Public Document Pack

Shropshire Council

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

Date: Thursday, 10 March 2016

Committee:
Pensions Committee

Date: **Friday, 18 March 2016**
Time: **10.00 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):
Charles Smith
Malcolm Smith

Co-opted Members (Non-Voting):
Jean Smith (Pensioner Representative)
Nigel Neat (Employee Representative)
Vacancy (Employee Representative)

Substitute Members of the Committee:
Joyce Barrow (SC)
Roger Evans (SC)
Stuart West (SC)
Michael Wood (SC)
Arnold England (T&W)
Rob Sloan (T&W)
Vacancy (Pensioner Rep)
Vacancy (Employee Rep)

Your Committee Officer is:

Sarah Townsend Committee Officer
Tel: 01743 257721
Email: sarah.townsend@shropshire.gov.uk

AGENDA

1 Apologies for Absence and Substitutions

2 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.

3 Minutes (Pages 1 - 6)

The Minutes of the meeting held on 27 November 2015 are attached for confirmation, marked 3.

Contact: Sarah Townsend (01743 257721)

4 Public Questions

To receive any public questions or petitions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5.00 pm on Tuesday, 15th March 2016.

5 Aberdeen Fund Management Ltd (Pan European Property)

Mr Dominic Delaforce and Mr Tom Richardson will give a presentation.

6 BlackRock - Benefits of Diversification

Mr Simon Betteley and Ms Sara Morgan will give a presentation.

7 Investment Strategy and Economic Scenarios

Mr Roger Bartley (Independent Advisor to the Committee), Mr Louis-Paul Hill and Mr Mark Jeavons (Aon Hewitt) will present this item.

8 Local Government Pension Scheme Central Update

The Head of Treasury & Pensions will present this item.

9 Grant Thornton - Shropshire County Pension Fund Audit Plan 2015/16 and Informing the Audit Risk Assessment for Shropshire County Pension Fund 2015/16 (Pages 7 - 42)

The report of Grant Thornton is attached, marked 9.

Contact: Terry Tobin (0121 212 4000)

10 **Schedule of Committee and Other Meetings 2016/17** (Pages 43 - 48)

The report of the Head of Treasury & Pensions is attached, marked 10.

Contact: Justin Bridges (01743 252072)

11 **Pension Fund Treasury Strategy 2016/17** (Pages 49 - 58)

The report of the Head of Treasury & Pensions is attached, marked 11.

Contact: Justin Bridges (01743 252072)

12 **Corporate Governance Monitoring** (Pages 59 - 104)

The report of the Head of Treasury & Pensions is attached, marked 12.

Contact: Justin Bridges (01743 252072)

13 **Pensions Administration Monitoring** (Pages 105 - 124)

The report of the Pension Administration Manager is attached, marked 13.

Contact: Debbie Sharp (01743 252192)

14 **Training Requirements** (Pages 125 - 252)

The report of the Pension Administration Manager is attached, marked 14.

Contact: Debbie Sharp (01743 252192)

15 **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 16 to 18 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.

16 **Exempt Minutes (Exempted by Category 3)** (Pages 253 - 256)

The exempt Minutes of the meeting held on 27 November 2015 are attached for confirmation, marked 16.

Contact: Sarah Townsend (01743 257721)

17 **New Admission Bodies (Exempted by Category 3)** (Pages 257 - 260)

The exempt report of the Pension Administration Manager is attached, marked 17.

Contact: Debbie Sharp (01743 252192)

18 **Investment Monitoring - Quarter to 31 December 2015 (Exempted by Category 3)** (Pages 261 - 306)

The exempt report of the Head of Treasury & Pensions is attached, marked 18.

Contact: Justin Bridges (01743 252072)

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Pensions Committee

18 March 2016

10.00 am

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 27 NOVEMBER 2015 10.00 AM - 12.07 PM

Responsible Officer: Sarah Townsend
Email: sarah.townsend@shropshire.gov.uk Tel: 01743 257721

Present:

Members of the Committee:
Councillor Malcolm Pate (Chairman)
Councillor Michael Wood (Substitute) (substitute for Thomas Biggins)

Co-Opted Members (Voting):
Councillor Charles Smith

Co-Opted Members (Non-Voting):
Jean Smith and Nigel Neat

33 **Apologies for Absence and Substitutions**

Apologies for absence were received from Councillors Thomas Biggins, Anne Chebsey, Andrew B Davies and Malcolm Smith.

Councillor Michael Wood substituted for Councillor Thomas Biggins.

Apologies for absence were also received from Councillor Roger Evans (Substitute Member).

34 **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.

35 **Minutes**

RESOLVED:
That the Minutes of the meeting held on 25 September 2015 be approved and signed by the Chairman as a correct record.

36 Public Questions

There were no public questions.

37 HarbourVest (Private Equity)

Mr Edward Holdsworth and Ms Hannah Tobin were in attendance and gave an overview of the company and changes that had occurred since they were last in attendance at a meeting of the Pensions Committee.

A list of the assets in which Shropshire County Pension Fund was invested as at 30 June 2015 was detailed together with their status and performance. A more detailed analysis of the various funds was then provided.

Finally, the strong performance of the Dover Street VIII investment was considered followed by the summary of terms for investing in Dover Street IX, with the initial round of subscriptions being 16 December 2015.

Ms Tobin commented that she would provide Mr Roger Bartley, Independent Advisor to the Committee, with further information regarding HarbourVest's longer term performance compared to their peers. It was also confirmed that a briefing paper on private equity would be published by the end of next week and sent to all clients.

Several questions were asked regarding the manager's opinions in relation to the Government's intention for pooling Local Government Pension Scheme investments, to significantly reduce costs while maintaining overall investment performance.

38 BlackRock (Hedge Funds)

Mr Simon Betteley and Mr John Ware were in attendance and gave an overview of the company which provided bespoke hedge fund solutions. It was noted that they now had 92 investment professionals (and not 88 as was stated in their presentation).

Shropshire County Pension Fund's investment was in QIP Ltd, which sought to minimise the frequency and magnitude of negative returns. The presentation detailed the portfolio characteristics and its discipline and strategy allocations. Its performance over the last quarter was discussed along with whether it was in line with expectations.

Finally, a summary of the current outlook and opportunities by strategy was provided.

39 Brevan Howard (Hedge Funds)

Ms Anouck DeSomer and Mr Magnus Olsson were in attendance and gave a presentation about Brevan Howard, which is a large global macro absolute return manager. It was founded in 2002 and currently has £25 billion of assets under management for more than 450 institutional investors in over 25 countries.

Shropshire County Pension Fund's investment which was made in August 2013 is in Brevan Howard Multi-Strategy Master Fund Ltd, which in turn is invested in four underlying Brevan Howard managed funds and a Direct Investment Portfolio, where funds are allocated directly to Individual Traders. The paper presented, detailed the investment allocation to each fund, as well as risk allocation by asset class and an analysis of historical performance to September 2015.

Economic conditions have been difficult for Macro Hedge Fund managers generally since Shropshire County Pension Fund's investment and fund performance has been below target. Reasons behind this were given and a number of questions were asked relating to performance. The level of performance fees were also questioned and Ms Anouck DeSomer and Mr Magnus Olsson agreed to take this point back for discussion and report back on the outcome.

40 **Alternative Indexation**

Mr Louis-Paul Hill and Ms Linette Newton from Aon Hewitt, gave a presentation on Alternative Indexation. They explained what alternative indices were, what was attractive about alternatives, why one would invest in alternative indices, the case for market cap indices verses the case for alternative indices and the exposures of alternative indices.

RESOLVED:
That Alternative Indexation be revisited at a future Pensions Committee meeting.

The Committee was also informed that the Government had just published several documents relating to Local Government Pension Scheme (LGPS) investments in England and Wales as follows:

- A consultation on new LGPS investment regulations.
- Criteria and guidance with respect of LGPS investment pooling.
- A response to the May 2014 consultation on LGPS investments collaboration.

41 **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. The Chartered Institute of Public Finance and Accountancy (CIPFA) have published guidance on the application of the Myners Principles in the Local Government Pension Scheme (LGPS) and it was reported that the Statement of Investment Principles outlines the Fund's compliance with these principles.

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

42 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 July 2015 to 30 September 2015.

RESOLVED:
That the position as set out in the report, Manager Voting Reports (Appendix A) and BMO Global Asset Management Responsible Engagement Overlay Activity Report (Appendix B) be accepted.

43 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.

RESOLVED:
That the position as set out in the report by the Pension Administration Manager be accepted.

44 New Policy - Breaches Policy

The Committee received the report of the Head of Finance, Governance and Assurance (Section 151 Officer) (copy attached to the signed Minutes) which outlined the requirement for all individuals with a role in the Local Government Pension Scheme (including members of the Committee, members of the Local Pension Board and officers) to have a duty to report breaches of law when they have reasonable cause to believe that a breach has occurred.

The Head of Finance, Governance and Assurance (Section 151 Officer) confirmed that following approval, the Breaches Policy would be issued to all employers and published on the website.

RESOLVED:
That the Breaches Policy (Appendix A) be approved.

45 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 Minutes 14 to 16, be not conducted in public on the grounds that they might involve the likely disclosure of exempt information as defined by the category specified against them.

46 **Exempt Minutes (Exempted by Category 3)**

RESOLVED:
That the Exempt Minutes of the meeting held on 25 September 2015 be approved and signed by the Chairman as a correct record.

47 **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 Members with details regarding three new Employer admissions to the Fund, all under Schedule 2 Part 3 Regulation 1(d)(i) of the Local Government Pension Scheme Regulations 2013. These admissions were due to services transferring from a Scheme Employer under a service contract.

Members were also provided with confirmation of a new admission, which under the governance arrangements, had been approved by the Chairman of the Pensions Committee between committee meetings, to allow the sealing of the Admission.

RESOLVED:
That the recommendations in the exempt report by the Pension Administration Manager be approved.

48 **Investment Monitoring - Quarter to 30 September 2015 (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 30 September 2015, and reported on the technical meetings held with managers since the quarter end.

RESOLVED:
(a) That the position as set out in the exempt report by the Head of Treasury and Pensions be noted.

(b) That further investments be made into the recommended Funds following the successful completion of the review of the Funds by Aon Hewitt.

(The full version of Minutes 47 and 48 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: ....

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The Audit Plan
for Shropshire County Pension Fund

Year ending 31 March 2016

March 2016

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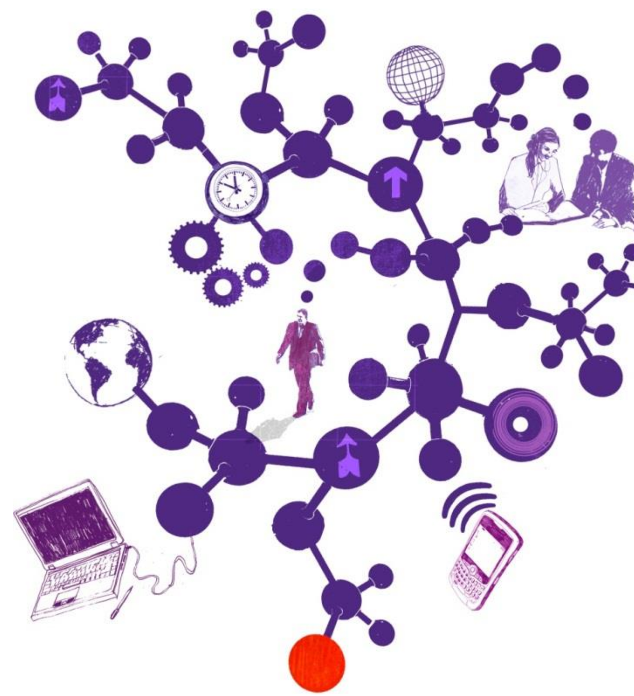

Agenda Item 9

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 Pension 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.

Grant Thornton

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09/03/2016

Dear Members of the Pensions Committee

Audit Plan for Shropshire Pension Fund for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Shropshire County Pension Fund, the Pensions Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Pension Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Fund's financial statements
- give an opinion on the Pension Fund Annual Report.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

John Gregory

Engagement Lead

Contents

Section

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.

Challenges/opportunities

1. Pooling of Investments

- As part of the summer budget 2015 the government has invited LGPS administering authorities to submit proposals for investing their assets through pools of at least £25 billion, with the intention of reducing investment management costs and potentially improving returns.
- The government anticipates that this will improve both capacity and capability to invest in large scale infrastructure projects.
- Initial proposals are to be submitted to DCLG by mid February, with final plans agreed by 15 July 2016.

2. Changes to the investment regulations

- In November 2015 DCLG published draft proposals in relation to the investment regulations governing LGPS funds.
- The proposals seek to remove some of the existing prescribed means of securing a diversified investment strategy and instead give funds greater responsibility to determine the balance of their investments and take account of risk.

3. Governance arrangements

- Local pension boards have been in place since April 2015, and were introduced to assist with compliance and effective governance and administration of the scheme.
- There remains a continued focus on the affordability, cost and management of the scheme, and as such it remains critical that appropriate governance arrangements are in place for the fund.

4. Local Government Outsourcing

- As many councils look to outsourcing and the set up of external companies as a more cost effective way to provide services, the impact on the LGPS fund needs to be considered.
- Funds need to carefully consider requests for admission to the scheme and where possible mitigate any risks to the fund.
- An increased number of admitted bodies may increase the risks for the fund in the event of those bodies failing. it is also likely to increase the administration costs of the scheme overall.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require funds to bring forward the approval of draft accounts and the audit of financial statements to the 31 May and 31 July respectively by the 2017/18 financial year.

Our response

1.

- We will continue to discuss with officers their plans for asset pooling and the implications that this will have on both the investment policy and governance arrangements of the fund.

2.

- We will discuss with officers their plans to respond to these changes and consider the impact on the fund's investment strategy and its risk management approach to investments.

3.

- We will continue our on-going dialogue with officers around their governance arrangements, particularly in light of their proposals for pooling investments.
- We will continue to share emerging good practice with officers.

4.

- 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 fund.

5.

- We will work with you to identify areas of your accounts production where you can learn from good practice in others.
- We aim to complete all substantive work in our audit of your financial statements by 18 July 2016 as a 'dry run".

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Developments and other requirements relevant to your 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 Pressures

- 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 the investment markets

2. 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 2016, however the Pension Fund needs to ensure on going compliance with the Code.

3. LGPS 2014

- Funds have implemented the requirements of LGPS 2014 and moved to a career average scheme.
- This will continue to increase the complexity of the benefit calculations and the arrangements needed to ensure the correct payment of contributions.
- In addition, this places greater emphasis on the employer providing detailed information to the scheme administrator, while also requiring the scheme to have enhanced information systems In place to maintain and report on this data.

4. Accounting for Fund management costs

- There continues to be a spotlight on the costs of managing the LGPS and in particular investment management costs.
- Last year CIPFA produced guidance aimed at improving the transparency of management cost data and suggested that funds should include in the notes to the accounts a breakdown of management costs across the areas of investment management expenses, administration expenses and oversight and governance costs.
- This guidance is currently being updated.

Our response

1. Financial Pressures

- We will monitor any changes to the Pension Fund investment strategy through our regular meetings with management.
- We will consider the impact of changes on the nature of investments held by the Pension Fund and adjust our testing strategy as appropriate.

2. Financial Reporting

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

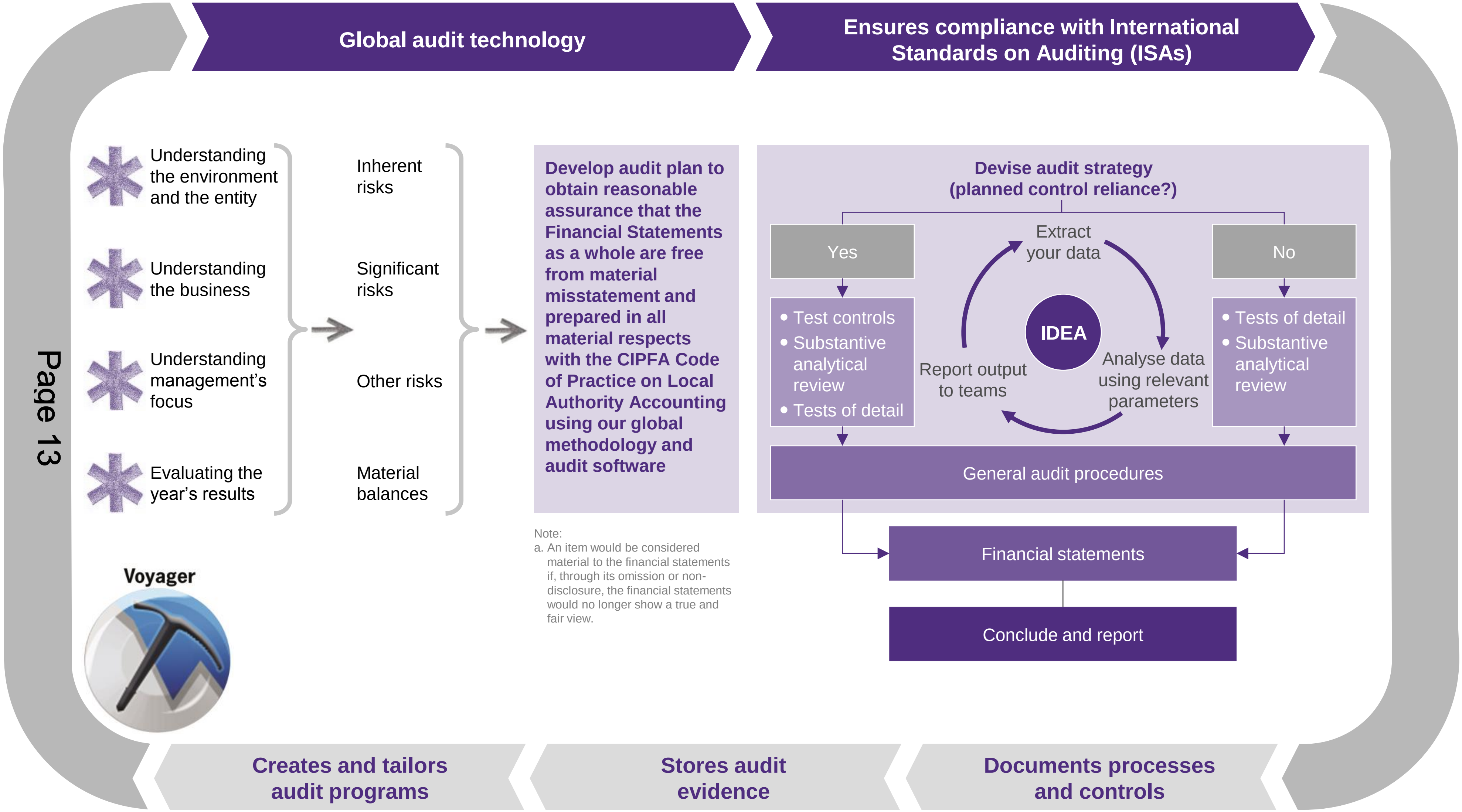
3. LGPS 2014

- We will continue to review the arrangements that the fund has in place for the quality of membership data.

4. Accounting for Fund management costs

- We will continue to discuss with officers their plans for increasing the level of transparency associated with the costs of managing the fund.

Our audit approach



Note:
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in pension schemes, we have determined materiality for the statements as a whole as a proportion of net assets for the fund. For purposes of planning the audit we have determined overall materiality to be £15,139k (being 1% of net assets). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £757k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Management Expenses	Due to public interest in these disclosures and the statutory requirement for them to be made.	£100k
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	£100k

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental 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
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Shropshire County Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Shropshire Council as the administering authority, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	**Work completed to date:** • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions **Further work planned:** • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Level 3 Investments – Valuation is incorrect	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.	**Work completed to date:** • We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit. • We have performed walkthrough tests of the controls identified in the cycle. **Further work planned:** • For a sample of investments, test valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • The existence of investments will be confirmed directly with independent custodians or by agreement to relevant documentation. • Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. • To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments. • Review the competence, expertise and objectivity of any management experts used. • 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 variances ,

Other risks identified

"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 (UK & Ireland) 315).

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

Other risks	Description	Audit approach
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	**Work planned:** • We will perform walkthrough tests of key controls identified for this cycle • 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 variances , • The existence of investments will be confirmed directly with independent custodians or by agreement to relevant documentation • Complete a predictive analytical review for different types of investments

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Other risks identified (continued)

Other risks	Description	Audit approach
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	**Work completed to date:** • We have updated our understanding and discussed the cycle with relevant personnel from the team during the interim audit. • We have performed walkthrough tests of the controls identified in the cycle. **Further work planned:** • The existence of investments will be confirmed directly with independent custodians or by agreement to relevant documentation. • 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 variances
Contributions	Recorded contributions not correct (Occurrence)	**Work completed to date:** We have updated out understanding of the cycle with relevant personnel from the team during the audit. Existing key controls have been walked through to confirm operational effectiveness; **Further work planned:** • Test a sample of contributions to source data to gain assurance over their accuracy and occurrence. • Rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.

Other risks identified (continued)

Other risks	Description	Audit approach
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	**Work completed to date:** We have updated our understanding of this cycle with relevant personnel from the team during the interim audit. Existing key controls have been walked through to confirm operational effectiveness; Controls testing has been performed on new applications for receipt of benefits (NB this was performed as part of our 14/15 audit; per international auditing standards, this testing may be rolled forward for a three year period); **Further work planned:** • Sample testing of individual pensions in payment by reference to member files • Rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.
Member Data	Member data not correct. (Rights and Obligations)	**Work completed to date:** We have updated our understanding of this cycle with relevant personnel from the team during the interim audit. Existing key controls have been walked through to confirm operational effectiveness; Controls testing has been performed on new enrolments to the pension scheme (NB this was performed as part of our 14/15 audit; per international auditing standards, this testing may be rolled forward for a three year period); **Further work planned:** • Controls testing over annual/monthly reconciliations and verifications with individual members • Sample testing of changes to member data made during the year to source documentation

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	Conclusion
Internal audit	We have completed a high level review of Internal Audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We have also reviewed internal audit's work on both the Administering Authority and the funds key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Administering Authority and that Internal Audit work contributes to an effective internal control environment for the Fund. Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the fund's financial statements

Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	We have completed walkthrough tests of the Fund's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Fund in accordance with our documented understanding.	Our work has not identified any weaknesses which impact on our audit approach.
Controls testing	During the 2014/15 audit, we performed testing of the operating effectiveness of key controls on those information systems where we had identified a reasonably possible risk of material misstatement to gain assurance about this and to reduce the amount of substantive testing performed on the financial statements. We tested: We tested a sample of new fund members and new pensioners to confirm that entry to the fund and application for receipt of benefits respectively had been appropriately authorised. We then walked through key controls in these areas during our 15/16 interim audit to confirm that they were still in place and, as such, reliance could be placed on the results of our 14/15 controls testing.	Our work identified that the key controls tested were operating effectively throughout 2014/15. In line with ISA requirements, we have walked through these controls to confirm that they are in place in the current period and as such are able to place reliance on the controls testing carried out in 2014/15 and to reduce the amount of substantive testing on these areas as a result.

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Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	We have reviewed the Fund's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Fund's control environment or financial statements. To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.	Satisfied that journal entries do not indicate the existence of fraud or error; we will complete testing of the final three months of the period at the final accounts stage.
Early substantive testing	We have carried out testing of accuracy of calculation of benefits paid and lump sums, contributions received and changes to member data recorded to month nine. No issues have been identified that we wish to highlight for your attention.	Satisfied that results of substantive testing carried out so far do not indicate the existence of fraud or error; we will complete testing of the final three months of the period at the final accounts stage.

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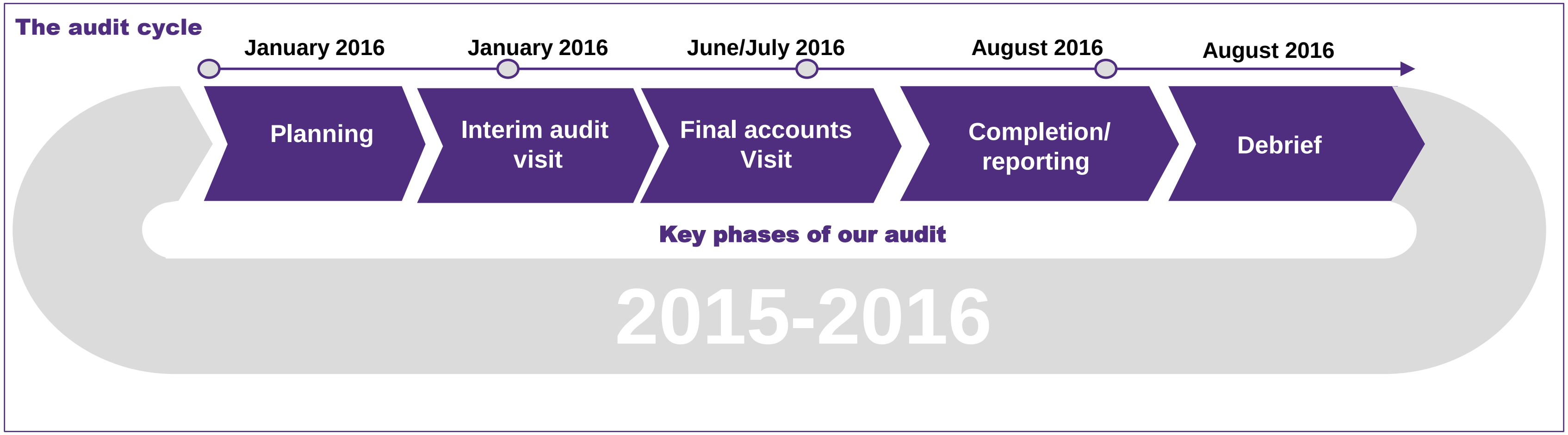
Key dates



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Date	Activity
January 2016	Planning
January 2016	Interim site visit
March 2016	Presentation of audit plan to Pensions Committee
July 2016	Year end fieldwork
August 2016	Audit findings clearance meeting with Head of Finance, Governance and Assurance
September 2016	Report audit findings to those charged with governance (Pensions Committee)
September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Pension Fund Scale Fee	23,427
Proposed fee variation – IAS 19 Assurances	1,979
Total audit fees (excluding VAT)	**25,406**

Our fee assumptions include:

- 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 Fund and its activities, have not changed significantly.
- The Fund will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

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 requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (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 Report 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 goverannce.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Administering Authority's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. 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 NAO and includes nationally prescribed and locally determined work (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the fund is fulfilling these 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 issues 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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Informing the audit risk assessment for Shropshire County Pension Fund

Year ended 31 March 2016

January 2016

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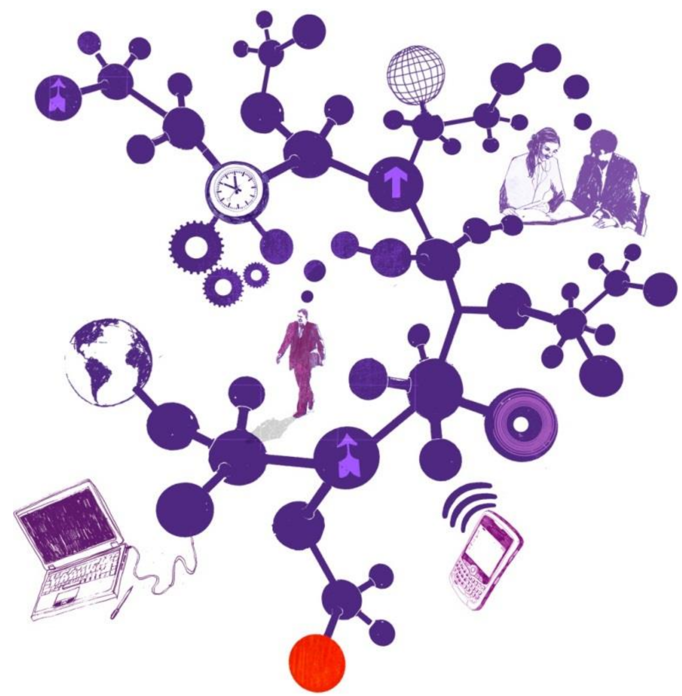

Contents

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.

The 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
Has the Pension Fund assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?	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. 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.
What processes does the Pension Fund have in place to identify and respond to risks of fraud?	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. In addition systems and processes are designed by managers and users to minimise the risk of fraud and corruption. 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 sends internal control reports and these are reviewed by the pension team and any exceptions reported on. 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'.
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	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.
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?	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.

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 2014?	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 polices and procedures.
How does management gain assurance that all relevant laws and regulations have been complied with?	The Council has a Monitoring Officer and S151 Officer who provide assurance that all relevant laws and regulations have been complied with. The Pensions Fund has adopted the Local Government Pensions Scheme Regulations. The Pension Committee receive regular reports of compliance from offers, 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 as applicable.
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 2014, or earlier with an on-going impact on the 2014/15 financial statements?	The Section 151 Officer is not aware of any instances of non-compliance with relevant laws and regulations in 2014-15. The Chair of the Pension Fund Committee is not aware of any instances of non-compliance during 2014/15.
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

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 County Council., with some disclosure in relation to employee 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: • 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. • 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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Committee and Date	Item
Pensions Committee 18 March 2016 10.00am	**10** Public

SCHEDULE OF COMMITTEE AND OTHER MEETINGS 2016/17

Responsible Officer Justin Bridges
e-mail: justin.bridges@shropshire.gov.uk Tel: (01743) 252072 Fax (01743) 255901

1. Summary

1.1 The report brings together a schedule of meetings of the Committee and outside bodies on which the Committee is represented. It also identifies which managers and advisers will be attending the respective meetings.

2. Recommendation

2.1 Members are asked to:-

- Agree the schedule of Committee meetings, including the Annual Meeting.
- Agree representation at other conferences and training events.

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 There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

4.1 There are no direct financial implications on the resources of the Council.

5. Background

5.1 The Committee traditionally meets quarterly, as soon as possible after each quarter end, but allowing sufficient time for the preparation of managers' reports, technical meetings between managers and officers and independent confirmation of performance data.

6. Schedule of Meetings

6.1 The Calendar at Appendix A proposes dates for the quarterly meetings for next year and indicates which managers and advisers will be invited to present their reports in person. Also included is the date of the Annual Meeting so that Members can co-ordinate their attendance at meetings relating to all the Committee's activities and other major seminars are included where these are known. Details of the training offered to the new Pension Board members is also included on the schedule.

7. Manager Monitoring

7.1 The requirements of the LGPS Investment Regulations on Administering Authorities in relation to the review of an investment manager's performance are:-

- "To keep his performance under review."
- "At least once every three months to review the investments he has made."
- "Periodically to consider whether or not to retain him."

7.2 The present review and reporting arrangements, including quarterly technical meetings with officers, the quarterly investment report and periodic personal attendance at Committee are considered to comply with the regulatory requirements. Managers and advisers are invited to present to the Committee annually and this results in 3 or 4 presentations each meeting although if there are more strategic decisions that need to be focussed on during the Committee meeting and managers have been performing well and there are no issues they may not be required to attend annually.

8. Annual Training Day

8.1 The 2016 Annual Training Day will be held on 28 July 2016 in the Shirehall. Further details of the event will be sent to Members in advance of the Training Day.

8.2 Further training events will be considered during the year and additional training sessions will be arranged for Pension Board members.

9. The Local Authority Pension Funds Forum (LAPFF)

9.1 As members of the LAPFF, the Committee are asked to be represented at a number of meetings through the year. Forum meetings are generally held in

London. When the Fund is represented, it is usually by an appropriate officer and/or the Chairman.

10. Other Seminars/Conferences

10.1 In addition to the above, there are a number of other major conferences and seminars, to which the Committee might wish to send delegates. These include:-

- **PLSA Investment Conference – May 2016.** *It is recommended that appropriate officers attend this conference*

- ***LGC Investment Symposium – July 2016***. It is recommended that appropriate investment officers attend this conference.

- ***LGC Public Sector Pension Funds Investment Seminar – September 2016.*** It is recommended that appropriate officers and the Chairman or Vice Chairman (or any other Member of the Pension Committee) should represent the Committee at this conference.

- **Pension Administration Managers November 2016 –** It is recommended that Pension Administration officers attend this conference

- ***LAPFF Annual Conference – December 2016.*** It is proposed that an appropriate investment officer or Member of the Committee should represent the Fund at this conference.

- ***LGC Investment Conference – February 2016.*** *It is recommended that appropriate investment officers attend this conference*

- It is proposed that should other seminars and training events be identified as beneficial, then attendance be agreed by the Chairman and the Scheme Administrator through the year.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) N/A
Cabinet Member N/A
Local Member N/A
Appendices A - Schedule of Meetings 2016/17

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Appendix A

Pensions Committee – Schedule of Meetings 2016/17

(Committee meetings are in bold print)

Meeting date	Details (and location of other than Shirehall)	Manager / Adviser to present	Comments
16 - 18 May 2016	PLSA Investment Summit (Gloucestershire)		Officer Attendance
19 - 20 July 2016	LGC Pension Fund Symposium		Officer Attendance
23 – 24 June 2016	Pension Board Trustee Conference - Manchester		Pension Board Members/Members
24 June 2016	**Quarterly Meeting (March 2016)-**	**GIP –** Infrastructure **F&C** – Responsible Engagement Overlay **LGPS Central Update** **Aon** – Training/Investment Strategy Review	
19 – 20 July 2016	LGC Pension Fund Symposium - Stratford		Officer Attendance
28 July 2016	Training Day (Shirehall)		Members / Substitute Members/ Pension Board Members/ officer attendance
21 Sept 2016	**Quarterly Meeting (June 2016)**	**PIMCO** (Global Bonds) **Investec** (Global Equities) **Harris** (Global Equities) **Grant Thornton** – 2015/16 Audit **Aon** – Training/Investment Strategy Review	
14 - 16 Sept 2016	LGC Investment Summit (South Wales)		Member / Officer attendance
Nov 2016	Pensions Admin Managers Conference - Torquay		Pension Admin Officers
25 Nov 2016	**Quarterly Meeting (Sept 2016)**	**HarbourVest** (Private Equity) **BlackRock** (Hedge Funds) **Brevan Howard** – Hedge Funds **Mercer** – Actuarial Valuation	
02 Dec 2016	ANNUAL MEETING – Council Chamber, Shirehall		
7 - 9 Dec 2016	LAPFF Annual Conference (Bournemouth)		Member / Officer attendance
02 – 04 March 2016	LGC Investment Seminar (Chester)		Officer Attendance
17 March 2017	**Quarterly Meeting (Dec 2016)**	**Majedie** (UK Equities) **Aberdeen** (Pan European Property) **MFS** (Global Equities) **Grant Thornton** – Audit Plan **Aon** – Training/Investment Strategy Review	

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Committee and Date	Item
Pensions Committee	11
18 March 2016	
10.00am	Public

PENSION FUND TREASURY STRATEGY 2016/17

Responsible Officer Justin Bridges
e-mail: Justin.bridges@shropshire.gov.uk Tel: (01743) 252072 Fax (01743) 255901

1. Summary

1.1 This report proposes the Pension Fund Treasury Strategy for 2016/17 for the small cash balances that the Administrating Authority maintains to manage the day to day transactions of the Fund. These transactions include the payment of pensions and transfers out together with the receipt of contributions from employers and transfers into the Fund. From the 1 April 2010 these balances have been invested separately in accordance with the Pension Fund Treasury Strategy.

2. Recommendations

2.1 Members are asked to delegate authority to the Scheme Administrator (Section 151 Officer) to manage the Pension Funds day to day cash balances.

2.2 Members are asked to approve, with any comments, the Pension Fund Treasury Strategy.

2.3 Members are asked to authorise the Scheme Administrator (Section 151 Officer) to place deposits in accordance with the Pension Fund's Treasury Strategy.

2.4 Members are also asked to delegate authority to the Scheme Administrator (Section 151 Officer) 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.

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 Compliance with the CIPFA Code of Practice on Treasury Management, adhering to the Council's Treasury Policy Statement and Treasury Management Practices together with the rigorous internal controls will enable the Fund to manage the risk associated with Treasury Management activities and the potential for financial loss

3.4 There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

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

5. Background

5.1 The Fund has assets of over £1.48 billion which are managed by the Funds Global Custodian, Northern Trust. Shropshire Council as the Administering Authority maintains a small working cash balance (currently around £4 million). This Treasury Strategy relates solely to the Pension Fund cash managed by Shropshire Council as the Administering Authority.

5.2 The Administering Authority aims to keep the Pension Fund cash held for day-to-day transactions to a minimum level. Fund cash is currently managed separately and invested on the money markets in accordance with Shropshire Council's Treasury Strategy. A separate Pension Fund account is credited with investment income.

5.3 Investment regulations issued by the DCLG in December 2009 no longer permit pension fund cash to be pooled with the cash balances of Shropshire Council from 1st April 2010. In view of these changes a separate Pension Fund Treasury Strategy must be approved each year.

6. Investment Policy

6.1 The Fund's investment policy is based on the Treasury Strategy adopted by Shropshire Council. The investment policy will have regard to the Communities for Local Government (CLG) Guidance on Local Government Investments, the Audit Commission's report on Icelandic investments and the 2011 revised CIPFA Treasury Management Code of Practice.

6.2 The investment priorities for the management of Pension Fund cash balances are the security of capital and the liquidity of its investments. The Fund will also aim to achieve the optimum return on its cash investments commensurate with proper levels of security and liquidity.

6.3 The CLG guidance requires Shropshire Council to categorise their investments as either "specified" or "non specified" investments. Shropshire Council as Administering Authority for the Pension Fund will adopt these same categorisations for the investment of Pension Fund cash. Specified investments are deemed as "safer" investments and must meet the following conditions:-

- be denominated in Sterling

- have less than 12 months duration

- not constitute the acquisition of share or loan capital

- be invested in the government or a local authority or a body or investment scheme with a “high” credit quality.

6.4 The Fund is required to specify its creditworthiness policy and how frequently credit ratings should be monitored. It must also specify the minimum level of such investments.

6.5 The Fund is required to look at non specified investments in more detail. It must set out:

- Procedures for determining which categories of non-specified investments should be used

- The categories deemed to be prudent

- The maximum amount deemed to be held in each category

- The maximum period for committing funds

6.6 As all of the Funds’ investments will be placed in sterling for periods up to 12 months with highly credit rated institutions all investments will be classified as specified investments. It is recommended that the maximum limit of £4 million is set for other Local Authorities and institutions which are part nationalised and £2 million for institutions which meet the minimum credit ratings but are not supported by the Government. Any changes to the minimum credit ratings or maximum limits must be approved by the Scheme Administrator (Section 151 Officer).

6.7 The Fund may use for the prudent management of its cash balances any of the specified investments detailed on Appendix A.

6.8 In order not to reply solely on institutions credit ratings there have also been a number of other developments since the credit crunch crisis which require separate consideration and approval. Nationalised and Part Nationalised Banks in the UK effectively take on the creditworthiness of the Government itself i.e. deposits made with them are effectively being made to the Government. This is because the Government owns significant stakes in the banks and this ownership is set to continue despite a partial return of some Lloyds shares back into private ownership. Capita are still supportive of the Fund using these institutions with a maximum 12 month duration. For this reason Royal Bank of Scotland (RBS) and National Westminster Bank which are part of the RBS group are included on the approved counterparty list.

6.9 Local Authorities are not credit rated but where the investment is a straightforward cash loan, statute suggests that the credit risk attached to English and Welsh local authorities is an acceptable one (Local Government Act 2003 s13). Local authorities are therefore included on the approved list.

6.10 The use of AAA rated Money Market Funds (MMFs) may be considered but only with the express approval of the Scheme Administrator (Section 151 Officer).

7. Creditworthiness Policy

7.1 It is proposed that the Fund will adopt the same methodology as Shropshire Council when determining the minimum credit ratings to be used. The Creditworthiness policy has been adopted from Shropshire Council's Treasury Strategy who use information provided by their treasury advisor, Capita Asset Services. This service has been progressively enhanced following the problems with Icelandic Banks in 2008. Capita use a sophisticated modelling approach with credit ratings from all three rating agencies Fitch, Moody's and Standard and Poor's. In accordance with the revised Treasury Management Code of Practice they do not rely solely on the current credit ratings of counterparties but also use the following as overlays:-

- Credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give an early warning of likely changes in credit ratings
- Soveriegn ratings to select counterparties from only the most creditworthy countries

7.2 This modelling approach combines credit ratings, credit watches, credit outlooks and CDS spreads in a weighted scoring system for which the end product is a series of colour code bands which indicate the relative creditworthiness of counterparties. These colour codes are also used to determine the duration of investments and are therefore referred to as durational bands. The Fund is satisfied that this service now gives a much improved level of security for its investments. It is also a service which would not be able to replicate using in-house resources.

7.3 The selection of counterparties with a high level of creditworthiness will be achieved by a selection of institutions down to a minimum durational band with Capita's weekly list of worldwide potential counterparties. The Fund will therefore use counterparties within the following durational colour bands:-

- Yellow – 5yrs e.g. AAA rated Government debt, UK Gilts, Collateralised Deposits
- Dark Pink – 5 years for Enhanced Money Market Funds with a credit score of 1.25 (Not currently used)
- Light Pink - 5 years for Enhanced Money Market Funds with a credit score of 1.5 (Not currently used)
- Purple - 2yrs (Council & Pension Fund currently has maximum of 1 year)
- Blue - 1 year (only applies to nationalised or part nationalised UK Banks)
- Orange - 1 year
- Red - 6 months
- Green – 100 days
- No colour – not to be used

7.4 Although the maximum period limit is currently 5 years the Fund will take a more prudent approach and not invest for any longer than 12 months.

7.5 All credit ratings are monitored continuously and formally updated monthly by the Administering Authority. The Administering Authority is alerted to changes to ratings of all three agencies through its use of the Capita's creditworthiness service. The Fund will use the same policy when constructing its approved lending list. If a counterparty's or investment scheme's rating is downgraded with the result that it no longer meets the Funds minimum criteria, the further use of that counterparty will be withdrawn immediately.

7.6 Sole reliance will not be placed on the use of this external service. Officers also use market data and information and regularly monitor the financial press.

8. Country Limits

8.1 It is recommended that the Fund will only use approved counterparties from countries with a minimum sovereign credit rating of AA- from Fitch Ratings (or equivalent from other agencies). However, following the problems with Icelandic Banks lending is currently restricted to the UK which currently has a sovereign credit rating of AA+ and Sweden which has the highest possible sovereign rating of AAA. The S151 Officer has delegated authority to revert back to placing investments in countries with a minimum sovereign credit rating of AA- in line with Capita's revised creditworthiness policy if required.

9. Investment Strategy

9.1 The next financial year is expected to see investment rates continue at historically low levels. The Bank Rate has remained at 0.50% since March 2009. It is not expected to rise to 0.75% until December 2016. By March 2018 the bank rate is expected to rise to 1.25%. This view is based on the latest forecasts obtained by the Administering Authority's treasury advisor, Capita Asset Services.

9.2 It is anticipated that balances available for investment will be between £3 - 15 million which will be invested short term in accordance with the approved lending list. Separate lending and period limits have been approved for investment of Pension Fund cash.

9.3 Short term cash flow requirements limit the scope for longer term investments. For cash flow generated balances we will seek to utilise the business reserve accounts with National Westminster Bank and Svenska Hadelsbanken and short dated deposits (overnight - 3 months) in order to benefit from the compounding of interest.

9.4 All investments will be made in accordance with the Funds treasury strategy and in accordance with the CLG investment regulations.

10. Short Term Borrowing

10.1 The current banking and investment arrangements mean the Fund has not needed to borrow on the money markets to fund day to day transactions. The new investment regulations give the Administering Authority an explicit power to borrow for up to 90 days, for the purpose of the pension fund. This will enable borrowing for cash flow purposes such as to ensure that scheme benefits can be made on time. Any borrowing needs to have an identifiable income from which repayment of the borrowed amount and related interest can be funded.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pension Fund Treasury Strategy 2015/16, Pensions Committee 20 March 2015
Cabinet Member N/A
Local Member N/A
Appendices A. Specified Investment Schedule

<u>Appendix A</u>

<u>SPECIFIED INVESTMENTS</u>

All investments listed below must be sterling-denominated.

