated in a different way. A full scheme guide can be downloaded or viewed via our Fund website or you can visit www.lgps2014.org.uk which is the national site for LGPS members.

View your pension account on-line using Member Self Service (MSS)

Did you know you can securely view your Pension Account on-line? To do this you must first register by visiting the Fund website, and once registered you can see how your pension account builds up and update your personal details. You can also register your email address via MSS so we can inform you of the latest LGPS news electronically.

Topics covered in this edition:

Page 02
Myths v Reality –
What is changing?

Page 03
What will
I pay?

Page 05
How does my
pension build up?

Page 06
When can I take
my pension?

Page 07
What protections are
there?

Page 08
Governance in the New
Scheme

SCPF/2014



Shropshire County Pension Fund,
Guildhall, Frankwell Quay, Shrewsbury, Shropshire SY3 8HQ
T: 01743 252130 E: pensions@shropshire.gov.uk
www.shropshirecouncil.gov.uk/pensionfund.co.uk

Myth v Reality

What is changing?

You might think that because the LGPS is changing it must mean *“I’m going to be worse off”*. This notification looks at the details of the new scheme, dispels the myths and gets to grip with the facts about the changes from April 2014 as well as looking at the protections you have if you were in the scheme before it changed.

What is changing?

	New LGPS 2014	Current LGPS 2008
Scheme basis	Career Average Revalued Earnings	Final Salary
Proportion of pay each year which counts towards pension	1/49th	1/60th
Pay which counts towards pension	Actual pay including non-contractual overtime and additional hours	Full time equivalent pay for part time staff and excludes non-contractual overtime and non-pensionable additional hours
Contribution flexibility	You can pay 50% contributions for 50% of pension benefit	Only topping up benefits available
Normal Pension Age (age benefits can be paid unreduced)	Equal to the individual member’s State Pension Age (minimum 65)	65
Qualifying period for entitlement of benefits	2 years	3 months
Earliest Retirement Age (the earliest age benefits can be paid without employer consent but with a reduction applied.)	55	60

What’s not changing?

The LGPS still offers:

- Guaranteed defined benefits - meaning benefits are based on a proportion of earnings not investment return
- Valuable life cover - 3 times actual pay which is paid in the event of your death
- Pension for dependents (spouse, children and civil partner in the event of death either before and after retirement)
- Ill-health cover
- Option to take tax free cash lump sum (within HMRC limits)
- Other types of retirement including redundancy/business efficiency and flexible retirement

The Myths

- The new scheme will cost more
- The pension you get will be less
- You will have to work longer to get your pension

The Reality

- Average cost of the scheme stays at 6.5%. For some part time members, the new scheme could cost less and for some full time higher paid members it could cost more
- You build up pension at a better rate, a 1/49th is better than 1/60th
- Greater flexibility for when you can draw your pension from age 55 to 75

The LGPS is still an excellent scheme and dont forget your employer pays too!

What will I pay from April 2014?

Under the new scheme there are 9 contribution bands ranging from 5.5% to 12.5%. The contribution band you are placed in is still linked to your pay however from 1 April 2014, any overtime or additional hours you work will also have contributions deducted from them. This means that you will build up extra pension benefits if you work overtime and/or additional hours.

The pay you receive is used to determine your contribution rate and your employer decides each April (or more often if your pay varies) what contribution rate you are placed in. The pay used to determine your contribution rate is called 'pensionable pay' and is also the same pay which is used to calculate your Pension Account (see page 5 for an explanation of a pension account). If you have more than one employment, each will be looked at individually for pension purposes.

What if I work part time?

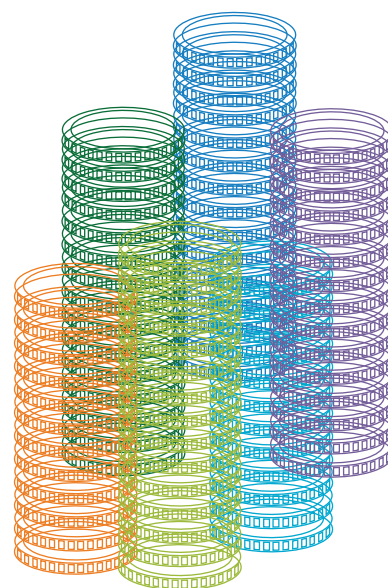
Prior to 1 April 2014, if you worked part-time, your contribution rate was assessed by rounding up your salary to what it would have been if you worked full time. In the new scheme your contribution rate is based on your actual salary so if you are part time the LGPS could cost you less.