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / Minimum Credit Rating	Capital Expenditure?	Circumstance of use	Maximum period
Term deposits with the UK government (e.g. DMO Account) or with English local authorities (i.e. local authorities as defined under Section 23 of the 2003 Act) with maturities up to 1 year	No	Yes	High security although LAs not credit rated.	NO	In-house	1 year
Term deposits with credit-rated deposit takers (banks and building societies), including callable deposits, with maturities up to 1 year	No	Yes	Yes – Minimum colour band Green	NO	In-house	1 year
Certificates of Deposit issued by credit-rated deposit takers (banks and building societies) up to 1 year. *Custodial arrangement required prior to purchase*	No	Yes	Yes – Minimum colour band Green	NO	In house buy and hold	1 year
Banks nationalised by high credit rated (sovereign rating) countries	No	Yes	Minimum Sovereign Rating AA-	No	In house	1 year
UK Nationalised & Part Nationalised banks	No	Yes	Yes – Minimum colour band green	No	In house	1 Year

Investment	Share/ Loan Capital?	Repayable/ Redeemable within 12 months?	Security / 'High' Credit Rating criteria	Capital Expenditure?	Circumstance of use	Maximum period
Government guarantee on all deposits by high credit rated (sovereign rating) countries	No	Yes	Yes – Minimum Sovereign Rating AA-	No	In house	1 year
Bonds issued by multilateral development banks (Euro Sterling Bonds as defined in SI 2004 No 534) or issued by a financial institution guaranteed by UK government with maturities under 12 months. *Custodial arrangement required prior to purchase*	No	Yes	AAA	NO	In-House on a buy and hold basis after consultation/advice from Capita&	1 year
Gilt Funds and Bond Funds	No	Yes	AAA	NO	In House	1 year
Gilts : up to 1 year *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed UK Sovereign Rating	NO	In House on a buy and hold basis	1 year

Contact: *Justin Bridges on (01743) 252072*

Money Market Funds & Government Liquidity Funds (including CCLA Fund) & Enhanced Money Market Funds	No	Yes	Yes AAA rated & UK sovereign rating. Enhanced MMFs minimum colour Dark Pink/Light Pink & AAA rated	NO	In-house	the period of investment may not be determined at the outset but would be subject to cash flow and liquidity requirements. Deposits are repayable at call.
Treasury bills [*Government debt security with a maturity less than one year and issued through a competitive bidding process at a discount to par value*] *Custodial arrangement required prior to purchase*	No	Yes	Govt-backed UK Sovereign Rating	NO	In House	1 year

Monitoring of credit ratings:
All credit ratings will be monitored continuously and formally updated on a monthly basis. If a counterparty or investment scheme is downgraded with the result that it no longer meets the Pension Fund's minimum credit criteria, the use of that counterparty / investment scheme will be withdrawn.
Any intra-month credit rating downgrade which the Pension Fund has identified that affects the Pension Fund pre-set criteria will also be similarly dealt with.

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Committee and Date	Item
Pensions Committee 18 March 2016 10.00am	**12** 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 October 2015 to 31st December 2015.

2. Recommendations

2.1 Members are asked to accept the position as set out in the report, Manager Voting Reports at Appendix A and BMO Global Asset Management Responsible Engagement Overlay Activity Report at Appendix B.

REPORT

3. Risk Assessment and Opportunies 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. BMO Global 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 BMO Global Asset Management 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.

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 27 November 2015
Cabinet Member N/A
Local Member N/A
Appendices A. Manager Voting Activity Reports. B. BMO Global Asset Management Responsible Engagement Overlay Reports.

VOTING POLICY

MAJEDIE
Asset Management

We introduced our own customised voting policy in the first quarter of 2014, run in parallel with ISS's policy. The majority of areas in which our policy differs from that of ISS are within the smaller company sector, in which we are a leading participant, and relates to capital raising with pre-emptive shareholder rights; these are by their nature often associated with smaller companies. It is not inconceivable that we will make exceptions and vote against our own policy: as with all our voting, we proceed on a case by case basis.

We regard a smaller company as having a market capitalisation of £1.5bn or less.

Below are the specifics of the policy:

Agenda Type	ISS policy	Majedie Policy
Smaller Company Board Structure	Where Non-Executive Directors (NEDs) are members of internal boards, or where members of the board sit on more than one internal committee, this is regarded as being against best practice, and therefore the recommendation is to vote against such proposals.	Give smaller companies greater flexibility in the composition of their boards for practical reasons, given personnel limitations, unless we take issue with one of the board members.
Issuances with Pre-emptive Rights	Proposals of greater than 33% of Issued Share Capital are against best practice and therefore the recommendation is to vote against.	As shareholders we will be given the right to take up the issuance, and therefore will not be diluted. We therefore vote for such proposals.
Issuances without Pre-emptive Rights	Proposals of greater than 10% of Issued Share Capital are against best practice and therefore the recommendation is to vote against.	Vote in line with ISS as such issuances are potentially dilutive for shareholders.
Political Contributions	Vote for.	Vote against. We like to maintain an independent stance.

VOTING SUMMARY

Over the quarter, Majedie Asset Management voted at a total of 51 meetings on 376 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	40	
Number of resolutions	270	
Where we voted in line with Management	261	(96.7%)
Where we have not voted in line with Management	9	(3.3%)
Where we voted against ISS's recommendation	15	(5.6%)

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	5	4
Remuneration	0	4
Board election & related proposals	1	7
Capitalisation	0	0
Miscellaneous	2	0
Reorg. and Mergers	1	0
Shareholder proposals	0	0
Total	9	15

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING BREAKDOWN

SECURITY	MEETING DATE	MEETING TYPE	MAJEDIE VOTE	IN LINE WITH ISS
Ambrian	16 Oct 2015	EGM	Voted for all	Yes
Amlin	03 Nov 2015	Court	Voted for all	Yes
Amlin	03 Nov 2015	EGM	Voted for all	Yes
Bango	30 Nov 2015	EGM	Voted for all	Yes
BHP Billiton	22 Oct 2015	AGM	Voted for all	Yes
bwin.party digital entertainment	15 Dec 2015	Court	Voted for all	Yes
bwin.party digital entertainment	15 Dec 2015	EGM	Voted for all	Yes
Clinigen (1)	27 Oct 2015	AGM	Against Resolution 8	No
CVS Group	26 Nov 2015	AGM	Voted for all	Yes
Dunelm (2)	24 Nov 2015	AGM	Against Resolution 25	Yes
EMED Mining (3)	13 Oct 2015	EGM	Voted for all	No
Gemfields (4)	02 Dec 2015	AGM	Voted for all	No
Gresham House (5)	20 Nov 2015	EGM	Voted for all	No
Griffin Mining	22 Oct 2015	EGM	Voted for all	Yes
Innovation Group	09 Oct 2015	EGM	Voted for all	Yes
LMS Capital	14 Dec 2015	EGM	Voted for all	Yes
Mediobanca	28 Oct 2015	EGM	Voted for all	Yes
Norseman Gold (6)	30 Dec 2015	AGM	Withold on Resolutions 1, 3	No
OPG Power Ventures (7)	07 Oct 2015	AGM	Voted for all	No
Rambler Metals and Mining (8)	03 Dec 2015	AGM	Voted for all	No
Rank Group (9)	15 Oct 2015	AGM	Against Resolution 15	No
Raven Russia	15 Oct 2015	EGM	Voted for all	Yes
Restore	07 Dec 2015	EGM	Voted for all	Yes
Rockhopper Exploration	14 Dec 2015	EGM	Voted for all	Yes
Ryanair	22 Oct 2015	EGM	Voted for all	Yes
Scapa Group (10)	16 Nov 2015	EGM	Voted for all	No
Sirius Real Estate	17 Dec 2015	EGM	Voted for all	Yes
Sky (11)	04 Nov 2015	AGM	Against Resolution 16	No
Speymill Deutsche Immobilien (12)	07 Dec 2015	AGM	Against Resolutions 1, 2	Yes
St Ives	26 Nov 2015	AGM	Voted for all	Yes
Sylvania Platinum	30 Oct 2015	AGM	Voted for all	Yes
Trinity Mirror	13 Nov 2015	EGM	Voted for all	Yes
Unione di Banche Italiane	09 Oct 2015	EGM	Voted for all	Yes
Vernalis (13)	02 Dec 2015	AGM	Voted for all	No
Victoria Oil & Gas (14)	30 Nov 2015	AGM	Voted for all	No
Volution Group (15)	15 Dec 2015	AGM	Against Resolution 13	No
YouGov	09 Dec 2015	AGM	Voted for all	Yes

Source : ISS (Institutional Shareholder Services)

VOTING NOTES

1) Clinigen Group: we voted in line with Majedie policy with regard to political donations.

2) Dunelm Group: we decided to vote against the motion, in line with ISS as there were a number of consequences to consider, both in terms of the block of family shares potentially requiring special dividends and other similarly preferential decisions, which were tailored to the family block rather than the wider shareholder group. In this case there was less obvious alignment with our clients and more ambiguity than in some other cases.

3) EMED Mining: ISS recommended a vote against the granting of options to directors and senior managers owing to the short vesting period of the awards. In light of the recent developments and progress of the company we felt that the awards were reasonable and necessary to retain and motivate directors. We therefore voted in favour.

4) Gemfields: on Resolutions 2, Graham Mascall serves on the Audit Committee, Remuneration Committee and Nomination Committee. Whilst we prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour. On Resolution 4, Clive Newall served on the Audit Committee, the Remuneration Committee and the Nomination Committee. Whilst we prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour.

5) Gresham House: After careful consideration we decided to support the management on this item as they have achieved a significant turnaround in the company's fortunes in the last year. The changes to the company since the new team arrived have been explained by the management in meetings with the fund manager and an open dialogue has developed. Therefore we have chosen to take a less rigid approach, befitting the particular circumstances of the company at this stage in its development.

6) Norseman Gold: ISS do not provide a recommendation for delisted companies. As the company provided insufficient information for us to fully evaluate the reports, we chose to vote against the financial statements and statutory reports. We did not vote on the election of Kevin Maloney as we did not have enough information regarding his appointment.

7) OPG Power Ventures: Martin Gatto serves on both the Audit Committee and the Remuneration Committee. Whilst we prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour.

8) Rambler Metals & Mining: on Resolutions 2 and 3, ISS recommended a vote against the re-election of Tat Sze Chan, Cong Chen and John Thomson as they were non-independent NEDs and were currently members of the Audit and Remuneration committees, which is against best practice. Whilst we prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour. On Resolution 8, John Thomson served on both the Audit Committee and the Remuneration Committee. Whilst we prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we also chose to vote in favour of this item.

9) Rank Group: we voted in line with Majedie policy with regard to political donations.

10) Scapa Group: ISS recommended a vote against the Value Creation Plan as it allowed for the re-testing of performance conditions, which is contrary to best practice recommendations. The fund manager was able to support the management as he has had extensive discussions with them about the scheme. At this point in the company's development it was critical that key staff were retained and incentivised. We therefore voted in favour of the Value Creation Plan, however, the fund manager will keep the programme under scrutiny as the company moves to the next stage, reviewing the company's financial information in line with our usual practice and keeping it on the agenda at our regular company meetings.

11) Sky: we voted in line with Majedie policy with regard to political donations.

12) Speymill Deutsche Immobilien: on Resolution 1, ISS recommended a vote against the Financial Statements and Statutory Reports as the company had not provided a copy of its latest annual report. We agreed and therefore voted in line with ISS. On Resolution 2, ISS recommended a vote against James Mellon as the company did not disclose any information on the Board and the nominees. We agreed and therefore voted in line with ISS. We note that this stock has been delisted.

13) Vernalis: ISS recommended a vote against the remuneration report as the long-term incentive awards granted to executive directors, allowed for retesting of performance criteria. ISS acknowledge that the targets were sufficiently stretching, however, the time period over which they measured performance was not in line with UK market practice. We were supportive of the management's strategy and agreed that the targets were exacting, so therefore voted in favour.

14) Victoria Oil & Gas: ISS recommended we abstain on the re-election of Kevin Foo as he held the combined role of Chairman and CEO. We feel that smaller companies should be given increased flexibility in the composition of their Board. We therefore voted in favour.

15) Volution Group: we voted in line with Majedie policy with regard to political donations.

Our Corporate Governance & Responsible Investment

Latest News and Development

Awards
We are pleased to announce that in December, LGIM's Corporate Governance and Responsible Investment Team were recognised at the ICSA Awards Ceremony for its stewardship efforts by winning the "Best Investor Engagement 2015" award voted by company secretaries in the UK FTSE 350. In addition, our Head of Sustainability won a global award from the Columbia Law School for "Rising Star of Corporate Governance".

Cyber Security
LGIM wrote an article for the Financial Times on Cyber Security to raise awareness within the market. The article highlighted the need for Boards to be more strategic in analysing this risk and calls for compulsory cyber audits to be held. We will continue to engage with companies and other stakeholders on this issue in 2016.
http://www.ft.com/cms/s/0/f6b50038-92a1-11e5-bd82-c1fb87bef7af.html#axzz3wGV83GXe

Quarterly Reports
Since we wrote to the chair of FTSE350 companies to lend our support in discouraging quarterly reporting, our parent company, Legal & General Group Plc (L&G), has announced that it will no longer provide quarterly reports from 2016.

Trip to Asia
We visited three ASEAN countries (Thailand, Malaysia and Indonesia) in November where several meaningful corporate governance changes are taking place. These include the introduction of policy roadmaps to develop corporate governance and stewardship codes. We took the opportunity to meet with local regulators, stock exchanges and companies to promote this positive momentum. We also attended a conference in Kuala Lumpur to meet local investors and companies directly.

Tax Disclosure
Together with other global investors, we published a guidance note on the risks from certain companies' tax practices and an engagement toolkit in November.
http://2xjmlj8428u1a2k5o34l1m71.wpengine.netdna-cdn.com/wp-content/uploads/PRI_Tax-Guidance-20151.pdf
We initiated this collaborative work nearly three years ago as we considered this topic to be emerging and pertinent to investors who currently receive limited information on companies' tax policy and stances. We expect further focus on this theme going forward as the regulatory environments evolve.

Climate Change
The climate change conference (COP21) that took place in December successfully had c.200 countries to agree on a mutual target to keep the global temperature to 2°c (with the intention to keep it at 1.5°c) above pre-industrial levels. In anticipation for this political momentum and ever changing technological advancements, our latest fundamentals article (http://www.legalandgeneralgroup.com/assets/portal/files/Fundamentals_Oct_2015.pdf) highlighted the path of energy transition and its potential impacts on our investments. We are committed to further communicating to clients the role of investors and the options available to address this long term risk/opportunity in 2016.

Retail Conference and Audit Quality Forum
At LGIM's conference for the Retail business, we presented to over 170 leading financial wealth managers on the importance of environmental, social and governance issues and the responsibility that comes with being one of the world's largest asset managers. Furthermore, we presented at the Audit Quality Forum in front of 300 people on the importance of corporate culture and the ability to provide assurance.

Stewardship in Italy
LGIM was a panel member at the Italian Corporate Governance Conference to discuss how investor stewardship can be enhanced in Italy.

Policy and Practice

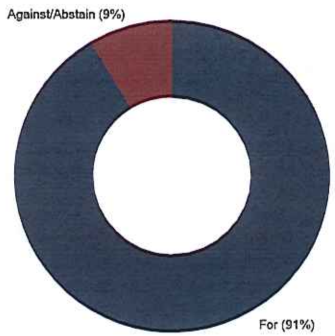
We aim to maximise and protect shareholder value on behalf of our clients by exercising their voting rights. We also engage with companies both directly and collaboratively with other investors to reduce risks of corporate failure and promote best practice. We comply with the principles set out in the UK Stewardship Code and are a signatory to the UN Principles of Responsible Investment (PRI)
http://www.lgim.com/uk/en/capabilities/corporate-governance/

In order to demonstrate key governance issues, voting statistics are divided up into main voting categories. We engage on a range of Environmental, Social, Governance (ESG) and Financial issues and integrate all components where appropriate.

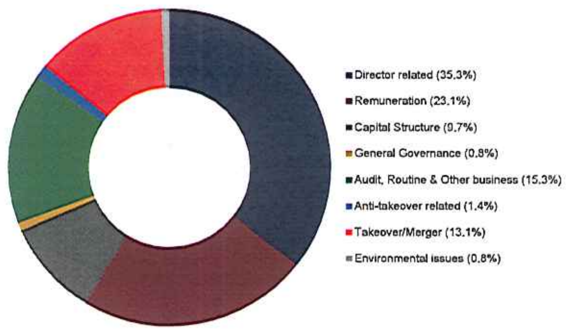
All votes in the UK, North American and Japanese markets are publicly disclosed on our website along with our voting policies.

LGIM votes in all major developed markets including: Europe, North America, Japan and Asia Pacific, and have minimised abstentions. We also vote in the major emerging markets and have started reporting on our activities in this region.

Voting Decisions



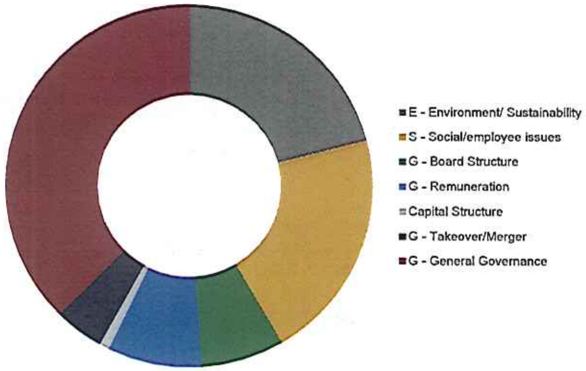
Against/Abstain Votes by Topic



Source: Legal & General Investment Management

Our Corporate Governance & Responsible Investment

Engagement Topics & Frequencies



Meetings covering one or more of ESG and F topics*				Number of meetings
E	S	G	F	157
48	47	134	42	
Environment/sustainability				48
Social/employee issues				47
Board Structure				17
Remuneration				19
Capital Structure				2
Takeover/merger				10
General Governance**				86

*Please note meetings may be double counted as we often discuss more than one issue in a meeting.
**General Governance category covers topics including general corporate governance issues, company performance and strategy, audit and risk, and voting rights.

Source: Legal & General Investment Management

Key Company Engagements on E(Environmental), S(Social), G(Governance) and F(Financial) Topics

Banking Remuneration		Financial	UK and Europe	G

During 2015 the UK's Prudential Regulatory Authority and the European Banking Authority released new requirements for remuneration structures within the banking sector. Due to these changes most banks within the UK and Europe will need to revise their executive remuneration policies in 2016. Over the past few months we have met with all the UK banks and major European banks to ensure remuneration continues to be weighted towards the long-term, is clearly linked to corporate strategy, and appropriately assesses culture and behaviour. We also expressed our expectation that total quantum of awards will not increase.

AstraZeneca and GlaxoSmithKline	M.Cap: £58.6bn & £66.8bn	Pharmaceuticals	UK	G, F

Post the Valeant scandal in the US, we reviewed the methodology used in the pharmaceutical sector for adjusting earnings for exceptional items, so called 'core' earnings. We are concerned with the growing divergence between 'core' earnings and the audited earnings at both companies. The 'core' earnings number is important as it is often the basis for executive remuneration. We have raised our concerns with the Chairmen of both AstraZeneca and GlaxoSmithKline and requested the respective boards review their use of core earnings. LGIM will continue to engage with AstraZeneca, GlaxoSmithKline and the sector generally to ensure adjustments to 'core' earnings numbers are appropriate.

Bank of America	M.Cap: $175.2bn	Financials	US	G

Following the EGM which the company deemed a success (as reported in the Q3 PMC report), the company has stepped up its engagement efforts with shareholders in order to begin to understand shareholder concerns and to demonstrate the strength of the Lead Director. LGIM met the Lead Director to understand more fully his role and to discuss the decisions and company actions in the lead up to the vote. Furthermore, we wanted a greater insight in to how the board refreshes its members, maintains oversight of the company and how it is managed in terms of independence. We encouraged the company to commit to engaging with shareholders on a regular basis.

Microsoft	M.Cap: $443.2bn	Technology	US	G

We spoke to Microsoft regarding their newly designed compensation programmes. We continue to have concerns around the discretionary nature of the short term plan and encouraged them to move beyond 50% of the total long term equity award being based on performance. In light of the compensation committee taking on board our feedback and making positive changes to the compensation plans, we supported the plan this year. However, we have asked the company to make further progress in the future to enable us to support the plans going forward. At the general meeting, 73% of shareholders supported the say on pay proposal.

Royal Dutch Shell	M.Cap: £100bn	Oil & Gas	UK	G, F

Meetings have been held with the Chairman and management during the quarter to discuss the merger with BG Group. The issues discussed included the rationale behind the transaction given the declining oil price, the financial return on the deal and cultural integration of the two companies. In addition, we discussed the governance process behind analysing the merger to ensure that Non-Executive Directors have sufficient independent information to scrutinise the proposal. We will continue to engage with the company in order to assess the merits and risks of the transaction before coming to a voting decision at the General Meeting on 27th January 2016.

BHP Billiton	M.Cap: £44.4bn	Mining	UK / Australia	E, S, G, F

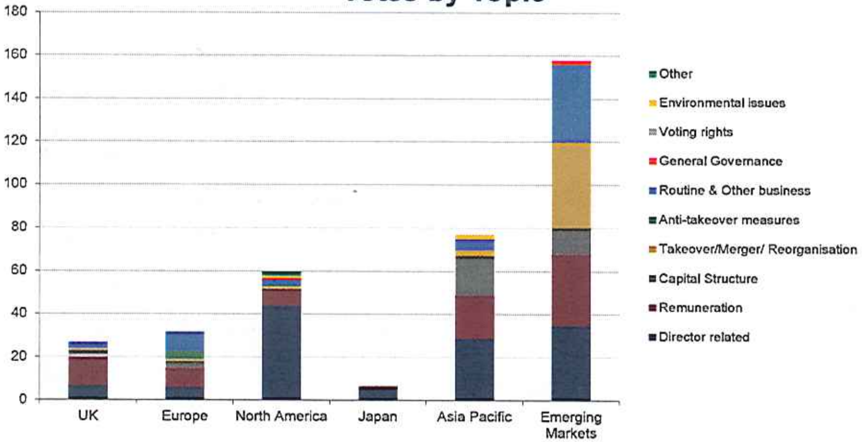
A meeting was held with the Chairman to better understand the company's financial position and approach to macro challenges in the sector for the short-medium term. In addition, a discussion around the Board's approach to capital allocation and dividends was also held. Lastly, the Company briefed us on their current stance on climate change and the situation of the dam collapse in Brazil. With regards to the latter, the Company is due to brief investors in early 2016.

Palm Oil Producers			Asia Pacific	S

We met with the largest Palm oil producer, Sime Darby in Malaysia and Astra Agro Lestari and Golden Agri in Indonesia. Due to the haze, caused by forest fires often associated with palm plantains, much of the conversations focused on supply chains controls. The practices vary greatly from one company to the next and the industry continues to suffer from the complexity of managing small scale growers as well as having weak regulatory enforcement on forestry control. We intend to ask retailers to continue the raise the demand for sustainable palm oil to promote higher standards in the industry.

Our Corporate Governance & Responsible Investment

Regional Breakdown of AGAINST and ABSTAIN Votes by Topic



Key Voting Decisions

United Kingdom

Findel M.Cap: £173.8m Retail UK

Sports Direct has a 17.5% stake in the Company and tried to appoint one of its own directors to the board as its CEO. This would have created conflicts of interest and undue influence over the board's decision making process. The Company appointed independent external search consultants to find candidates for the CEO role and also concluded that the proposed director did not have the adequate skills, knowledge or experience for the position. LGIM voted against the proposal to appoint the director at the general meeting due to governance concerns. The resolution was defeated, with 81% of shareholders voting against.

Electra Private Equity M.Cap: £1.5bn Financials UK

We supported the appointment of two Sherborne Investors (a US based activist shareholder) nominees to the board of Electra Private Equity plc in November 2015, including the founder of Sherborne. We agreed with their concerns regarding the clarity of the valuation of Electra's unlisted assets, an issue that was also raised by Electra's external auditor. Sherborne first called an EGM to elect their representatives in June 2014. At that time we considered that the current Electra Board were best positioned to take the necessary action. However, as 2015 progressed LGIM felt further change was required. The Sherborne representatives were elected to the Board with the support of 53.5% of shareholders. Following the EGM, the Chairman of Electra resigned from the Board.

Source: Legal & General Investment Management

United Kingdom

Genus M.Cap: £952.6m Pharmaceuticals UK

LGIM wrote to all FTSE 250 companies in October 2014, requesting companies to outline their policies and processes for increasing gender diversity on the board. Genus' board remains 100% male and the recruitment policies detailed in the annual report do not provide information on their policies or timeframes for implementing the Lord Davies recommendations. We therefore voted against the re-election of the Chairman at the AGM.

Sky Plc M.Cap: £19.2bn Media UK

We voted against the Remuneration Report due to poor transparency in terms of the targets set under the long-term incentive plan; the operation of the share matching plan; and the lack of stretch in the targets set. Furthermore, due to our on-going concerns with the company's remuneration policy, we escalated our concerns by voting against the Chair of the Remuneration Committee and will continue to engage with the company.

Europe

Vonovia and Deutsche Wohnen M.Cap: €13.4bn & €8.6bn Real Estate Germany

In October 2015 Vonovia, a German real estate company, launched a hostile bid for their competitor Deutsche Wohnen. We spoke to representatives from both Vonovia and Deutsche Wohnen to understand the rationale for the bid. We voted against Vonovia's issuance of new capital in connection with the bid, due to the low premium offered to Deutsche Wohnen shareholders, the capacity of Vonovia to absorb another large acquisition and concerns regarding the strategic rationale. The tender offer is scheduled for January 2016 and we will continue to monitor the situation.

Telecom Italia M.Cap: €21.6bn Telecommunications Italy

We voted against the shareholder resolutions proposed by Vivendi, a 20% shareholder in Telecom Italia, to appoint four of Vivendi's management team to the Telecom Italia board. LGIM, along with Assogestioni (the Italian Association of Asset Managers) and other investors, wrote to both the boards of Telecom Italia and Vivendi raising concerns regarding the proposals. Due to the size of Vivendi's shareholding and the relatively low turnout at the EGM, Vivendi were successful in appointing their representatives to the board. LGIM are continuing to work closely with Assogestioni and other investors to reduce the risk of creeping control to Telecom Italia shareholders.

US

Oracle M.Cap: $153.5bn Software US

For a fourth consecutive year, the say on pay proposal was voted down with 51% of shareholders voting against. Dissent on the say on pay structure has been consistent with 51% against in 2015, 54% against in 2014, 56% against in 2013, and 58% against in 2012. Shareholders signalled their dissatisfaction with the lack of response by the company year on year to this issue by voting against the entire Compensation Committee who each received approximately 30% votes against. The shareholder proposal to request the company implement the proxy access right was approved by 54.7% of votes. LGIM was included in the votes above and we shall continue to escalate our actions in the absence of constructive engagement.

Cisco Systems M.Cap: $137.8bn Technology US

The company had a shareholder proposal to adopt proxy access provisions on its ballot at its November AGM and despite the company expressing that shareholders should not support the proposal, it gained 63.9% support. We shall expect the company to adopt this right in the very near future in response to overwhelming support for the resolution by shareholders.

Our Corporate Governance & Responsible Investment

LGIM Voting Summary by Topic and Region

Between 01/10/2015 and 31/12/2015		UK			Europe			North America			Japan			Asia Pacific			Emerging Markets			Total
		FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN	FOR	AGAINST	ABSTAIN	
Management Proposals	Director related	471	6		76	5		301	42	1	62	6		257	29		378	35		1669
	Remuneration	113	13		20	9		57	8		5			143	20		53	32		473
	Capital structure	268	2		45	3		8						28	18		264	12		648
	Voting rights																			
	General governance																			
	Audit, Routine and company business	337	3		61	9		39	1	1	5			66	4		346	32		904
	Anti-takeover related	43						13	1					8						65
	Takeover/merger/reorganisation	44	1		10	1		17	1		4	1		7	3		216	40		345
	Social issues																			
	Preferred/bondholder item								1											1
Shareholder Proposals	SP – Anti-takeover measures				1	4														5
	SP – Director related	2	1			1		3	1								6			14
	SP - Remuneration							2										1		3
	SP - Capital structure																			
	SP - Voting rights																			
	SP – Corporate Governance							1	1									2		4
	SP - Routine and company business							1							1		9	4		15
	SP – Health/Environment								1						2					3
	SP - Social issues																			
	SP - Other							2	1											3
Total Votes		1278	26		213	32		444	58	2	76	7		509	77		1272	158		
Total number of resolutions		1304			245			504			83			586			1430			4152
Annual General Meetings (AGM)		82			9			34			6			87			42			260
Extraordinary General Meetings (EGM)		55			18			18			3			21			161			276
Number of companies voted at		137			26			51			9			102			175			500
Number of companies where there has been at least one resolution opposed/abstained		15			12			30			6			33			73			169

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

Source: Legal & General Investment Management

Vote Summary Report
Date range covered: 10/01/2015 to 12/31/2015
Institution Account(s): 5984 -Shropshire County Pension Fund

Credit Suisse Group AG

Meeting Date: 11/19/2015 | **Country:** Switzerland | **Primary Security ID:** H3698D419
Record Date: | **Meeting Type:** Special | **Ticker:** CSGN

Primary CUSIP: H3698D419 | **Primary ISIN:** CH0012138530 | **Primary SEDOL:** 7171589

Shares Voted: 276,252

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1	Approve CHF 2.3 Million Share Capital Increase without Preemptive Rights for Private Placement	Mgmt	For	For	For
2	Approve Share Capital Increase of Up to CHF 10.4 Million with Preemptive Rights	Mgmt	For	For	For
3.1	Additional Voting Instructions - Shareholder Proposals (Voting)	Mgmt	None	Against	Against
3.2	Additional Voting Instructions - Board of Directors Proposals (Voting)	Mgmt	None	Against	Against

Microsoft Corporation

Meeting Date: 12/02/2015 | **Country:** USA | **Primary Security ID:** 594918104
Record Date: 10/02/2015 | **Meeting Type:** Annual | **Ticker:** MSFT

Primary CUSIP: 594918104 | **Primary ISIN:** US5949181045 | **Primary SEDOL:** 2588173

Shares Voted: 46,600

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Elect Director William H. Gates, III	Mgmt	For	For	For
1.2	Elect Director Teri L. List-Stoll	Mgmt	For	For	For
1.3	Elect Director G. Mason Morfit	Mgmt	For	For	For
1.4	Elect Director Satya Nadella	Mgmt	For	For	For
1.5	Elect Director Charles H. Noski	Mgmt	For	For	For
1.6	Elect Director Helmut Panke	Mgmt	For	For	For
1.7	Elect Director Sandra E. Peterson	Mgmt	For	For	For
1.8	Elect Director Charles W. Scharf	Mgmt	For	For	For
1.9	Elect Director John W. Stanton	Mgmt	For	For	For
1.10	Elect Director John W. Thompson	Mgmt	For	For	For
1.11	Elect Director Padmasree Warrior	Mgmt	For	For	For

Microsoft Corporation

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against	For
3	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For	For

Koninklijke Philips N.V.

Meeting Date: 12/18/2015 **Country:** Netherlands **Primary Security ID:** N7637U112
Record Date: 11/20/2015 **Meeting Type:** Special **Ticker:** PHIA

Primary CUSIP: N6817P109 **Primary ISIN:** NL0000009538 **Primary SEDOL:** 5986622

Shares Voted: 196,101

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1	Elect A. Bhattacharya to Management Board	Mgmt	For	For	For

Vote Summary Report
Reporting Period: 10/01/2015 to 12/31/2015

Institution Account(s): Investec Funds Series iii - Global Dynamic

Telstra Corporation Limited

Meeting Date: 10/13/2015 **Country:** Australia
Meeting Type: Annual **Ticker:** TLS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
3a	Elect Russell A. Higgins as Director	Mgmt	For	For	For	For
3b	Elect Margaret L. Seale as Director	Mgmt	For	For	For	For
3c	Elect Steven M. Vamos as Director	Mgmt	For	For	For	For
3d	Elect Traci (Trae) Vassallo as Director	Mgmt	For	For	For	For
4	Approve the Grant of 758,564 Performance Rights to Andrew Penn, Chief Executive Officer of the Company	Mgmt	For	For	For	For
5	Approve the Remuneration Report	Mgmt	For	For	For	For

MEDNAX, Inc.

Meeting Date: 11/03/2015 **Country:** USA
Meeting Type: Special **Ticker:** MD

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Amend Nonqualified Employee Stock Purchase Plan	Mgmt	For	For	For	For
2	Approve Nonqualified Stock Purchase Plan	Mgmt	For	For	For	For

Institution Account(s): Investec Funds Series iii - Global Dynamic

Cardinal Health, Inc.

Meeting Date: 11/04/2015 **Country:** USA **Meeting Type:** Annual **Ticker:** CAH

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director David J. Anderson	Mgmt	For	For	For	For
1.2	Elect Director Colleen F. Arnold	Mgmt	For	For	For	For
1.3	Elect Director George S. Barrett	Mgmt	For	For	For	For
1.4	Elect Director Carrie S. Cox	Mgmt	For	For	For	For
1.5	Elect Director Calvin Darden	Mgmt	For	For	For	For
1.6	Elect Director Bruce L. Downey	Mgmt	For	For	For	For
1.7	Elect Director Patricia A. Hemingway Hall	Mgmt	For	For	For	For
1.8	Elect Director Clayton M. Jones	Mgmt	For	For	For	For
1.9	Elect Director Gregory B. Kenny	Mgmt	For	For	For	For
1.10	Elect Director Nancy Killefer	Mgmt	For	For	For	For
1.11	Elect Director David P. King	Mgmt	For	For	For	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For

Anhui Conch Cement Company Ltd

Meeting Date: 11/16/2015 **Country:** China **Meeting Type:** Special **Ticker:** 600585

Anhui Conch Cement Company Ltd

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
	EGM BALLOT FOR HOLDERS OF H SHARES	Mgmt				
1	Approve Provision of Guarantee for the Company's Subsidiaries and Invested Company	Mgmt	For	Against	Refer	Against

Cisco Systems, Inc.

Meeting Date: 11/19/2015 **Country:** USA
Meeting Type: Annual **Ticker:** CSCO

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Carol A. Bartz	Mgmt	For	For	Against	For
1b	Elect Director M. Michele Burns	Mgmt	For	For	Against	For
1c	Elect Director Michael D. Capellas	Mgmt	For	For	For	For
1d	Elect Director John T. Chambers	Mgmt	For	For	For	For
1e	Elect Director Brian L. Halla	Mgmt	For	For	For	For
1f	Elect Director John L. Hennessy	Mgmt	For	For	Against	For
1g	Elect Director Kristina M. Johnson	Mgmt	For	For	For	For
1h	Elect Director Roderick C. McGeary	Mgmt	For	For	Against	For

Cisco Systems, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1i	Elect Director Charles H. Robbins	Mgmt	For	For	For	For
1j	Elect Director Arun Sarin	Mgmt	For	For	For	For
1k	Elect Director Steven M. West	Mgmt	For	For	Against	Abstain
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For	For
4	Adopt Holy Land Principles	SH	Against	Against	Refer	Against
5	Adopt Proxy Access Right	SH	Against	For	Refer	For

Cigna Corporation

Meeting Date: 12/03/2015 **Country:** USA
Meeting Type: Special **Ticker:** CI

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Merger Agreement	Mgmt	For	For	Refer	For
2	Advisory Vote on Golden Parachutes	Mgmt	For	For	For	For
3	Adjourn Meeting	Mgmt	For	For	Refer	For

Comcast Corporation

Meeting Date: 12/10/2015 **Country:** USA
Meeting Type: Special **Ticker:** CMCSA

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Conversion of Securities	Mgmt	For	For	Refer	For

Medtronic plc

Meeting Date: 12/11/2015 **Country:** Ireland
Meeting Type: Annual **Ticker:** MDT

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Richard H. Anderson	Mgmt	For	For	For	For
1b	Elect Director Craig Arnold	Mgmt	For	For	For	For
1c	Elect Director Scott C. Donnelly	Mgmt	For	For	For	For
1d	Elect Director Randall J. Hogan, III	Mgmt	For	For	For	For
1e	Elect Director Omar Ishrak	Mgmt	For	For	For	For
1f	Elect Director Shirley Ann Jackson	Mgmt	For	For	Refer	For
1g	Elect Director Michael O. Leavitt	Mgmt	For	For	For	For
1h	Elect Director James T. Lenehan	Mgmt	For	For	For	For

Medtronic plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1i	Elect Director Elizabeth G. Nabel	Mgmt	For	For	For	For
1j	Elect Director Denise M. O'Leary	Mgmt	For	For	For	For
1k	Elect Director Kendall J. Powell	Mgmt	For	For	For	For
1l	Elect Director Robert C. Pozen	Mgmt	For	For	Refer	For
1m	Elect Director Preetha Reddy	Mgmt	For	For	For	For
2	Approve PricewaterhouseCoopers LLP as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
4	Advisory Vote on Say on Pay Frequency	Mgmt	One Year	One Year	One Year	One Year

Vote Summary Report

Date range covered: 10/01/2015 to 12/31/2015
Location(s): Massachusetts Financial Services
Institution Account(s): MFS Investment Fund - Global Equity Fund

Sky plc

Meeting Date: 11/04/2015
Record Date: 11/02/2015
Country: United Kingdom
Meeting Type: Annual
Primary Security ID: G8212B105
Ticker: SKY
Meeting ID: 1005004

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Final Dividend	Mgmt	For	For
3	Approve Remuneration Report	Mgmt	For	For
4	Re-elect Nick Ferguson as Director	Mgmt	For	For
5	Re-elect Jeremy Darroch as Director	Mgmt	For	For
6	Re-elect Andrew Griffith as Director	Mgmt	For	For
7	Re-elect Tracy Clarke as Director	Mgmt	For	For
8	Re-elect Martin Gilbert as Director	Mgmt	For	For
9	Re-elect Adine Grate as Director	Mgmt	For	For
10	Re-elect Dave Lewis as Director	Mgmt	For	For
11	Re-elect Matthieu Pigasse as Director	Mgmt	For	For
12	Re-elect Andy Sukawaty as Director	Mgmt	For	For
13	Re-elect Chase Carey as Director	Mgmt	For	For
14	Re-elect James Murdoch as Director	Mgmt	For	For
15	Reappoint Deloitte LLP as Auditors and Authorise Their Remuneration	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 the Company to Call EGM with Two Weeks' Notice	Mgmt	For	For

Pernod Ricard

Meeting Date: 11/06/2015
Record Date: 11/03/2015
Country: France
Meeting Type: Annual/Special
Primary Security ID: F72027109
Ticker: RI
Meeting ID: 987301

Vote Summary Report

Date range covered: 10/01/2015 to 12/31/2015
Location(s): Massachusetts Financial Services
Institution Account(s): MFS Investment Fund - Global Equity Fund

Pernod Ricard

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Ordinary Business	Mgmt		
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For
3	Approve Allocation of Income and Dividends of EUR 1.80 per Share	Mgmt	For	For
4	Approve Auditors' Special Report on Related-Party Transactions	Mgmt	For	For
5	Approve Agreements with Alexandre Ricard, Chairman and CEO	Mgmt	For	For
6	Ratify Appointment of Veronica Vargas as Director	Mgmt	For	For
7	Reelect Nicole Bouton as Director	Mgmt	For	For
8	Elect Kory Sorenson as Director	Mgmt	For	For
9	Appoint CBA as Alternate Auditor	Mgmt	For	For
10	Approve Remuneration of Directors in the Aggregate Amount of EUR 950,000	Mgmt	For	For
11	Advisory Vote on Compensation of Alexandre Ricard, Chairman and CEO Since Feb. 11, 2015 and Vice-CEO Previously	Mgmt	For	For
12	Advisory Vote on Compensation of Pierre Pringuet, CEO Until Feb. 11, 2015	Mgmt	For	Against
13	Advisory Vote on Compensation of Daniele Ricard, Chairman Until Feb. 11, 2015	Mgmt	For	For
14	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	Against
	Extraordinary Business	Mgmt		
15	Authorize Decrease in Share Capital via Cancellation of Repurchased Shares	Mgmt	For	For
16	Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights up to Aggregate Nominal Amount of EUR 135 Million	Mgmt	For	For
17	Authorize Issuance of Equity or Equity-Linked Securities without Preemptive Rights up to Aggregate Nominal Amount of EUR 41 Million	Mgmt	For	For

Pernod Ricard

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
18	Authorize Board to Increase Capital in the Event of Additional Demand Related to Delegation Submitted to Shareholder Vote Above	Mgmt	For	For
19	Authorize Capital Increase of up to 10 Percent of Issued Capital for Contributions in Kind		Mgmt	ForFor
20	Authorize Capital Increase of up to 10 Percent of Issued Capital for Future Exchange Offers		Mgmt	ForFor
21	Authorize Capitalization of Reserves of Up to EUR 135 Million for Bonus Issue or Increase in Par Value	Mgmt	For	For
22	Authorize up to 1.5 Percent of Issued Capital for Use in Restricted Stock Plans	Mgmt	For	For
23	Authorize up to 1.5 Percent of Issued Capital for Use in Stock Option Plans	Mgmt	For	For
24	Authorize Capital Issuances for Use in Employee Stock Purchase Plans	Mgmt	For	For
25	Amend Article 33 of Bylaws Re: Record Date	Mgmt	For	For
26	Authorize Filing of Required Documents/Other Formalities	Mgmt	For	For

Oracle Corporation

Meeting Date: 11/18/2015
Record Date: 09/21/2015
Country: USA
Meeting Type: Annual
Primary Security ID: 68389X105
Ticker: ORCL
Meeting ID: 1005074

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Jeffrey S. Berg	Mgmt	For	Withhold
1.2	Elect Director H. Raymond Bingham	Mgmt	For	Withhold
1.3	Elect Director Michael J. Boskin	Mgmt	For	Withhold
1.4	Elect Director Safra A. Catz	Mgmt	For	Withhold
1.5	Elect Director Bruce R. Chizen	Mgmt	For	Withhold
1.6	Elect Director George H. Conrades	Mgmt	For	Withhold
1.7	Elect Director Lawrence J. Ellison	Mgmt	For	Withhold
1.8	Elect Director Hector Garcia-Molina	Mgmt	For	Withhold
1.9	Elect Director Jeffrey O. Henley	Mgmt	For	Withhold

Vote Summary Report
Date range covered: 10/01/2015 to 12/31/2015
Location(s): Massachusetts Financial Services
Institution Account(s): MFS Investment Fund - Global Equity Fund

Oracle Corporation

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.10	Elect Director Mark V. Hurd	Mgmt	For	Withhold
1.11	Elect Director Leon E. Panetta	Mgmt	For	For
1.12	Elect Director Naomi O. Seligman	Mgmt	For	Withhold
2	Amend Executive Incentive Bonus Plan	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against
4	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For
5	Adopt Quantitative Renewable Energy Goals	SH	Against	Against
6	Proxy Access	SH	Against	For
7	Approve Quantifiable Performance Metrics	SH	Against	For
8	Amend Corporate Governance Guidelines	SH	Against	For
9	Proxy Voting Disclosure, Confidentiality, and Tabulation	SH	Against	Against
10	Report on Lobbying Payments and Policy	SH	Against	For

Cisco Systems, Inc.

Meeting Date: 11/19/2015 **Country:** USA **Primary Security ID:** 17275R102 **Meeting ID:** 1006006
Record Date: 09/21/2015 **Meeting Type:** Annual **Ticker:** CSCO

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Carol A. Bartz	Mgmt	For	For
1b	Elect Director M. Michele Burns	Mgmt	For	For
1c	Elect Director Michael D. Capellas	Mgmt	For	Against
1d	Elect Director John T. Chambers	Mgmt	For	For
1e	Elect Director Brian L. Halla	Mgmt	For	For
1f	Elect Director John L. Hennessy	Mgmt	For	For
1g	Elect Director Kristina M. Johnson	Mgmt	For	For
1h	Elect Director Roderick C. McGeary	Mgmt	For	For
1i	Elect Director Charles H. Robbins	Mgmt	For	For
1j	Elect Director Arun Sarin	Mgmt	For	For

Vote Summary Report
Date range covered: 10/01/2015 to 12/31/2015
Location(s): Massachusetts Financial Services
Institution Account(s): MFS Investment Fund - Global Equity Fund

Cisco Systems, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1k	Elect Director Steven M. West	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
4	Adopt Holy Land Principles	SH	Against	Against
5	Adopt Proxy Access Right	SH	Against	For

Grupo Financiero Banorte S.A.B. de C.V.

Meeting Date: 11/19/2015 **Country:** Mexico **Primary Security ID:** P49501201 **Meeting ID:** 1010017
Record Date: 11/05/2015 **Meeting Type:** Special **Ticker:** GFNORTEO

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Ordinary Business	Mgmt		
1	Amend Dividend Policy	Mgmt	For	For
2	Approve Cash Dividends	Mgmt	For	For
3	Approve Auditor's Report on Fiscal Situation of Company	Mgmt	For	For
4	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	For

Grupo Financiero Banorte S.A.B. de C.V.

Meeting Date: 11/19/2015 **Country:** Mexico **Primary Security ID:** P49501201 **Meeting ID:** 1010018
Record Date: 11/05/2015 **Meeting Type:** Special **Ticker:** GFNORTEO

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Extraordinary Business	Mgmt		
1	Amend Bylaws	Mgmt	For	For
2	Approve Modifications of Sole Responsibility Agreement	Mgmt	For	For

Vote Summary Report
Date range covered: 10/01/2015 to 12/31/2015
Location(s): Massachusetts Financial Services
Institution Account(s): MFS Investment Fund - Global Equity Fund

Grupo Financiero Banorte S.A.B. de C.V.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
3	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	For

Medtronic plc

Meeting Date: 12/11/2015 **Country:** Ireland **Primary Security ID:** G5960L103 **Meeting ID:** 993909
Record Date: 10/12/2015 **Meeting Type:** Annual **Ticker:** MDT

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Richard H. Anderson	Mgmt	For	For
1b	Elect Director Craig Arnold	Mgmt	For	For
1c	Elect Director Scott C. Donnelly	Mgmt	For	For
1d	Elect Director Randall J. Hogan, III	Mgmt	For	For
1e	Elect Director Omar Ishrak	Mgmt	For	For
1f	Elect Director Shirley Ann Jackson	Mgmt	For	For
1g	Elect Director Michael O. Leavitt	Mgmt	For	For
1h	Elect Director James T. Lenehan	Mgmt	For	For
1i	Elect Director Elizabeth G. Nabel	Mgmt	For	For
1j	Elect Director Denise M. O'Leary	Mgmt	For	For
1k	Elect Director Kendall J. Powell	Mgmt	For	For
1l	Elect Director Robert C. Pozen	Mgmt	For	For
1m	Elect Director Preetha Reddy	Mgmt	For	For
2	Approve PricewaterhouseCoopers LLP as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
4	Advisory Vote on Say on Pay Frequency	Mgmt	One Year	One Year

AutoZone, Inc.

Meeting Date: 12/16/2015 **Country:** USA **Primary Security ID:** 053332102 **Meeting ID:** 1010526
Record Date: 10/19/2015 **Meeting Type:** Annual **Ticker:** AZO

Vote Summary Report

Date range covered: 10/01/2015 to 12/31/2015
Location(s): Massachusetts Financial Services
Institution Account(s): MFS Investment Fund - Global Equity Fund

AutoZone, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Douglas H. Brooks	Mgmt	For	For
1.2	Elect Director Linda A. Goodspeed	Mgmt	For	For
1.3	Elect Director Sue E. Gove	Mgmt	For	For
1.4	Elect Director Earl G. Graves, Jr.	Mgmt	For	For
1.5	Elect Director Enderson Guimaraes	Mgmt	For	For
1.6	Elect Director J. R. Hyde, III	Mgmt	For	For
1.7	Elect Director D. Bryan Jordan	Mgmt	For	For
1.8	Elect Director W. Andrew McKenna	Mgmt	For	For
1.9	Elect Director George R. Mrkonic, Jr.	Mgmt	For	For
1.10	Elect Director Luis P. Nieto	Mgmt	For	For
1.11	Elect Director William C. Rhodes, III	Mgmt	For	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For
3	Amend Omnibus Stock Plan	Mgmt	For	For
4	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
5	Report on Political Contributions and Lobbying Expenditures		SH	AgainstAgainst

Shropshire County Council

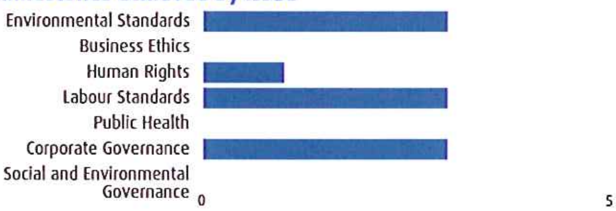
Q4 2015

The purpose of the ***reo***® (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 ***reo***® 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, ***reo***® works to drive behavioural change with companies, and records successful outcomes as 'milestones' – changes in corporate policies or behaviour following intervention.

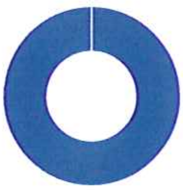
Companies engaged this quarter

Companies engaged	79
Milestones achieved	10
Countries covered	2

Milestones achieved by issue

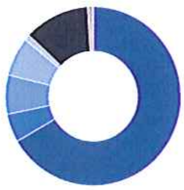


Companies engaged by country



United Kingdom	79

Companies engaged by issue **



Environmental Standards	66
Business Ethics	5
Human Rights	7
Labour Standards	7
Public Health	1
Corporate Governance	12
Social and Environmental Governance	1

BMO Global Asset Management

* ***reo***® is currently applied to £66.4bn ($100.8billion / €90.2billion) of assets as at 30th September 2015. ** Companies may have been engaged on more than one issue. *** This report has been compiled using data supplied by a third-party electronic voting platform provider. The statistics exclude ballots with zero shares and re-registration meetings. Meetings/ballots/proposals are not considered voted if: ballots have been rejected by voting intermediaries (e.g. where necessary documentation (such as Powers of Attorney, beneficial owner confirmation, etc.) was not in place); instructed as "Do not vote" (e.g. in share-blocking markets); or left uninstructed. This document is for professional advisors only and should not be circulated to other investors. Past performance should not be seen as an indication of future performance. Stock market and currency movements mean the value of, and income from, investments in the Fund are not guaranteed. They can go down as well as up and you may not get back the amount you invest. BMO Global Asset Management is a trading name of F&C Management Limited, which is authorised and regulated by the Financial Conduct Authority.

Company Engagement and Your Fund

Name	Country	Priority Company	Engagement	Milestone	In this report	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Social and Environmental Governance
Afren Plc	United Kingdom		✓			✓						
Alent Plc	United Kingdom		✓			✓						
Amec Foster Wheeler	United Kingdom		✓			✓						
Anglian Water Group Ltd	United Kingdom		✓			✓						
Anglo American	United Kingdom	✓	✓		✓	✓		✓				
Antofagasta	United Kingdom		✓			✓		✓				
Aquarius Platinum	United Kingdom		✓			✓						
Arrow Global Group plc	United Kingdom		✓								✓	
Associated British Foods	United Kingdom	✓	✓	✓	✓				✓			
Berendsen plc	United Kingdom		✓		✓						✓	
BG Group	United Kingdom	✓	✓	✓	✓	✓						
BP	United Kingdom	✓	✓	✓	✓	✓		✓	✓			
Cairn Energy	United Kingdom		✓			✓						
Carclo PLC	United Kingdom		✓			✓						
Centamin Plc	United Kingdom		✓			✓						
Centrica Plc	United Kingdom		✓			✓						
COPEL - Companhia Paranaense de Energia	United Kingdom		✓			✓						
Croda International plc	United Kingdom		✓			✓						
Drax Group	United Kingdom		✓			✓						
DS Smith Plc	United Kingdom		✓			✓						
Ecofin Water & Power Opportunities	United Kingdom		✓			✓						
Elementis PLC	United Kingdom		✓			✓						
Enquest Plc	United Kingdom		✓			✓						
Essentra PLC	United Kingdom		✓			✓						
Eversholt Funding PLC	United Kingdom		✓			✓						
Evraz Plc	United Kingdom		✓			✓						
Gas Natural	United Kingdom		✓			✓						
Gem Diamonds	United Kingdom		✓			✓						
GlaxoSmithKline	United Kingdom		✓							✓	✓	
Great Rolling Stock Co Ltd/The	United Kingdom		✓			✓						
Hanson Ltd	United Kingdom		✓			✓						
Hardy Oil & Gas PLC	United Kingdom		✓			✓						
High Speed Rail Finance 1 PL	United Kingdom		✓			✓						
Hochschild Mining	United Kingdom		✓			✓						
HSBC	United Kingdom	✓	✓		✓						✓	
Hunting plc	United Kingdom		✓		✓	✓	✓				✓	
Iluka Resources Ltd	United Kingdom		✓			✓						
John Wood Group	United Kingdom		✓			✓						
Johnson Matthey	United Kingdom		✓			✓						

Company Engagement and Your Fund

Name	Country	Priority Company	Engagement	Milestone	In this report	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Social and Environmental Governance
Jupiter European Opportunities Trust	United Kingdom		✓	✓	✓						✓	
Lamprell Plc	United Kingdom		✓			✓						
London Stock Exchange	United Kingdom		✓									✓
Lonmin	United Kingdom		✓			✓						
Marks & Spencer	United Kingdom		✓		✓				✓			
Marshalls	United Kingdom		✓			✓						
Mondi Plc	United Kingdom		✓			✓						
National Grid	United Kingdom		✓			✓						
Next plc	United Kingdom			✓	✓				✓			
Ophir Energy PLC	United Kingdom		✓			✓						
Pennon Group	United Kingdom		✓			✓						
Petra Diamonds Ltd	United Kingdom		✓			✓						
Petrofac Ltd	United Kingdom		✓			✓						
Polyus Gold International Ltd	United Kingdom		✓			✓						
Porterbrook Rail Finance Ltd	Jersey		✓			✓						
Randgold Resources Ltd	United Kingdom		✓			✓						
Rank Group plc	United Kingdom			✓	✓						✓	
Reckitt Benckiser Group PLC	United Kingdom	✓	✓		✓						✓	
Regenersis Plc	United Kingdom		✓		✓						✓	
Reliance Infrastructure	United Kingdom		✓			✓						
Rexam	United Kingdom		✓			✓						
Rio Tinto Plc	United Kingdom		✓			✓						
Royal Dutch Shell	United Kingdom	✓	✓	✓	✓	✓						
RPC Group	United Kingdom		✓			✓						
Ruffer Investment Company	Guernsey			✓	✓						✓	
Safestore Holdings	United Kingdom		✓		✓						✓	
Salamander Energy Plc	United Kingdom		✓			✓						
Scottish Oriental Small Cos	United Kingdom		✓		✓						✓	
Serco Group	United Kingdom		✓		✓			✓				
Severn Trent Water Ltd	United Kingdom		✓			✓						
Shire Plc	United Kingdom	✓	✓		✓		✓					
SOCO International	United Kingdom		✓			✓						
SSE Plc	United Kingdom		✓			✓						
SThree Plc	United Kingdom		✓								✓	
Synthomer plc	United Kingdom		✓			✓						
Tesco Plc	United Kingdom		✓	✓	✓				✓			
United Utilities Group PLC	United Kingdom		✓			✓						
Vedanta Resources	United Kingdom		✓			✓		✓				
Vodafone Group Plc	United Kingdom		✓		✓				✓			

Company Engagement and Your Fund

Name	Country	Priority Company	Engagement	Milestone	In this report	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Social and Environmental Governance
Wessex Water Services Finance	United Kingdom		✓			✓						
Western Power Distribution East Midlands Plc	United Kingdom		✓			✓						
William Hill PLC	United Kingdom		✓		✓		✓					
WPP Group Plc	United Kingdom		✓		✓						✓	

reo® Viewpoint – Public

October 2015

Anna-Sterre Nette, Associate Director, Governance and Sustainable Investment

Bangladesh revisited: progress slowly but surely

- Two years on from the collapse of Rana Plaza, we revisited Bangladesh for the second year running to check in on safety and labour reforms in the country's garment industry.
- Progress has been made around minimum wage, laws on worker unionisation, and building fire and safety inspections. Implementation of reforms by factories is lagging behind and international companies are being accused of failing to ensure safer factories.
- There is emerging recognition by brands and retailers that sustainable supply chain practices are not just costs but do make genuine business sense.

In April 2013, the Rana Plaza clothing manufacturing factory collapsed in the Bangladeshi capital of Dhaka. The incident resulted in more than 1,100 fatalities and was a result of poor building structure. Many international apparel brands were supplied directly and indirectly from the factory. It brought worldwide attention to the working conditions in Bangladesh as well as the practices of the global multi-national corporations sourcing from the country.

Last year, we went to the world's second-largest exporter of clothing on a fact-finding mission to engage local stakeholders on the pace and impact of the safety and worker rights' reform[1]. We found that international brands had improved their programmes to ensure supply chain policies are adhered to, but there continued to be underlying incentives for supplier non-compliance.

In June of this year, we went back to see for ourselves whether these programmes are working and forcing suppliers to alter their practices. One key finding emerged from our meetings: fire and building safety alone cannot truly improve working conditions without it going hand-in-hand with better protection.

[1] Details of the 2014 trip can be found in: reo Viewpoint 'Atonement: Bangladesh' garment industry seeks to build bright future" July 2014.

Multi-stakeholder delegation to Dhaka

We were invited to Bangladesh as part of a multi-stakeholder delegation together with Lilianne Ploumen, the Dutch minister for Foreign Trade and Development Cooperation, to promote sustainable supply chains in the Dutch textile sector. The Dutch government is funding, together with the United Kingdom and Canada, a programme by the International Labour Organisation (ILO) to: improve working conditions (Better Work Bangladesh); support the work of the National Tripartite Plan of Action (NTPA) on fire safety; and enhance relationships between the government of Bangladesh, factory owners, and employee representatives. The ILO program impacts policies and practices of our investee companies. After the official three-day program, we stayed on for another few days to visit factories that supply to the international brands together with the supply chain consultancy Impactt. This is an organisation founded by Rosey Hurst, who is a member of BMO Global Asset Management's Responsible Investment Advisory Council. Throughout the week we engaged industry representatives, trade unions, government officials, international brands and retailers, local factory employers and workers.

Continued

Engagement hurdles

Global apparel companies have generally been open to dialogue and engagement on the management of their supply chain risks in Bangladesh. We have held numerous discussions over the past two years with a broad number of companies. Despite this track record of responding to shareholder engagement positively, many of these companies were reluctant to meet us in the field in Bangladesh and schedule any factory visits for investors. The only company which invited us locally was **Associated British Foods** which sources products for its low-price clothing retail chain Primark.

We welcome Primark for showing leadership in its approach to investor dialogue on sustainability issues by taking an open and transparent approach. They discussed the achievements and challenges for increasing factory compliance with labour standards. This was another case of a learning we have developed through our engagement over the past few years: companies which sell clothes at low prices (and high volumes) do not necessarily have the weakest supply chain standards and source from the worst factories. In fact, western brands which offer products at different price points often are sourcing from the same factory.

Fire and building safety improvements

Companies signing on to the programmes of the *Accord on Fire* and *Building Safety in Bangladesh* (known as the Accord) and the *Alliance for Bangladesh Worker Safety* (the Alliance) agree upon a five-year commitment to invest in a safe ready-made garments (RMG) industry. The first phase of inspections was concluded in spring 2015. We were informed that under the two agreements a total of approximately 1,800 factories were surveyed for fire, electrical and structural safety. These were issues that before Rana Plaza had not routinely been part of company audits of factories. In addition, through the National Tripartite Action Plan (NTAP) the Bangladesh government is estimated to have inspected a further 700 factories. In total, the inspections account for around 80% of export-orientated factories. Examples of safety hazards that were identified in the inspection reports include blocked fire exits, poor quality fire doors and the absence of fire sprinklers. We were able to confirm these nature of problems during our own factory visits in Bangladesh. In a number of cases, we were told that temporary or permanent closure of factories were recommended. Workers affected by these closures were either relocated to other plants or received pay-outs of a few months' pay.

In Dhaka, we met with a number of buyers representing companies that signed the Accord or the Alliance. They told us that all of their supplier partners completed the sanctioned inspections and are now working on the corrective action plans. The main industry organisations, namely the Bangladesh Garment Manufacturers & Exporters Association and the Bangladesh Knitwear Manufacturers & Exporters Association, which hold considerable influence and sway over the Ministry of Commerce policies, said that the development and implementation of the corrective action plans is the real challenge. This is because of the investments needed in resources such as skills, time and finances. Indeed, concerns about the delays in remediation were confirmed in our discussions with member factories. Repairs and renovations require specific skillsets. Resources that are difficult to source locally in Bangladesh, such as expert engineers and fire doors, are being imported from India and China. It is reported that unions may consider initiating formal complaints against the main exporting brands signed up to the Accord and Alliance to make them account for the delays in improvements in the supplier factories.

Progress needed on workers' rights

Significant efforts are underway to make factories safer but we believe that more could be done to encourage factories to abide by international labour standards to protect workers' rights, including improving workers' productivity levels and the right to form unions and advocate for better working conditions. The local trade union leaders highlighted the importance of not losing the momentum for reform after Rana Plaza, especially for labour rights. Amendments to the Labour Act in 2013 now allow workers to unionise without requiring approval from factory owners. But after an initial spurt in union registrations, requests lately have slowed down and appear to be facing resistance from employers and others. Overall, it is estimated that only 350 out of approximately 5000 factories hold a trade union government registration. We question the effectiveness of these unions as some were launched by factory management instead of employees.

In our talks with the local trade unions, it was stressed that workers trying to organise face continuous intimidation and harassment. As a result most workers feel hesitant to unionise as the direct benefits are unclear. Effective dissemination of best practice examples of successful cooperation between factory management and trade unions highlighting efficiency and improved working conditions are needed. Most international companies prefer to support capacity development around a substitute for trade unions — the government mandated elected workers participation committees for all factories. These are made up equally of elected management and workers and if registered, union representatives. We question the use and influence of these bodies as debated topics generally hardly cover sensitive issues such as health and safety concerns, overtime restrictions and wage levels. These committees fail to rebalance the weak bargaining power of workers.

We want to stipulate to the international brands and retailers that forming trade unions on local factory levels remains the best available instrument to enhance labour rights. This encourages a balanced social dialogue between workers, factory owners and government bodies. We acknowledge that this is not an easy process. Reports of corrupt trade unions reiterate the need for capacity development and carve a clear coaching role for the multi-nationals in cooperation with non-governmental organisations.

Continued

Child labour concerns

Despite great strides made by multi-national corporations to establish strong standards within their supply chains, child labour continues to be a reality in Bangladesh. There are estimated to be 5000 garment factories in the country. This means that half of these factories, which are often the smaller ones, fall outside the scope of the current remediation programmes of the Accord and the Alliance. These factories do not directly supply exporting brands in Europe and North America but supply companies from other lower income countries which have no supply-chain standards to speak of.

We saw children working in small workshops first hand when we visited the district of Keraniganj which is in the old part of Dhaka. Some were as young as five years old. We call on the exporting brands and retailers not to remain indifferent to these types of excesses. Child labour remains a major challenge to overcome in Bangladesh and companies are vulnerable to reputational damage by sourcing from here without sufficient controls in place.

Conclusion and next steps

Low production costs and high product volumes have always been the main considerations for companies sourcing from Bangladesh. But several brands told us that failures in the rule of law, government corruption and poor working standards fuel social unrest. This in turn severely impacts quality, productivity and security of supply. These are costs that cannot be offset against the savings made from cheap labour for much longer. International apparel companies are willing to bear higher costs in return for better factory standards in Bangladesh to reduce these risks.

The garment employers' associations told us that some factories have reported higher order numbers following inspections. This exhibits that when brands, trade unions and governments work together in a legally binding framework, suppliers can profit despite the higher costs of implementing corrective action plans. We will continue to press companies to think beyond traditional strategies of business-led codes of conduct and monitoring schemes, which possibly have failed to work as well as hoped in the past. Overall, there is a clear need for brands and factories to work in partnership and build sustainable supply chain practices that link better working conditions with productivity improvements. We will continue to engage investee companies sourcing from Bangladesh on the topics above until the end of the 5-year Alliance and Accord commitments in 2018.

BMO Global Asset Management

ESG Viewpoint

November 2015

Yo Takatsuki, Associate Director, Governance and Sustainable Investment

Green bonds: financing the transition to a new economy

- Green bonds have grown rapidly in recent years and emerged as an effective investment tool to finance the transition to a low-carbon economy.
- The Green Bond Principles have played a critical role in establishing an industry-wide definition for green bonds; BMO Global Asset Management became members in 2015.
- Key challenge remains on how to harmonise the measuring and reporting of environmental impact.

Green bonds are a type of fixed income instrument where the proceeds raised are used to finance clearly defined projects which have environmental benefits. Projects financed include renewable energy, water conservation, energy efficiency, green buildings, clean transport and sustainable land use.

The potential for green bonds to raise billions, and even trillions, in capital to tackle climate change by funding the transition to a low-carbon economy is generating excitement. The International Energy Agency estimates that $53 trillion of energy investments are needed between now and 2035, or nearly $1 trillion of additional investments a year, to avoid climate change and limit global average temperature rises to within two degrees Celsius. Bank loans and government funding alone will not be sufficient in providing all the necessary financing and the expectation is for the capital markets – including green bonds – to fill much of this shortfall.

The green bonds market has grown rapidly in recent years as major issuers and leading institutional investors have acknowledged the opportunities from participating in this space. At BMO Global Asset Management, we consider that green bonds could develop into a critical transition financing instrument and we are playing a part in supporting the successful growth of the market. We are starting to see the signs of the market maturing and we now believe that green bonds can become an increasingly attractive asset for investors seeking to incorporate climate change considerations into their investment strategies.

Green bond characteristics

- Standard fixed income instruments but where the proceeds are exclusively for environmentally focused projects.
- Projects include renewable energy, energy efficiency, and green buildings.
- Green bonds offer the same credit risk as the issuer as most bonds are standard recourse to the issuer debt obligations.
- Green bonds trade in line with non-green bonds in the issuer's yield curve.
- Supranational agencies started the market in 2007.
- The market is investment grade dominated.
- US dollar and euro are the main currencies.
- The labelled green bond market stands at $85 billion (as of 31 Oct 2015)[1].

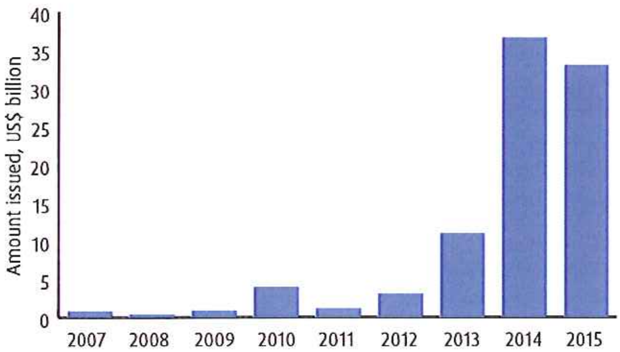
[1] Bank of America Merrill Lynch and Climate Bonds Initiative data

Continued

The history of green bonds is short. The first issuance was as recently as 2007 when supranational agencies pioneered green bonds as a way to assist governments in meeting their climate change related policy goals. AAA-investment grade issuances from **European Investment Bank** and the **World Bank** started the market. A major turning point was in 2013 when the first sizeable corporate green bonds were issued by **Électricité De France (EDF)** and **Bank of America**. 2014 was a landmark year with $36.6 billion of issuance – more than tripling the year before.

Despite vastly optimistic projections of $100 billion of issuance, 2015 hasn't been able to maintain that level of growth momentum, and is likely to end with issuances similar in size to the previous year. The smaller than expected issuance levels for the year is driven in part by lower supply from the supranational agencies. Nevertheless, we have seen the market develop through the year with a diversification of issuers. There have been issuers coming from the emerging markets, most notably China, as well as sub-investment grade (high-yield/junk), municipalities and regional governments. The green asset-backed securities also picked up steam. The market has also seen longer maturity of issuances with the 10-year+ section growing. Our expectation is for the market to grow steadily and to diversify further in the coming years. Also, corporates will continue the trend from 2015 by overtaking supranational agencies to become the established main issuer of green bonds.

Green bond issuances



Source: Bank of America Merrill Lynch, Climate Bonds Initiative. 2015 data as of 11 November 2015.

Green Bond Principles

A key development in the history of the green bonds market was the establishment of the Green Bond Principles in early 2014. As the market grew, it became important for an industry-wide framework to be set up to define exactly what constitutes a green bond. The Green Bond Principles were drafted by a group of the leading investment banks in this area and provides voluntary guidelines for issuers and underwriters to follow.

There are four components to the Principles[2]:

1. **Use of proceeds:** the most fundamental aspect of green bonds. How the proceeds from the bonds will be spent needs to be clearly described in the bond's legal documentations. The proceeds must be used for financing projects/initiatives with environmental benefits.
2. **Process for project evaluation and selection:** the issuer should clearly outline the decision making process it follows to determine the eligibility of projects using proceeds.
3. **Management of proceeds:** net proceeds of green bonds should be sufficiently separated from other funds. The management system should be sufficiently transparent to allow third-parties, such as auditors, to verify the internal tracking method and allocation of funds.
4. **Reporting:** issuers should provide, at least annually, a list and descriptions of projects to which green bonds proceeds have been allocated.

In addition, the Principles recommend that issuers use independent third-parties to conduct external assurance to confirm that the issuance is aligned with the four components of the Principles. A micro-industry of service providers has developed providing second party reviews, such as Vigeo and Cicero. Major accountancy firms with global scale such as KPMG have started to provide audit and assurance services.

Issuers, investors and underwriters which have participated in the market can become members of the Green Bond Principles. BMO Global Asset Management became investor members in 2015. BMO Capital Markets the investment and corporate banking division of our parent company **Bank of Montreal (or BMO Financial Group)** – is also an underwriter member. Other organisations which are involved in green finance (such as service providers, NGOs and academic institutions) can become observers. Currently there are around 150 members and observers of the Green Bond Principles.

There is no doubt that the Principles have played a significant role in the professionalisation of the market and provided the platform for a broad range of participants to discuss the evolution of the market, and to enter it with greater confidence. A process for revising and updating the guidelines by consulting its members and observers is in place. This ensures that the Principles can stay relevant over time as the market develops across sectors and geographies.

At this stage of the market's maturity, we accept it is important to ensure some flexibility in the Principles to encourage a broad range of issuers from a variety of sectors and countries to make issuances. One of the current weaknesses of the market is that it remains narrow in scope despite diversification of issuers seen in the past year. In the corporate space, utilities and financials dominate. The narrowness in variety also extends to the underlying projects being financed by the bonds. Approximately 40% of proceeds go to renewables and 30% to buildings and industry[3]. These will need to broaden out to ensure that the composition of the green bond market can start to closer resemble the broader bond market.

[2] International Capital Market Association Green Bond Principles 2015
[3] Climate Bonds Initiative

Continued

Defining green

There are some concerns that the non-prescriptive, flexible and voluntary nature of the Principles could mean that green bond issuances which fall far short of the desired quality and integrity will be placed to the market with insufficient controls in place. There are calls from stakeholders, including from investors, for mandatory minimum standards to be developed. This would require issuers to meet a pre-defined set of specifications around post-issuance reporting and verification of the quality of projects financed. This idea has been the focus of widespread discussions amongst market participants.

From the issuer's perspective, there are additional costs involved in issuing green bonds – such as establishing segregated treasury accounts, reporting and second party opinions. These costs are being borne by the issuer as there is currently little pricing advantage in issuing green bonds over standard bonds. As a result, new corporate issuers to the market are having to carefully weigh up whether the benefits of green bond issuance – namely diversifying their investor base and strengthening their sustainability credentials – outweigh the costs.

The most contentious area of debate is around evaluating the "green-ness" of the projects financed. While the Principles identify the type of projects which would qualify (e.g. renewable energy, energy efficiency), they do not provide defined criteria for the environmental impact and additional benefits of the projects.

In the vacuum of universally adopted approaches, a number of organisations are developing standards to define what is considered green. A leading player has been the Climate Bonds Initiative, a not-for-profit organisation, which has developed technical specifications for certain types of climate-related projects. There are other approaches including from the World Wide Fund for Nature (WWF) and research providers such as MSCI ESG.

Part of the answer to the question of defining "green-ness" may involve a more rigorous analysis of the ultimate impact of the projects being financed. The major supranational agencies have taken the lead in implementing best practice amongst the issuers. They have set up robust internal processes to evaluate projects from an environmental perspective and adopted a high standard of environmental impact reporting. For example, the European Investment Bank's 2015 green bonds reporting[4] provides details of the individual projects financed and the impact on greenhouse gas emissions. While this level of detail and transparency is not always possible nor appropriate for every issuer, it has highlighted the wide range in the quality of reporting provided to investors. Several of the multilateral development banks have made a proposal for a harmonising framework for impact reporting on renewables and energy efficiency projects. This is a positive development but implementation in the corporate space could be difficult. This is due to the reality that increasing impact reporting standards entails taking on further costs that borrowers aren't sure are justified by green bonds without preferential pricing. This situation may require regulatory intervention[5].

"A systematic and efficient green finance system can attract private investment and enable China to achieve growth in financial sector and economic and green development"

Wang Yao, Deputy Secretary General, China Green Finance Committee, 23 October 2015

The role of governments

Whatever the final outcome of the Paris global climate change negotiations in late November, government involvement in encouraging environmentally friendly technology will increase in the coming years as countries attempt to meet their carbon emission cutting goals. Whilst no national governments have issued green bonds yet, some may consider measures such as preferential tax treatments for investors/issuers and preferential regulatory capital treatment for investor banks[6].

China's government is set to take the lead by making sustainable and green finance growth a top priority. The Peoples' Bank of China has developed detailed proposals to green China's financial system, and the **Agricultural Bank of China** became the first Chinese bank to issue green bonds when selling $1 billion worth in London in October. Depending on how aggressively the government presses forward with its plans, China could foreseeably become one of the major players in green bond issuances in the coming years. Questions will undoubtedly be asked by investors of the transparency they could realistically expect from Chinese green bonds issuers – especially on the use of proceeds and reporting – bearing in mind how limited the meaningful disclosures currently are on ESG (Environmental, Social and Governance) issues from Chinese companies compared to Western companies.

Impact investing and engagement

Leveraging our position as an established responsible investor, we have been proactively engaging a wide range of market participants in 2015 on the issues facing the green bonds market. We have engaged in the past a number of green bond issuers including meetings with the European Investment Bank, World Bank, **Nordic Investment Bank, EDF** and **Societe Generale** amongst many others. Discussions have focused on the nature of projects financed, assessment of projects, quality of reporting and standards in the market. We have found these meetings to be a valuable opportunity to access bond-only issuers, allowing us to assess not only their green bond strategies but also their broader approach to managing ESG risks and opportunities. We have also held discussions with the investment banks who have played an important role in developing the market and the service providers.

[4] European Investment Bank Climate Awareness Bonds Newsletter, March 2015
[5] Green Bonds: Investors and issuers still not seeing eye to eye, BMO Capital Markets fixed income research, October 2015
[6] European Investment Bank Climate Awareness Bonds Newsletter, March 2015

"Green bonds leverage BMO Global Asset Management's strengths in fixed income markets, portfolio construction and responsible investment."

Michiel De Bruin, Head of Global Rates and Money Markets, BMO Global Asset Management

We have utilised many of our learnings from our experiences engaging on ESG issues to provide input into the development of the green bonds market. We encourage companies to protect their sustainability credentials and avoid accusations of greenwash by communicating with investors in a transparent manner, establishing robust management processes and controls, and developing methods to measure, track and report on environmental results. We are planning to collaborate with other members of the Green Bond Principles in the coming months. There will be working groups looking at issues such as assurance and reporting.

Away from green bonds, an area of interest in 2016 for issuers and investors is likely to be discussion and consideration around a development of a framework for social bonds (also known as social impact bonds). These are similar to green bonds but where the proceeds from the bonds are used for projects which have social benefits. These include tackling issues such as education, housing, criminal justice or employment. There is currently no market-wide approach to defining social bonds and there are important hurdles, once again, to be overcome about how social impact would be measured and reported. Should a framework like the Green Bond Principles be established, it could be the first steps for investors to eventually launch sustainability impact bond funds/mandates which would be invested in both green and social bonds.

Routes to green bond investment

As the market has developed, investors have become increasingly interested in holding green bonds within their own portfolios. Key appeal of green bonds for investors have included making investments with an environmental impact, being at the forefront of climate finance, sending a signal to stakeholders of their commitment to responsible investment and aligning their investing activities with their own principles.

In Europe, BMO Global Asset Management provides investors access to green bonds through the following fixed income strategies:

Standard bonds: green bonds are held as a part of a portfolio alongside regular bonds.

Responsible bonds: socially responsible investment strategy which holds green bonds alongside regular bonds of issuers which meet the sustainability-related screening criteria.

Green bonds: a portfolio focused solely on green bonds. Every issuer and issuance is evaluated and monitored within a dedicated process.

"At BMO Global Asset Management, it is important for us to evaluate carefully any green bond from an investment perspective and to not just blindly accept the environmental label"

Andrew Brown, Director, Credit, BMO Global Asset Management

BMO Global Asset Management

ESG Viewpoint

November 2015

Vicki Bakhshi, Director, Head of Governance and Sustainable Investment; Kajetan Czyz, Analyst, Governance and Sustainable Investment.

The Paris climate negotiations: a world in transition

- In Paris, the stage is set for global leaders to secure a climate change deal which would aim to curb fossil fuel use.
- China, India and the US are signalling their willingness to keep global warming to within two degrees Celsius.
- We have worked intensively to engage policy makers and companies advocating for reforms which will result in a smooth transition path to a more sustainable economy.

A new hope

After 21 years of climate negotiations, the final stages may be just days away. Following the failure to secure a deal in Copenhagen in 2009, the negotiations which are to begin in Paris on the 30th of November stand a chance of securing commitments to adopt policies which would reduce emissions and keep climate change at 'safe' levels. This would definitively set the scene for a fundamental transition over the coming decades: an industrial revolution from a fossil-fuel based system, to a largely decarbonised economy.

In Cancun in 2010, governments had agreed to hold global warming to within two degrees Celsius (2°C). However, few concrete actions were agreed to make this happen. The aim of the Paris meeting will be to translate that goal to specific country level reduction commitments. Although there remain disagreements around climate finance and the status of the final document, substantial progress has already been made. Around 160 countries representing 92% of global emissions have submitted Intended Nationally Determined Contributions (INDCs). These self-imposed targets have already reduced projected 2030 emissions by 15% from their business as usual trajectory, translating into a reduced warming of 2.7°C compared to recent estimates of 4°C to 5°C under a business as usual scenario.

There is still much ground to cover to align INDCs with the agreed 2°C goal. However, with the apparent willingness of the large emitters, most notably China, India and the US, a deal seems within reach. Observers who are pessimistic on getting a deal in Paris seem to be basing their future expectations on past performance (i.e. Copenhagen). However, the last six years have changed the fundamentals of the negotiations significantly.

> "We believe climate change is one of the biggest systemic risks we face."
>
> **120 investment institution chief executives in open letter to G7 finance ministers, May 2015**

China's air pollution concerns and the planned introduction of an emissions trading scheme are moving the country's energy mix away from coal and making the country the largest renewable energy investor in the world. In the US, wind is now the cheapest form of energy in much of the country and with the fall of natural gas price, it has reduced carbon dioxide output by c. 10% since 2007. India has just set a 100 gigawatt (GW) target for solar deployment by 2022.

Most importantly however, the main argument against action on climate change — that it requires too great an economic sacrifice — has disappeared. According to recent estimates, the cost of following a 2°C pathway is actually on par, if not slightly lower than a business as usual pathway (even without considering climate related damages). Independent reports by the International Energy Agency (IEA), **Citigroup**, Oxford's Martin School and the New Climate Economy suggests that due to the falling in the costs of clean technology, the increased investment in low-carbon, efficient infrastructure now will be more than offset by substantial fuel savings in subsequent years. Following this pathway however, requires specific policies to facilitate the higher up-front costs. Interestingly, this investment stimulus may not be such a bad idea in the context of a global economic slow-down and historically low interest rates.

Continued

Building momentum

The Paris meetings have been a catalyst for a wave of stakeholder action on climate change.

Environmental Non-Governmental Organisation (NGOs) have been focusing on climate change for decades, and now a new generation of organisations focused on the financial sector has come to the fore — the 350.org Divestment Movement and the Carbon Tracker Initiative are examples of these. Companies have also been very vocal and have come out with unilateral commitments to reduce their emissions or to shift energy procurement to renewables — 60% of the Fortune 100 have set such targets. Also, they are working collectively through groups like We Mean Business, the Oil and Gas Climate Initiative (OGCI) and the Magritte group (of utilities). The OGCI recently convened a meeting, which we attended, between seven oil and gas company chief executives — including those from **BP, Royal Dutch Shell, Total,** and **Saudi Aramco** — with institutional investors and the Secretary of the United Nations climate process, Christiana Figueres. The CEOs stated that they too support a 2°C development pathway. Leading companies within the OGCI confirmed that the intense engagement on the stranded assets issue by BMO Global Asset Management and other investors has been pivotal in the formation of this group and the desire to send a clear signal at CEO-level.

Within the financial sector, multilateral development banks have been on the forefront of bold climate action, with the **World Bank's International Finance Corporation** rebalancing its lending portfolio away from coal. The **European Investment Bank** has also been active in creating financial products which reduce the risk of investing in low-carbon infrastructure and has been the largest issuer of green bonds to date.

Institutional investors have also been active. Through the Global Investor Coalition, which BMO Global Asset Management is an active member of through the Institutional Investors Group on Climate Change (IIGCC) — investors have become outspoken advocates of predictable, long-term policies which will result in a smooth transition path to a more sustainable climate. We contributed to a framework for investors to help integrate the impact of climate change into their investment decisions published in the "Climate Change Investment Solutions: A Guide for Asset Owners"[1] report.

Financial regulators are now becoming increasingly involved. France passed its Energy Transition Bill in the summer of 2015, which includes requirements for certain institutional investors to prepare a carbon footprint, ensure their investment processes incorporate climate risks, and describe how their investments are aligned with a 2°C economy. The Bank of England published a report in September 2015 on the risks the insurance sector faces from climate change. The Financial Stability Board and the European Central Bank are now conducting assessments of impacts of climate change on financial stability.

Disruptors and disruptees

While the global political path to action has been far from smooth, forward-looking businesses — spurred by national government actions, and seeing the future opportunities from the energy transition — have been investing in solutions. With the scaling up of renewable energy and clean technology deployment has come a dramatic reduction in costs which means that the need for costly public subsidies is fast declining. The deployment and cost reductions of solar has been particularly dramatic. Last year, around 170GW of solar capacity had been installed, compared with the IEA's prediction back in 2007 of 20GW. Costs have fallen by around 90% compared to 2008. Other technologies are also becoming cheaper. This has been particularly so with battery storage (60% cost reduction in the last three years) which would allow renewables to overcome the intermittency issue (i.e. not providing power on demand).

The deployment of these technologies will have profound consequences to incumbent companies even at moderate penetration rates. A good example of the disruptive impact is the European utility sector which has, over the past five years, lost half of its €1 trillion market value. Weak energy demand, and a growth in output from renewable sources, led to a price collapse in wholesale electricity markets across Europe. The largest 12 utilities in the European Union have only 7% market share of renewable energy generation (excluding hydro power). This means that they are not benefiting from the new technology trends, and face losing market share.

Our engagement with the utility sector has focused on ensuring the changing dynamics within the sector are being integrated into companies' strategic planning. The decision of the German utility **E.On** to split the company into conventional power generation (to be called Uniper) with E.On itself focusing on renewables, grids and energy services going forward, is the most notable example to date of this being put into practice. CEZ has followed suit last month. We are now seeing nearly all utility companies in Europe reworking their corporate strategies and putting a stronger focus on their renewables and energy services divisions. The debate with the oil and gas sector, which we described in a previous Viewpoint[2], also focuses on the fundamental question of the future business model in an industry where the core product may be under threat.

"The stranded asset debate is a red herring, frankly... There seems to be the idea that policies will materialise that will leave assets in the ground. I don't think so."

Ben van Beurden, Royal Dutch Shell Chief Executive

[1] http://www.iigcc.org/publications/publication/climate-change-investment-solutions-a-guide-for-asset-owners
[2] *reo*® Viewpoint Stranded Assets: Planning for a carbon constrained world, June 2015

Continued

Public policy

As well as engaging with companies, our Governance and Sustainable Investment team has worked primarily through the IIGCC to engage with policymakers on climate change. We drafted the letter sent to G7 and G20 finance ministers highlighting the nature of climate risk and the role finance ministries have in giving climate negotiators the necessary mandate to achieve a binding climate deal. The letter attracted the support of 120 finance CEOs and contributed to the momentum behind the G7 announcement of its intention to decarbonise their economies within this century. We will travel to Paris for the climate summit to engage directly with country representatives during the negotiations.

Other activities included:

- Travelling to Brussels to discuss with Members of the European Parliament, the European Commission and country representatives the need for integrating the EU's climate goals into the structure of the European Fund for Strategic Investments (the Juncker Plan). We also discussed the need to reform the EU Emissions Trading Scheme in order to remove the large surplus of allowances in the market.
- Contributing to a paper on the issue of climate finance[3], which highlighted policies and tools which can be employed to improve the risk-return ratio of investments in infrastructure in developing and emerging economies; this was shared with Angela Merkel's office as part of their G7 chairmanship.

Beyond Paris

Our engagement on climate change in the run up to the Paris negotiations has focused on two main workstreams: the first focusing on corporates and ensuring they are integrating climate risks within their strategies, and the second targeting policymakers to make these changes come about. Whilst the Paris meetings are without a doubt important, we see the more significant development as the technological revolution underway in energy systems, which we believe will continue, even if global policy efforts fall short of what is being hoped for.

From an investor's point of view, once the Paris meetings are over the question will remain about how to integrate climate change into investment portfolios in a meaningful way. Much of the focus, to date, has been on risk — on divestment or cutting down the carbon footprint. If the Paris meetings send a strong signal that the 'green' industrial revolution is set to continue, investors may switch their attention to looking at the opportunities this could bring. Timing will be key, regardless of whether the focus is on opportunities or risks.

"Once climate change becomes a defining issue for financial stability, it may already be too late."

Mark Carney, Governor of the Bank of England, Chairman of Financial Stability Board, September 2015

[3] http://www.iigcc.org/publications/publication/climate-finance-for-developing-and-emerging-economies-five-recommendations

BMO Global Asset Management

ESG Viewpoint

December 2015

Vicki Bakhshi, Director, Head of Governance and Sustainable Investments and Kajetan Czyz, Analyst, Governance and Sustainable Investment

Paris climate deal: the investor reaction

- Paris Agreement meets all key investor expectations.
- Long-term ambition of global carbon neutrality.
- Review mechanism: country plans to increase in ambition every five years.
- Global regulators to focus on financial sector's role in addressing climate change in 2016.

The United Nations (UN) Climate Summit in Paris, which saw the attendance of the largest group of heads of state in history, has delivered a strong deal to maintain temperature increase 'well below two degrees Celcius (2°C)'. This will have a profound impact on the energy producers and users alike. The implementation of the Paris Agreement (the Agreement) will have implications for both fund management and strategic asset allocation decisions.

Paris: did it meet investors' expectations?

Investors – including BMO Global Asset Management – engaged with policymakers in the run-up to the Paris talks. The key questions asked were to give the investment community a clear direction of travel including a long-term target, supported by country-level plans.