Here are the pay bands and the rates for 2014/15 that apply to all members contributing from 1 April 2014:

Your Annual Pay	Your Contribution Rate
Up to £13,500	5.5%
£13,501 to £21,000	5.8%
£21,001 to £34,000	6.5%
£34,001 to £43,000	6.8%
£43,001 to £60,000	8.5%
£60,001 to £85,000	9.9%
£85,001 to £100,000	10.5%
£100,001 to £150,000	11.4%
£150,001 or more	12.5%

Remember from 1 April 2014

- Pension contributions are now taken from overtime and additional hours
- Actual pay is now used for all members to determine the contribution rate payable and in the calculation of benefits
- To check your April 2014 payslip to ensure you are paying the correct contribution band
- Your employer covers the majority of the cost for membership of the LGPS – the contribution your employer pays is assessed every 3 years after a Fund valuation



...Do I have any flexibility with the contributions I make?

The LGPS has always had the option for you to pay more into your pension through a variety of ways. In the new scheme you still have the option to pay more into your pension, if you wish.

If you want to make additional pension savings to increase your pension benefits there are two ways to do so.

- Additional Voluntary Contributions (AVCs)
- Additional Pension Contributions (APCs)

New option to pay less - 50:50 Section

What are AVCs?

AVCs allow you to pay more to build up extra savings for your retirement. The Group AVC offered is with the Prudential and you choose the type of fund your AVC is invested in. The rules around AVC contributions has changed from 1 April.

Additional Voluntary Contributions (AVCs) :

AVC	Contracts before 31 March 2014	New Contract from April 2014
Contributions payable	Limit = 50% of pensionable pay (2008 definition)	No limit = up to 100% of pensionable pay (2014 definition)
Tax free cash option	Up to 100% of AVC as tax-free cash (depending on HMRC limits)	Up to 25% of AVC as tax-free cash

What are APCs?

You can buy extra pension in the LGPS up to £6,500 by paying APCs regularly, over a period of time (minimum 1 year, maximum to your Normal Pension Age), or you can buy extra pension by paying a one-off lump sum.

The cost depends on how much extra pension you want to buy, the age you start paying and the length of time you wish to pay them for. In the new scheme you buy extra pension for yourself only, you cannot increase dependents benefits.

50:50 Section

In the new scheme, you can opt to pay half your normal contribution and in return build up half pension by choosing the 50:50 section. It is not designed to replace long term membership of the scheme but is a short-term option for when times are tough financially. In the 50:50 section you do still retain the full value of certain additional benefits such as the death in service lump sum. If you elect to take up the 50:50 option your contributions would be halved from your next pay period.

For more information on the 50:50 Section see:

www.shropshirecountypensionfund.co.uk
or contact the Pension Team on: 01743 252130.

How does my pension build up from 1 April 2014?

From 1 April 2014 all membership will build up in the Career Average Revalued Earnings (CARE) scheme. In the CARE scheme a 1/49th of your pensionable pay will be added each year to your pension account.

The rate at which your pension has built up from 1 April 2008 to 31 March 2014 is 1/60th of your pensionable final pay for each year. By changing to a 1/49th it means that a larger chunk of your pay is put into your pension pot each scheme year. You may also have membership prior to 1 April 2008 and this membership is linked to 1/80th of your final pensionable pay. A scheme year runs from April to March and for each year of membership your pension is revalued by inflation to arrive at the total pension for that year known as your Pension Account.

Example of how a Pension Account builds up:

Scheme Year	Example Actual Pay	Example Cost of living adjustment
1. 1 April 2014 to 31 March 2015	£24,500	3%
2. 1 April 2015 to 31 March 2016	£25,333	3.1%

Scheme Year	Opening balance	Pension build up in year	Total Account at year end including previous years	Cost of living adjustment	Updated total account
1	£0.00	£24,500 / 49 = £500	£500	3% = £15	£515
2	£515	£25,333 / 49 = £517	£1032	3.1% = £32	£1064

For some members their LGPS pension will be worked out in 3 parts:

Final Salary Scheme

Pension benefits are calculated according to length of membership and salary at the end of that period.