The Paris Agreement[1] (PA), supported by 195 countries, met all these expectations. Key points were:

- Long-term goal: the Agreement sets out an ambition to achieve 'a balance between sources and sinks of greenhouse gases in the second half of this century' while 'peaking emissions as soon as possible'. In other words, the world should become carbon-neutral.
- National commitments: every participating country is obliged to produce a national emissions reduction plan (Nationally Determined Contributions or NDCs). All but six countries have already done so.
- Review mechanism: NDCs will be reviewed in 2018 and then every five years to make ensure they are in line with the Agreement's aim to hold the global temperature rise to 'well below 2°C' and 'pursue efforts to limit the temperature increase to 1.5°C'; a key clause states that the NDCs cannot be weakened.
- Transparency: the agreement has introduced a monitoring and verification requirement for all countries with a global stocktaking of reduction efforts in 2023. This will not only increase the certainty that measures are being implemented, but also serve as peer pressure through 'naming-and-shaming' of countries lagging behind.
- Finance: developed countries have now agreed to fully fund the Green Climate Fund up to $100 billion per year from a 'variety of sources' which will also include private finance.

"There are hundreds of billions of dollars ready to deploy to countries around the world if they get the signal that we mean business this time. Let's send that signal."

Barack Obama, COP21 Opening Ceremony Speech.

[1] http://unfccc.int/documentation/documents/advanced_search/items/6911.php?priref=600008831

Continued

The combined effort of the national emission reductions plans submitted ahead of the Paris meetings still falls short of the 2°C limit – let alone the 1.5°C ambition the Paris Agreement refers to. But in our view, the direction of travel is now unambiguous, and there are mechanisms in place for countries to be held to account for their actions. This gives investors greater clarity than there has even been about the political willingness to transition the global energy system to a post-fossil fuel future

Private sector involvement was pivotal

French President François Hollande praised the support of 'businesses and investors' in the negotiating process. Non-state participants have shown their strong support: over 7,000 cities representing 32% of global GDP, and 5,000 companies representing the majority of global market capitalisation and over $38 trillion in revenue had made low-carbon pledges. BMO Global Asset Management's Governance and Sustainable Investment (GSI) team has been at the forefront of investor action, taking a leading role in promoting joint investor activity through the Institutional Investors Group on Climate Change (IIGCC).

Key activities in 2014-15 included co-authoring, with the IIGCC, the Global Investor Statement on Climate Change[2], which attracted 409 supporters with over $24 trillion in assets and was delivered to Heads of State at the UN Secretary General's Climate Summit in September 2014. We have also co-authored an open letter to G7 and G20 finance ministers[3] expressing investors' concerns regarding the systemic nature of climate risks, which was signed by 120 investor CEOs, and had the support of four regional investor groups on climate change and the Principles for Responsible Investment.

We were present during the climate summit in Paris as part of the IIGCC observer delegation, helping to represent investors' voices during meetings with a number of country negotiating teams, including the US, EU, and G77.

"Paris deal is nothing else than an historic milestone for the global energy sector".

Fatih Birol, Executive Director, International Energy Agency

What next for investors?

The Paris conclusions did not contain any surprises that would have an immediate impact on company or portfolio valuations, with all the country-level policy announcements having been made well in advance. It will take time to understand these implications and for them to filter through to valuations, which will be dependent on investors analysing the NDCs themselves at a national level to identify which policies will impact on which companies and sectors.

Significantly, 2016 may see a scaling up of actions by financial regulators on climate change, with potential consequences for investors. The Paris Agreement commits governments to 'making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development'. As implementation of the Agreement gets underway, investors may be expected to take actions to support this – but what form this will take is as yet unclear. Key developments in financial regulation to watch include:

- Financial Stability Board: Mark Carney, head of the Bank of England and chair of the Financial Stability Board (FSB), announced at the Paris Summit that the FSB was establishing an industry led Task Force on Climate-related Financial Disclosures (TCFD) to be chaired by Michael Bloomberg; this is expected to conclude at the end of 2016.
- France: the Energy Transition Law requires institutional investors to provide the carbon footprints of their investments, to review their portfolio's alignment with a low-carbon development pathway, and to disclose methods of integrating climate related risks; guidance on implementation is expected to be finalised shortly.
- Sweden: Sweden was the first country to announce a review aimed at creating an obligation for its financial regulator to ensure the financial system is 'financing sustainable development'.

These developments follow the extensive work by the Organisation of Economic Co-operation and Development (OECD), United Nations and others to understand which policies hinder or support the deployment of capital towards sustainable solutions. As stakeholders at the highest ministerial levels were consulted during this research, it is now firmly embedded within the G20 process – with the Chinese G20 presidency making 'Green Finance' a priority area for 2016.

[2] Global Investor Statement on Climate Change http://investorsonclimatechange.org/statement/
[3] Open letter to Finance Ministers in the Group of Seven .http://www.iigcc.org/publications/publication/open-letter-to-finance-ministers-in-the-group-of-seven-g-7

Continued

"We are sending a clear signal to business, as one voice of 190 nations that the world is now on a new path."

John Kerry, US Secretary of State, After the Adoption of Paris Agreement

The Paris Agreement makes climate change, and the energy transition, a mainstream investor issue. The focus now shifts to implementation. We expect regulators' attention to climate change to continue to increase, both as a result of the deal itself and in the broader context of a trend toward encouraging investors to consider environmental, social and governance (ESG) issues – as seen in developments including the introduction of Stewardship codes in Asia, the revisions to the EU Shareholder Rights Directive, and the Ontario ESG legislation for pension plans. Existing investor initiatives to improve the understanding of climate risks and opportunities, such as the 'Climate Change Investment Solutions: A Guide for Asset Owners' compiled by the Global Investor Coalition, provide a strong foundation for the discussions we expect to continue into 2016 and beyond.

BMO Global Asset Management

Committee and date	Item
Pensions Committee	
18 March 2016	**13**
10.00am	Public

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 Agree that the GMP Reconciliation exercise is now carried out in line with the HMT recommendations in this report at section 8.

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. Administration risks are identified and managed and are reported to committee on an annual basis.

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**
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. Reconciling the Funds Guaranteed Minimum Pension Liabilities with HMRC will have a direct cost for the Fund but if this is not undertaken the Fund risks taking on financial liabilities it didn't need to and having its data called into question by the Fund Actuary. LGPS having to fully index GMP's will increase costs for the Fund going forward.

4. Performance and Team Update

4.1 The team's output and performance level to the end of January 2016 is attached at **Appendix A**.

4.2 You will see that Tasks which became due and Procedures outstanding at the end of the month have both risen during the last quarter. This is due to going live with iConnect with Telford and Wrekin Council and identifying un-notified starters, leavers and changes as a result of a data cleanse that was undertaken. iConnect, as expected, is increasing the number of cases being identified on a monthly basis rather than the team having to identify missing data during our year end processes as usually happens.

4.3 Shropshire Council has recently also gone live with iConnect for their own payrolls plus their external clients payrolls, who are Fund employers, too. This means that we are now receiving clean data on a monthly basis for 88% of the Fund's membership. But has created a large amount of outstanding work.

4.4 A valuation plan is being put in place and workloads constantly monitored to ensure all records will be at the correct status when sending data to the actuary in July 2016. Pension Team managers are looking at this on a weekly basis to ensure priority is being given to the right cases.

5. Help Desk Statistics

5.1 The following chart shows the number of queries received through the helpline number.

	Nov 2015	Dec 2015	Jan 2016
Telephone calls received	760	478	807
Queries dealt with by helpdesk at first point of contact %*	91.32%	91.21%	89.46%
Users visiting the Website	2245	Not available**	Not available**

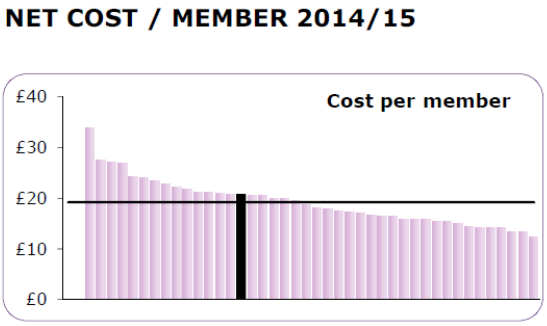
* Where queries have not been dealt with by helpdesk, this will usually mean that the calls have been picked up by the rest of the team.

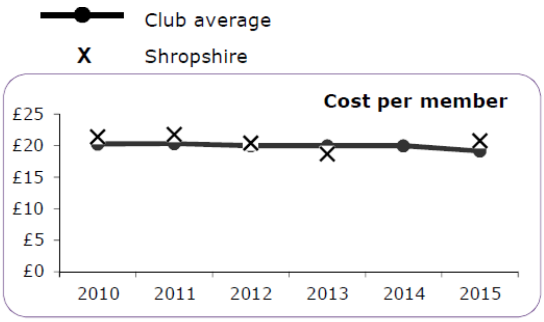
***Support for the website is provided to the team by Shropshire Councils web team. This includes providing access to google analytics to track website statistics. In September 2015 it had come to the Funds attention that the website statistics were not being recorded correctly. This issue was raised with the web team and has been an intermittent issue until February 2016 when the web team were able to fix the problem. During this period (Sept 15–Feb 16) the Funds statistics may have been affected due to a configuration issue.*

6. CIPFA Pensions Administration Benchmarking Club Results

6.1 The Pensions Administration Benchmarking Club has been in operation for some time and compares the cost of Pensions Administration with other Pension Funds nationally including some out-sourced to private contractors.

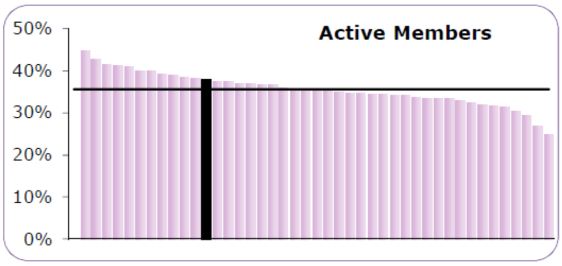
6.2 The first bar chart below shows Shropshire is just above the group average of £19.17 per member at £20.79 per member. The second chart shows Shropshire's position against the average cost since 2010. Benchmarking was not undertaken in 2013/14. Contributing factors are: that currently staffing costs, communication costs, IT, Actuary and central recharges are all higher than the benchmark average. Staffing was increased to pre-empt the 2014 changes and the increase in governance on the Fund. As a direct result of this we were one of a very few Funds who were able to produce Annual Benefit Statements on time in 2015. Shropshire has historically communicated very well with our members and Employers. This is not an area we wish to cut back on however we are striving to limit costs by increasing our use of electronic communications. IT has been invested in over the past couple of years to ensure we are getting clean data from our Employers. The aim is to work towards ensuring the overall Fund Administration costs do not deviate any further from the average but if possible return to either average or just below. Work will be undertaken to ensure all central recharges are transparent and appropriate.



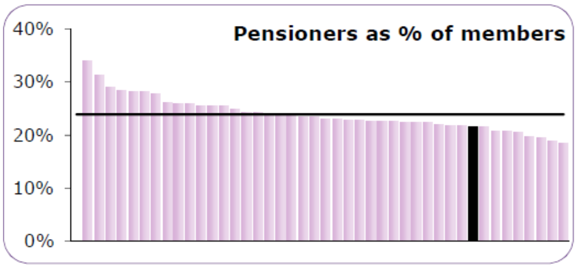


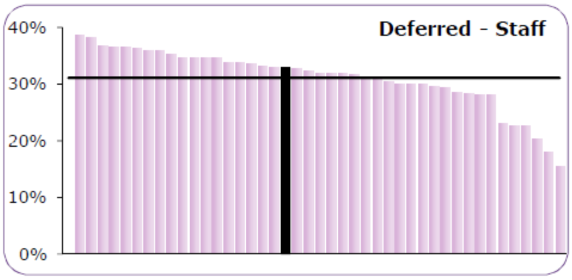
6.3 The following charts show the composition of members as at 31 March 2015. It shows that we have an above average proportion of actives with 40%, above average deferred membership but a lower than average number of pensioners. The charts also highlight that the number of employers in the Fund is below the average of 200, this is most likely down the fact that schools have been slower to convert to Academies than in the rest of the Country.

ACTIVES AS A % MEMBERS

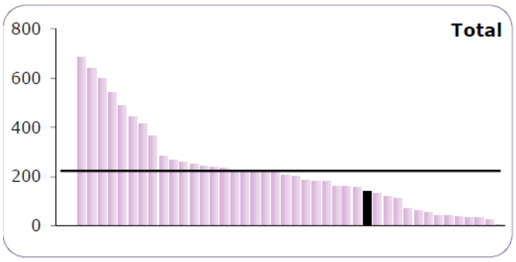


PENSIONERS AS A % MEMBERS



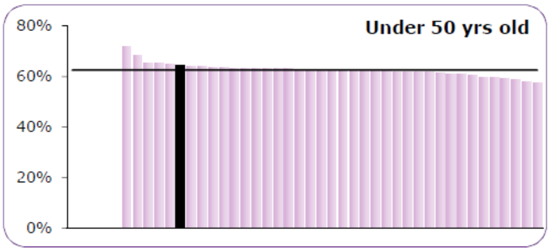


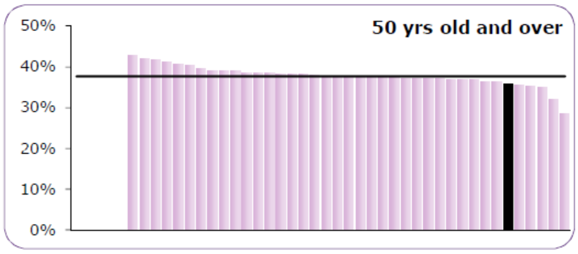
NUMBER OF LGPS EMPLOYERS



6.4 The following gives a composition of the active members in the scheme of the numbers who are above or below age 50. 64% of our active members are above age 50.

COMPOSITION OF MEMBERS AS AT 31/03/2015

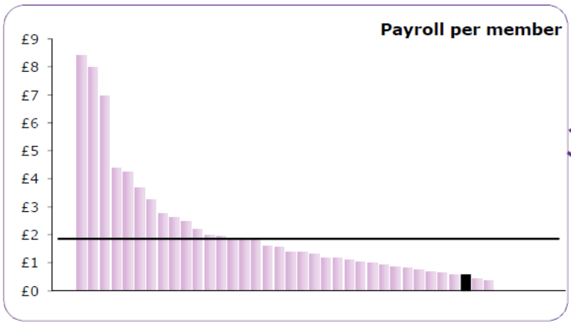


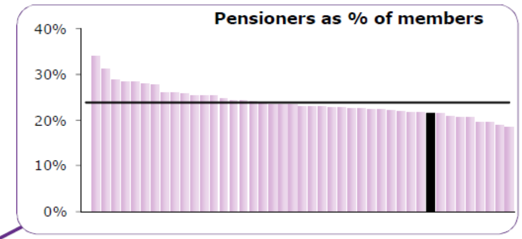


Composition of active members	No.	%	*Avg*
Under 50 yrs old	10,718	64%	*62%*
50 yrs old and over	5,930	36%	*38%*

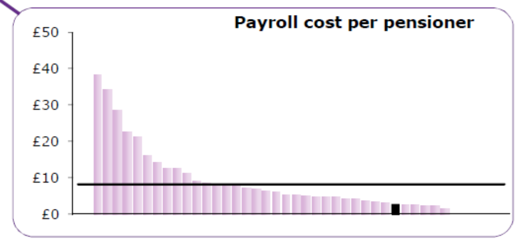
6.5 The following charts show the payroll cost per member. This is an area that is low cost historically because of the current employer work undertaken by the Fund so a recharge was not made for utilising the Council's payroll software but this will change going forward from April 2016 for transparency purposes. Shropshire Council staff have been trained in the areas they have historically not undertaken and a plan is being put in place for the work to transfer to its correct area. This should be completed by March 2017.

	£'000	£ per member	*Avg*
Payroll (combined)	25	0.57	*1.85*



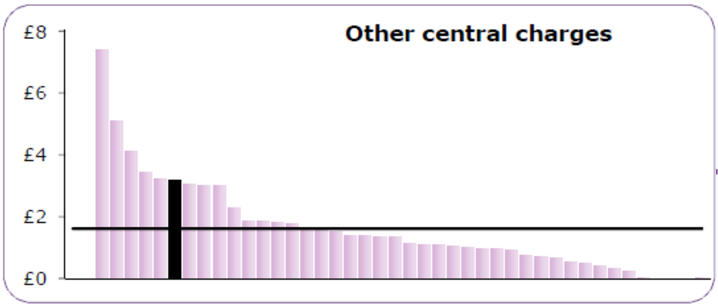


Shropshire 22% *Avg* *24%*



Shropshire 2.6 *Avg* *8.2*

6.6 The following chart shows that we are above the national average for other central charges the Council passes on to the Fund.



7 Communications

7.1 **Newsletter -** A newsletter was sent at the beginning of January 2016 to the home addresses of all active members. The newsletter was issued to meet Schedule 2 Paragraph 12 of the Disclosure 2013 Regulations for pension schemes, and informed members that they will no longer be participating in a contracted out pension scheme from 6 April 2016. Amongst other things the newsletter also informed members that their Annual Benefit Statement in 2016 would be available to view online with instructions on how members would do this. Members do have the option to elect to continue to receive paper copies but need to put their request in writing. To date, only 108 members have opted to continue to receive their Annual Benefit statement in paper format. A copy of the newsletter that was issued can be found at **Appendix B**.

7.2 **Annual Benefit Statements 2016 -** Annual Benefit Statements have to be issued to active members now by 31 August each year. A project has been in place to transfer this year's statement to be viewable online via Member Self Service (MSS). Testing of the system is currently underway. Hard copies will still be needed for those members who opt out of electronic communication so we are part of a collaboration, with 7 other Funds. To produce a standard Statement together with a standard set of notes are used. Once agreed as technically correct a review of the notes by the Plain English Campaign will also take place, to ensure they are easy to understand. The cost of all work, including the review of the notes by the Plain English Campaign, is being split between the 8 Funds, so that savings are made. Work is also taking place on producing the deferred members' Annual Benefit Statement which is also being done collaboratively but with 6 other Funds.

7.3 **Communicating changes to Annual Allowance and Lifetime Allowance -**. The last two newsletters issued by the Fund included information on the changes taking place and were sent to all active members' home addresses. Further communication however is planned to provide additional information on these changes to the two pensions' tax measures, Lifetime Allowance and Annual Allowance. This communication exercise however will be tailored to members in the Scheme mostly likely to be affected by the changes.

7.4 **Annual Meeting –** As the meeting in 2015 worked successfully in the Council Chamber at the Shirehall, it will be held there again this year. A date has been booked provisionally for 2 December 2016.

8. GMP – Reconciliation

8.1 As previously reported following the end of contracting out in April 2016, HMRC will be sending a statement to all individuals affected stating the amount of COPE (Contracted Out Pension Equivalent) they will receive and who is responsible for paying for it. Ahead of this, HMRC is advising that schemes should reconcile the GMP values they hold for members with those calculated by HMRC or face making overpayments to existing members and even individuals for whom they believe they have no liability.

8.2 Protections for scheme members' existing contracted out rights will be maintained, but HMRC's support services will be scaled down and eventually withdrawn. Therefore it is important that administering authorities reconcile their data against the data held by HMRC. HMRC provides the Scheme Reconciliation Service (SRS) which is a support service designed to help administrators with the reconciliation process. This piece of work was started by the Fund in 2015.The timescales for GMP reconciliation are set out below:

- By 5 April 2016 - funds should sign up to the SRS by this date. Sign up by 5 April 2016 is required so that HMRC can plan their resources to support the UK reconciliation project. Shropshire has signed up.

- From 5 April 2016
    - HMRC will no longer track individual's contracted out pension rights. It will be the Scheme's responsibility to keep track of GMP liabilities. The Fund needs to consider whether procedures need changing to obtain the current value of a member's GMP upon payment (or transfer out). This can be achieved by either: -
        - following reconciliation, annually increasing the GMP held, using section 148 orders within their own pensions administration system, or
        - using the GMP micro service to obtain the current value of the GMP at the relevant date. This service is intended to be self-serve so that schemes can input data for either individuals or multiple scheme members and obtain the GMP figure revalued up to the relevant date. To use this service though funds will need to ensure that they have procedures in place to record the SCON numbers of any GMPs transferred into their fund (including those from other LGPS funds). This is because, in order to obtain the value of a GMP from the GMP micro service, HMRC require the SCON number of the former scheme(s) from which the individual transferred.
        - At present it is unclear which will be used by Shropshire. It is prudent therefore to retain the SCON number of the former scheme(s) from which the individual transferred in case this may be needed for some reason in the future.

- January 2017 - data for active members will start to be issued to schemes

- December 2018 - HMRC support for reconciliation queries ends and individuals will be sent information about their contracting out history.

8.3 In February HMT outlined their recommended approach to this reconciliation exercise. Their guidelines have been agreed across their working group and MOCOP. It is recommended that the intention of this letter be followed by the Fund and the following data reconciled:
i) data for active, deferred and pensioner members whose records include any contracted-out service between 6th April 1978 and 5th April 1997
- data for non-members i.e. those who the administering authority believes have never been members of the Scheme
- data for members who had been members of the Scheme but for whom the administering authority believes it has already discharged its liability i.e. via a transfer out, payment of a CEP or trivial commutation

ii) where a person who is within the scope of the reconciliation exercise has been underpaid, the person should be paid the correct level of pension going forward together with the arrears of pension due (with interest in accordance with the Scheme rules).

iii) Further advice is awaited as to how to treat overpayments fairly across the sector. HMT is to collect evidence from the reconciliation exercise on the extent of the overpayments. This will give more information on whether there will be value for money in recouping the overpayments.

iv) Where any discrepancy is within £2 per week of the GMP held by HMRC the Fund should default to the HMRC data for active and deferred members. But for pensioners default to Fund data.

8.4 The working group and DWP are still considering whether it is necessary to reconcile the data of members with service beginning after 5 April 1997. Therefore no further action will be taken on this point by the Fund until informed otherwise.

8.5 The recommendation of Officers is that the Shropshire Fund follow HMT guidelines, but taking into account the announcement of 1 March covered below in **GMP Indexation**, and continue to work with ITM to reconcile these records. As previously reported there is currently no in-house resource available to work on this project and an interim appointment will therefore be required.

9. GMP Indexation

9.1 On 1 March HM Treasury announced their decision on the interim solution regarding the indexation of GMPs in the Public Sector following the introduction of the new flat rate state pension on 6 April 2016.

9.2 The statement confirms that public service pension schemes will be responsible for paying full pensions increases on both the pre and post 88 GMP (for the life of that member and any subsequent dependents) for members who reach State Pension age between 6 April 2016 and 5 December 2018.

9.3 For members reaching State Pension Age beyond 5 December 2018, HM Teasury intends to consult later this year on a solution to the indexation issue going forward.

9.4 At present the Fund pay only for CPI (capped at 3%) on the post-88 element of a GMP, and the Government pays for the top-up on both pre and post-88 elements up to full CPI, via the state pension.

9.5 The Fund's Actuary Mercer have stated that if full indexation had been implemented for all members who reached State Pension Age from 6 April 2016, the burden for the LGPS would have been additional liabilities of around £1 billion which equated to around 0.5% of the

Scheme's total liabilities. Based on this initial shorter window of pensioners, they estimate that the current impact on the LGPS will now be additional liabilities of the order of £225 million, which will have to be reflected in the forthcoming 2016 valuation: The impact will vary for individual employers, depending on their membership profile, but could be around 0.1% for Shropshire. This is something to be costed in the valuation.

9.6 The Pensions Increase Order for 2016 however is 0%. The increase is usually in line with CPI to the year to the previous September, however for September 2015 this was negative at -.01% and Pensions Increase cannot be negative so has to be set to zero for the year.

10 CARE Pension Revaluation

10.1 Please note however that the CARE pension accounts are subject to revaluation in line with Treasury orders and usually will follow CPI up to the preceding September.

10.2 The Government intend to push for negative revaluation of LGPS pension accounts.

10.3 The Public Service Pensions Act 2013 requires that where there is a percentage decrease the Treasury Order must be expressly approved by both the House of Commons and the House of Lords for it to become law; this is called the affirmative procedure. At the time of writing this report no confirmation has been received concerning the likelihood, or otherwise, of a negative revaluation percentage being passed in law.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pensions Committee Meeting 27 November 2015 Pensions Administration Report Pensions Committee Meeting 20 March 2015 Pensions Administration Report
Cabinet Member (Portfolio Holder) NA
Local Member NA
Appendices Appendix A – Performance Monitoring Appendix B – Active member newsletter

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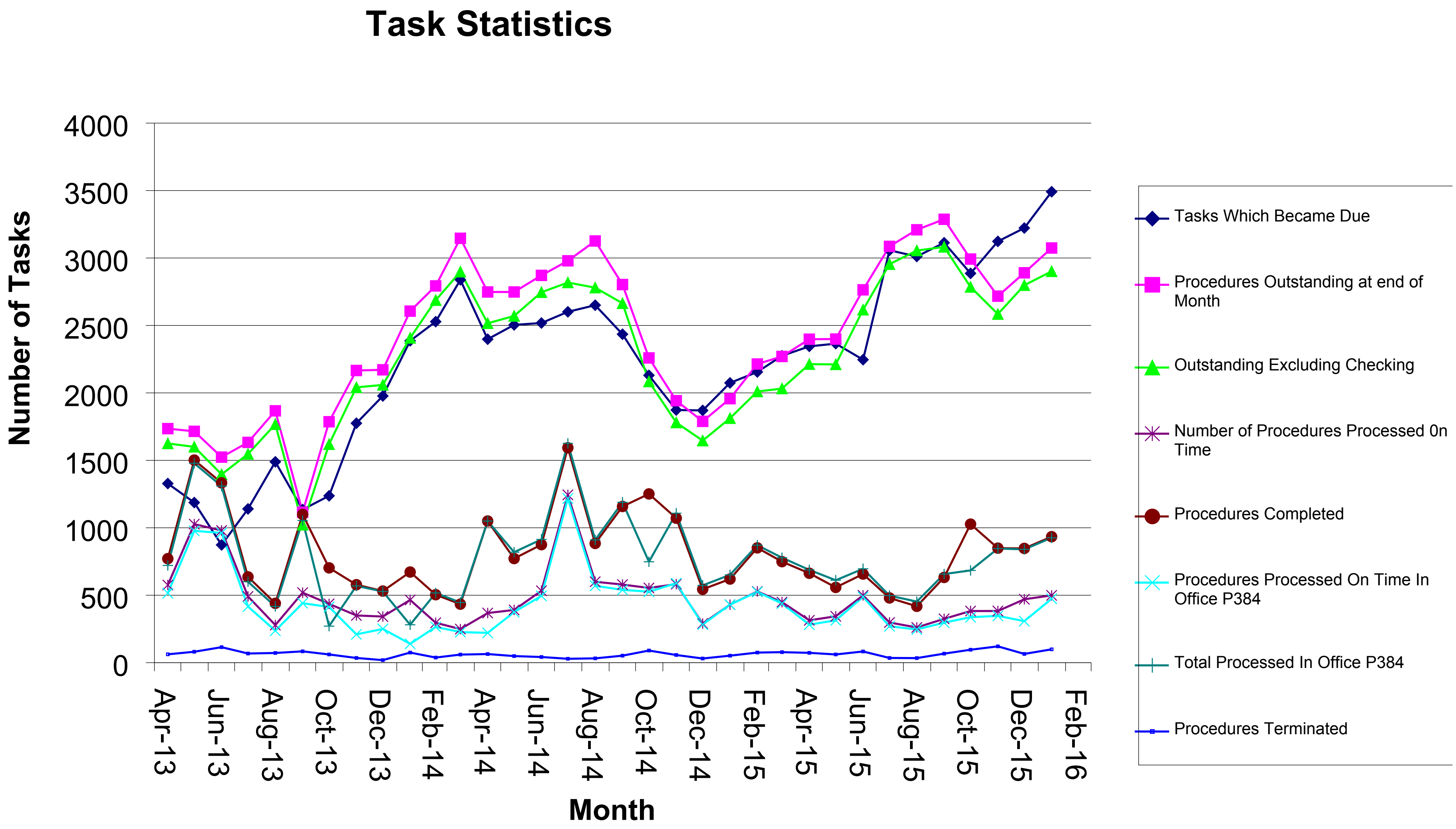
Appendix A



Task Statistics
Number of Tasks
4000
3500
3000
2500
2000
1500
1000
500
0
Apr-13
Jun-13
Aug-13
Oct-13
Dec-13
Feb-14
Apr-14
Jun-14
Aug-14
Oct-14
Dec-14
Feb-15
Apr-15
Jun-15
Aug-15
Oct-15
Dec-15
Feb-16
Month
Tasks Which Became Due
Procedures Outstanding at end of Month
Outstanding Excluding Checking
Number of Procedures Processed 0n Time
Procedures Completed
Procedures Processed On Time In Office P384
Total Processed In Office P384
Procedures Terminated

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Pension Update

FOR MEMBERS OF THE LOCAL GOVERNMENT PENSION SCHEME (LGPS) | **JANUARY 2016**

We're going digital!

We have been developing our electronic communications, with the aim that in 2016, we go paperless!

This means the majority of our communication with you will be by electronic methods – through our website, e-mail and "my pension online" (the online self-service facility where you can view your pension details).

It is our intention that Annual Benefit Statements and newsletters will be available electronically on our website and through "my pension online". As we put these plans in place and we will keep you updated on progress.

If you don't have online access and still want to receive paper copies of the information we provide, you just need to write to let us know. Our address is on the back page of this newsletter. Please include your name and National Insurance number in your letter.

If you have previously let us know that you want to receive paper-based information then you don't need to write to us again.

Have you registered to view your pension online?

By registering you will be able to see how your LGPS benefits are building up, estimate your pension benefits due at retirement, update your personal details and view your annual benefit statement.

How to register...

To register to view your own pension information, simply visit: www.shropshirecountypensionfund.co.uk and click 'Register' under 'My Pension Online'.

To register we must hold an email address for you on record. If you haven't already provided us with your email address you should email pensions@shropshire.gov.uk from the address you want to register, confirming your name and National Insurance number. Once we have your email address we will be able to provide you with the latest pensions news.

Your Annual Benefit Statement - have you checked yours?

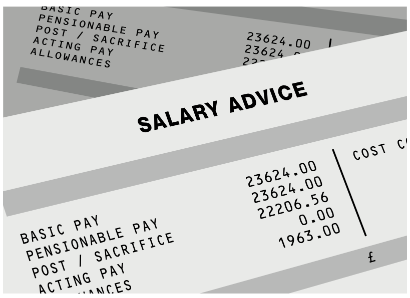
A Career Average Revalued Earnings Scheme (CARE) provides a yearly build-up of pension and we are asking members to check their Annual Benefit Statement carefully.

At the end of August 2015 we issued you with an Annual Benefit Statement, if you were an active member of the Scheme on the 31 March 2015. You may have noticed that this statement looked different from previous years'. This is because it was the first statement since the LGPS changed to a CARE scheme on 1 April 2014.

Final Salary Vs. CARE

In the previous Final Salary Scheme your pay in the last 365 days before you left the Scheme would determine the pension you would receive upon retirement. However, in a CARE scheme your pension is set by the pay you receive each year you are a member and then added together to form your total CARE pension.

As a result of the introduction of a CARE scheme it is more important than ever that your employer provides accurate pay information and that you check your ABS each year.



FAQs

What do I need to help me check my statement?

When you get your statement you should check all personal information in the statement is correct, and most importantly, that the pay supplied by your employer is accurate. To do this you will need access to your payslips from April to March for the year you are checking.

I have two pay figures on my Annual Benefit Statement. Do I need to check them both?

Yes, you should check both. The pay used to calculate your LGPS benefits, is known as your pensionable pay which is also the pay from which contributions to the scheme are deducted. Not all the payments you receive from your employer are pensionable and when the LGPS changed on the 1 April 2014, a new definition of pensionable pay was introduced. This change means that the LGPS uses two definitions of pensionable pay to calculate the different parts of your pension benefits. The two definitions are known as the 2008 Final Salary definition and the 2014 CARE definition.

What is the difference between the 2008 and 2014 definitions of pensionable pay?

The 2014 CARE definition of pensionable pay now includes non-contractual (as well as contractual) overtime and also includes any additional hours worked. These payments (except for contractual overtime) are not included in the 2008 Final Salary definition of pensionable pay.

How do I check the pay figures on my statement?

If your pay is the same amount each month, or you work full time and haven't received any additional payments or pay awards throughout the year, then the pay on your statement should be the total gross on the cumulative figure on your March payslip. This will be the same for both CARE and Final Salary pensionable pay.

If your pay changes each month; you work part time, have received a pay award or have had any breaks in service, or periods of no pay, throughout the year, you will need to check with your payroll department as to how they have calculated your pay as it may not be clear from your payslips. If any of the above circumstances do apply to you, here are some points to consider when checking your pay:

Do you work part time?

If so, your contributions to and benefits from the 2014 CARE Scheme will be based on your actual pensionable pay. This means that your 2014 CARE pensionable pay will not be converted into the full-time equivalent like your 2008 Final Salary pensionable pay is.

Have you had any periods of reduced or no pay?

If you have had any periods of reduced pay as a result of sickness/ injury or ordinary child related leave, your 2014 CARE pensionable pay will include periods of assumed pensionable pay (APP) which is calculated by your employer.

Have you been on secondment or had any periods of acting up?

If you have received any additional payments for periods of acting up or secondment, these will count as additional payments. You should check that these payments have been included in your 2014 CARE pensionable pay.

Have you paid extra contributions?

If you have paid extra contributions throughout the year either to increase your pension via Additional Pension Contributions (APC's) or to cover any periods of lost pension because of absence, then you will need to check that your statement shows this.

What should you do if you think the pay on your ABS is wrong?

Contact your employer as soon as possible. If you are still not satisfied, you have the right of appeal.

LGPS Protections: Are you covered?

In recent years, the LGPS has seen significant changes to its legislation. Some of the changes included protection for certain members who were in the scheme at the time of the change. Some of the main protections are listed below but remember to always contact the Pension's Team before making any decisions about your benefits.

Normal Pension Age (NPA)

Any pension built up before 1 April 2014 has a protected NPA, which is age 65. If you retire and draw all of your pension at your protected NPA, your pension built up in the scheme before 1 April 2014 will be paid in full.

If you choose to take your pension before your protected NPA the pension you have built up before 1 April 2014 will normally be reduced taking into account how many years early it is being paid. The benefits you build up under the CARE Scheme from April 2014 have a NPA linked to your State Pension Age (SPA) (but with a minimum age of 65). All pension benefits built up pre and post 2014 have to be drawn at the same time (except in the case of Flexible Retirement).

Reduction in pay

If you joined the LGPS before 31 March 2014 you will have membership in the Final Salary Scheme and your benefits, in respect of pre April 14 service, will be based on your Final Salary at leaving. If you have a pay cut - for example because of a pay and grading exercise - there are some protections which continue to apply from the Final Salary Scheme.

To ensure your benefits are calculated using the best possible pay you can:

- Choose to have your benefits calculated on the best year's pay in the last three years
- Choose to have your benefits based on the best 3 year average in the last 10 years, if you have received a pay cut from your employer.*

***This option is a request under regulation 10 of the LGPS regulations 2008. For this regulation to apply your employer must have caused your pay to be reduced or restricted, in one employment, and you must request this from your employer no longer than one month prior to your leaving the scheme. Please ensure you keep any paper work relating to the pay cut, in case you are required to produce details in the future.**

Underpin

From 1 April 2014, if you were nearing retirement we will ensure that you will get a pension at least equal to that which you would have received in the Scheme had it not changed. This protection is known as the underpin.

The underpin applies to you if you were:

- paying into the Scheme on 31 March 2012 and,
- you were within 10 years of your NPA on 1 April 2012,
- you haven't had a disqualifying break in service of more than 5 years,
- you've not drawn any benefits in the LGPS before NPA and
- you leave with an immediate entitlement to benefits.

The underpin will not apply if you opt out of the scheme before your protected NPA (65) or before the scheme changed, and may not apply if you voluntarily draw benefits at a time when you would have required employer consent to do so under the pre 1 April 2014 scheme (normally pre age 60). If you are covered by the underpin, the Pensions Team will carry out the underpin check when you retire.

Rule of 85

The rule of 85 protects some or all of your benefits from early payment reduction. To have rule of 85 protection you must have been a member of the LGPS on 30 September 2006 and if your age at the date when your draw your pension plus your scheme membership (each in whole years) must add up to 85 years or more.

The only occasion where the protection does not automatically apply is if you choose to voluntarily draw your pension at or after age 55 and before age 60.

If you would not satisfy the rule of 85 before you are 65, then all your benefits would be reduced if withdrawn before your NPA. The reduction will be based on how many years before your NPA (age 65 for pension built up to April 2014 and before your SPA for pension built up from April 2014) you draw your benefits.

If you will be age 60 or over by 31 March 2016 and choose to draw your pension between age 60 and your NPA, then the benefits you build up to 31 March 2016 will not be reduced.

But, if you qualify for the full rule of 85 protection to 31 March 2016 and you decide not to retire until after 31 March 2016, any benefits accrued on and from 1 April 2016 will be reduced if you retire before your SPA.

How your personal information is used

Shropshire Council is the Administering Authority for the Shropshire County Pension Fund and is registered with the Information Commissioner's Office as a Data Controller.

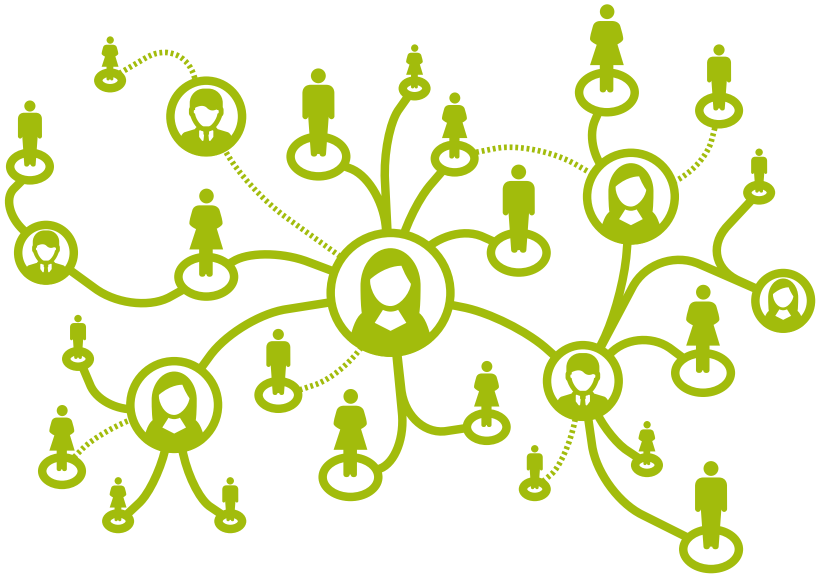
Your information is kept for the sole purpose of administering your pension. Your personal details are retained to establish any future entitlement to benefits. The Fund may pass certain details to a third party, where the third party is carrying out an administrative function of the Fund, or where we are legally obliged to do so.

To protect your personal information held electronically, Shropshire Council is registered under the Data Protection Act 1998. This allows you to check your details held by the Fund. If you wish to apply to access your data you should contact the Information Governance Team at Shropshire Council.

For details ring:
01743 252774 or 01743 252179
Email:
information.governance@shropshire.gov.uk
Or visit the website at:
www.shropshire.gov.uk/access-to-information

The Fund's Actuary, Mercer, also acts as joint data controller with the Fund and have published information on how it handles your personal details on their website: http://goo.gl/NZoU96

The **Fund** is also taking part in the **National Insurance Database.** Here's how it affects you:



What is the LGPS National Insurance Database?

Shropshire County Pension Fund will be participating in a data sharing exercise with other LGPS pension funds in England, Wales and Scotland. This is to help comply with legal requirements contained in the LGPS's Regulations.

If a member of the LGPS dies with an entitlement to a death grant, it is necessary for the scheme's administrators to know if the individual also had other periods of LGPS membership elsewhere in the country so that the correct death benefits are paid out.

As the LGPS is locally administered, each pension fund has its own membership records and it can be difficult to tell if an individual has other LGPS records and if so where these are held. To comply with the requirements set out above, a National Insurance Database has been developed that will enable funds to check if their members have LGPS pensions records in other pension funds.

What data is shared?

For each member of the LGPS, the Database holds a short entry containing:

- The individual's National Insurance number,
- A number to denote the individual's membership status,
- The last calendar year that the membership status changed, and
- A four digit number confirming the LGPS pension fund where that member's record is held.

Who hosts the Database?

The Database is hosted at the South Yorkshire Pensions Authority, an LGPS pension fund.

How will the data held on the Database be processed?

The data held on the Database will be processed in accordance with the Data Protection Act 1998 and other relevant legislation.

CONTINUED

Continued...

Are there any other purposes that the Database will be used for?

An extract of the membership information contained in the Database will periodically be shared with the Department for Work and Pensions (DWP) so that the LGPS can join the Tell Us Once service. Tell Us Once is a service offered in most parts of the country when an individual registers a death. When the LGPS joins Tell Us Once and the death of an LGPS member is registered, the DWP systems will ensure that the LGPS pension fund is informed of the death, meaning that the member's records can be processed quickly and simply.

Who is the data shared with?

Other LGPS pension funds. These are all public bodies named in legislation as administering authorities of the LGPS. For the Tell Us Once service, an extract of the Database containing individuals' NI numbers will be securely shared with DWP every month so that they may maintain an up-to-date record of the LGPS's membership.

How long will this data sharing be undertaken for?

For as long as:

i. the relevant regulatory requirements remain, and
ii. the LGPS participates in the Tell Us Once service.

In the event that neither of the above apply, the data sharing will cease to be undertaken.

Can I opt out of this data sharing?

No. As this data sharing is partly being undertaken to comply with a legal requirement, it is not possible for scheme members to opt out of the data sharing.

What if I have any queries?

To find out more about this data sharing or if you have any questions, please contact the Pensions Team.

The summer budget and the LGPS

In the Summer 2015 Budget some announcements were made which could potentially impact the tax paid by an individual in the LGPS. There are two tax measures that could affect LGPS members; the Annual Allowance (AA) and the Lifetime Allowance (LTA).

Annual Allowance (AA)

The AA is currently set at £40,000 a year and is the maximum pension savings an individual can make, in any one year, before incurring a tax charge. From April 2016 a taper will come into force limiting the AA amount for some members.

How will the taper work?

Broadly, anyone whose adjusted annual income, including their own and their employer's pension contributions, is more than £150,000 will be affected by the taper. But anyone whose annual income (excluding the value of any pension contributions) is £110,000 or less will not be subject to the taper regardless of their adjusted income.

The taper will reduce the AA limit by £1 for every £2 of income received over £150,000, down to a minimum AA limit of £10,000. Any pension savings made in excess of an individual's personalised AA limit will be subject to a tax charge at the individual's marginal income tax rate. The facility to carry forward up to three years' allowance will remain in force.

Change in Pension Input Period

For testing against the AA, benefits are valued over the 'pension input period' (PIP). The LGPS PIP is from 1 April to 31 March. The budget announced that all pension schemes will be required to align their PIPs with the tax year. All current PIPs will end on the 8 July 2015 (the day of the Summer Budget) and a new PIP will run from 9 July 2015 to 5 April 2016.

Lifetime Allowance (LTA)

The LTA will reduce from £1.25m to £1m from 6 April 2016 and is the limit on total pension arrangements an individual can draw over their lifetime before incurring a tax charge. There will be two transitional protections introduced alongside the reduction for members with pension savings close to or exceeding £1m.

They are:

- Fixed Protection 2016
- Individual Protection 2016

You will be able to apply for these new protections by using a new on-line self-service system which will be available from July 2016. The new self-service system is still being developed by HMRC and we will provide updates when this is available. See the Funds website for more information.

If you think you might be affected by the changes brought about by the budget, you should contact HMRC.

Contacting HMRC:

Telephone: 0300 200 3300
Write: HM Revenue and Customs, BX19 1AS. United Kingdom

Considering topping up your retirement benefits?

Here's what you need to know...

You may have some spare cash and want to pay more into your pension or you may want to cover 'lost pension' as a result of a period of unpaid absence such as child related leave.

Paying Additional Pension Contributions (APC's) either regularly from your salary or as a lump sum (subject to minimum limits) will allow you to top up your pension and/or make up the lost pension from a period of absence. Further information on how to make APCs including links to a calculator can be found on our website.

If you decide to cover 'lost pension' after a period of authorised absence, which resulted in reduced or no pay, and you make this election within 30 days of returning to work, your employer covers two thirds of the cost. This is called Shared Cost Additional Pension Contributions (SCAPCs). In the case of lost Pension due to an unauthorised absence, for example, industrial action, your employer will not contribute towards the cost. For cases such as sickness absence your contributions are deemed as being paid.

You can also pay Additional Voluntary Contributions (AVCs) with our in-house AVC provider, Prudential, who can be contacted on:
0800 032 6674

Or by visiting:
www.pru.co.uk/rz/localgov/england-wales/

Employers' discretion policies

Thinking of flexible or early retirement? Don't forget to check your employer's policy!

Under the LGPS Regulations, each Scheme employer must create, publish and keep under review a discretions policy outlining certain pension discretions they can exercise in relation to their employees. These discretions cover decisions such as, in what circumstances to agree flexible retirement or when to agree a request to increase benefits.

Want to know what your employer's policy is?
Contact your employer or check out our website as we have published all the policies we have received.
www.shropshirecountypensionfund.co.uk/paying-in/employers-discretions-policies/

Pre-retirement courses

The Shropshire County Pension Fund receives requests each year from members for information regarding their pension benefits, particularly when planning for retirement.

We are therefore supporting pre-retirement courses run by a company called Affinity Connect, to assist scheme members in preparing for the changes which take place at retirement. The one day courses provide a comprehensive range of practical information that address the issues and concerns you may have.

Who should attend?

Anyone considering leaving employment on normal, early or ill-health retirement, or taking flexible retirement, within the next year or two.

Aim

To encourage a positive and realistic approach to retirement and to help you decide when you would like to retire.

If you are interested in attending the Fund has organised the pre-retirement courses on the following dates:

Tuesday 19th January 2016
The Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

Monday 14th March 2016
The Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

Monday 18th April 2016
Addenbrooke House, Ironmaster's Way, Telford, TF3 4NT

Places are limited therefore it is essential you book a place if you wish to attend. Partners are welcome.

To book a place email:
bookings@affinityconnect.org
Or phone: 01275 461 970
(select option 1)

Other News

Exit payment cap – more regulations changes ahead?

The Government has confirmed that it plans to introduce a cap to exit payments made to employees of public sector bodies as part of the Enterprise Bill. The proposed cap of £95k would cover the total value of exit payments (before tax) made by an employer and will cover all forms of exit payments including additional paid leave, the strain cost of early payment of pension and redundancy payments. It is proposed to exclude any payments in respect of death or ill health retirements. The introduction of the cap will potentially have a major impact for some individuals in the LGPS, as there is a statutory requirement for employers to pay immediate and unreduced benefits, as a result of redundancy to members over the age of 55. At the time of going to press the Fund is still waiting on further information from the Government as to how this will be implemented. Further information will be published on our website once it is known.

Automatic Enrolment – will you be affected?

The Department for Work and Pensions (DWP) has successfully introduced Automatic Enrolment to workplace pensions for large and medium-sized employers, who account for around 20 million workers, according to a report from the National Audit Office.

The Government continues to face significant challenges, however, as a further 1.8 million smaller employers are required to enrol their eligible jobholders by 2018.

You may have seen in newspapers and in adverts the 'workie'. This campaign is part of DWPs drive to promote the responsibility employers have to offer a workplace pension.

For local authority pension funds many larger employers (County and District Councils) will be re-enrolling their employees to the Local Government Pension Scheme (LGPS) or if they delayed the introduction of Automatic Enrolment, enrolling them for the first time.

For many existing members of the LGPS you probably won't notice a difference but for some members you may. Here are some examples:

"I am currently contributing to the 50 / 50 scheme"
Your employer will notify you that from the re-enrolment staging date you will be enrolled back to the main scheme and that you have the option to continue or rejoin the 50 / 50 scheme by completing another election form.

"I have more than one employment and have chosen not to pay into the LGPS in some of these posts"
Your employer will notify you that from the re-enrolment staging date you will be enrolled in to the LGPS in the posts in which you have previously chosen not to pay contributions. If you do not want to contribute in these posts you can again opt out by completing the necessary form(s).

If you have any questions concerning Automatic Enrolment and how it affects you, please contact your employer who is responsible for ensuring it takes place.

Contacting the Pensions Team

01743 252130

pensions@shropshire.gov.uk

www.shropshirecountypensionfund.co.uk

Shropshire County Pension Fund,
Shirehall, Abbey Foregate,
Shrewsbury,
SY2 6ND

The Removal of Contracting Out

From April 2016, the government is removing the National Insurance (NI) contribution rebate for all contracted out pension schemes like the Local Government Pension Scheme (LGPS). This means that the LGPS will no longer after that date be a Contracted-Out Scheme.

What does this mean for LGPS members?

Members who pay NI contributions will be contributing towards the Basic State Pension but are contracted out of the additional State Pension known as SERPS or State Second Pension (S2P). Currently, LGPS members receive a rebate for this part of NI contributions. However from April 2016, all current LGPS members will no longer receive this rebate and will see a rise in NI contributions of around 1.4% from this date. The government is also introducing a new single tier State Pension from April 2016.

Contracted-out Pension Equivalent

From November 2015, the Department of Work and Pensions (DWP) are including a Contracted-out Pension Equivalent (COPE) amount within State Pension statements. This is to help people, who have been contracted-out, understand why they may not be entitled to the full amount of the Single Tier State Pension.

As an LGPS member who will be contracted-out until April 2016, you will receive a pension through the LGPS. Please note your pension from the LGPS may be more or less than the COPE amount shown on the statement. The COPE will be based on all periods of contracted out service but if you have been a member of more than one contracted out scheme your state will not show a breakdown.

For more information see our website for FAQs.

Committee and date	Item
Pensions Committee	
18 March 2016	**14**
10.00am	Public

TRAINING REQUIREMENTS

Responsible Officer Debbie Sharp
Email: debbie.sharp@shropshire.gov.uk Tel: 01743 252192

1. Summary

The report provides Pension Committee members with an update on the Training arrangements in place within the Fund and introduces a new Training Policy for approval. This report also covers the training received by Pension Board Members since its introduction on 1 April 2015.

2. Recommendations

- The Committee is asked to approve, with or without comment, the Training Policy, **Appendix A**.
- The Committee are asked to consider completing the Pensions Regulators eLearning programme.
- The Committee are asked to note the training undertaken so far by the Pension Board, **Appendix D**.
- The Committee are asked to consider the Pension Regulators Survey. A summary of results can be found in, **Appendix E** and a full report in, **Appendix F**.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.

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

The Pensions Regulator Code should be adhered to which may incur costs. Any financial implications regarding the cost of training will be managed to a minimum and will be met by the Fund.

4. Training Policy

4.1 Pension Committee Members are asked to approve with or without comment the Training Policy, **Appendix A**. The policy has been established with the aim of ensuring that the Shropshire County Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills. Included within the Policy is the knowledge and skills requirements for the Pensions Board Members and how these requirements are to be met. The Pension Boards' responsibilities are a statutory requirement set out in the Public Service Pensions Act 2013;

PSPA13 Regulation 5. Pension board
(1)Scheme regulations for a scheme under section 1 must provide for the establishment of a board with responsibility for assisting the scheme manager (or each scheme manager) in relation to the following matters.
(2)Those matters are—
(a)securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;
(b)securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;
(c)such other matters as the scheme regulations may specify.

4.2 The Public Service Pensions Act 2013 can be read in full here: http://www.legislation.gov.uk/ukpga/2013/25/introduction

4.3 To help meet this statutory requirement the Pensions Regulator's Code of Practice 14: Governance and administration of public service pension schemes states in paragraphs 34-35 that: *A member of the Pensions Board of a public sector pension scheme must be conversant with the rules of the scheme, any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme and must also have a knowledge and understanding of the law relating to pensions, and any other matters which are prescribed in regulations.*

4.4 The Training Policy sets out the tools to be used by the Fund to meet its training responsibilities. Reference within the Training Policy is made to the Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills framework. For reference the full CIPFA document can be found in, **Appendix B**.

4.5 CIPFA identifies eight core areas of technical knowledge and skills for those working in public sector pension's finance. They are:

- Pensions Legislation
- Public Sector Pensions Governance
- Pensions Administration

- Pensions Accounting and Auditing Standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial Markets and Product Knowledge
- Actuarial methods, Standards and Practices

4.6 The Funds Training Policy has a knowledge matrix based on the eight core areas shown above. The matrix identifies the level of knowledge required for Officers, Pension Committee Members and Pension Board Members and will assist the Fund when organising the training required. To achieve the objectives set out in the Training Policy, a training needs assessment, measured against the framework standards will be undertaken for members of the Pensions Board. A similar assessment may also need to be undertaken for Pensions Committee Members and Officers. The assessment will enable the Fund to understand the training required and create a learning programme based on the priority areas. Each Pension Board Member will complete the competency self-assessment matrix found in, **Appendix C.**

5. The Pensions Regulator (TPR) eLearning programme

5.1 The regulator has provided an e-learning programme to help meet the learning needs of individuals involved in Public Sector Pensions. Pension Board members were required to undertake the eLearning programme and all staff in the Pension and Treasury Team have completed the programme. The programme is in line with the TPR's Code of Practice and it;

- Covers the type and degree of knowledge and understanding required;
- reflects the legal requirements, and
- is delivered within an appropriate timescale.

5.2 The e-learning programme is accessed via the Regulator's website: https://trusteetoolkit.thepensionsregulator.gov.uk/

The 'Public Sector Toolkit' provides a set of seven modules covering the key themes in the Code of Practice on governance and administration of public service schemes. Each module has an interactive tutorial and test which when completed assesses the understanding of each module. The practical examples and check lists for each Fund are particularly useful. Tutorials and assessments can be left mid – way through and then returned to later. The modules are:

- Conflicts of interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law

The Committee are asked to consider completing the Pensions Regulators eLearning programme. The Regulator suggests each module's tutorial should take no more than 30 minutes to complete.

5.3 On completion of each module a PDF certificate is provided and this should be downloaded and forwarded to the Pensions Communications Officer rebecca.purfit@shropshire.gov.uk to record on file.

6. Pensions Board Training Summary

6.1 All four members of the Pension Board have attended training or meetings run by the Fund since the Board was set up on the 1 April 2015. The training undertaken so far for each individual member can be found in the Training Summary, **Appendix D**. The purpose of the Training Summary is to record the training attended by each Pension Board Member. A similar training matrix has been developed for officers and will be kept for Committee members.

7. The Pensions Regulators Survey

7.1 Between July and September 2015, the Pensions Regulator conducted a survey of all public service schemes to baseline the standard to which they are being run. In December 2015, the results from the survey were published and the summary of the findings can be found in, **Appendix E** and the full report in, **Appendix F**. From the summary of results it is implied that in the next year the TPRs focus will be addressing three areas it judges to be of greatest risk. These are; internal controls, scheme record keeping and the provision of accurate communication.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Cabinet Member (Portfolio Holder) NA
Local Member NA
Appendices Appendix A – Training Policy Appendix B – CIPFA Knowledge and Skills document Appendix C - Competency Self-Assessment Matrix Appendix D – Training Summary Appendix E – Summary of survey results Appendix F – Survey full report

SHROPSHIRE COUNTY
PENSION FUND

Shropshire County Pension Fund

Training Policy

Issue Date - 18/03/2016
Review Date - 18/03/2017

Version 1.0

Introduction
This is the Training Policy of the Shropshire County Pension Fund, which is managed and administered by Shropshire Council. The Training Policy is established to aid all to whom this Policy applies in having the sufficient knowledge and understanding ensuring that all decisions, actions and other activities are carried out in an informed and appropriate way. This means that advice and guidance from external bodies can be challenged and tested appropriately and that the Funds operational and strategic direction is in accordance with best practice and guidance. The Training Policy has the ultimate aim of ensuring that the Shropshire County Pension Fund is managed by individuals who have the appropriate levels of knowledge and skills.

Aims and objectives
Shropshire Council recognises the importance of its role as Administering Authority to the Shropshire County Pension Fund on behalf of its stakeholders which include:

- Over 40,000 current and former members of the Fund
- Over 140 employers

In relation to training, the Administering Authority's objectives are to ensure that:

- Those persons charged with the financial management and decision-making with regard to the LGPS Fund are fully equipped with the knowledge and skills required to discharge the duties and responsibilities allocated to them;
- Those persons responsible for the day-to-day administration and running of the Fund are appropriately equipped with the knowledge and skills required to discharge their duties and responsibilities in relation to the Fund;
- Those persons responsible for providing governance and assurance of the Fund have sufficient expertise to be able to evaluate and challenge the advice they receive, to ensure their decisions are robust and soundly based, and to manage any potential conflicts of interest

All to whom this Policy applies are expected to continually demonstrate their own personal commitment to training and to ensuring that these objectives are met.

To assist in achieving these objectives, the Fund will aim to comply with:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills frameworks;
- Section 248a of the Pensions Act 2004 (as amended by the knowledge and skills requirements of the Public Service Pensions Act 2013;
- The Pensions Regulator's (TPR) Code of Practice No 14, Governance and Administration of Public Service Pension Schemes 2015

By adhering to a Training Policy the Fund will be able to demonstrate a high level of governance and standards, and report against peer group Funds in the Scheme Advisory Board KPI program.

To whom this Policy applies
This Training Policy applies to all individuals that take on a decision making, scrutiny or oversight role in the Fund. This includes:
- Officers of the administering authority involved in the management and administration of the Fund

- Members of the Pension Fund committee, including scheme member and employer representatives
- Members of the pension board, including scheme member and employer representatives.

CIPFA knowledge and skills framework
The CIPFA knowledge and skills framework identifies eight areas of knowledge and skills as the core technical requirements for those working in public sector pensions finance. They are:

- Pensions legislation
- Public sector pensions governance
- Pensions administration
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and product knowledge
- Actuarial methods, standards and practices

James Walton (Head of Finance, Governance & Assurance (s151 Officer & Scheme Administrator) at Shropshire Council is the Fund's designated named individual responsible for ensuring that the this Training Policy is implemented. This is in line with principle five of the CIPFA Code of Practice on Public Sector Pensions Finance Knowledge.

Shropshire County Pension Fund Training Plan
The Fund recognises the importance of training in ensuring pension fund committee members, pension board members and officers attain, and then maintain, the relevant knowledge and skills.

The Funds approach to training will be supportive with the intention of providing pension fund committee members, pension board members and officers with regular sessions that will contribute to their level of skills and knowledge. The Fund will develop a rolling Training Plan, which takes account of the following:

Individual training needs
A training needs analysis will be developed for committee members, pension board members and officers to identify the key areas in which training is required. This evaluation will be undertaken on an annual basis. Training on the identified areas will be provided as necessary and on an ongoing refresher basis.

Topic based training
The need for appropriately timed training in relation to current topics, such as when decisions are required in relation to complex issues or in new areas not previously considered will be provided as required.

General awareness
There is an expectation on those to which this policy applies that they should maintain a reasonable knowledge of ongoing developments and current issues, and have a good level of general awareness of pension related matters appropriate for their roles.

How training will be provided
Training will be delivered through a variety of methods including:

- in-house training days provided by officers and/or external providers;

- shared training with other LGPS Funds or framework arrangements
- training at meetings (e.g. committee or pension board) provided by officers and/or external advisers;
- external training events, such as those organised by the Local Government Association (LGA), CIPFA, or Pensions and Lifetime Saving Association (PLSA), previously NAPF.
- attendance at seminars and conferences offered by industry-wide bodies, such as those organised by the LGA, LGC Pension Investment Seminars, CIPFA, Local Authority Pension Fund Forum or PLSA
- circulation of reading material, including Fund committee reports and minutes from attendance at seminars and conferences;
- attendance at meetings and events with the Fund's investment managers and advisors
- links to on-line training such as that provided by the TPR;
- the Funds website www.shropshirecountypensionfund.co.uk and national LGPS websites where Scheme information is available.
- fund policies and documents such as the Annual Report and the Governance Compliance Statement

Induction process
An evaluation will be undertaken in the form of a short self-assessment questionnaire to develop an appropriate individual training plan.

Monitoring knowledge and skills
In order to identify whether the objectives of this policy are being met, the fund will maintain a training log which records attendance at training and compare this to the Training Plan.

Key risks
The key risks to the delivery of this Policy are outlined below. The pension fund committee members, with the assistance of the Pension Board and Officers, will monitor these and other key risks and consider how to respond to them.

- Changes to the committee and/or pension board membership and/or officer's potentially diminishing knowledge and understanding.
- Poor attendance and/or a lack of engagement at training and/or formal meetings by committee members, pension board members and/or other officers resulting in a poor standard of decision making, administration and/or monitoring.
- Insufficient resources being available to deliver or arrange the required training.
- The quality of advice or training provided not being of an acceptable standard.

Success measures
Knowledge gaps will be identified in annual assessment with success measured against the previous year and whether the knowledge gap has been fulfilled. A training log which records attendance at training throughout the year will also be kept.

Reporting
A report will be presented to the committee and the pension board on an annual basis setting out:
- the training provided/attended in the previous year at an individual level;
- commentary on how this compares to the Training Plan; and

- any actions required, such as a review of the Training Plan.

This information will also be included in the Fund's Annual Report and Accounts. The Funds committee members and pension board members will be provided with details of forthcoming seminars, conferences and other relevant training events.

Costs
Where there is a cost involved in providing the training this will be met directly by the Fund. However, Investment Managers and some of the training events are provided at no cost.

Degree of knowledge and understanding required
To ensure all individuals to whom this policy applies work towards what is required a knowledge matrix has been developed, shown below. The matrix determines the level of knowledge required of the eight core technical areas highlighted by the CIPFA guidance for officers, committee and the pension board. The core areas listed below have been identified as the key skills that lie at the core in the training for those involved in public sector pension's finance. The knowledge matrix is not exhaustive and other technical or non-pensions related skills will be identified on an individual basis within job descriptions or via annual assessment.

Knowledge Matrix

Core technical area	Officers (Job description)	Pensions Committee	Pension Board
Pensions Legislation **LGPS Regulations**	C	BK	BK C*
Public Sector Pensions Governance	C	BK	C*
Pensions Administration	E	BK	C*
Pensions Accounting and Auditing Standards	E	C	C
Financial services procurement and relationship management	E	C	BK
Investment performance and risk management	E	C	BK
Financial Markets and Product Knowledge	C	C	BK
Actuarial methods, Standards and Practices	C	C	BK

BK = Basic knowledge
C = Conversant (i.e. working knowledge)
E = Expert
*Statutory requirement (Paragraphs 34-36 of the Pensions Regulator's Code of Practice state that: *A member of the Pensions Board of a public sector pension scheme must be conversant with the rules of the scheme, any document recording policy about the administration of the scheme which is for the time being adopted in*

relation to the scheme and must also have a knowledge and understanding of the law relating)

Further information
For further information about anything in or related to in this policy please contact: Rebecca Purfit, Communications Officer, Pension Services, Shropshire County Pension Fund, Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

Telephone: 01743 254457 Email: rebecca.purfit@shropshire.gov.uk

CIPFA
The Chartered Institute of
Public Finance & Accountancy

local pension boards

A Technical Knowledge and Skills Framework

Barnett Waddingham
a true partnership approach

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CIPFA The Chartered Institute of Public Finance & Accountancy

local pension boards

A Technical Knowledge and Skills Framework

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This framework has been developed by Nigel Keogh (CIPFA Pensions Technical Manager) with guidance, direction and support from the CIPFA Pensions Panel.

The current members of the Pensions Panel are:

Bob Summers (Chairman) – Independent Consultant

Paul Dale – London Borough of Merton

Geoff Dobson – Suffolk County Council

Geik Drever – West Midlands Pension Fund

Jeff Houston – Local Government Employers Pensions Committee

John Hattersley – South Yorkshire Pensions Authority

Nicola Mark – Norfolk Pension Fund

Susan Martin – London Pensions Fund Authority

Paul Mayers – National Audit Office

Richard McIndoe – Glasgow Council

Chris Megainey – Department for Communities and Local Government

Graeme Russell (Vice Chairman) – Torfaen Borough Council

Trevor Salmon – Northern Ireland Local Government Officers' Superannuation Committee

Mark Taylor – Audit Scotland

Chris West – Coventry City Council

John Wright – Hymans Robertson

The Panel would like to thank Annemarie Allen at Barnett Waddingham for her contributions to the guidance.

The Panel would also like to acknowledge the role of the publication's sponsor, Barnett Waddingham, in helping to ensure that this key piece of guidance is available across the Local Government Pension Scheme.

Contents

1. Purpose, Scope and Status of this Guidance

PURPOSE

1.1 A great deal of work has been done in recent years to address the provision of training to those who are involved in the administration of public service pension schemes. However in the absence of any detailed definition of what knowledge and skills are actually required to carry out a particular role, it is difficult to ascertain whether training is truly effective.

1.2 In an attempt to ensure that training can be delivered efficiently and effectively by identifying and focusing on the key knowledge areas, in recent years CIPFA has developed, with the assistance of expert practitioners, frameworks covering the knowledge and skills requirements for officers and elected members/non-executives involved in the administration of public service pension schemes.

1.3 The proposals in this publication are intended to further promote good governance in public service pension schemes' pension boards by extending these frameworks to cover the training and development of their board members. The objective is to improve knowledge and skills in all the relevant areas of activity of a pension board and assist board members in achieving the degree of knowledge appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board as required under Section 248a of the *Pensions Act 2004*[1], as amended by the *Public Service Pensions Act 2013*.

1. Section 248a of the *Pensions Act 2004* sets out the following:

Requirement for knowledge and understanding: pension boards of public service pension schemes

(1) This section applies to every individual who is a member of the pension board of a public service pension scheme.

(2) An individual to whom this section applies must be conversant with— .

(a) the rules of the scheme, and

(b) any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

(3) An individual to whom this section applies must have knowledge and understanding of— .

(a) the law relating to pensions, and

(b) such other matters as may be prescribed.

(4) The degree of knowledge and understanding required by subsection (3) is that appropriate for the purposes of enabling the individual properly to exercise the functions of a member of the pension board.

1.4 This guidance is intended to complement the Pensions Regulator's *Code of Practice No 14: Governance and Administration of Public Service Pension Schemes* (2015)[2]. The *Code of Practice No 14* sets out the fact that the law requires, amongst other things, that local pension board members be conversant with the rules of the scheme and documents relating to its administration. Additionally, in the context of the Local Government Pension Scheme (LGPS) in particular, this will bring board members into contact with matters relating to investments, actuarial valuations, third party provision, scheme assurance, accounting and auditing[3]. This guidance therefore focusses on those areas by expanding on the specifics of the knowledge and skills requirements associated with public service pension schemes in general and the LGPS in particular, and assisting both scheme managers and pension board members in discharging their responsibilities as set out in the Pensions Regulator's *Code of Practice No 14* insofar as they apply to knowledge and skills (a summary of the respective responsibilities of board members and the scheme manager can be found at Annex A).

SCOPE

1.5 The guidance is set in the context of LGPS pension boards in England and Wales but pension boards in other sectors and jurisdictions may find the frameworks of use in determining their own training programmes for pension board members.

2. www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf

3. The Pensions Regulator's *Code of Practice 14: Governance and Administration of Public Service Pension Schemes* states in paragraphs 42 to 44:

'For pension board members of funded pension schemes, documents which record policy about the administration of the scheme will include those relating to funding and investment matters. For example, where relevant they must be conversant with the statement of investment principles and the funding strategy statement.

Pension board members must also be conversant with any other documented policies relating to the administration of the scheme. For example, where applicable, they must be conversant with policies relating to:

- *the contribution rate or amount (or the range/variability where there is no one single rate or amount) payable by employers participating in the scheme*
- *statements of assurance (for example, assurance reports from administrators)*
- *third party contracts and service level agreements*
- *stewardship reports from outsourced service providers (for example, those performing outsourced activities such as scheme administration), including about compliance issues*
- *scheme annual reports and accounts*
- *accounting requirements relevant to the scheme*
- *audit reports, including from outsourced service providers, and*
- *other scheme-specific governance documents.*

1.6 The framework is intended to have two primary uses:

- as a tool for scheme managers in meeting the Pensions Regulator's *Code of Practice No 14* which states that scheme managers should '*establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members*'
- as an assessment tool for individuals to measure their progress and plan their development in order to ensure that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of a pension board.

1.7 The framework is intended to apply to all pension board members. However, it has been designed so that organisations and individuals can tailor it to their own particular circumstances.

1.8 In addition, in recognition of the more onerous roles of chairs, the framework also includes a specimen role specification for the chair of a pension board (see the example at Annex B).

STATUS

1.9 In 2013, CIPFA issued a *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*.

1.10 The *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* is underpinned by five key principles:

1. Organisations responsible for the financial administration of public sector pension schemes recognise that effective financial management, decision-making, governance and other aspects of the financial administration of public sector pension schemes can only be achieved where those involved have the requisite knowledge and skills.
2. Organisations have the necessary resources in place to acquire and retain the necessary public sector pension scheme finance knowledge and skills.
3. Organisations have in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective acquisition and retention of public sector pension scheme finance knowledge and skills for those in the organisation responsible for financial administration, scheme governance and decision-making.
4. The associated policies and practices are guided by reference to a comprehensive framework of knowledge and skills requirements such as that set down in the *CIPFA Pensions Finance Knowledge and Skills Frameworks*.
5. The organisation has designated a named individual[4] to be responsible for ensuring that policies are implemented.

1.11 In setting out the *Code of Practice on Public Sector Pensions Finance Knowledge and Skills*, the Institute stated that '*this Code of Practice applies to all individuals that take on a*

4. The officer in question should be the senior officer responsible for the financial administration of the pension scheme. In the case of the LGPS, this would usually be the chief financial officer; in the NHS, for example, it would be the accounting officer.

decision-making, scrutiny or oversight role. This includes (where relevant to the governance structures employed in the management of the LGPS):

- *officers of the administering authority*
- *elected members of the administering authority*
- *employer representatives*
- *member-nominated representatives*
- *pensioner representatives*
- *co-opted members*
- *independent advisors*
- *internal auditors and audit committee members*
- *any other individuals involved in a decision-making, scrutiny or oversight role.*

The requirements will also apply to the members of local pension boards as set out in section 5 of the Public Service Pensions Bill, as and when such boards are established.'

1.12 It is therefore the professional responsibility of the named individual referred to under principle 5 above to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the Pensions Regulator's *Code of Practice No 14* as set out in paragraph 38 of that Code[5].

1.13 This guidance is offered as good practice in line with the previous *CIPFA Pensions Finance Knowledge and Skills Frameworks*, and is intended to assist practitioners in meeting their responsibilities under CIPFA's *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.

5. Paragraph 38 of the Pensions Regulator's *Code of Practice No 14* states:

'Schemes should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members. Schemes should designate a person to take responsibility for ensuring that a framework is developed and implemented.'

2. Policy and Legislative Background

2.1 On 1 April 2015, the governance structure of the LGPS fundamentally changed as a result of new governance requirements introduced by *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015*.

2.2 These changes have their origins in the final recommendations of the Independent Public Service Pensions Commission (IPSPC) chaired by Lord Hutton of Furness. In June 2010 the IPSPC was formed to undertake a fundamental structural review of public service pension provision and to make recommendations to the chancellor and chief secretary on future pension arrangements. The IPSPC produced an interim report in October 2010 and a final report in March 2011[6].

2.3 In the final report, the Commission concluded that (page 126):

'scheme members in all the public services should be able to nominate persons to pension boards and committees along similar lines to the rights of members in the private sector to nominate persons to sit on boards of trustees. Pension boards should therefore include independent professionals and scheme members in similar proportions as apply in the private sector to boards of trustees. It is also very important that as well as the "lay persons" there are also independent members, usually professionally trained and with experience of the pensions environment.'

2.4 The Commission went on to make the following recommendation:

'Every public service pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent pension board, with member nominees, responsible for meeting good standards of governance, including effective and efficient administration (recommendation 17a).'

2.5 The Commission's recommendation was taken forward in the drafting of the *Public Service Pensions Bill* (subsequently the *Public Service Pensions Act 2013*).

2.6 Under Regulation 5 of the *Public Service Pensions Act 2013*, the responsible authority[7] for each public service pension scheme established under the 2013 Act is required to make

6. www.gov.uk/government/uploads/system/uploads/attachment_data/file/207720/hutton_final_100311.pdf

7. The "responsible authority" for each public service pension scheme is defined in Regulation 2 of the *Public Service Pensions Act 2013* as 'the person who may make scheme regulations.' For local government in England and Wales, this is set out in Schedule 2 of the Act as the secretary of state (DCLG).

provision in scheme regulations that requires each pension scheme manager[8] to establish a pension board to assist the scheme manager in relation to the following:

'(a) securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme and any statutory pension scheme that is connected with it;

(b) securing compliance with requirements imposed in relation to the scheme and any connected scheme by the Pensions Regulator;

(c) such other matters as the scheme regulations may specify.'

2.7 Regulation 5 further directs that the scheme manager must include within its own scheme regulations provisions that require the scheme manager:

'(i) to be satisfied that a person to be appointed as a member of the board does not have a conflict of interest, and

(ii) to be satisfied from time to time that none of the members of the board has a conflict of interest;

(iii) ensure that a member of the board, or a person proposed to be appointed as a member of the board, be able to provide the scheme manager with such information as the scheme manager reasonably requires for the purposes of provision under the above;

(iv) ensure that the board include employer representatives and scheme member representatives in equal numbers.'

2.8 As required under Regulation 5, the Department for Communities and Local Government (DCLG) laid an amendment to the *Local Government Pension Scheme Regulations 2013* on 28 January 2015, setting out the arrangements for establishing pension boards in the LGPS[9]. The relevant Regulations (Regulations 105 to 109 of the *Local Government Pension Scheme Regulations 2013* (as amended) are reproduced in full at Annex C for ease of reference.

2.9 A working group of the Shadow LGPS Scheme Advisory Board Governance and Standards Sub-committee has produced detailed guidance to scheme managers (administering authorities) to assist them in establishing local pension boards. This guidance can be found at www.lgpsboard.org/index.php/about-the-board/board-guidance

8. Regulation 4 of the *Public Service Pensions Act 2013* requires that public service pension schemes established under this Act (such as the LGPS from 1 April 2014) set out in scheme regulations who will be responsible for managing or administering the scheme. In the case of the LGPS, Regulation 53 of the *Local Government Pension Scheme Regulations 2013* sets out that each administering authority is designated the "scheme manager" for their fund.

9. *The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015.*

3. Key Skills

3.1 The CIPFA Pensions Panel, with input from technical specialists covering each element of the skills matrix, has identified the key skills that lie at the core of successful public sector pension scheme administration.

SCOPE OF THE FRAMEWORK

3.2 Due to the complexity of pensions administration, these skill sets extend across several disciplines from accountancy and audit into areas of investment and actuarial finance, as well as knowledge of the legislative and governance environment. In total there are eight areas of knowledge and skills that have been identified as the core technical requirements for those working in public sector pensions finance. They are:

- pensions legislation
- public sector pensions governance
- pensions administration
- pensions accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and product knowledge
- actuarial methods, standards and practices.

These are expanded upon below.

3.3 The Institute recognises that there will of course be other technical (non-pensions related) and "softer" skills required in order to be competent in the role of a pension board member and Regulation 107 of the *Local Government Pension Scheme Regulations 2013* (as amended) makes specific reference to board appointees having the "capacity" to undertake the role. Whilst the Regulations do not define "capacity" in this context, the guidance referred to at paragraph 2.9 takes this to mean that board members should have '*time to commit to attend meetings, undertake training and effectively represent employers and (scheme) members (as appropriate)*.' The "soft" skills implied here are considered to be outside the scope of this framework but should also be considered when determining the ability of pension board members to effectively discharge their duties.

PENSIONS LEGISLATION

3.4 The pensions landscape is characterised by a complex legislative framework. In addition to the legislation of individual schemes, there are industry-wide statutes that apply in whole or in part to public sector schemes, including the way in which schemes interact with state pensions, the tax system, the Pensions Regulator etc.

3.5 A knowledge of this framework and the way in which it impacts upon the operations of individual schemes is key to understanding the context within which public sector pension schemes operate and the statutory obligations they are required to discharge.

PUBLIC SECTOR PENSIONS GOVERNANCE

3.6 On 1 April 2015, the governance structure that surrounds public sector pension schemes changed significantly. The *Public Service Pensions Act 2013* has introduced new bodies and relationships into what, in the LGPS in particular, was an already complex governance network.

3.7 Understanding how the pension board interacts with the other elements of this governance structure – the administering authority, the Scheme Advisory Board, the responsible authority (eg DCLG), the Pensions Regulator etc – and the various roles and responsibilities of those bodies is critical to the success of the board.

3.8 Also of key importance is a knowledge of the governance frameworks that apply within the wider pensions industry (such as the Myners principles and the *UK Stewardship Code* (FRC, 2010)); within individual schemes (such as the LGPS governance statement requirements); and within the organisations that administer the schemes (for example *Delivering Good Governance in Local Government: Framework* (CIPFA, 2007)).

PENSIONS ADMINISTRATION

3.9 Pensions administration is perhaps the most highly regulated area of the LGPS. Administering scheme benefits, contributions and other transactions is highly complex and is governed by extensive scheme regulations, as well as industry-wide requirements on disclosure, record-keeping, data maintenance, dispute resolution etc.

3.10 Understanding these requirements and assisting the administering authority to ensure compliance with the various regulations, standards and codes is a key role of the pensions board, which makes pensions administration a key strand of the knowledge and skills framework.

PENSIONS ACCOUNTING AND AUDITING STANDARDS

3.11 The way in which pension schemes are accounted for, both as a scheme and by the sponsoring employer(s), plays a significant part in the knowledge and skills framework. The accounting requirements and associated disclosures are complex and involve a large actuarial element. Consequently this demands an understanding of the regime in order to comply with the requirements and to communicate the requirements and their implications both internally and externally.

3.12 In addition, both internal and external auditors play a significant role in assuring that the administering authority complies with statutory requirements. Understanding the scope of their role, and the roles played by providers of third party assurance on outsourced services, is key for local pension board members.

PENSIONS SERVICES PROCUREMENT AND RELATIONSHIP MANAGEMENT

3.13 Such are the scale, diversity and technical requirements of pensions operations, the use of outsourcing is commonplace. Whether it is the use of actuaries, fund managers, pensioner payroll providers or third party administrators, the skills and knowledge required to procure and manage outsourced services are central to scheme management in the public sector.

3.14 In some instances organisations will have specialist procurement units who will play a large part in the procurement process. In such cases many of the requirements of the framework may be met by virtue of the pension board member having access to external technical expertise. In these circumstances, users of the framework should adapt the level of detail in this skill set accordingly.

INVESTMENT PERFORMANCE AND RISK MANAGEMENT

3.15 In the LGPS and other schemes where contributions are invested and managed to meet future liabilities, understanding investment risk and performance constitutes a major element of the role of pension board members.

3.16 Administering authorities are aware of the requirement to apply the same rigour to an assessment of their own performance and the performance of those who work on their behalf. Frameworks and targets must be devised and set, and performance monitored against them and reported to stakeholders. Pension board members should be equipped which a sufficient level of knowledge to enable them to assist the administering authority in ensuring that this is done effectively.

FINANCIAL MARKETS AND PRODUCT KNOWLEDGE

3.17 In schemes with invested funds, an understanding of financial markets and products is fundamental. The depth of knowledge will depend to some degree upon the particular approach to investment management undertaken by the fund (the investment activities of LGPS funds for example can be split into two groups: those funds that use external managers to manage all of their investment portfolio; and those that undertake some or all of their investment activities using in-house investment managers).

ACTUARIAL METHODS, STANDARDS AND PRACTICES

3.18 The scheme actuary holds a key position in the financial management of a pension scheme. Pension board members will need to understand, in some level of detail, the work of the actuary and the way in which actuarial information is produced and the impact it has on both the finances of the scheme and employers.

THE KNOWLEDGE AND SKILLS FRAMEWORK

3.19 In the framework which follows, we have identified the key elements of expertise within each of the above areas of technical knowledge as they apply to pension board members. In addition, Annex D provides an example of how the framework can be used as an assessment tool for individuals.

4. Local Pension Boards: A Technical Knowledge and Skills Framework

Pensions legislation	A general understanding of the pensions legislative framework in the UK. An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment. An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers. A regularly updated appreciation of the latest changes to the scheme rules.
Pensions governance	Knowledge of the role of the administering authority in relation to the LGPS. An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme. Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure. Broad understanding of the role of pension fund committees in relation to the fund, administering authority, employing authorities, scheme members and taxpayers. Awareness of the role and statutory responsibilities of the treasurer and monitoring officer. Knowledge of the Myners principles and associated CIPFA and SOLACE guidance. A detailed knowledge of the duties and responsibilities of pension board members. Knowledge of the stakeholders of the pension fund and the nature of their interests. Knowledge of consultation, communication and involvement options relevant to the stakeholders. Knowledge of how pension fund management risk is monitored and managed. Understanding of how conflicts of interest are identified and managed. Understanding of how breaches in law are reported.

Pensions administration	An understanding of best practice in pensions administration, eg performance and cost measures. Understanding of the required and adopted scheme policies and procedures relating to: ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communications and materials. Knowledge of how discretionary powers operate. Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes). An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration. An understanding of what additional voluntary contribution arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.
Pensions accounting and auditing standards	Understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice. Understanding of the role of both internal and external audit in the governance and assurance process. An understanding of the role played by third party assurance providers.
Pensions services procurement and relationship management	Understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations. A general understanding of the main public procurement requirements of UK and EU legislation. Understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties. An understanding of how the pension fund monitors and manages the performance of their outsourced providers.
Investment performance and risk management	Understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks. Awareness of the Myners principles of performance management and the approach adopted by the administering authority. Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.

Financial markets and products knowledge	Understanding of the risk and return characteristics of the main asset classes (equities, bonds, property). Understanding of the role of these asset classes in long-term pension fund investing. Understanding of the primary importance of the investment strategy decision. A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks. An understanding of the limits placed by regulation on the investment activities of local government pension funds. An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.
Actuarial methods, standards and practices	A general understanding of the role of the fund actuary. Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring. Awareness of the importance of monitoring early and ill health retirement strain costs. A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers. A general understanding of the relevant considerations in relation to outsourcings and bulk transfers. A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.

5. Framework Status, Reporting and Compliance

DEVELOPMENT AND MAINTENANCE

5.1 This framework has been developed by the CIPFA Pensions Panel with input from technical specialists covering each element of the skills matrix.

5.2 As noted in chapter 1, it is the professional responsibility of the section 151 officer (or other named officer as appropriate) to establish and maintain policies and arrangements for acquiring and retaining knowledge and skills to support their pension board members. This professional requirement is in line with the requirement set out in paragraph 38 of the Pensions Regulator's *Code of Practice No 14*. This framework is set down as good practice, in line with the previous CIPFA *Pensions Finance Knowledge and Skills Frameworks,* and is intended to assist practitioners in meeting their responsibilities under the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* (2013), particularly principle 4.

5.3 The Pensions Panel is committed to maintaining and developing the framework as knowledge and skills requirements change over time. Any changes to the framework will go through the same process of expert review and user testing.

REPORTING AND COMPLIANCE

5.4 Statement 5 of the "statements to be adopted" in the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requires funds to report annually in their pension scheme annual reports on:

- how the knowledge and skills framework has been applied
- what assessment of training needs has been undertaken
- what training has been delivered against the identified training needs.

5.5 CIPFA recognises that in some cases members could be appointed to pension boards with little or no prior pensions knowledge. The chief officers and the chair should bear in mind the legal requirements as set out in the Pensions Regulator's *Code of Practice No 14*[10] and have in place a plan that includes pre-induction training, leading into a fuller induction programme.

These factors should be reflected in the training needs assessment and the delivery of training statement in the annual report.

5.6 Again, the CIPFA *Code of Practice on Public Sector Pensions Finance Knowledge and Skills* requirements are aligned with the guidance of the Pensions Regulator, whose *Code of Practice No 14* says this on the subject of demonstrating knowledge and understanding:

'Schemes should keep appropriate records of the learning activities of individual pension board members and the board as a whole. This will help pension board members to demonstrate steps they have taken to comply with legal requirements and how they have mitigated risks associated with knowledge gaps. A good external learning programme will maintain records of the learning activities of individuals on the programme or of group activities, if these have taken place.'

5.7 The Pension Regulator's policy and approach to compliance is set out in its *Compliance and Enforcement Policy for Public Service Pension Schemes* (2015)[11].

Practitioners should familiarise themselves with this policy statement.

10. Paragraphs 34 to 36 of the Pensions Regulator's Code of Practice 14 state that:

'A member of the pension board of a public service pension scheme must be conversant with:

- *the rules of the scheme, and*
- *any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.*

A member of a pension board must have knowledge and understanding of:

- *the law relating to pensions, and*
- *any other matters which are prescribed in regulations.*

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the pension board.'

11. www.thepensionsregulator.gov.uk/docs/compliance-policy-public-service-pension.pdf

6. Achieving Framework Standards – Training and Support

6.1 To achieve the standards set down in the framework, organisations should as a first step consider undertaking a training needs assessment against the framework standards and developing appropriate training programmes.

6.2 The varied nature of training and the need to demonstrate continuous improvement in governance, places a high level of priority on forward planning through a business plan and a related training and development plan.

6.3 CIPFA working with Barnett Waddingham offer bespoke assessment, training, support and monitoring programmes for local pension boards and their members which are built around the requirements of this framework. This includes the following elements which can be taken as a whole or in part:

- **Assessment and planning**
  - Individual local pension board member knowledge, understanding and skills assessment.
  - Training plan/programme development.
- **Training**
  - Pre-appointment and induction training.
  - Initial area specific training such as: pensions legislation and guidance; policies, procedures and working arrangements; overriding legislation and interacting statutory organisations; and investments and funding.
  - Ongoing and subject specific training such as regulatory changes and triennial valuations.
  - Annual refresher training and updates.
  - Member requested training.
  - Bespoke and open courses aimed at retention of knowledge and development of best practice.
- **Support and mentoring**
  - Ongoing local pension board member mentoring, coaching and support.
  - BWebstream document access and storage system.
  - Training and support materials.
- **Monitoring and reporting**
  - Ongoing individual local pension board member assessment.

- Monitoring local pension board member training and development, attendance and progress, maintaining records and reporting.

6.4 Please contact Annemarie Allen at Barnett Waddingham on 020 7776 3873 or via annemarie.allen@barnett-waddingham.co.uk or Nigel Keogh at CIPFA on 01204 592311 or via nigel.keogh@cipfa.org to discuss your requirements in the first instance.

7. Further Reading and Sources of Guidance

FROM CIPFA

Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds (2014)

The Role of the Chief Financial Officer in the Local Government Pension Scheme (2014)

Code of Practice on Public Sector Pensions Finance Knowledge and Skills (2013)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom (2012)

Preparing and Maintaining a Funding Strategy Statement in the Local Government Pension Scheme (2012)

Managing Risk in the Local Government Pension Scheme (2012)

Principles for Investment Decision Making and Disclosure in the Local Government Pension Scheme in the United Kingdom 2012 (2012)

Buying Time: A CIPFA Pensions Panel Guide to Procuring Efficiency in Public Sector Pensions Administration (2011)

CIPFA Pensions Panel Guide to Stock Lending by Local Authority Pension Funds (2011)

CIPFA Pensions Panel Guide to Pension Fund Taxation in the United Kingdom (2011)

Narrative Reporting in Public Sector Pension Schemes (2010)

Delivering Good Governance in Local Government Pension Funds: A Guide to the Application of the CIPFA/SOLACE Code of Corporate Governance in Local Authorities to their Management of LGPS Funds (2009)

Guidance for Chief Finance Officers Administering LGPS Actuarial Valuations (2008)

CIPFA Pensions Panel: Weighing Up Risk Against Reward: An Introductory Guide to Asset-Liability Studies for Local Government Pension Funds (2007)

CIPFA Pensions Panel: Freedom of Information Act – Dealing with Requests for Information Relating to Local Authority Pension Funds (2006)

OTHER SOURCES

Code of Practice No. 14: Governance and Administration of Public Service Pension Schemes (The Pensions Regulator, 2015)

Compliance and Enforcement Policy for Public Service Pension Schemes (The Pensions Regulator, 2015)

The Pensions Regulator also publishes a range of other helpful materials at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Local Government Pension Scheme (LGPS) – Guidance on the Creation and Operation of Local Pension Boards in England and Wales (Shadow Scheme Advisory Board, 2015)

OTHER TRAINING AND SUPPORT

The CIPFA Pensions Network provides a range of seminars built around the themes in the *Pensions Finance Knowledge and Skills Frameworks*.