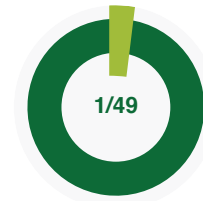
All membership until 31 March 2008 - 1/80 of Final Pay for each year of membership + 3/80 for Automatic Lump Sum



Membership between 1 April 2008 to 31 March 2014 - 1/60 of Final Pay for each year of membership

CARE Scheme

For each year of membership 1/49 of pay is used to calculate a pension for that year. Each year's pension is then revalued by inflation.



Membership from 1 April 2014

Checking your pension account

The pay used to calculate your benefits is supplied by your employer at the end of each scheme year or up to your date of leaving. The information received from your employer will be used to update your Pension Account. It is important that you check your Annual Benefit Statement and/or Member Self Service in the future. **N.B This means that payment of benefits upon retirement cannot be calculated until the final pay details have been received from your employer. Therefore pension benefits cannot be paid until your employer has provided the pensions team with these details.**

If you were in the scheme on the 31st March 2014 you will receive an Annual Benefit Statement later this year for all service up until that date. No CARE Scheme information can be provided in this year's statement. Benefit Statements from April 2015 will show past Final Salary benefits and CARE pension account information.

When can I take my pension?

There is still a Normal Pension Age (NPA) in the LGPS and this is simply the age you can take your pension without receiving a reduction to benefits. The NPA for membership from 1 April 2014 is the same as your State Pension Age. To find out your State Pension Age you can visit www.gov.uk or contact the DWP on 0845 606 0265.

If you take your pension earlier than your NPA you no longer require your employers consent as you have flexibility as to when you can retire and take your pension in the LGPS. From 1 April 2014 you can choose to retire and draw your pension at any time between age 55 and 75. If you choose to take your pension benefits before your NPA it will normally be reduced, as it's being paid earlier.

If take your pension later than your NPA it will be increased because it's being paid later. The amount of any reduction or increase will be based on how many years earlier or later than your NPA you draw your benefits.

The table below shows the current reduction applied to benefits being paid earlier:

Years Early	Pension Male	Pension Female	Lump Sum (for membership to 31 March 2008)
1	6%	5%	3%
2	11%	11%	6%
3	16%	15%	8%
4	20%	20%	11%
5	25%	24%	14%
6	29%	27%	16%
7	32%	31%	19%
8	36%	34%	21%
9	39%	37%	23%
10	42%	40%	26%
11	45%	44%	N/A
12	48%	47%	N/A
13	52%	50%	N/A

You can choose to retire and draw your pension at any time between age 55 and 75

Remember

Membership prior to 1 April 2014 will still be linked to the NPA of 65. This means that you can still take your benefits from this age however the service built up from 1 April 2014 will be linked to new NPA (i.e. your State Pension Age).

Therefore benefits build up pre and post April 2014 will have a different NPA therefore a different rate of reduction (or increase if being paid after NPA) for each period may be applied depending on when the benefits were built up.

What protections are there?

Any pension you have built up before 1 April 2014 is protected under the old scheme regulations. This includes a protected Normal Pension Age of age 65 (except for a very small number of members with an earlier protected age of 60) for payment of those benefits.

The new scheme, for most, will provide a better accrual of benefits however there is some protection for members, particularly those nearing retirement.

Protection for members within 10 years of retirement

The 'underpin' is protection for those members nearing retirement and who were intending to retire at age 65.

Who is protected by the 'Underpin'?

The 'underpin' applies to you if you were:

- an active member on 31 March 2012, and
- you were within 10 years of your Normal Pension Age on 1 April 2012, and
- you haven't had a disqualifying break in service of more than 5 years (*after 31/03/2012*), and
- you've not drawn any benefits in the LGPS before Normal Pension Age and
- you leave with an immediate entitlement to benefits.

The underpin will not apply if you elect to opt out of the scheme before your protected Normal Pension Age.

If you are protected by the underpin a calculation will be performed at the date you cease to contribute to the Scheme, or at your Normal Pension Age if later, to check that the pension you have built up is at least equal to that which you would have received had the scheme not changed on 1 April 2014. If it isn't the difference will be added into your pension account.

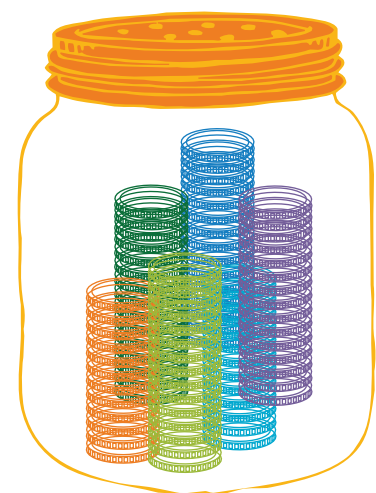
The Pension Fund will carry out this underpin check if you meet the criteria above.

85 year rule protection for members within 10 years of retirement

What is it?

- Age plus membership in whole years = 85
- Who has protection? Members in before 1 October 2006
- This protection continues from April 2014* (**except under the new option of drawing your pension from age 55-60, see page 8*)

Any Rule of 85 protections, which some members have, will continue to apply in the new Scheme. However, it depends on the individual membership how the protections work and when the benefits are taken. 85 year protections (continued on page 8...)



...rule of 85 continued...

As already mentioned from April 2014 there is a new option in the LGPS where you can choose to voluntarily draw your pension on or after age 55 and before age 60 without the need for your employer's permission.

The rule of 85 however **will not** automatically be applied if you decide to draw your benefits under this new option but your employer can exercise their discretion to apply it. If they do, then the 85 year rule will apply in exactly the same way as under the 2008 Scheme. However, if they do not, then there will be a reduction applied to your benefits for drawing them earlier than age 60.

From April 2014 you will be able to ask your employer what their policy is on exercising the discretion to apply the rule of 85 to benefits drawn before age 60. Working out how you are affected by the rule of 85 can be quite complex. For a more detailed understanding of your own position you should contact the pension team directly.

Protection if you leave and re-join the LGPS in the future

If you leave and have a break of 5 years or less (in LGPS or any Public Service Pension Scheme) then any pre 1 April 2014 benefits you have will retain a final salary link if you elect under the regulations to combine your membership. You can elect to keep your benefits separate but if you wanted to also have the final salary link you would need to notify your Pension Fund of this within 12 months of rejoining the scheme.

Where can I get further information?

Visit the Fund website: www.shropshirecountypensionfund.co.uk
View or download a full scheme guide and the latest newsletters and keep up to date with the latest pension events.

Sign up to receive email alerts: Make sure we have the most up to date email address by registering to view your Pension Account online. **Don't have internet access?** Don't worry you can contact the pensions team by telephone, in person or by writing to us and we can provide you with the latest scheme information.

Write: Pension Services, Shropshire Council, Guildhall, Frankwell, Shrewsbury, SY3 8HQ **Email:** pensions@shropshire.gov.uk

Tel: 01743 252130 **Fax:** 01743 281040

Governance & the new scheme

The new scheme will continue to be governed by the pensions committee which the fund reports to regularly. There will be increased national governance in the new scheme in the creation of a National Scheme Advisory Board as well as Local Scrutiny Boards and additional codes of practice from the Pensions Regulator mean the scheme is well placed to manage future challenges.

The new scheme has the same Internal Dispute Resolution Procedure as in the old scheme if you have any disputes about your membership or benefits. It is also still continues to be HMRC Tax Registered and a Statutory scheme (meaning it's backed by Government).

You can also be assured that as a member of the LGPS you can contact any of the following organisations if you have any issues or problems about your pension.

- Pension Advisory Service
- The Pensions Regulator
- The Pensions Ombudsman

Office hours:

Mon - Thu: 8.45am - 5.00pm

Fri: 8.45am - 4.00pm

Shropshire County Pension Fund

PENSION ADMINISTRATION STRATEGY STATEMENT

June 2014



SHROPSHIRE COUNTY
PENSION FUND

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 69-(1) of the LGPS Regulations 2013 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 70.-(1) of the LGPS Regulations 2013 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 20th June 2014 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.

Their key responsibilities will be to:

- 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 including a reference to their right of appeal..