The Pensions Regulator also has an online "Public Service toolkit" available at www.thepensionsregulator.gov.uk/public-service-schemes.aspx

Annex A – Knowledge and Skills Responsibilities under the Pensions Regulator Code of Practice No 14

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	**Scheme manager**	
Legal requirements		
Must be conversant with: ■ the rules of the scheme ■ any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.		Statutory
Must have knowledge and understanding of: ■ the law relating to pensions ■ any other matters which are prescribed in regulations.		Statutory
Should ensure that the degree of knowledge and understanding they possess is that appropriate for the purposes of enabling them to properly exercise the functions of a member of the pension board.		Statutory
Practical guidance		
	Should help pension board members meet their legal obligations.	Code of Practice (paragraph 37)
	Should establish and maintain policies and arrangements for acquiring and retaining knowledge and understanding to support their pension board members.	Code of Practice (paragraph 38)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	**Scheme manager**	
	Should designate a person to take responsibility for ensuring that a framework for acquiring and retaining knowledge and skills is developed and implemented.	Code of Practice (paragraph 38)
Areas of knowledge and understanding required		
	Should prepare and keep an updated list of the documents with which they consider pension board members need to be conversant. This will enable them to effectively carry out their role. They should make sure that both the list and the documents are available in accessible formats.	Code of Practice (paragraph 46)
Degree of knowledge and understanding required		
	Clear guidance on the roles, responsibilities and duties of pension boards and the members of those boards should be set out in scheme documentation.	Code of practice (paragraph 47)
	Should assist individual pension board members to determine the degree of knowledge and understanding that is sufficient for them to effectively carry out their role, responsibilities and duties as a pension board member.	Code of Practice (paragraph 48)
Acquiring, reviewing and updating knowledge and understanding		
Should invest sufficient time in their learning and development alongside their other responsibilities and duties.	Should provide pension board members with the relevant training and support that they require.	Code of Practice (paragraph 55)
Newly appointed pension board members should be aware that their responsibilities and duties as a pension board member begin from the date they take up their post.	Should offer pre-appointment training or arrange for mentoring by existing pension board members	Code of Practice (paragraph 56)

Where do knowledge and understanding responsibilities rest under the Code of Practice No 14?		Nature of requirement
Pension board member	**Scheme manager**	
Should undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.		Code of Practice (paragraph 57)
Should use a personalised training plan to document training needs.		Code of Practice (paragraph 57)
Pension board members who take on new responsibilities will need to ensure that they gain appropriate knowledge and understanding relevant to carrying out those new responsibilities.		Code of Practice (paragraph 58)
	Learning programmes should: ▪ cover the type and degree of knowledge and understanding required ▪ reflect the legal requirements ▪ be delivered within an appropriate timescale.	Code of Practice (paragraph 58)
Demonstrating knowledge and understanding		
	Should keep appropriate records of the learning activities of individual pension board members and the board as a whole.	Code of Practice (paragraph 59)

Annex B – Suggested Job Description and Role Profile for the Chair of a Pensions Board

PURPOSE OF ROLE

To lead the pensions board in assisting the scheme manager in complying with legislation relating to the governance and administration of the scheme and any requirements imposed by the Pensions Regulator in relation to the scheme; and to ensure the effective and efficient governance and administration of the scheme.

PRINCIPAL RESPONSIBILITIES

- Ensure the board delivers its purpose as set out in the board's terms of reference.
- Prepare for and attend the local pension board meetings, agree the meeting agendas and approve the minutes.
- Scrutinise local pension board papers, lead discussions and provide advice and guidance to the board.
- Ensure that meetings are productive and effective and that opportunity is provided for the views of all board members to be expressed and considered.
- Seek to reach consensus and ensure decisions are properly put to a vote.
- Liaise with the scheme manager on the requirements of the board, including training requirements, budgeting and meeting dates, and lead on resolving member performance issues.
- Write reports required by the scheme manager on the performance of the board and related matters.
- Act as the principal point of contact with the Pensions Regulator, the Scheme Advisory Board and the responsible authority (eg DCLG) in all matters related to the operation of the board.

PERSON SPECIFICATION

Requirement	Essential	Desirable
1. Educational		Appropriate financial experience and training. Knowledge of pension funds and schemes. Demonstrable evidence of knowledge kept up-to-date.
2. Work experience	Chairing meetings, achieving effective outcomes. Experience of risk and performance frameworks.	Previously chaired a board or similar.
3. Abilities, intelligence and special aptitudes	Chairing skills. Influencing and consensus building. Listening skills. Able to assimilate complex information.	Mathematical/statistical literacy. Knowledge of public sector and local government finance.
4. Adjustment and social skills	Able to establish good working relationships with board members, councillors, officers and advisors. Able to direct discussions in politically sensitive environments. Able to command respect and demonstrate strong leadership. Able to achieve consensus when conflicting views arise. Able to challenge in a constructive manner. Assertive in pursuing the correct course of action. Able to work effectively with colleagues who may have different levels of experience and understanding.	Diplomacy and tact.
5. Motivation	Enthusiastic, not easily deterred and able to convey enthusiasm to others. Committed to the objectives of the pension scheme and fund(s).	
6. Equal opportunities	Understanding of and commitment to promoting equality of opportunity with an understanding of the pension context.	

Annex C – LGPS Governance Regulations 2014

PART 3

Governance

Delegation

105.—*(1) The Secretary of State may delegate any function under these Regulations.*

(2) An administering authority may delegate any function under these Regulations including this power to delegate.

Local pension boards: establishment

106.—*(1) Each administering authority shall no later than 1st April 2015 establish a pension board ("a local pension board") responsible for assisting it—*

- *(a) to secure compliance with—*
  - *(i) these Regulations,*
  - *(ii) any other legislation relating to the governance and administration of the Scheme and any connected scheme[(a)], and*
  - *(iii) any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme; and*
- *(b) to ensure the effective and efficient governance and administration of the Scheme and any connected scheme.*

(2) Where the Scheme manager is a committee of a local authority the local pension board may be the same committee if approval in writing has been obtained from the Secretary of State.

(3) Where the administration and management of a Scheme is wholly or mainly shared by two or more administering authorities, those administering authorities may establish a joint local pension board if approval in writing has been obtained from the Secretary of State.

(4) Approval under paragraphs (2) or (3) may be given subject to such conditions as the Secretary of State thinks fit.

(5) The Secretary of State may withdraw an approval if any conditions under paragraph (4) are not met or if in the opinion of the Secretary of State it is no longer appropriate for the approval to continue.

(a) See section 4(6) of the Public Service Pensions Act 2013 for the definition of connected scheme.

(6) Subject to paragraph (7), an administering authority may determine the procedures applicable to a local pension board, including as to the establishment of sub-committees, formation of joint committees and payment of expenses.

(7) Except where a local pension board is a committee approved under paragraph (2), no member of a local pension board shall have a right to vote on any question unless that member is an employer representative or a member representative[b].

(8) A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions.

(9) The expenses of a local pension board are to be regarded as part of the costs of administration of the fund held by the administering authority.

Local pension boards: membership

***107.**—(1) Subject to this regulation each administering authority shall determine—*

(a) the membership of the local pension board;

(b) the manner in which members of the local pension board may be appointed and removed;

(c) the terms of appointment of members of the local pension board.

(2) An administering authority must appoint to the local pension board an equal number, which is no less than 4 in total, of employer representatives and member representatives and for these purposes the administering authority must be satisfied that—

(a) a person to be appointed to the local pension board as an employer representative has the capacity to represent employers; and

(b) a person to be appointed to the local pension board as a member representative has the capacity to represent members.

(3) Except where a local pension board is a committee approved under regulation 106(2) (committee that is a Scheme manager is also local pension board)—

(a) no officer or elected member of an administering authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to local pension boards or the Local Government Pension Scheme Advisory Board) may be a member of the local pension board of that authority; and

(b) any elected member of the administering authority who is a member of the local pension board must be appointed as either an employer representative or a member representative.

(4) Where a local pension board is a committee approved under regulation 106(2)

(committee that is a Scheme manager is also local pension board) the administering authority must designate an equal number which is no less than 4 in total of the members of that committee as employer representatives and member representatives and for these purposes the administering authority must be satisfied that—

(a) a person to be designated as an employer representative has the capacity to represent employers; and

(b) See section 5(6) of the Public Service Pensions Act 2013 for definitions of these terms.

(b) a person to be designated as a member representative has the capacity to represent members.

Local pension boards: conflict of interest

***108.**—(1) Each administering authority must be satisfied that any person to be appointed as a member of a local pension board does not have a conflict of interest[(a)].*

(2) An administering authority must be satisfied from time to time that none of the members of a local pension board has a conflict of interest.

(3) A person who is to be appointed as a member of a local pension board by an administering authority must provide that authority with such information as the authority reasonably requires for the purposes of paragraph (1).

(4) A person who is a member of a local pension board must provide the administering authority which made the appointment with such information as that authority reasonably requires for the purposes of paragraph (2).

Local pension boards: guidance

***109.** An administering authority must have regard to guidance issued by the Secretary of State in relation to local pension boards.*

Source: The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015

(a) See section 5(5) of the Public Service Pensions Act 2013 for the meaning of "conflict of interest".

Annex D – Example of Competency Self-assessment Matrix

Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Learning needs analysis		Training requirements and plan	
Do I possess…?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
1 – Pensions legislation			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
2 – Pensions governance			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5		
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5		
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5		
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5		
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5		
An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5		
An understanding of how breaches in law are reported.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
3 – Pensions administration			
An understanding of best practice in pensions administration eg performance and cost measures.	1 2 3 4 5		
Understanding of the required and adopted scheme policies and procedures relating to: ■ member data maintenance and record-keeping processes ■ internal dispute resolution ■ contributions collection ■ scheme communication and materials.	1 2 3 4 5		
Knowledge of how discretionary powers operate.	1 2 3 4 5		
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5		

Learning needs analysis	Training requirements and plan		
Do I possess…?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	1 2 3 4 5		
4 – Pensions accounting and auditing standards			
An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	1 2 3 4 5		
An understanding of the role of both internal and external audit in the governance and assurance process.	1 2 3 4 5		
An understanding of the role played by third party assurance providers.	1 2 3 4 5		
5 – Pensions services procurement and relationship management			
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5		
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5		
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1 2 3 4 5		
6 – Investment performance and risk management			
An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	1 2 3 4 5		
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5		
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
7 – Financial markets and products knowledge			
An understanding of the risk and return characteristics of the main asset classes (equities, bonds, property etc).	1 2 3 4 5		
An understanding of the role of these asset classes in long-term pension fund investing.	1 2 3 4 5		
An understanding of the primary importance of the fund's statement of investment principles and the investment strategy decision.	1 2 3 4 5		
A broad understanding of the workings of the financial markets and of the investment vehicles available to the pension fund and the nature of the associated risks.	1 2 3 4 5		
An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
8 – Actuarial methods, standards and practices			
A general understanding of the role of the fund actuary.	1 2 3 4 5		
Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5		
An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5		
A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5		
A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	1 2 3 4 5		
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1 2 3 4 5		

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Annex D – Example of Competency Self-assessment Matrix

Local Pension Boards: A Technical Knowledge and Skills Framework: Learning needs analysis and training requirements

Learning needs analysis		Training requirements and plan	
Do I possess…?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
1 – Pensions legislation			
A general understanding of the pensions legislative framework in the UK.	1 2 3 4 5		
An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5		
An appreciation of LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5		
A regularly updated appreciation of the latest changes to the scheme rules.	1 2 3 4 5		
2 – Pensions governance			
Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5		
An understanding of how the roles and powers of the DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme.	1 2 3 4 5		

Learning needs analysis	Training requirements and plan		
Do I possess…?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure.	1 2 3 4 5		
A broad understanding of the role of pension fund committees in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5		
An awareness of the role and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5		
Knowledge of the Myners principles and associated CIPFA and SOLACE guidance.	1 2 3 4 5		
A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5		
Knowledge of the stakeholders of the pension fund and the nature of their interests.	1 2 3 4 5		
Knowledge of consultation, communication and involvement options relevant to the stakeholders.	1 2 3 4 5		
Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5		
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Learning needs analysis		Training requirements and plan	
Do I possess...?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
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Knowledge of how discretionary powers operate.	1 2 3 4 5		
Knowledge of the pensions administration strategy and delivery (including, where applicable, the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5		

Learning needs analysis	Training requirements and plan		
Do I possess…?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
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An understanding of the role played by third party assurance providers.	1 2 3 4 5		
5 – Pensions services procurement and relationship management			
An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision-makers and organisations.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
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A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5		
An understanding of the nature and scope of risks for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5		
An understanding of how the pension fund monitors and manages the performance of their outsourced providers.	1 2 3 4 5		
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An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long-term risks.	1 2 3 4 5		
An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5		
Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
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An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5		
An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to investments.	1 2 3 4 5		

Learning needs analysis		Training requirements and plan	
Do I possess...?	**Rate my skills** 1 – no knowledge 5 – highly skilled	**Training requirements**	**Training plan (sources and timing)**
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A general understanding of the relevant considerations in relation to outsourcings and bulk transfers.	1 2 3 4 5		
A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1 2 3 4 5		

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PENSION BOARD MEMBER TRAINING SUMMARY 2015/16

			PENSION BOARD MEMBERS			
Training/Meeting	**Provider**	**Date**	**Mike Morris**	**Pat Hockley**	**Liz Furey**	**Stuart Wheeler**
Training for Local Pension Board Members	Local Government Association	28/05/2015	✓	✓	✓	✓
Pension Board Member Training Day 1 - LGPS Governance/Legal	AON Hewitt	01/07/2015	×	×	×	✓
Pension Board Member Training Day 2 - Funding/Actuarial	AON Hewitt	01/07/2015	✓	✓	×	✓
Pension Board Member Training Day 3 - Investments	AON Hewitt	01/07/2015	✓	×	×	✓
Pension Board Meeting	Organised In-house	27/07/2015	✓	✓	✓	✓
Members Training Day 2015	Organised In-house	29/07/2015	×	✓	✓	✓
Employers Meeting October 2015	Organised In-house	20/10/2015	×	✓	×	✓
Trustee Training Fundamentals XIV and Annual Trustees' Conference Day 1	Local Government Association	15/10/2015	✓	✓	×	×
Trustee Training Fundamentals XIV and Annual Trustees' Conference Day 2	Local Government Association	10/11/2015	✓	✓	×	×
Trustee Training Fundamentals XIV and Annual Trustees' Conference Day 3	Local Government Association	01/12/2015	×	✓	×	×
Annual Meeting 2015	Organised In-house	12/11/2015	×	✓	×	✓
eLearning programme - public sector tool kit	The Pensions Regulator	01/01/2016	✓	✓	✓	✓

Key

✓ Attended training

× Apologies received

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Public service governance and administration survey

Summary of results and commentary

December 2015

The Pensions Regulator

Foreword

The Public Service Pensions Act 2013 (NI 2014) introduced a number of changes for public service pension schemes, which provide pensions for the armed forces, local government, NHS, teachers, civil servants, the police force, firefighters and the judiciary.

Between them these schemes represent around 13 million members and approximately 28,000 employers, and we recognise they face a significant challenge in implementing the reforms to benefit design alongside new governance arrangements.

High standards of governance and administration are essential to ensure that schemes operate effectively and efficiently, and provide the right benefits to the right person at the right time.

A well run scheme should provide members with a high standard of service and a clear understanding of the benefits they will receive, allowing them to plan for their future. Good governance and administration also help government and the public to have confidence that the cost of public service schemes is correctly accounted for.

Between July and September 2015, we conducted a survey of all public service schemes to baseline the standard to which they are being run. I am pleased to introduce this report which sets out our thoughts on the results of the survey and our priorities for action.

The results tell us that progress is being made – nine in ten respondent schemes have established their pension boards, and schemes have done well in setting up new processes. However, the governance and administration standards of some schemes still fall short of standards we expect, and we urge schemes to take immediate action to identify gaps and put plans in place to resolve issues.

In the next year, part of our focus will be to ensure that every scheme reaches a basic level of compliance, having registered with us and published information about their pension boards. We also expect all schemes to have assessed themselves against the law and our code of practice, and we will be launching a self-assessment tool to help schemes achieve this.

We will work to understand how well schemes are addressing the three areas we judge to be of greatest risk in the current landscape – internal controls, scheme record-keeping, and the provision of accurate, timely and high quality communications to members.

We will continue to work with scheme managers, pension boards, and others involved in running public service schemes and provide a range of educational tools to support them in their duties.

I would like to thank all schemes who took part in the survey, as you have helped us gain a good understanding of the landscape. We aim to work openly and collaboratively with schemes and we will engage further with schemes who did not take part to ensure their lack of engagement does not reflect a lack of compliance.

Thank you for taking the time to read this report – I hope you find it useful and informative.

Andrew Warwick-Thompson
Executive Director for Regulatory Policy

Background

The Public Service Pensions Act 2013 (PSPA13) and Public Service Pensions Act (Northern Ireland) 2014 (PSPANI14) introduced new requirements for the governance and administration of public service pension schemes. In April 2015, we commenced our expanded role to regulate these schemes.

Our role is to regulate the in relation to governance and administration of public service pension schemes to improve standards and drive compliance with legal requirements. Our focus is to work with scheme managers, pension boards and others involved with public service schemes to help them become compliant. Our approach generally is to educate and enable in the first instance, but where a scheme manager or pension board member (or other person responsible) fails to comply with their duties we will consider using our powers.

The survey

In summer 2015, we conducted a survey of all public service schemes to assess how they are meeting the governance and administration legal requirements and the standard to which they are being run. The survey reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the 'practical guidance' sections of our code, and could be used as a tool for the schemes to identify areas where action may be needed.

This report accompanies the full research report which sets out the responses to all survey questions.

Participation in the survey was voluntary, with 48% of schemes responding. This translates to approximately 85% of public service scheme members, and provides us with a good overview of the public service pensions landscape.

Information collected through the survey will be used for regulatory purposes where responses were not provided anonymously. We will use these to develop individual scheme risk profiles. Where schemes did not participate in the survey, we will consider there is a risk of non-compliance until we have collected information about the progress they have made.

Our role is to regulate public service pension schemes to improve standards and drive compliance with legal requirements.

Overview of results

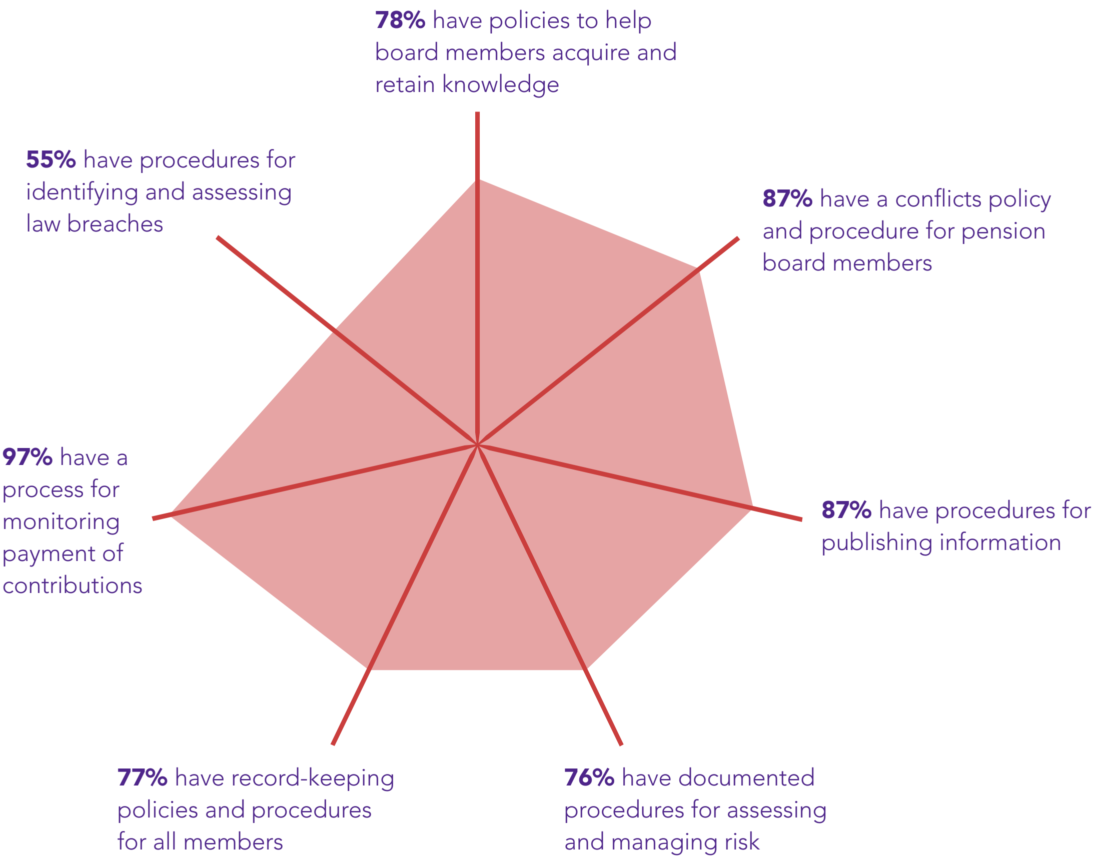
Progress on processes

The results of the survey show that, on the whole, public service schemes are progressing well in terms of understanding the new requirements and setting up processes. Respondents to the survey reported high levels of awareness and understanding of both the governance and administration requirements introduced by the Acts and our code of practice:

- 97% reported high awareness of the requirements in the Acts, and 87% reported good understanding.
- 93% reported high awareness of our code, and 84% reported good understanding.

There were also high levels of reported processes in place against most areas of the code.

Results overview



- 78% of schemes reported having developed policies and arrangements to help pension board members fully understand their roles, responsibilities and duties.
- 87% of schemes have a conflicts policy and procedure in place for pension board members.
- 87% of schemes reported having procedures in place to ensure that information about the pension board which must be published is published and kept up to date.
- 76% had documented procedures for assessing and managing risk.
- 77% had policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete in relation to all relevant member and beneficiary categories.
- 97% had a method or process for monitoring the payment of contributions to the scheme.

The lowest result in terms of processes was around reporting breaches, where only 55% of schemes reported having procedures in place to enable the scheme manager, pension board members, and others who have a duty to report, to identify and assess breaches of the law.

Identifying and assessing breaches of the law is critical both in terms of fulfilling the legal duty to report breaches to us and in reducing risk, so it is important that schemes address this issue. Whilst we will strive to regulate proactively and investigate issues we consider to be high risk, reporting breaches is a key means by which we are made aware as soon as possible when things are going wrong. Accordingly, we urge schemes to establish and operate appropriate and effective procedures to help them meet their legal obligation. Our code provides guidance on this matter.

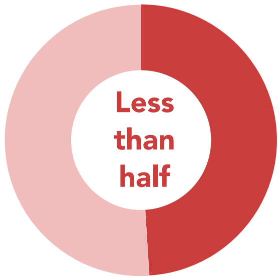
In addition, we expect well-run schemes to have in place appropriate tools and processes for all nine areas addressed in our code – but only 43% of schemes reported having all the processes outlined above in place.

We also expect schemes to ensure that any processes developed are kept under regular review to ensure they remain effective and fit for purpose. According to the survey, only 72% of schemes review/will review the effectiveness of their risk management and internal control systems at least annually, and over 10% of schemes report they never review their internal dispute resolution arrangements.

Need to take action

In contrast to the good progress made on setting up processes, the survey shows that schemes are slow or have yet to take action in key governance and administration areas and are still in the early stages of assessing themselves against the legal requirements and standards in the code.

9/10 have established a pension board



have reviewed their scheme against the standards

Less than a third
have a plan in place to ensure compliance with the Public Service Pensions Act 2013

- 44% have measured against the record-keeping requirements
- just over a quarter have done data cleansing

76% of schemes have procedures in place to manage risk

82% have a risk register

Only **56%** assess their risks at least quarterly

- While over nine in ten schemes have established a pension board, only 28% of schemes have a plan in place and are addressing key issues to ensure compliance with the new requirements.
- Only 44% have reviewed their scheme against the practical guidance and standards set out in our code of practice.
- Only 45% of schemes have measured themselves against the requirements of the record-keeping regulations.
- Only 27% have as a result undertaken a data cleansing exercise. More generally, only 71% have conducted a data review exercise in the last year.
- While 76% of schemes have procedures in place to manage risk, and 82% report having a risk register, only 56% assess their risks either quarterly or monthly.

We recognise the complexity and diversity of the landscape.

Differences between schemes

Though the data in this commentary are presented at an aggregate level for all public service schemes, we recognise the complexity and diversity of the landscape. Schemes vary in their governance structures, employer profiles, size and funding arrangements and each scheme will have its own needs and capabilities, and face its own challenges in implementing the reforms.

This is supported by the findings which show differences between scheme cohorts. In particular, the survey suggests that fire and rescue schemes have not made as much progress in taking steps to meet the new requirements as other schemes, whether in setting up processes or taking specific action. Over the next year, we will engage with these schemes' managers, pension board members, and other stakeholders to identify barriers to progress and support them in meeting their duties.

Next steps

This research draws out the continuing significant task faced by schemes in implementing the major reforms. However, schemes need to ensure they comply with the legal requirements and should strive to deliver better outcomes for members.

Over the next year, we will be looking to ensure that every scheme reaches a basic level of compliance, as well as looking at the effectiveness of processes in areas we have identified as being of greatest risk in the current landscape: internal controls, scheme record-keeping and the provision of accurate and high quality communications to members.

In terms of basic compliance, it is critical that all schemes have:

- fulfilled their requirement to register with us
- established their pension board
- published information about the board, which will provide more transparency to members on the governance of the scheme

Schemes also need to have:

- assessed themselves against the requirements set out in legislation
- assessed themselves against the standards set out in our code
- identified any gaps
- begun to put plans in place to address any issues

In addition to the code and our public service toolkit, we would like schemes to use this survey to assess themselves. We will also be launching a self-assessment tool in 2016. We urge schemes to use these tools to help them identify any problems and take swift action to make improvements. We are concerned that the failure of 52% of schemes to engage with the survey may reflect a lack of compliance, and we will be engaging with these schemes to determine their compliance profile. We expect all schemes to respond to our requests for information.

We plan to look at schemes' processes in the key risk areas over the next year, focusing on:

- the effectiveness of these processes and actions in driving good outcomes
- the efficiency and reliability of these processes
- how good practice in one scheme can help inform others with poorer practices

Public service schemes have complex governance structures, where responsible authorities and scheme advisory boards will also have a role in helping scheme managers achieve compliance. We will be working throughout the year with these various bodies to ensure that our respective efforts are applied in the most effective way and to minimise the burden on schemes.

In spring 2016, we will check how schemes are doing and we expect them to have made significant progress. Looking ahead, we plan to publish an annual assessment of governance and administration standards and practices in public service schemes in order to bring greater transparency to the progress being made.

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www.pensionseducationportal.com
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Public service governance and administration survey
Summary of results and commentary

The Pensions Regulator

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The Pensions Regulator

Public service governance and administration research

December 2015

Contents

Executive summary

1. **The survey was completed on behalf of 48% of public service pension schemes, covering approximately 85% of scheme members.**

2. **There were generally high reported levels of awareness and understanding of both the legal requirements and the regulator's code of practice**

   Most respondents in each of the four scheme types[1] gave a response of either four or five out of five for awareness and understanding of these.

3. **Four-fifths of schemes had a pension board that was operational**

   92% of schemes reported that their pension board is established, and in most of these cases (80%) also operational (with pension board meetings having commenced). The remainder reported they would be operational within six months.

4. **A quarter of schemes had a plan to ensure compliance with the legal requirements and were already addressing key risks, and two fifths had conducted a review of their scheme against the guidance and standards set out in the regulator's code of practice**

   One in six (15%) schemes had conducted an in-depth review against our code of practice, while a further quarter (29%) had undertaken a high-level review.

   Over half of Local government and two-thirds of Central schemes had conducted a review of their scheme. Reviews were less prevalent among Police (around a fifth) and Fire and rescue (two out of seven).

   A quarter (28%) of schemes had a plan in place to ensure compliance with the legal requirements of the Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 and were already addressing key risks. Schemes were more likely to be at the earlier stage of identifying risks and issues (44%), while a third (34%) were developing or implementing a plan to address key risks and issues.

   No Police schemes and very few Fire and rescue schemes were at the stage of addressing key risks.

5. **The vast majority of schemes had ensured that board members understand their roles, responsibilities and duties**

[1] The four scheme types are termed: 'Central', 'Local government', 'Fire and rescue' and 'Police'. 'Central' includes centrally-administered unfunded schemes, excluding any fire and police schemes. This classification has been used to ensure consistency with the 2013 survey. For the purposes of this report, therefore, 'Police' and 'Fire and rescue' schemes which are centrally administered – ie the schemes for Scotland and Northern Ireland) – are included within their respective cohorts and not considered as 'Central' schemes.

Nearly all (93%) of schemes had produced guidance, while 94% reported the scheme manager or another person had ensured board members understand their roles, responsibilities and duties.

All Central schemes and nine in ten Local government and Police schemes stated that they had carried out these two tasks. Fire and rescue schemes were less likely (9 out of 14) to have briefed board members.

6. Four fifths of schemes had developed an approach to help pension board members to acquire and retain knowledge and understanding they require

Over four fifths of Central, Local government and Police schemes had developed a policy and arrangements to help board members to acquire and retain knowledge. For Fire and rescue, 5 out of 14 schemes had these policies and arrangements in place.

7. Two thirds of schemes will review their risk management and internal control systems once or twice a year

A quarter (26%) review or will review these arrangements every six months and a further 45% once a year. Most Central schemes reported they would every six months while Local government schemes and Police schemes were most likely to do so once a year. The most common response from Fire and rescue schemes was that they did not know.

8. Two thirds of schemes had a documented service level agreement with their scheme administrator

70% had a service level agreement in place with their scheme administrator, whether in-house or outsourced. The levels were similar among all four scheme types.

9. Two thirds of schemes had measured their scheme's data against the legal requirements, with most of these measuring both data presence and accuracy

Almost half (45%) had measured and a further quarter (24%) had partially measured their data against the legal requirements. Of the 70% who had measured their data, four fifths (82%) had measured both the presence and accuracy of the data.

Around a third of Central, Local government and Fire and rescue schemes had fully measured their data, while around two thirds of Police schemes had done so. When accounting for partial measurement also, this rose to around two thirds of Central, Local government and Police schemes, and half of Fire and rescue schemes.

Almost half (49%) of schemes were either developing or implementing a data cleansing exercise while a third of schemes (36%) were developing or implementing a data improvement plan.

Central schemes and Police schemes were most likely to be implementing a data improvement plan, while Local government schemes and Police schemes were most likely to have carried out a data cleansing exercise.

2. Introduction

In March 2011 the Independent Public Service Pensions Commission: Final Report[2] identified issues concerning the availability and transparency of information, poor administration and governance of public service pension schemes, implying costs and risks are not properly understood or managed. The report recommended that there needed to be independent oversight of these areas.

The Public Service Pensions Act 2013 and the Public Service Pensions Act (Northern Ireland) 2014 (together, the 2013-2014 Acts) introduced new requirements for the governance and administration of certain public service pension schemes. Scheme managers must run their schemes according to these legal requirements, which generally came into force on 1 April 2015.

The 2013-2014 Acts also gave The Pensions Regulator an expanded role to regulate the governance and administration of these public service pension schemes from 1 April 2015. In January 2015, we published our draft code of practice for the governance and administration of public pension service schemes (the PSPS code) which sets out the standards of conduct and practice we expect of those responsible for public service schemes, as well as practical guidance about how to comply with the legal requirements. The code came into force on 1 April 2015.

As part of our new role, we are responsible for 208 public service schemes[3] in respect of eight public service workforces, covering over 13 million members .

Following on from our report on the governance and administration of public service pension schemes in 2013, before the requirements from the 2013-2014 Acts came into force, this survey aimed to assess how public service schemes are meeting the new requirements and the standards to which they are being run.

[2] http://cdn.hm-treasury.gov.uk/hutton_final_100311.pdf

[3] Where a scheme is locally administered we have treated each local administering authority as an individual scheme.

The survey considered 10 areas and reflected the key tools and processes we consider to be benchmarks for good practice, as set out in the ‘practical guidance’ sections of our code:

- Action – Activity undertaken to ensure compliance with the new requirements
- Knowledge and understanding required by pension board members
- Conflicts of interest and representation
- Publishing information about schemes
- Internal controls
- Scheme record-keeping
- Maintaining contributions
- Providing information to members
- Internal dispute resolution
- Reporting breaches of the law

3. Methodology

As with the 2013 survey, a self-completion approach was adopted for this study for the following reasons:

- the large amount of data to collect would have made a telephone interview very long and burdensome for respondents
- it was anticipated that many respondents would need to do some checking/ verification in order to answer the questions accurately
- The range of information requested meant that it was important to allow more than one person at the scheme to contribute

In contrast to the 2013 survey, we conducted the research in-house rather than commission it to a third-party research supplier.

The method chosen for data collection was an interactive pdf, which was emailed to named scheme contacts held by us. Respondents were encouraged to identify their scheme, but were allowed to submit responses on an anonymous basis if they wished. Where responses were attributed to a particular scheme, it was shared with our public service regulatory team. They will use this, along with information gathered from other sources, to risk assess schemes for intervention as set out in our compliance and enforcement policy. This was made clear to all respondents in the communications and survey invitations.

One issue with this approach is that respondents were not routed through the questionnaire according to their previous answers, resulting in a small number of questions for whom a very small number of respondents answered in error. These have been identified where they occur in this document.

Survey responses were entered into statistical analysis software package SPSS for data analysis purposes.

3.1 Sampling

As with the 2013 survey, the target audience for this research was the designated scheme contact at each of the 208 public service pension schemes for who we held nominated contact details, although it was expected that they may seek input from colleagues with specialist knowledge related to some aspects of their scheme.

A total of 187 self-completion surveys were sent to scheme contacts, 21 of which were the contact for more than one scheme.

3.2 Fieldwork

The fieldwork period lasted from 22 July 2015 until 4 September 2015.

Prior to the survey being issued, an email was sent to all 187 scheme contacts for which we had details approximately one week before launch.

Several steps were taken to maximise response rates. These are detailed below.

Table 1.2 – Activity undertaken to improve response rate

Date	Action
17/08/15	First email chaser sent to 177 scheme contacts who hadn't yet completed the survey
18/08/15	Email sent to 630 contacts on our Public Service Pension Scheme news-by-email distribution list
26/08/15	Second email reminder sent to 157 scheme contacts
August 2015	Over 300 telephone calls were made to nominated scheme contacts to encourage response
04/09/15	Final email reminder sent to 134 scheme contacts

Table 1.3 shows the responses rate across the four scheme groupings

Table 1.3 – Sample profile and response rates

	Total number of schemes	Completed surveys	Response rate
Fire & Rescue	**51**	**14**	**37%**
Police	**45**	**22**	**49%**
Local Government	**101**	**53**	**52%**
Central	**12**	**12**	**100%**
TOTAL	**209**	**101**	**48%**

Please note: survey responses were received in respect of 103 schemes, of which 101 were usable for survey analysis, and 84 attributable

Overall, the survey was completed on behalf of 48% of Public Service Pension Schemes, covering approximately 85% of scheme members. Responses were received from all the Central schemes (100%). As in 2013, (when the response rate was 53%), this compares favourably to the response rate achieved in other surveys we conducted.

3.3 Weighting

The data shown throughout this report is unweighted.

3.4 Reporting conventions

No comparisons have been made in this report between the findings from the four scheme types (Central, Fire and Rescue, Local government and Police). These scheme types are typically very different in nature and as such it may not be appropriate to make direct comparisons. The same approach was adopted in the 2013 survey report.

4. Research findings

4.1 Note on reporting of results

Owing to the low base sizes for three of the four scheme groupings, all findings are shown throughout this report in absolute numbers, ie they are reported as the number of schemes, not the percentage of schemes.

Owing to the low base sizes, limited comparisons are able to be drawn between the types of scheme on an individual question basis.

4.2 Role of respondent who took part in the survey

The most common job role reported by respondents to the survey was 'administrator' (42 out of 101, 41%). 14 respondents were pension managers/officers or fund managers, with seven pension board members and 38 'others'. The job roles of these others included Director of Operations, Director of People & Development, Director of Corporate Services and Governance & Compliance Manager.

4.3 Awareness and understanding of the legal governance and administration requirements and The Pensions Regulator's code of practice

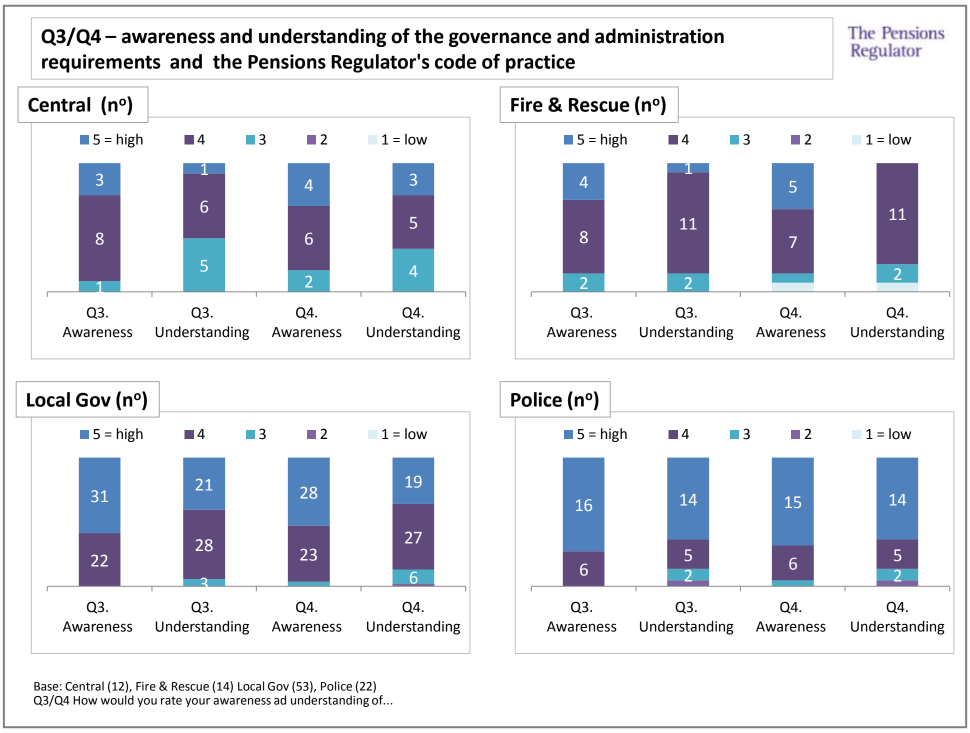
Figure 2-1 shows the reported level of awareness and understanding of:

- The legal governance and administration requirements introduced by the Public Service Pensions Act 2013
- The regulator's code of practice

Respondents rated their own awareness and understanding of these, using a scale from 1 to 5, where 1 is 'low' and 5 is 'high'.

Among the scheme contacts answering the survey, there were generally high levels of awareness and understanding of both the legal requirements and our code among all four scheme types. Most respondents gave a response of either four or five out of five.

Figure 4.3-1 - Awareness and understanding of the governance and administration requirements introduced by the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014 and The Pensions Regulator's code of practice for public service pension schemes.



Overall, the mean scores for awareness and understanding of the governance and administration requirements were 4.5 and 4.23 respectively. The corresponding figures for awareness and understanding of our code of practice were 4.43 and 4.15 respectively.

4.4 Training undertaken by respondents relating to public service pension schemes

As shown in Figure 2-2, most respondents of all four scheme types had undertaken some form of training relating to public service pension schemes.

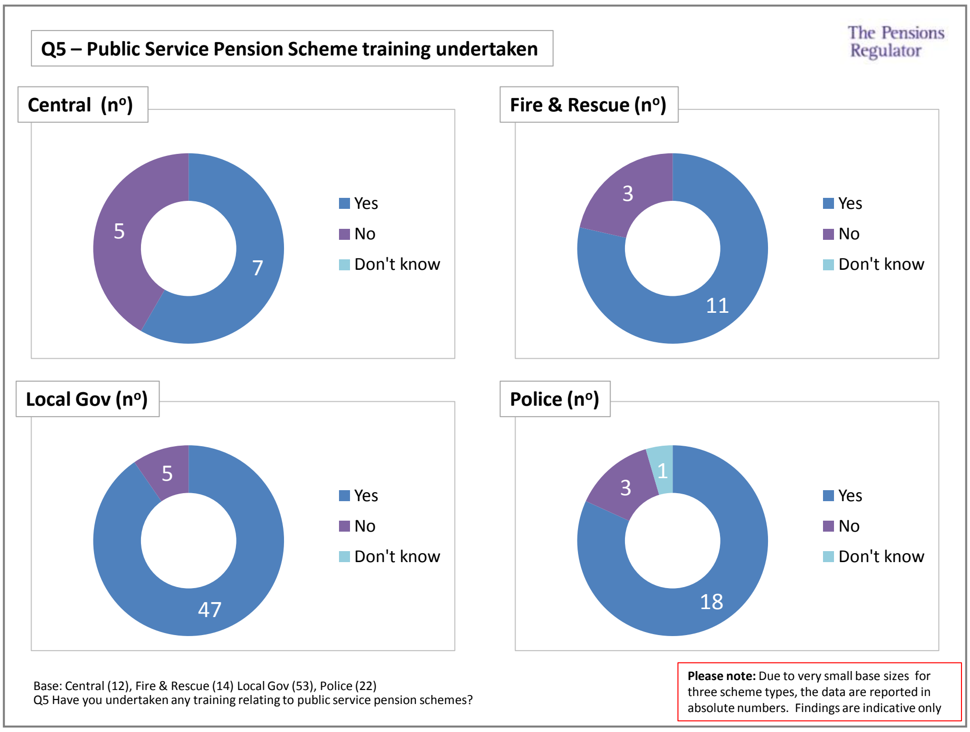
Overall, 83 out of 101 (82%) of respondents indicated they had received training.

According to respondents, where they indicated they had received training, it was provided by a mixture of different organisations:

- All seven Central scheme contacts who had received training said they received this from the regulator.
- 10 of the 11 Fire and rescue scheme contacts that had received training said they had received it from the Local Government Association (LGA).
- For Local government scheme contacts, the LGA (23), CIPFA (14) and ‘Other consultants’ (19) were the most common providers of training.

- For the Police schemes, information published by the regulator was identified as the most common source of training.

Figure 4.4-1 – Training undertaken by respondents relating to public service pension schemes



4.5 Pension scheme membership and status of pension board

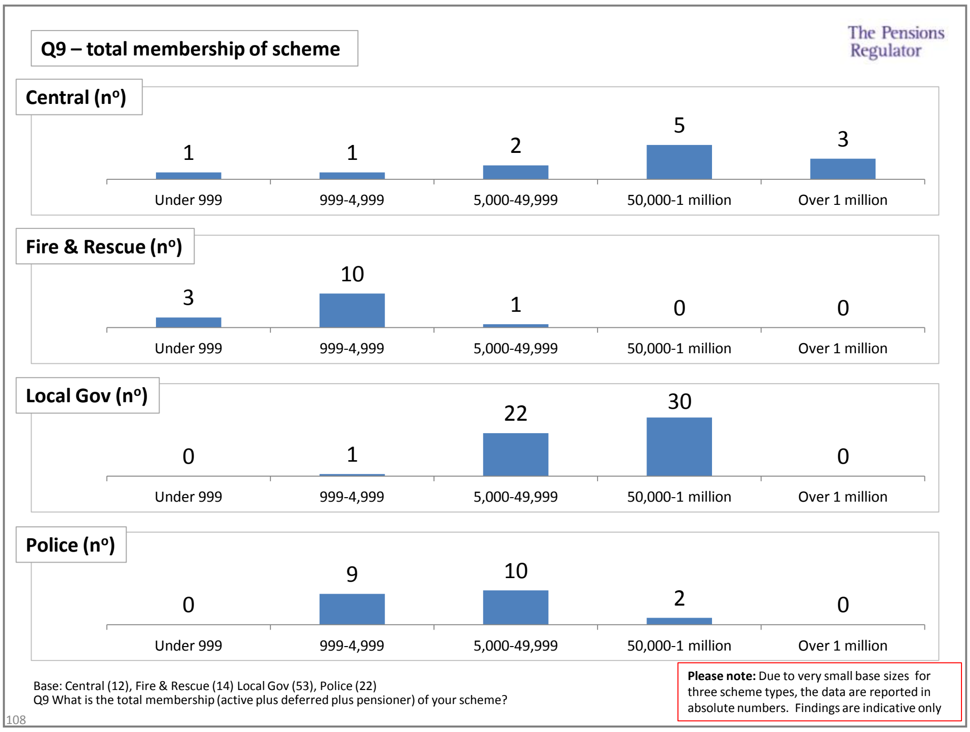
Two thirds of Central schemes (8 out of 12) reported a membership in excess of over 50,000; the three public service schemes that responded to the survey with over a million memberships were Central schemes.

The majority of Fire and rescue (13 out of 14) schemes had fewer than 5,000 memberships.

Three fifths of Local government schemes that responded had a membership of between 50,000 and one million (30 out of 53); most others (22 out of 53) were in the 5,000 and 49,999 membership range.

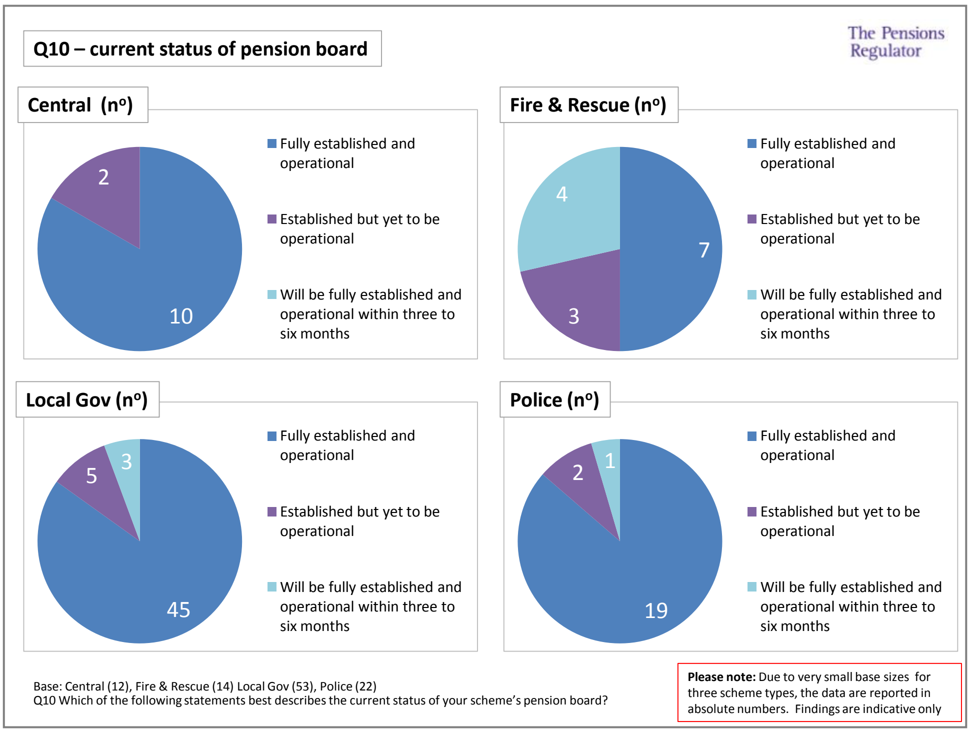
Around half of Police schemes had between 999 and 4,999 members, with around half having 5,000 to 49,999 memberships.

Figure 4.5-1 – Total membership of scheme



Overall (93 out of 101, 92%) of respondents identified their pension board as established (terms of reference agreed and all board members appointed). This held true across all the scheme types. Most boards (81 out of 101, 80%) were operational (with pension board meetings having commenced) while a minority were not. The remainder reported they would be operational within six months; there were no respondents that answered it would take longer than six months to operationalise.

Figure 4.5-2 - Current status of pension board

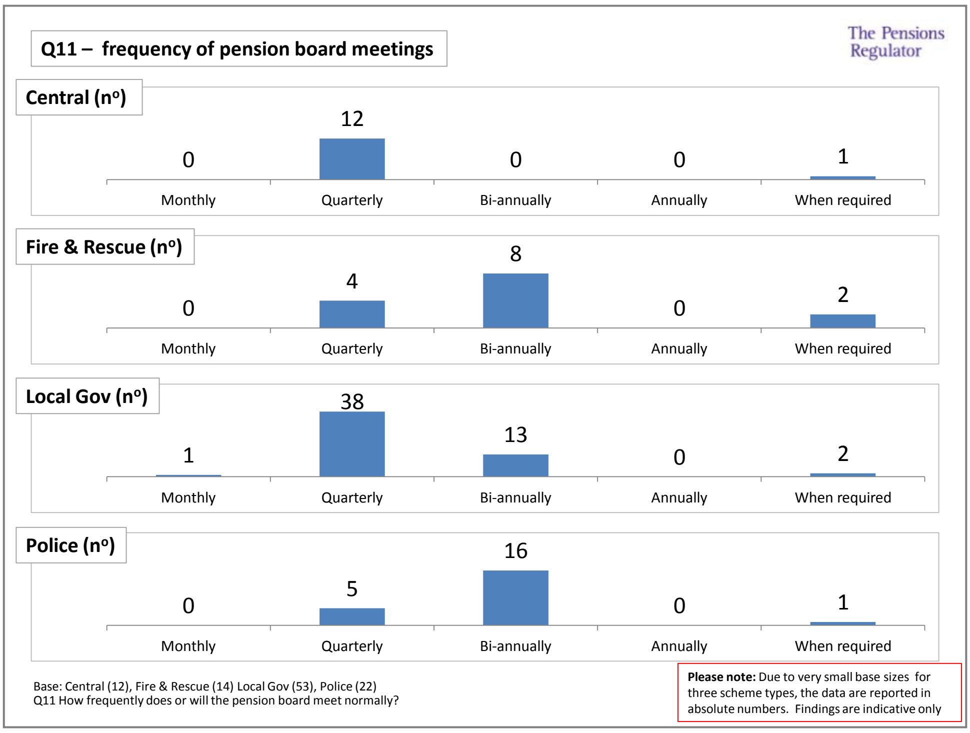


4.6 Frequency of pension board meetings

The vast majority of schemes (96 out of 101, 95%) reported that their pension boards met or intend to meet at least every six months:

- All Central schemes stated they met/will meet at least quarterly (one scheme contact also stated they also met/will meet as required, if different from quarterly).
- Twelve of the 14 Fire and rescue schemes met/will meet at least every six months (four met/will meet quarterly).
- Over seven in ten Local government schemes (38 out of 53) met/will meet quarterly.
- Two in ten Police schemes (5 out of 22) met/will meet quarterly, while most others (16 out of 22) reported that their boards met/will meet on a biannual basis.

Figure 4.6-1 - Frequency of pension board meetings



4.7 Activity undertaken by schemes to ensure compliance with the legal requirements and reviewing the scheme against the code of practice

Schemes were asked about the actions completed (or being addressed) to ensure compliance with the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014 and also whether the scheme had been reviewed against our code of practice for public service pension schemes.

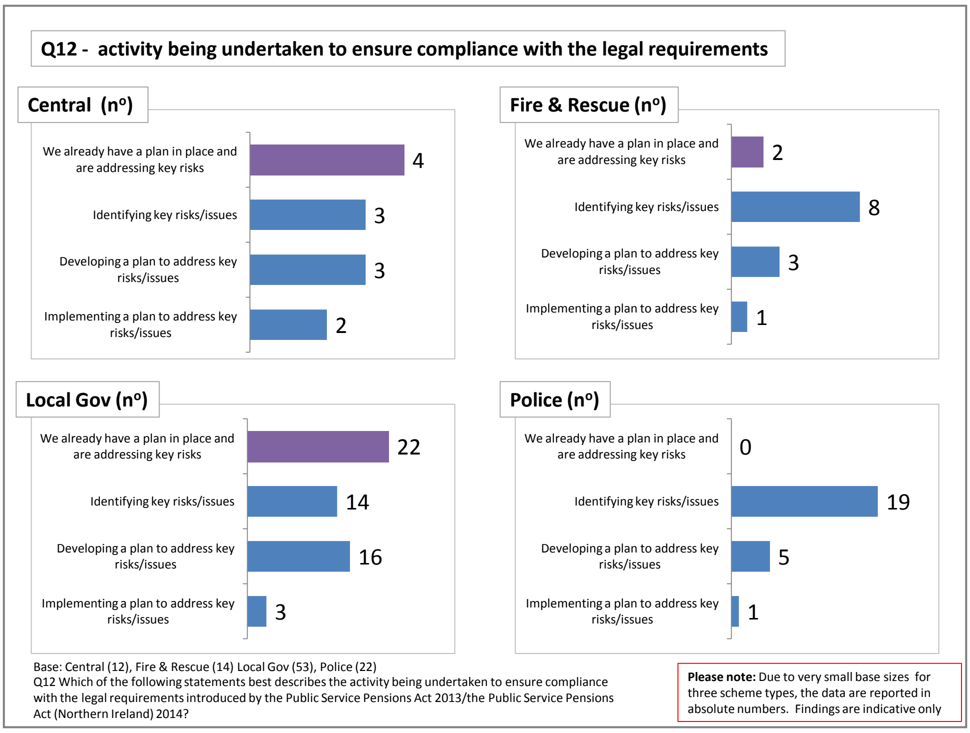
Overall, 28 out of 101 (28%) of schemes reported that they had plans in place and were addressing key risks.

The majority of Fire and rescue (12 out of 14) and all Police schemes (22 out of 22) reported that they were still at the stage of identifying, developing or implementing a plan to address key risks and issues. (Please note: respondents were able to select more than one of these options). Two Fire and rescue schemes said they had a plan in place and were addressing key risks; no Police schemes reported having reached that stage.

A third of Central schemes (4 out of 12) and a slightly higher proportion of Local government schemes (22 out of 53) reported that they had plans in place and were addressing key risks. The remainder were still at the stage of identifying, developing or implementing a plan to address key risks and issues.

In all scheme groups, fewer schemes reported that they were at the stage of implementing plans than identifying or developing plans.

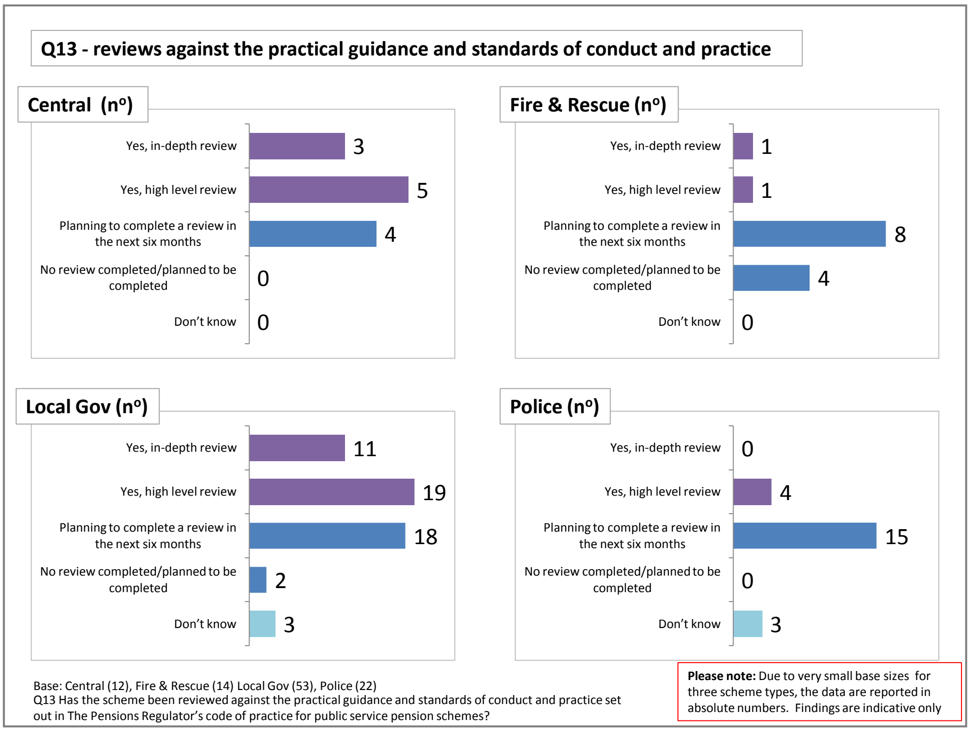
Figure 4.7-1: Activity being undertaken to ensure compliance with the legal requirements introduced by the Public Service Pensions Act 2013/the Public Service Pensions Act (Northern Ireland) 2014



Overall, 44 out of 101 schemes (44%) reported that they had already conducted either an in-depth or high level review of their scheme against the practical guidance and standards of conduct and practice set out in our code of practice for public service pension schemes

Over half of Local government (30 out of 53) and two-thirds of Central (8 out of 12) schemes had undertaken such a review. Most Police (15 out of 22) and Fire and rescue (8 out of 14) schemes planned to conduct a review in the next six months.

Figure 4.7-2: Reviews against the practical guidance and standards of conduct and practice set out in The Pensions Regulator's code of practice for public service pension schemes



4.8 Roles, responsibilities, knowledge and understanding

All Central schemes and nine in ten Local government (50 out of 53) and Police (20 out of 22) schemes stated that they had:

- Produced guidance on the roles, responsibilities and duties of pension boards and the members of those boards and;
- Ensured that pension board members fully understood their roles, responsibilities and duties.

Overall, this equated to 94 out of 101 (93%) of schemes producing guidance and 91 out of 101 (90%) ensuring their boards understood their role.

Although most Fire and rescue schemes (12 out of 14) reported that they had produced guidance, fewer (9 out of 14) stated the scheme manager or another person had ensured the board members fully understood their role.

Figure 4.8-1: Production of guidance on the roles, responsibilities and duties of pension boards and the members of those boards

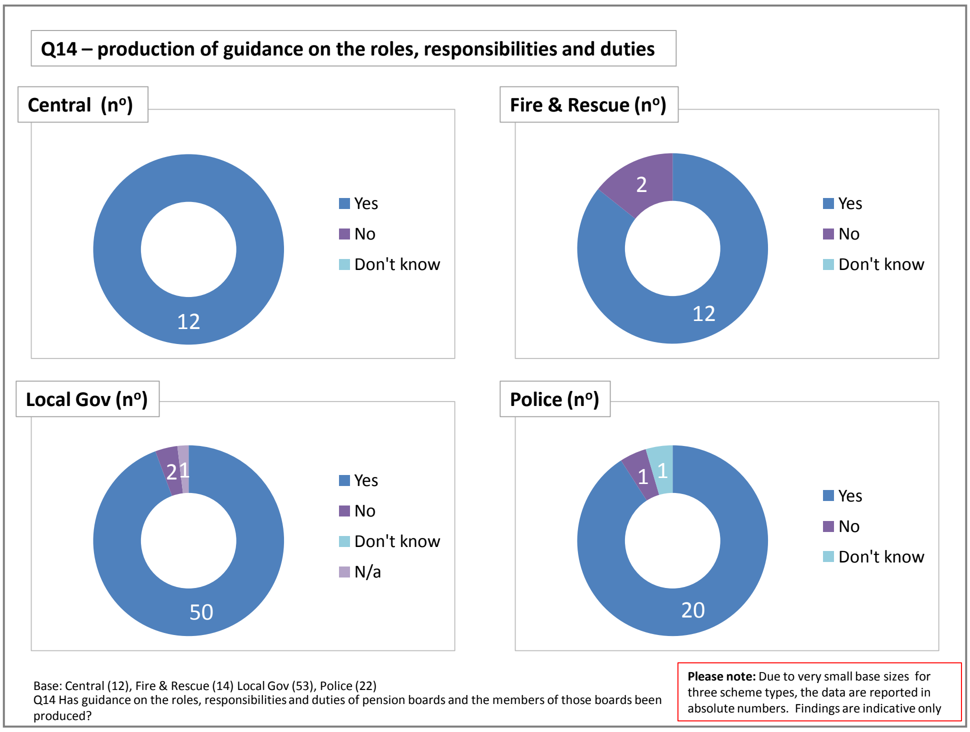
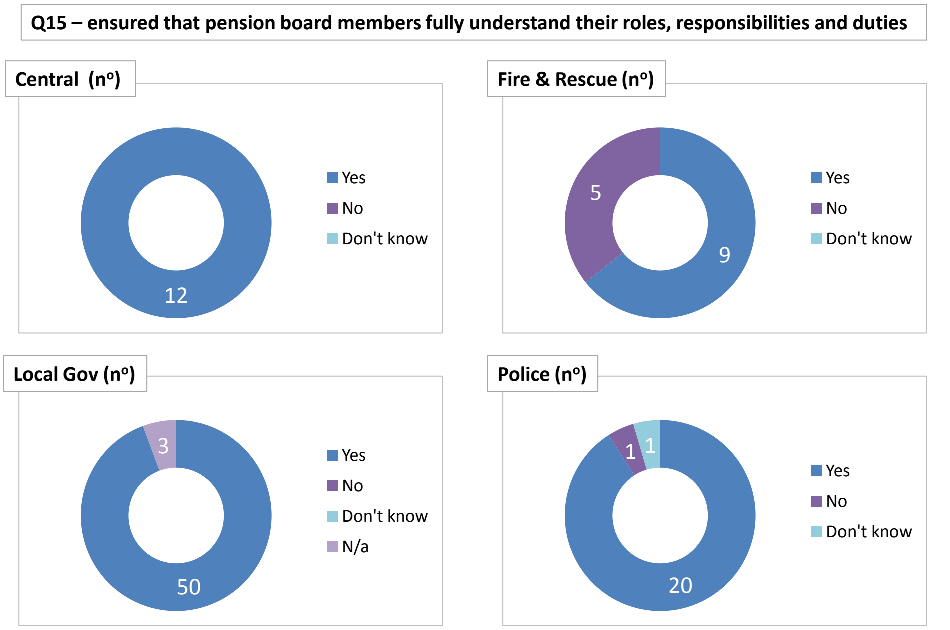


Figure 4.8-2: Scheme manager or another person has ensured that pension board members fully understand their roles, responsibilities and duties



Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
Q15 Has the scheme manager or another person ensured that pension board members fully understand their roles, responsibilities and duties?

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

66

Overall, 79 out of 101 schemes (78%) reported having developed policies and arrangements to help pension board members to acquire and retain required knowledge and understanding. This was the case for over four-fifths of Central (11 out of 12), Local government (46 out of 53) and Police (18 out of 22) schemes. For Fire and rescue, 5 out of 14 schemes had these policies and arrangements in place.

In terms of the specific policies and arrangements that schemes stated had been developed, the focus was on training frameworks, training logs and pension board training plans rather than individual training plans.

Figure 4.8-3: Policies and arrangements to help pension board members to acquire and retain the knowledge and understanding they require

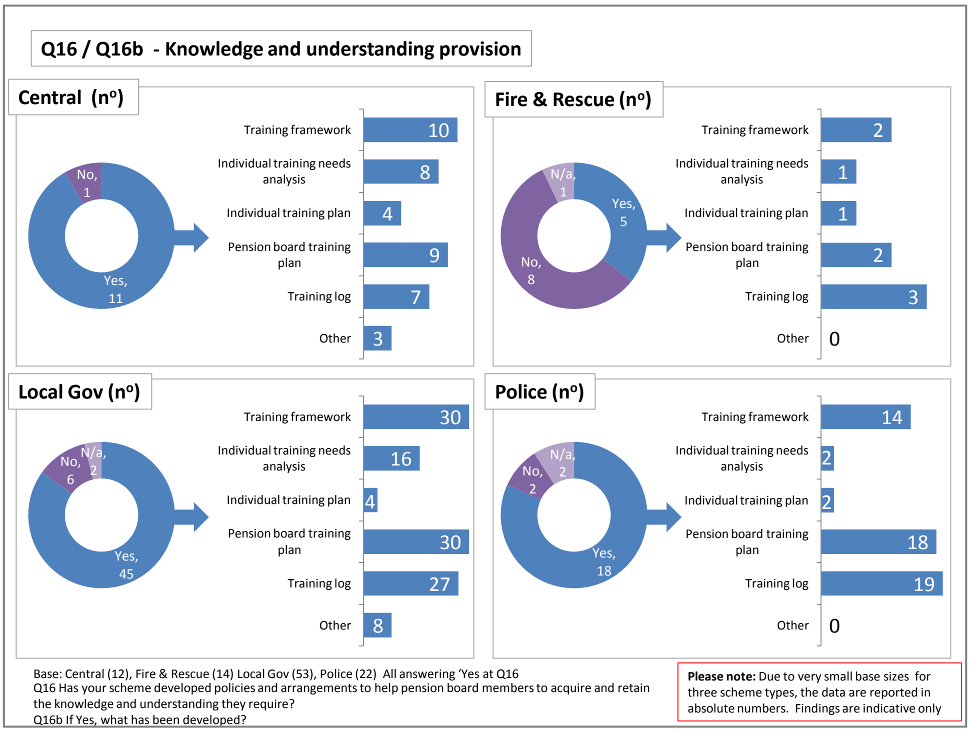


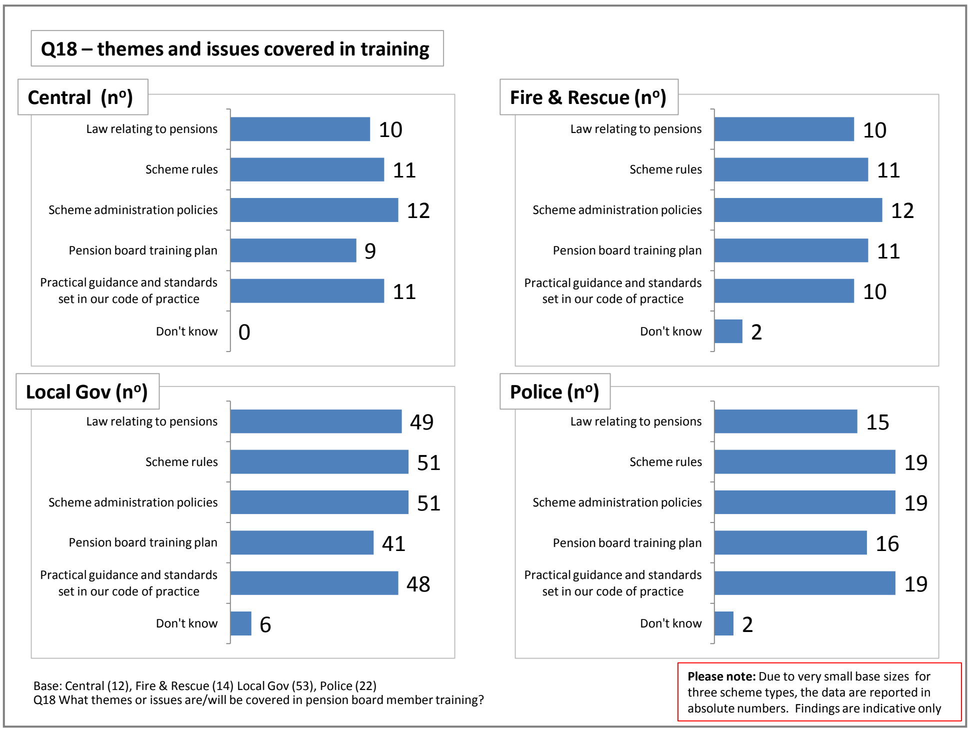
Table 4.8.1 below summarises the key sources of training identified for each scheme type. In addition to the sources identified below, for local government schemes the 'Local Government Association' (12) and 'Actuary' (9) also received high numbers of mentions.

Table 4.8.1 – Top 3 sources of pension board training by scheme type (numbers of mentions)

Central		Local government		Fire & Rescue		Police	
The Pensions Regulator	9	Investment adviser	17	Local Government Association	11	The Pensions Regulator	4
Responsible/ administering authority	5	Responsible/ administering authority	13	The Pensions Regulator	5	Chartered Institute of Public Finance and Accountancy	2
Actuary	2	The Pensions Regulator	13	-	-	-	-

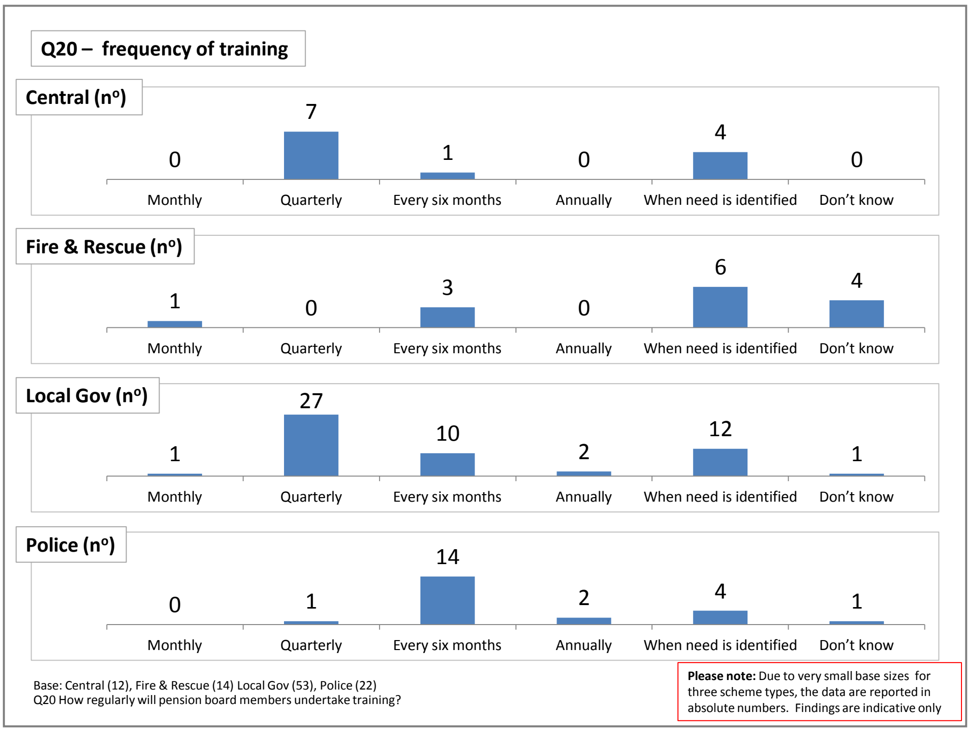
Most schemes reported that their board member training covered a wide remit, with scheme administration policies (94 out of 101, 93%), scheme rules (92 out of 101, 91%) and practical guidance and standards in the code of practice (88 out of 101, 87%) being the three areas mentioned most frequently. These areas were cited by all types of scheme.

Figure 4.8-4: Themes and issues covered in pension board member training



Overall, almost two thirds (63 out of 101, 62%) of schemes reported that training will take place either quarterly or every 6 months. Around half of Central (7 out of12) and Local Government (27 out of 53) schemes answered that training will be conducted quarterly. Among Police schemes, the majority conducted training every six months (14 out of 22). For Fire & Rescue schemes, training was reported to be on a relatively 'ad hoc' basis, with 6 out of 14 stating it was whenever needed and 4 out of 14 reporting that they 'don't know'.

Figure 4.8-5: Frequency of pension board member training



4.9 Conflicts of interest

Overall, 88 out of 101 (87%) of schemes reported that they have a conflicts policy and procedure for pension board members, with 79 out of 101 (78%) having a register of interests in place.

All 12 Central schemes reported they had a conflicts of interest policy in place; 11 also stated that they had procedures that require board members to disclose interests which could become conflicts of interest prior to appointment and a register of interests (nine of the 11 updated this quarterly). Similar questions were asked in the 2013 survey relating to the presence of a conflicts policy and procedure and register of interests; more Central schemes reported they had these in place in the 2015 survey versus the 2013 survey. 4 out of 11 schemes reported they had these in place in the 2013 survey.

Over three-quarters of Fire and rescue schemes (11 out of 14) stated they had a conflicts policy in place, while a lower number (8 out of 14) had procedures that require disclosure of interests prior to appointment and a register of interests. Five out of the eight schemes with a risk of interests reported that they updated this quarterly.

Over four-fifths of Local government schemes reported they had a conflicts policy in place (46 out of 53), and procedures that require board members to disclose interests prior to appointment (45 out of 53). Slightly fewer had a register of interests in place (41 out of 53). Results were very similar to the 2013 survey where equivalent questions were asked.

Over four-fifths of Police schemes reported they had a conflicts policy in place (19 out of 22). Almost all Police schemes (21 out of 22) had procedures that require board members to disclose interests prior to appointment and a majority (19 out of 22) had a register of interests in place. Of those with a risk register, this was most commonly updated on an annual basis (14 out of 19).

Figure 4.9-1: Conflicts policy and procedure in place for pension board members

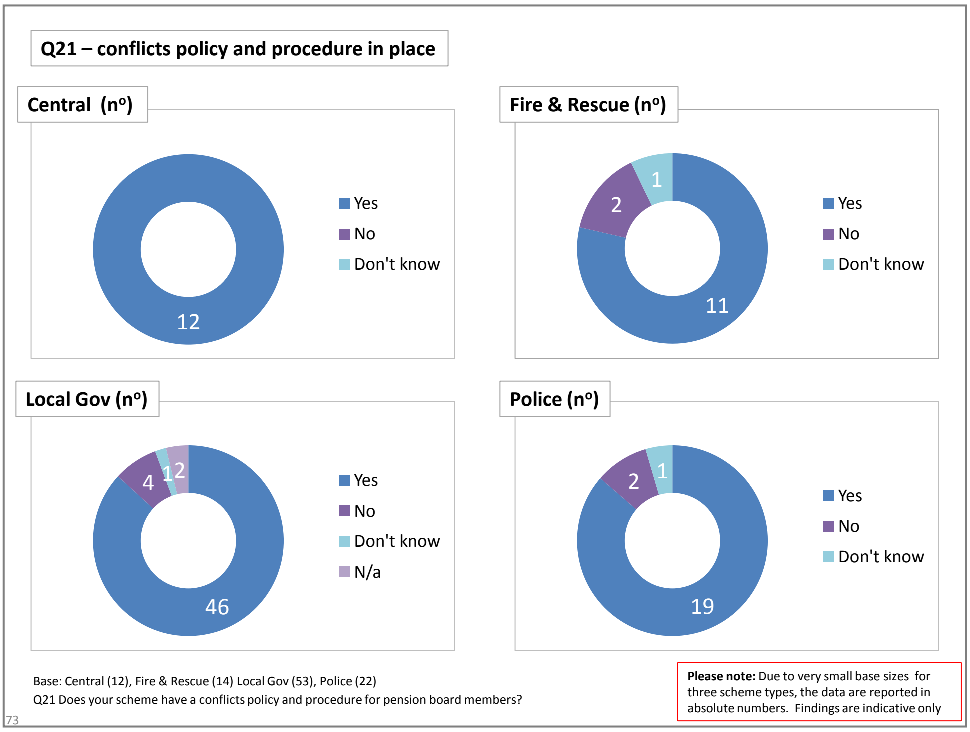


Figure 4.9-2: Conflicts policy and procedure content

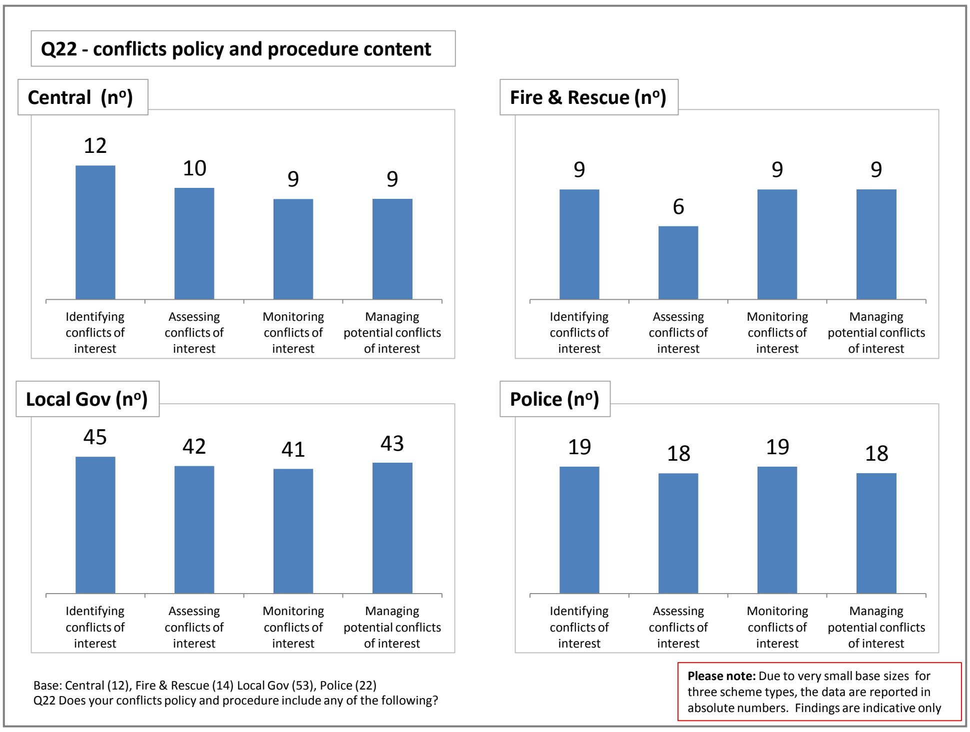


Figure 4.9-3: Procedures that require disclosure of interests which could become conflicts of interests prior to appointment

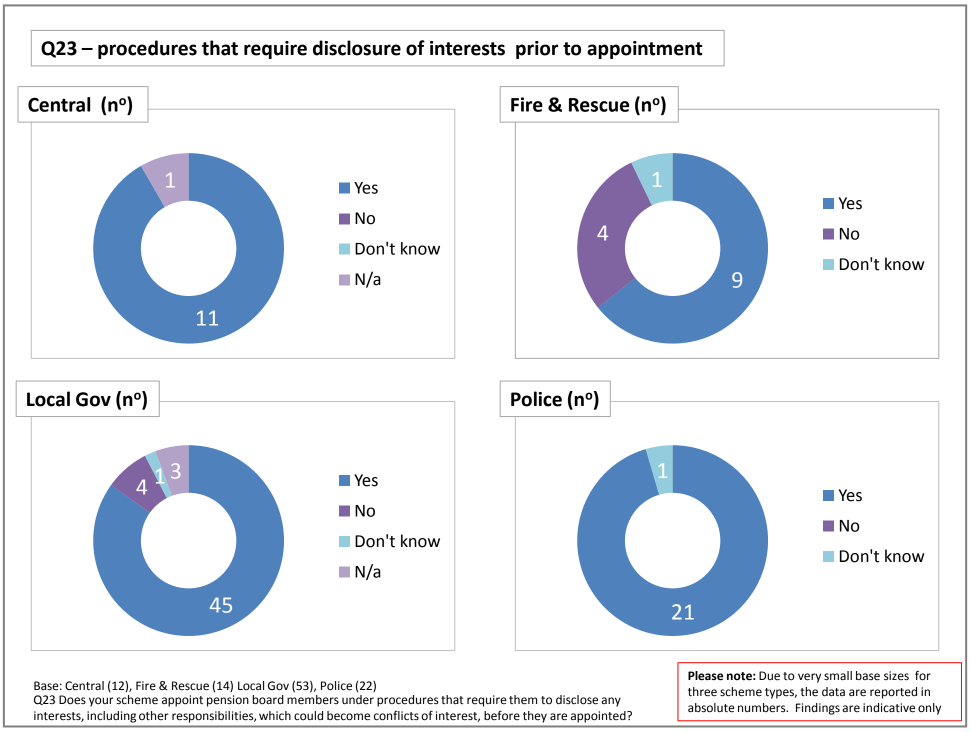


Figure 4.9-4: Register of interests in place

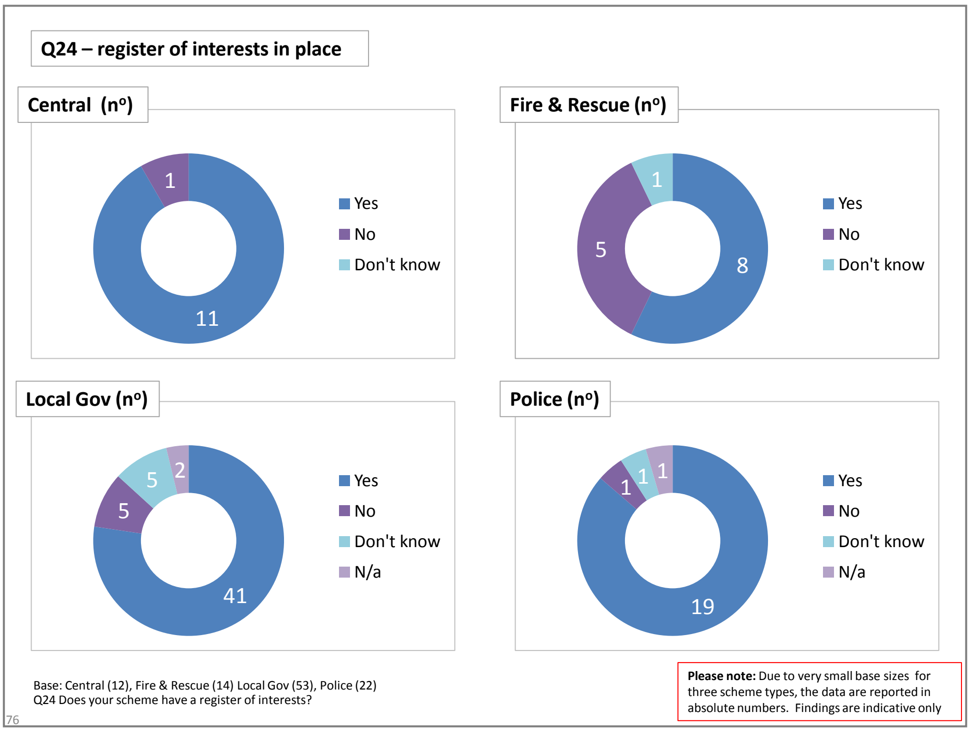
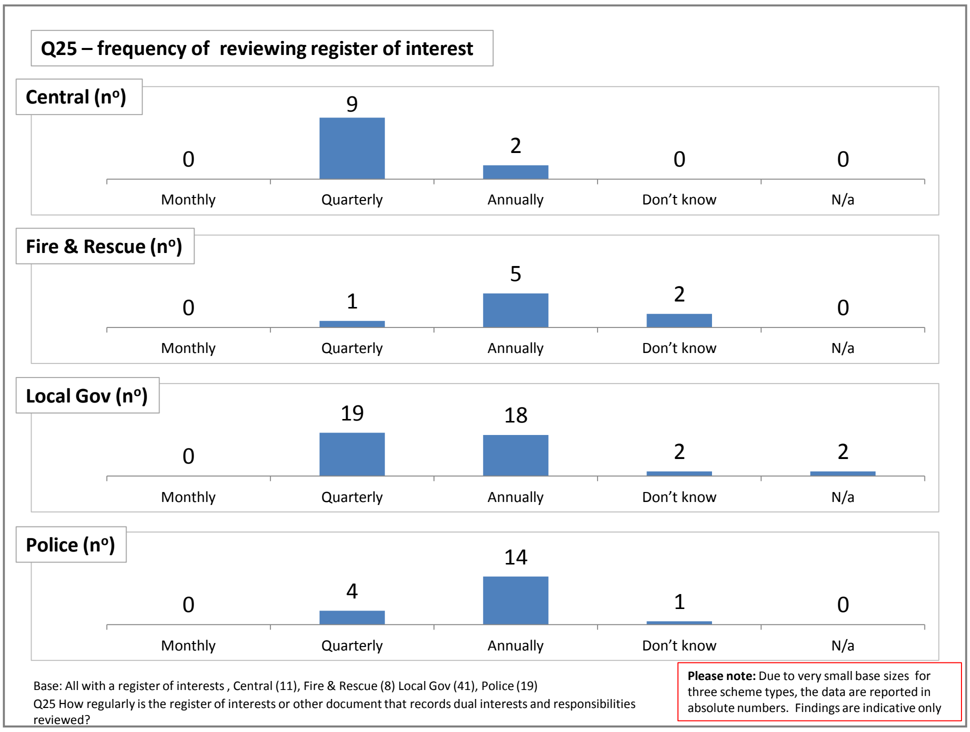


Figure 4.9-5: Frequency of reviewing register of interest or other document that records dual interests and responsibilities

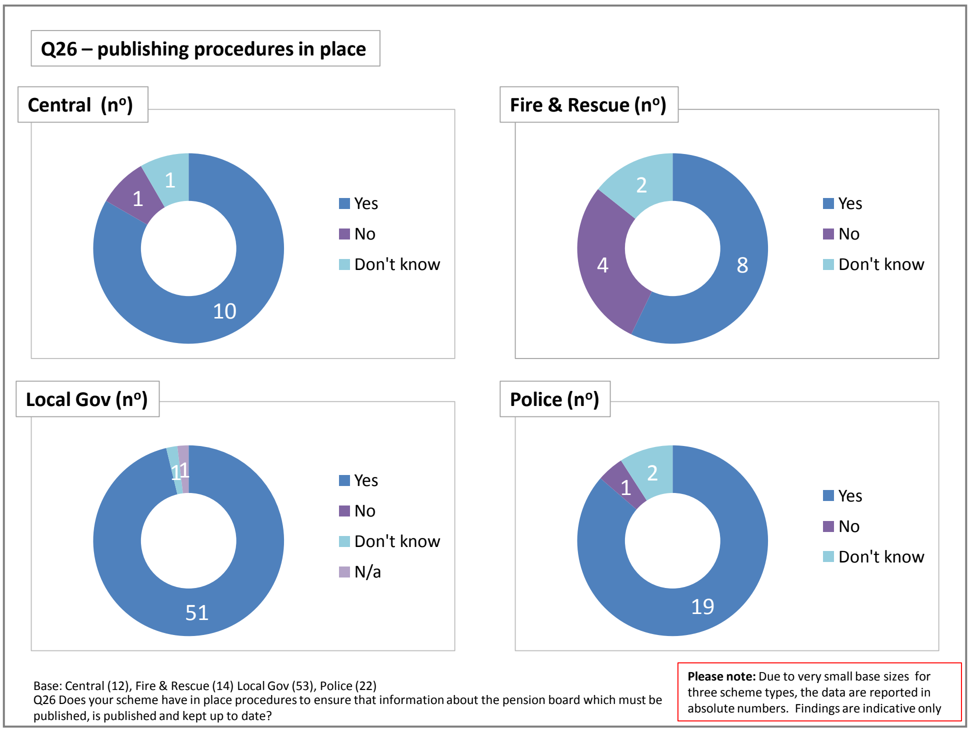


4.10 Publishing information about pension boards

Almost all Central (10 out of 12), Local government (51 out of 53) and Police schemes (19 out of 22) reported that they had in place procedures to ensure that information about the pension board which must be published, was published and kept up to date. Within Fire and rescue schemes, over half (8 out of 14) had procedures in place.

Overall, 88 out of 101 (87%) reported that this was the case.