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 overleaf:

NEW APPOINTMENTS

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

NEW STARTERS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To ensure that all employees subject to automatic/contractual admission are brought into the Scheme from the date of appointment, and provide the Pension Administration Team, with accurate details within 4 weeks of their start date by electronic monthly interface.</p> <p>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 form to the Fund within four weeks of the employees first pay date.</p> <p>Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified.</p> <p>To send the Fund notification in agreed electronic format of any eligible employees subject to automatic entry, who opt out of the scheme within three months of appointment.</p>	<p>To accurately record and update associated member records on the pension administration system.</p> <p>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.</p> <p>To accurately record these member records on the pension administration system within four weeks of receipt of documents.</p> <p>To accurately record and update member records on the pension administration system within four weeks of receipt of the notification.</p>

CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To ensure that the Fund is informed of any changes in the circumstances of employees on approved electronic template within four weeks of the change. Guidance can be found in the Employers Guide via www.shropshirecountypensionfund.co.uk</p> <p>These include:</p> <p>Status:</p> <ul style="list-style-type: none"> • Change of Name • Marital Status • National insurance Number <p>Conditions of service:</p> <ul style="list-style-type: none"> • Contractual Hours (for members who meet the underpin requirements only) • Remuneration changes due to promotion and down grading (pre April 2014 members only) • Actual pay (including overtime) • Contribution Rate • Employee Number and or Post Number • Date Joined Scheme (if adjusted) • Confirmation of 50/50 or 100/100 scheme entry <p>NB. An Employee can easily exceed HMRC Annual Allowance if their pay increases. You therefore are asked to inform the Fund of :</p> <ul style="list-style-type: none"> • augmentation, • Honorariums • AVC contributions <p>Further information is available from the fund on this issue.</p> <p>Absence: During periods of reduced pay or nil pay as a result of sickness, injury or relevant child related leave Assumed Pensionable Pay (APP) should be applied for pension purposes.</p> <p>Employer contributions should be deducted from contributions on the amount of APP. This is a change introduced by the 2013 LGPS Regulations.</p> <p>Should the employees wish to purchase Additional Pension Contribution (APC) or Shared Cost (SCAPC) contract to buy back the pension 'lost' during the absence, the APP amount will be required.</p>	<p>To provide templates for recording any key change in circumstances and to provide advice on the secure submission of data electronically.</p> <p>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.</p> <p>To highlight Annually if an individual has exceeded their Annual Allowance</p>

<p>Types of absences include:</p> <ul style="list-style-type: none"> • Maternity, Paternity and Adoption • Paid & Unpaid leave of absence • Industrial Action (SCAPC not available) • Any other material period of absence 	
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ANNUAL RETURN, VALUATION & ANNUAL BENEFIT STATEMENTS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>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.</p> <p>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.</p> <p>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.</p> <p>To provide the Fund with up to date and correct information as requested in accordance with agreed timescales and the regulations.</p> <p>To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.</p>	<p>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.</p> <p>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.</p> <p>Statements will also be produced for deferred members, but no information from employers will be required.</p> <p>To provide data to the Fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined.</p> <p>To provide an electronic copy of the valuation report and contributions certificate to each employer.</p>

RETIREMENT ESTIMATES

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To submit a request using forms PEN010 by post or attaching it to an e-mail.</p> <p>For larger bulk estimates, requests can be made in alternative formats.</p>	<p>To issue the quotations within seven working days of receiving the request or by separate agreed timescales for bulk requests.</p> <p>To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff.</p>

ACTUAL RETIREMENTS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To submit the appropriate form to the Fund as soon as final pay information is available.</p> <p>Further information can be found in the Employers Guide via www.shropshirecountypensionfund.co.uk</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 Seven working days of retirement date or of receipt of all relevant forms and certificates from the member if later than retirement.</p> <p>To pay any pension payment on the 29th of each month, following retirement unless this falls on a weekend or bank holiday when the payment will be made on the last working day before.</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 (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</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>

<p>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>	
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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 at the latest.</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 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	FUND'S RESPONSIBILITY
<p>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.</p> <p>Further information can be found in the Employers Guide.</p>	<p>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.</p>

FINANCIAL OBLIGATIONS

EMPLOYERS' RESPONSIBILITY	FUNDS RESPONSIBILITY
<p>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 via www.shropshirecountypensionfund.co.uk</p> <p>To apply the correct employee contribution rate according to the scheme the member is in – either the 50/50 or 100/100 scheme. To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.</p> <p>To pay all rechargeable items to the Fund within Four weeks of the invoice.</p>	<p>To allocate the received contributions to each employers record.</p> <p>Interest will be charged for late payment as detailed in Regulation 71.-(1) of the LGPS Regulations 2013.</p> <p>Inform each employer of any new contribution banding</p> <p>The Fund will inform employers of any recharge items as they become due.</p>

ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To calculate and 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 2013 Regulations (Reg 69.-(1). More Information can be found in the Employers Guide via www.shropshirecountypensionfund.co.uk</p>	<p>To provide information on APCs to members/Employers via www.shropshirecountypensionfund.co.uk where a modeller can be found.</p>

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 2013;
- the Pensions Act 1995, 2004 and 2014;
- 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 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.

The full guidelines can be made available on request.

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 DAYS
Payment of monthly pensions on the appropriate day of the month	1 DAY
Payment of transfer values	7 DAYS
Provision of inward transfer quotes	10 DAYS
Notification of deferred benefits	30 DAYS
Respond to members general postal / email/ telephone enquiries	5 DAYS

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 the Employers Guide.

Local Government Pension Scheme Regulations 2013: Regulation excerpts related to Exchange of information

80. —(1) A Scheme employer must—
(a) inform the appropriate administering authority of all decisions made by the employer under regulation 72 (first instance decisions) or by an adjudicator appointed by the Scheme employer under regulation 74 (applications for adjudication of disagreements) 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 regulations 72 (first instance decisions), 75 (decisions of the adjudicator) or 76 (reference of adjudications to administering authority) about a person for whom it is not the Scheme employer; and

(b) information about that decision is required by the person's Scheme employer for discharging that employer's Scheme functions, that authority must give that employer that information if asked to supply it.

(3) Within three months of the end of each Scheme year, each Scheme employer must give a statement to the appropriate administering authority giving the following details in respect of each employee who has been an active member during the Scheme year—

(a) the employee's name and gender;

(b) the employee's date of birth and national insurance number;

(c) a unique reference number relating to each employment in which the employee has been an active member; and (d) the information relating to the employee for the Scheme year in question for each employment which is specified in paragraph (4).

(4) The information required by paragraph (3)(d) is—

(a) the dates of active membership;

(b) the pensionable pay received and employee contributions deducted while regulation 9 (contributions) applied;

(c) the pensionable pay received and employee contributions deducted while regulation 10 (temporary reduction in contributions) applied;

(d) any contributions by the employer in relation to the employee's pensionable pay;

(e) any contributions by employee or employer under regulation 16 (additional pension contributions);

(f) any contributions by employee or employer under regulation 17 (additional voluntary contributions).

Local Government Pension Scheme Regulations 2013: Regulation excerpts related to Pension administration strategy

59. — (1) 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 Scheme employers in relation to which it is the administering authority ("its Scheme

employers");

- (b) the establishment of levels of performance which the administering authority and its Scheme 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 Scheme 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 Scheme 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 Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer'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 Scheme 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 Scheme 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 Scheme 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) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.
- (7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.
- (8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

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Shropshire County Pension Fund

COMMUNICATIONS POLICY STATEMENT

June 2014



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 61 of the Local Government Pension Scheme (Administration) Regulations 2013.

Shropshire Council, in its capacity as Administering Authority deals with over 120 employers and approximately 15,000 scheme members, 13,000 deferred members and 10,000 pensioners in relation 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 20 June 2014 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
Guildhall
Frankell Quay
Shrewsbury
SY3 8HQ

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 Joint Communications Group with neighbouring Local Government Pension Fund Authorities. Thus the funding and resourcing of elements or 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, cost effective 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, email 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 town centre 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 FAX number, email 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/Consultation

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

Fund 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 and is sometimes produced in conjunction with our Joint Communications 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 Funds in-house newsletter for retired members. Published twice a year, the newsletter proves to be a useful way of providing updates on relevant changes in legislation, topical news, competitions and member's 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 a year. It provides legislation, operational items and technical updates and support.

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 the statements is continually being developed to provide members with the 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 to 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 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 via email 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 representing the Fund employees 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 or at www.shropshirecountypensionfund.co.uk

Service Management Team

The Scheme Administrator (s 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 Treasury & Pensions, 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 Head of Treasury & Pensions 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 storage drive 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.

4.6 Communication with Other Bodies Mercer (Pension Fund Actuary)

The Fund performs and Actuarial Valuation every three years as required by the Regulations. Mercer also deals 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 member's 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 Officer's 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.

4.7 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 or 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

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 party is carrying out an administrative function of the Fund.

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	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 (rolling programme)	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 (November)	All Members/ Employers/Fund Managers	Presentation/ Face to face/film	Annually
Annual Report	Annually	All Members/ Employers/Fund Managers	Paper/Website/Intranet	Annually
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/Mar ch)	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

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