Figure 4.10-1: Publishing procedures in place to ensure that information about the pension board which must be published, is published and kept up to date



Schemes were also asked about their plans to publish additional information (not specified in legislation) about the pension board. In total, 49 out of 101 schemes responded:

- 24 had plans to publish additional data, primarily relating to meeting agendas and minutes
- 11 had no plans to publish additional data
- 14 had not yet decided whether or not to publish additional data

4.11 Internal controls

Overall, 57 out of 101 (56%) conducted risk assessments at least quarterly, and 83 out of 101 (82%) had a risk register in place. 77 out of 101 (76%) had documented procedures for assessing and managing risk.

All Central schemes conducted risk assessments at least quarterly, and all had a risk register in place. Additionally, all of the Central schemes had documented procedures for assessing and managing risk – of which two-thirds (8 out of 12) (do or will) review the effectiveness of risk management and internal control systems at least every six months.

Almost half of Fire and rescue schemes conducted risk assessments quarterly (6 out of 14). Around a third had a risk register in place (5 out of 14) and documented procedures for assessing and managing risk (5 out of 14). In terms of reviewing the effectiveness of its risk management and internal control systems, almost half (6 out of 14) stated they do or will do this once a year or more, while half (7 out of 14) 'don't know' how frequently they do or will do this.

Among Local government schemes, two-thirds conducted risk assessments at least quarterly, and the vast majority had a risk register in place (48 out of 53). Four-fifths of Local government schemes had documented procedures for assessing and managing risk – of which around a fifth do or will review the effectiveness of risk management and internal control systems at least every six months. Over half (29 out of 53) do or will do this at least once a year.

Around half of Police schemes conducted risk assessments every six months (13 out of 22), and the majority had a risk register in place (18 out of 22). The majority (18 out of 22) also had documented procedures for assessing and managing risk – of which almost three-quarters (16 out of 22) do or will review the effectiveness of risk management and internal control systems once a year or more.

Figure 4.11-1: Frequency of risk assessment

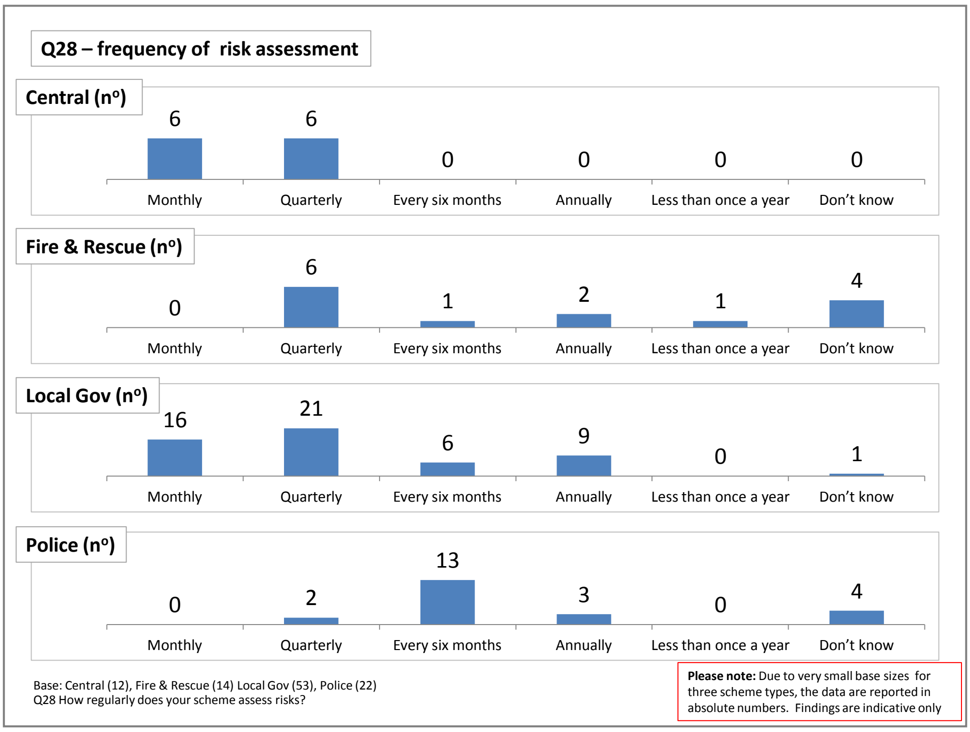


Figure 4.11-2: Risk register in place

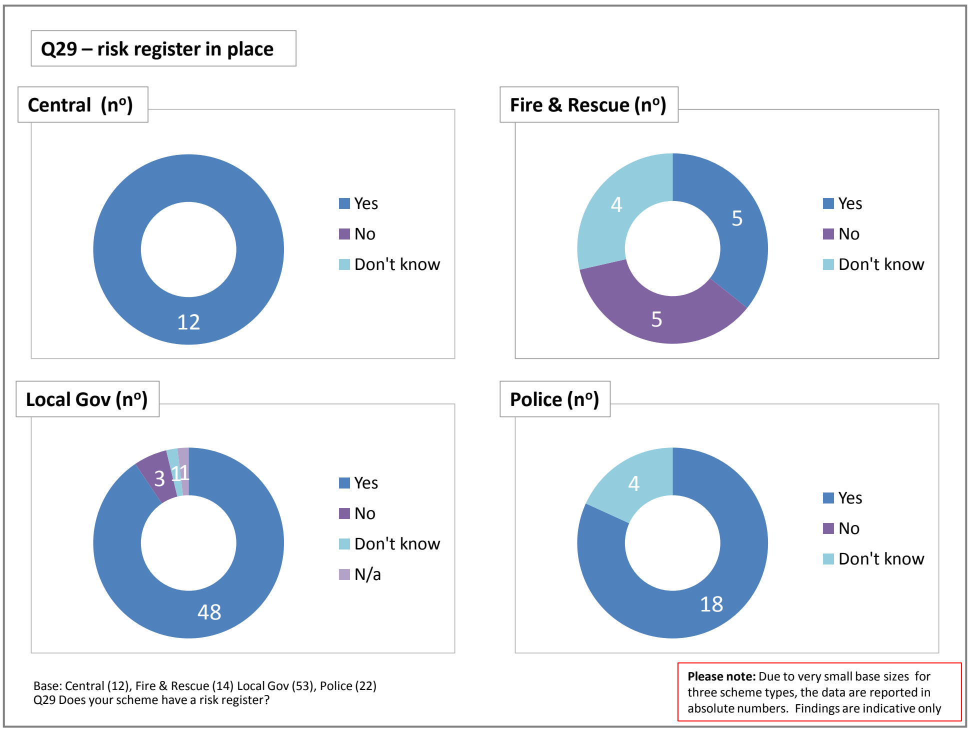
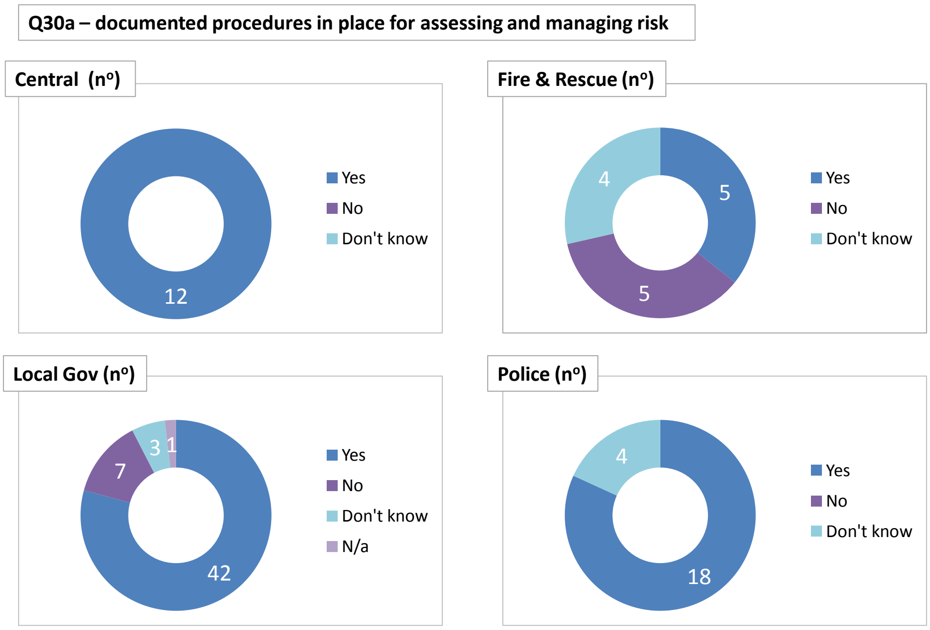


Figure 4.11-3: Documented procedures in place for assessing and managing risk

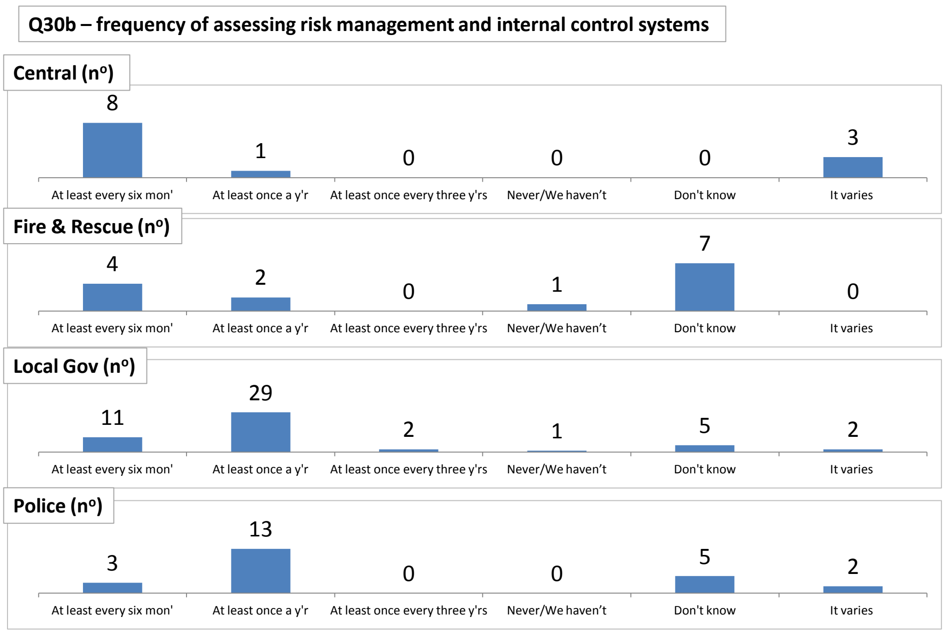


Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
Q30a Does your scheme have documented procedures for assessing and managing risk?

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

81

Figure 4.11-4: Frequency of reviewing effectiveness of risk management and internal control systems



Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
Q30b How often does/will the scheme review the effectiveness of its risk management and internal control systems?

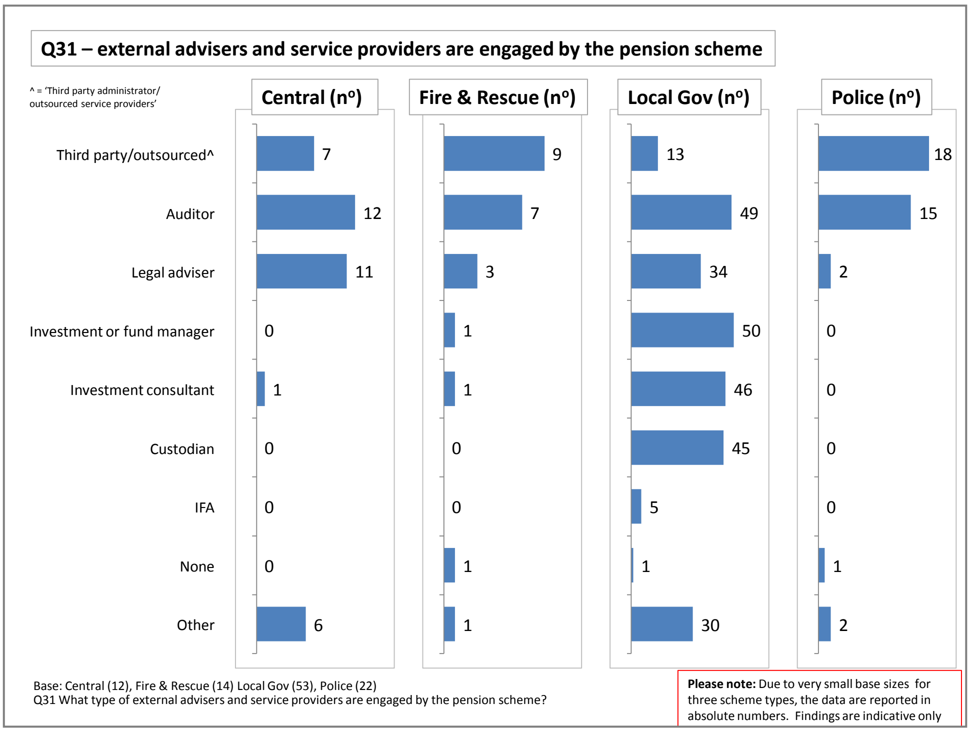
Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

4.12 External advisers and service providers

Overall, 47 out of 101 (47%) used third party administrators, and 83 out of 101 (82%) reported the use of an auditor.

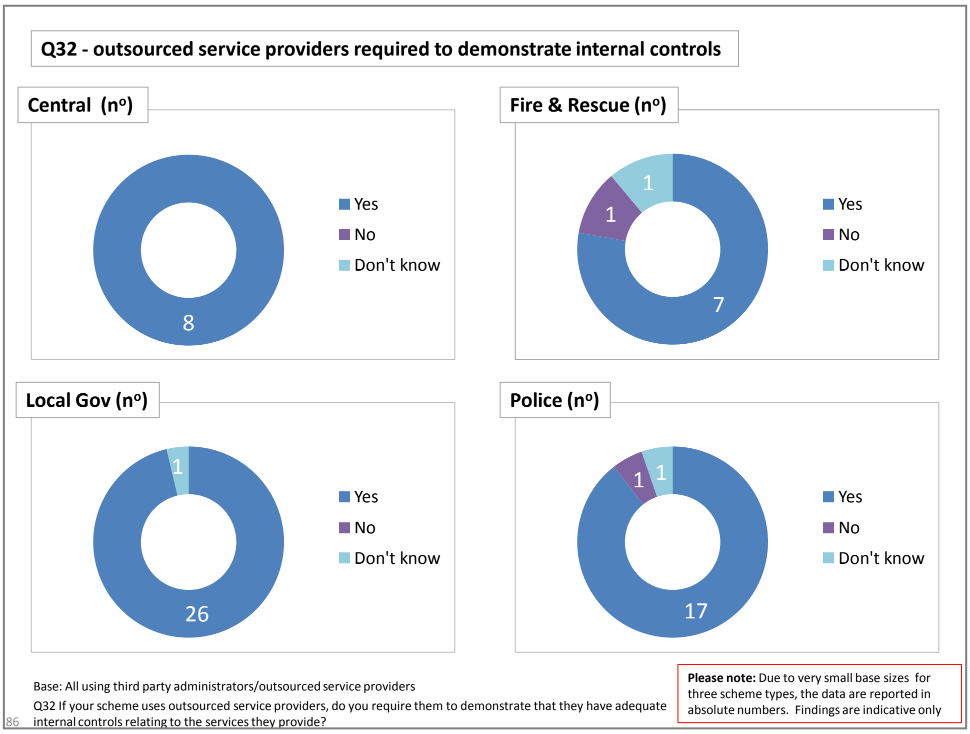
The types of external advisers and service providers engaged by Central, Fire and rescue and Police schemes tended to be similar. All three schemes mainly used 'Third party administrator/ outsourced service providers' and 'auditors'; Central schemes also used 'legal advisers'. Local government schemes used a wider range of advisers and providers – mainly investment/fund managers, auditors, investment consultants and custodians. A large minority (24 out of 53) of Local Government schemes reported retaining the services of an actuary.

Figure 4.12-1: External advisers and service providers engaged by the pension scheme



Among schemes that used third party administrators or outsourced providers, almost all required the supplier to demonstrate adequate internal controls – regardless of scheme type.

Figure 4.12-2: Outsourced service providers required to demonstrate that they have adequate internal controls relating to the services they provide

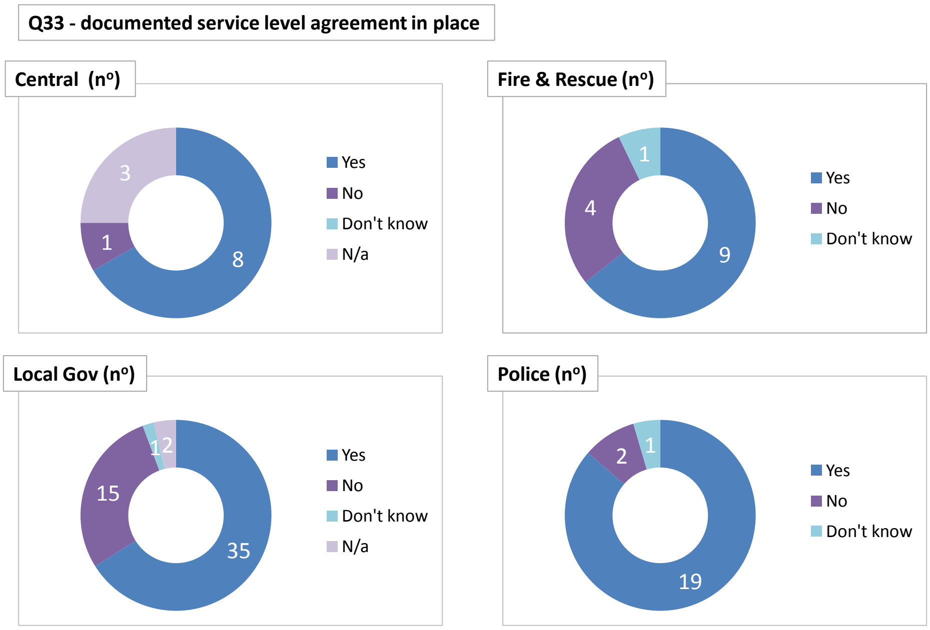


PLEASE NOTE: A small number of respondents provided an answer for Q32 despite their response to Q31 indicating that their scheme did not use outsources service providers. As such there are additional responses included in the above Figure.

Overall, 71 out of 101 (70%) of schemes reported having a documented service level agreement in relation to their scheme and the services provided by their scheme administrators, regardless of whether administration was carried out in-house or provided by a third party.

Around two-thirds of Central (8 out of 12) Fire and rescue (9 out of 14) and Local government (35 out of 53) schemes had a documented service level agreement in relation to their scheme and the services provided by scheme administrators (in-house and outsourced). Almost 9 in 10 Police schemes (19 out of 22) had these in place.

Figure 4.12-3: Documented service level agreement in place in relation to the scheme and the services provided by their scheme administrators



Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
Q33 Do you have a documented service level agreement in relation to your scheme and the services provided by your scheme administrators (applies to both in-house and outsourced)?
85

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

Overall, 43 out of 101 (43%) of schemes received information on their administrator's internal controls on a monthly or quarterly basis.

The frequency with which information was reported to be received on administrators' internal controls varied within scheme types:

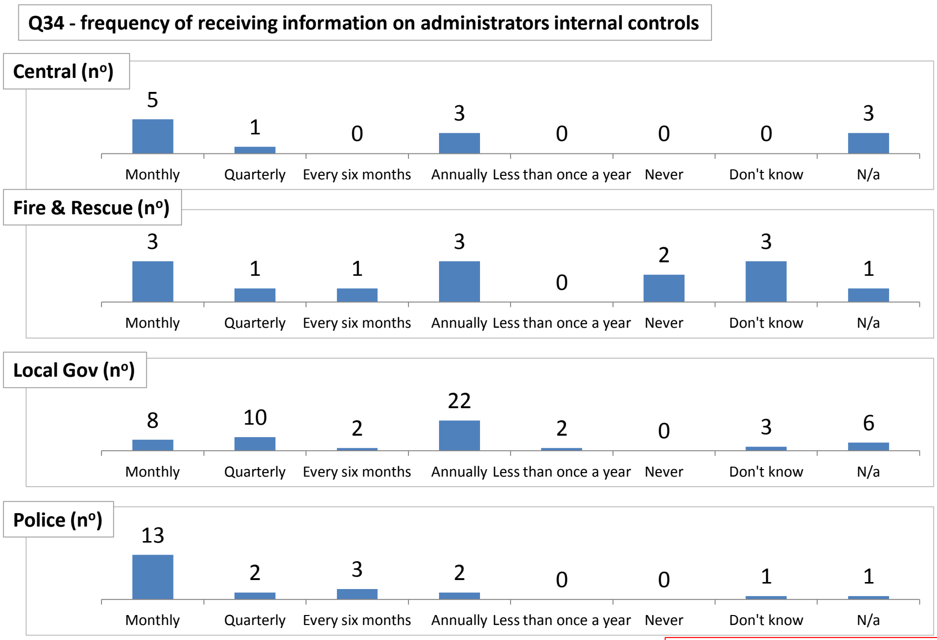
Central schemes most commonly received information on internal controls relating to the services that administrators provided 'monthly' (5 out of 12) or 'annually' (3 out of 12).

The frequency of information on administrator's internal controls varied between the individual Fire and rescue schemes, for example: three schemes received information 'monthly', three schemes received this 'annually', three schemes stated 'don't know' and a further three schemes stated 'never' or 'no answer'.

Two-fifths of Local government schemes received information on internal controls relating to the services that administrators provided 'annually' (22 out of 53); slightly less than one-fifth received this 'monthly' (8 out of 53) or 'quarterly' (10 out of 53).

Police schemes most commonly received information on internal controls relating to the services that administrators provided 'monthly' (13 out of 22).

Figure 4.12-4: Frequency of information on internal controls relating to the services that administrators provide



Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
Q34 How frequently do you receive information on internal controls relating to the services that administrators provide?

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

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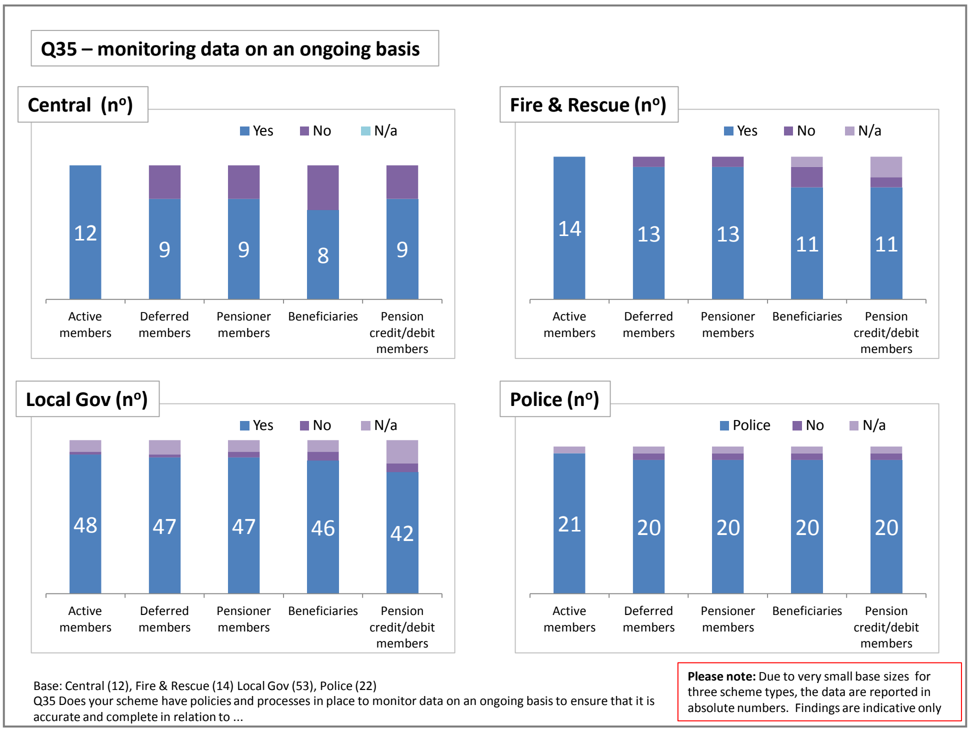
4.13 Scheme record-keeping and data monitoring

Figure 4.13-1: Policies and processes in place to monitor data on an ongoing basis to ensure that it is accurate and complete



Policies and processes for ongoing monitoring of member data were in place for almost all schemes in respect of 'active members'. There were more gaps regarding record-keeping for other member types. Data monitoring policies and processes for deferred members, pensioner members, beneficiaries and pension credit / debit members were not in place in a significant minority of Central schemes.

Figure 4.13-2: Measurement of data against requirements of the Public Service (Record Keeping and Miscellaneous Amendments) Regulations 2014

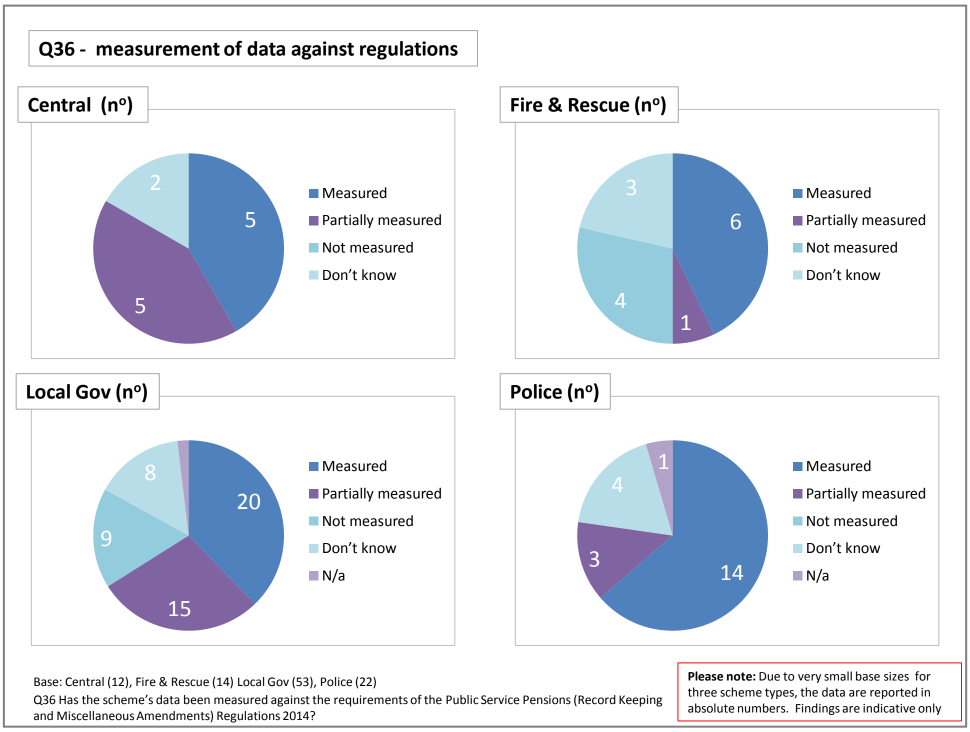
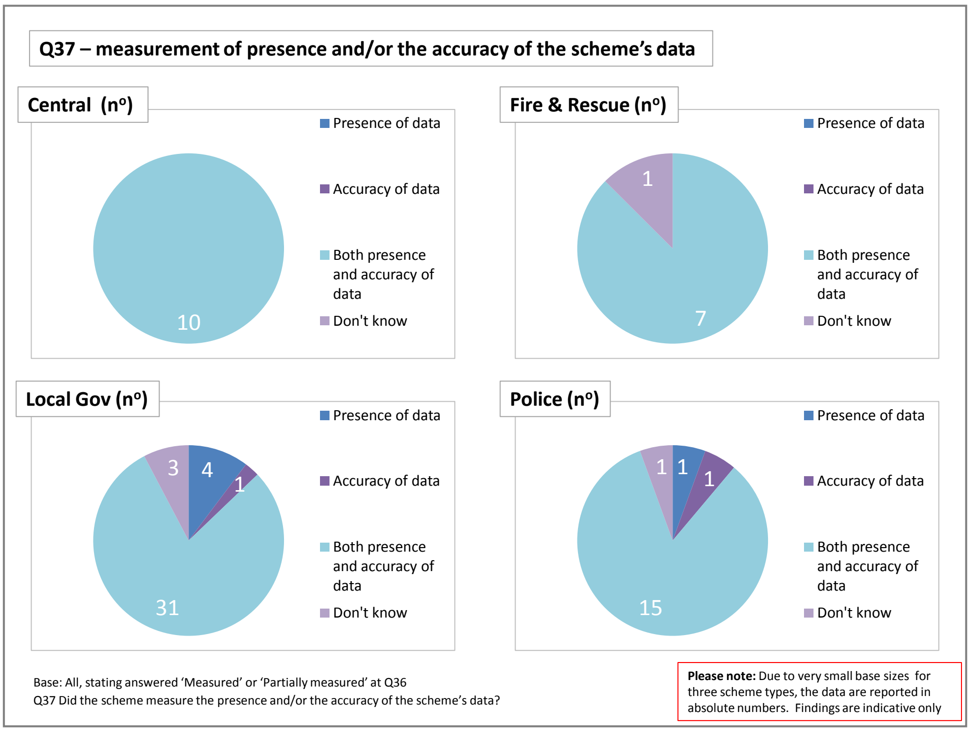
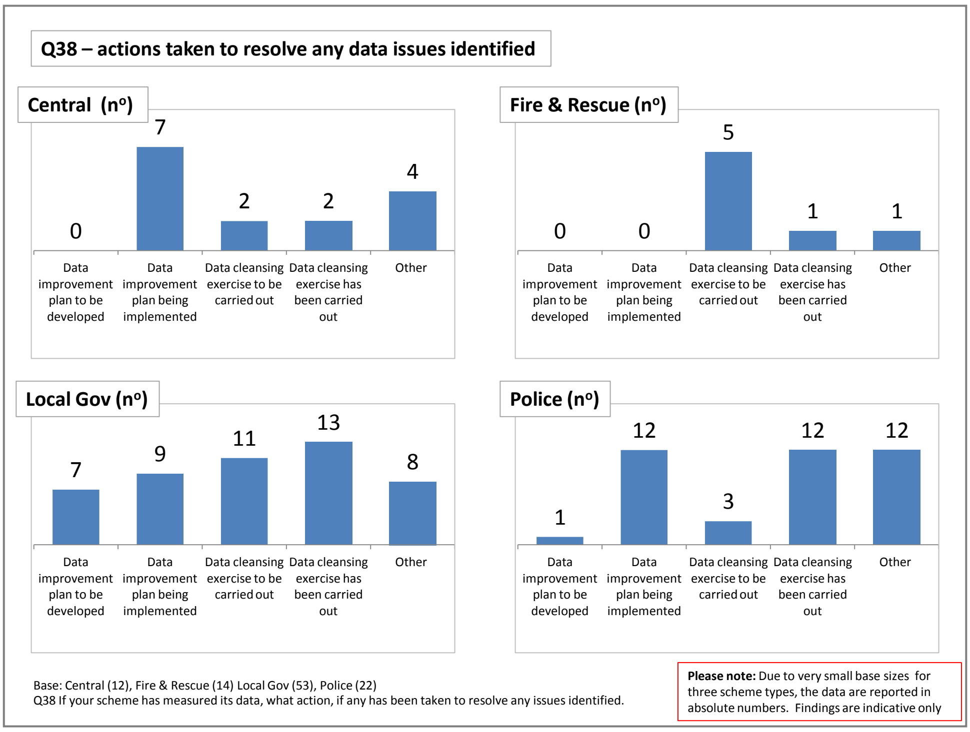


Figure 4.13-3: Measurement of presence and/or the accuracy of the scheme's data



PLEASE NOTE: A small number of respondents provided an answer for Q37 despite their response to Q36 indicating that their scheme had not measured its data against the regulations. As such there are additional responses included in the above Figure.

Figure 4.13-4: Actions taken to resolve any data issues identified



PLEASE NOTE: A small number of respondents provided an answer for Q38 despite their response to Q36 indicating that their scheme did had not measured its data against the regulations. As such there are additional responses included in the above Figure.

Overall, 45 out of 101 schemes (45%) had measured their data, with a further 24 out of 101 (24%) having partially measured the scheme's data against the requirements of the Record Keeping Regulations[4]. Of these 69 schemes, 63 had measured both the presence and accuracy of data.

The majority (10 out of 12) of Central schemes had measured the scheme's data against the Regulations (5 out of 12 measures and 5 out of 12 partially measured). Of those who had conducted these measurements, all measured the presence and accuracy of the scheme's data. The main action taken by seven schemes to resolve any data issues identified were a 'data improvement plan being implemented'. Data cleansing exercises will or had been carried out by four schemes.

Half of Fire and rescue schemes (7 out of 14) had measured the scheme's data against the Regulations (6 out of 14 measures and 1 out of 14 partially measured). Of those who provided a response relating to conducting these measurements, the majority (7) measured the presence and accuracy of the scheme's data. Data cleansing exercises will or had been carried out by six schemes to resolve any data issues identified.

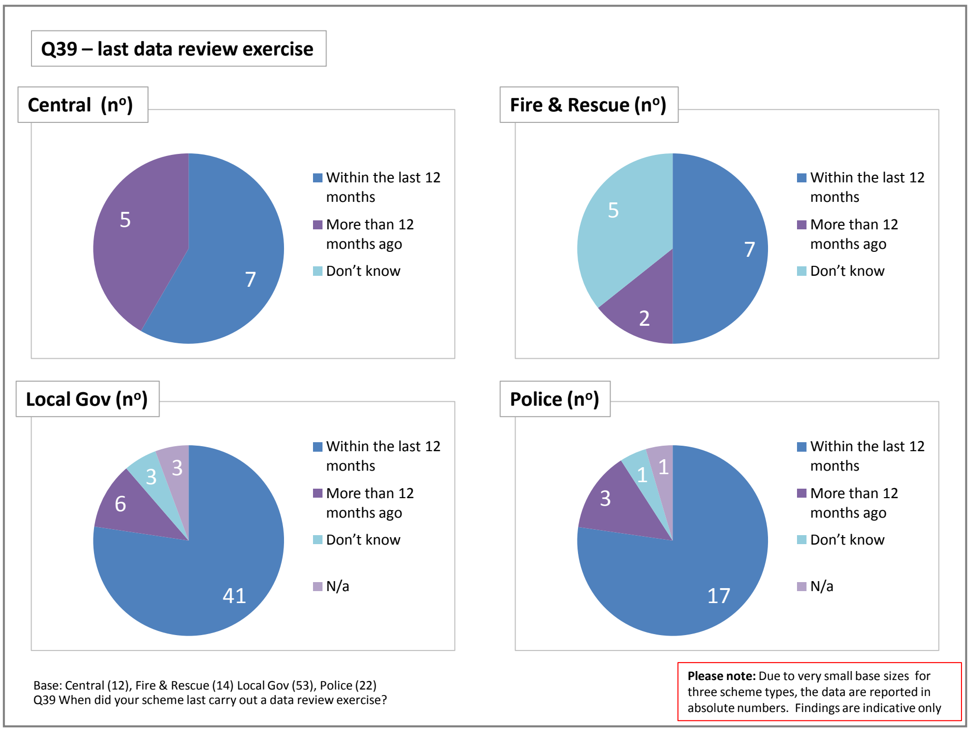
[4] Public Service (Record Keeping and Miscellaneous Amendments) Regulations 2014.

Among Local government schemes, two-thirds had measured the scheme's data against the Regulations (20 out of 53 measured and another 15 out of 53 partially measured). Of those who provided a response relating to conducting these measurements, the majority (31) measured the presence and accuracy of the scheme's data. Local government schemes were split between planning and having completed actions to resolve any data issues identified:

- Seven schemes were developing a data improvement plan, nine had this in place.
- Data cleansing exercises were to be carried out by 11 schemes, 13 schemes had already conducted them.
- 'Other' actions were also planned/being carried out by eight schemes.

Over three-quarters of Police schemes had measured the scheme's data against the Regulations (14 out of 22 measures and 3 out of 22 partially measured). Of those who provided a response relating to conducting these measurements, the majority (15) measured the presence and accuracy of the scheme's data. 12 Police schemes had implemented data improvement plans and had carried out data cleansing exercises. Furthermore 'other' actions were also planned/being carried out by eight schemes.

Figure 4.13-5: Last data review exercise



Overall, 72 out of 101 (71%) schemes reported that they had conducted a data review within the last year.

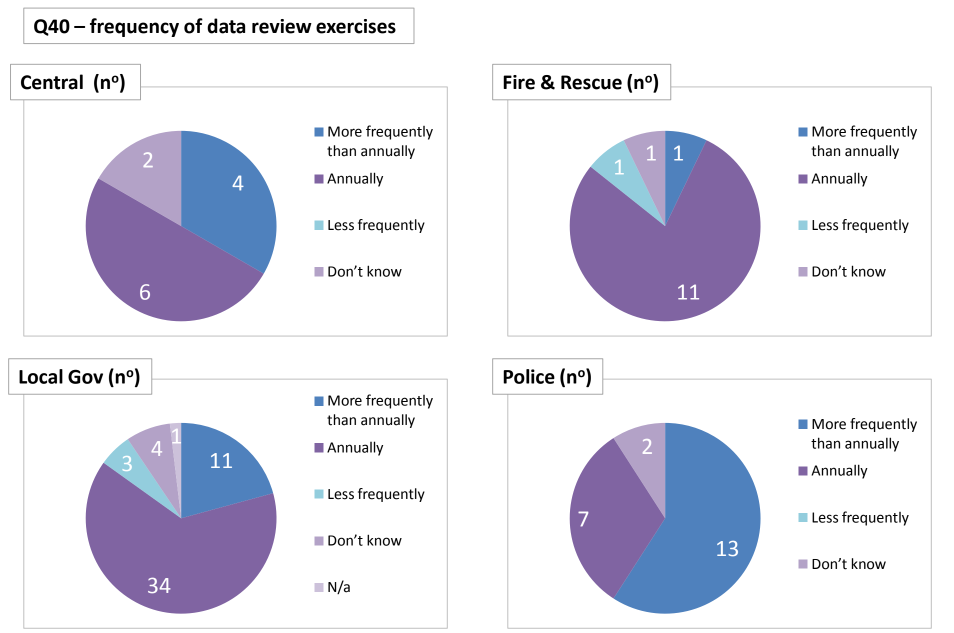
Over half of Central schemes had conducted a data review exercise in the last year (7 out of 12); and the majority currently carried out or planned to carry out future data review exercises (including an assessment for accuracy and completeness of the data) at least annually (6 out of 12 annually, 4 out of 12 more frequently).

Half of Fire and rescue schemes had also conducted a data review exercise in the last year (7 out of 14) and the majority currently carried out or planned to carry out future data review exercises annually (11 out of 14)

Among Local government schemes, data review exercises were most frequently carried out within the last 12 months (41 out of 53). Over three-fifths of Local government schemes currently carried out or planned to carry out future data review exercise annually (34 out of 53), with one-fifth planning to conduct data reviews more frequently than annually (11 out of 53).

The majority of Police schemes (17 out of 22) had carried out a data review exercise in the last year. Looking ahead, almost all schemes currently carried out or planned to carry out future data review exercise at least annually (7 out of 22 annually, 13 out of 22 more frequently).

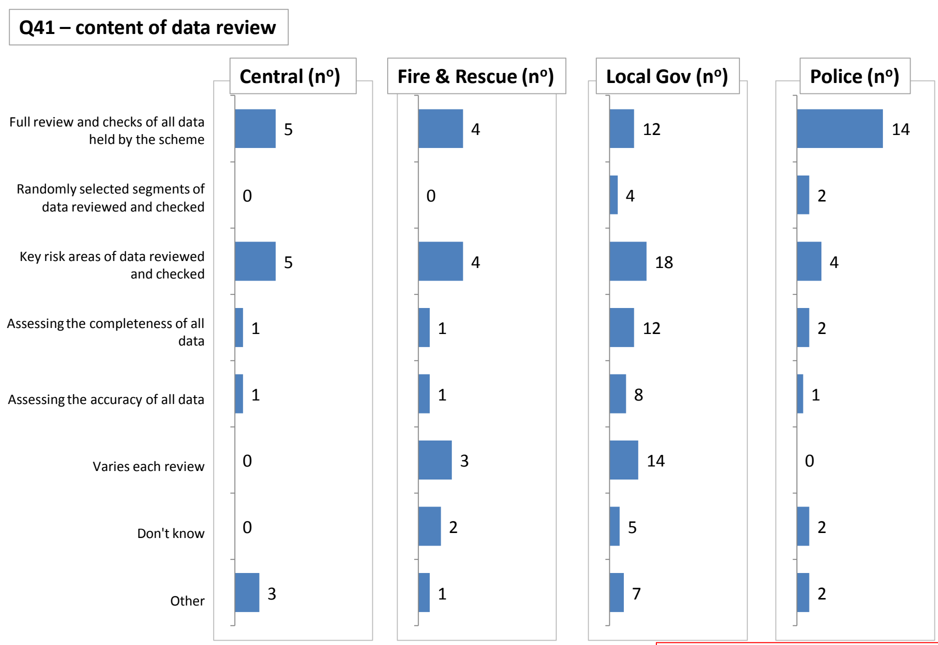
Figure 4.13-6: Frequency of data review exercise including an assessment for accuracy and completeness of the data



Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
Q40 How frequently does your scheme carry out/plan to carry out a data review exercise including an assessment for accuracy and completeness of the data?

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

Figure 4.13-7: Content of data review



	Central (nº)	Fire & Rescue (nº)	Local Gov (nº)	Police (nº)
Full review and checks of all data held by the scheme	5	4	12	14
Randomly selected segments of data reviewed and checked	0	0	4	2
Key risk areas of data reviewed and checked	5	4	18	4
Assessing the completeness of all data	1	1	12	2
Assessing the accuracy of all data	1	1	8	1
Varies each review	0	3	14	0
Don't know	0	2	5	2
Other	3	1	7	2

Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
Q41 What does your data review involve?

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

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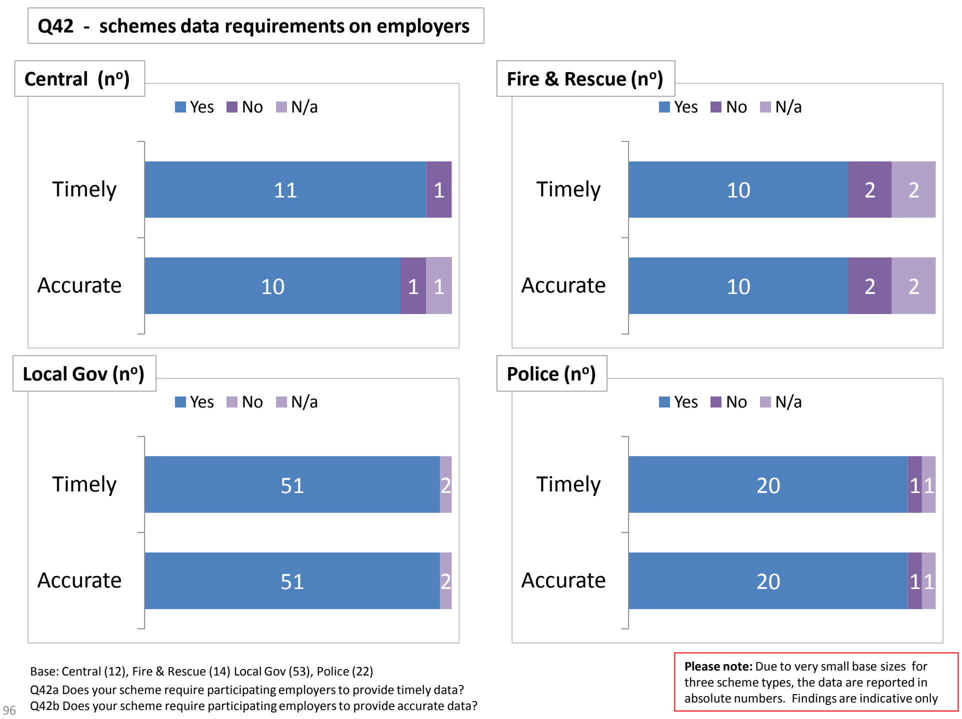
Schemes data review involved a wide range of activities:

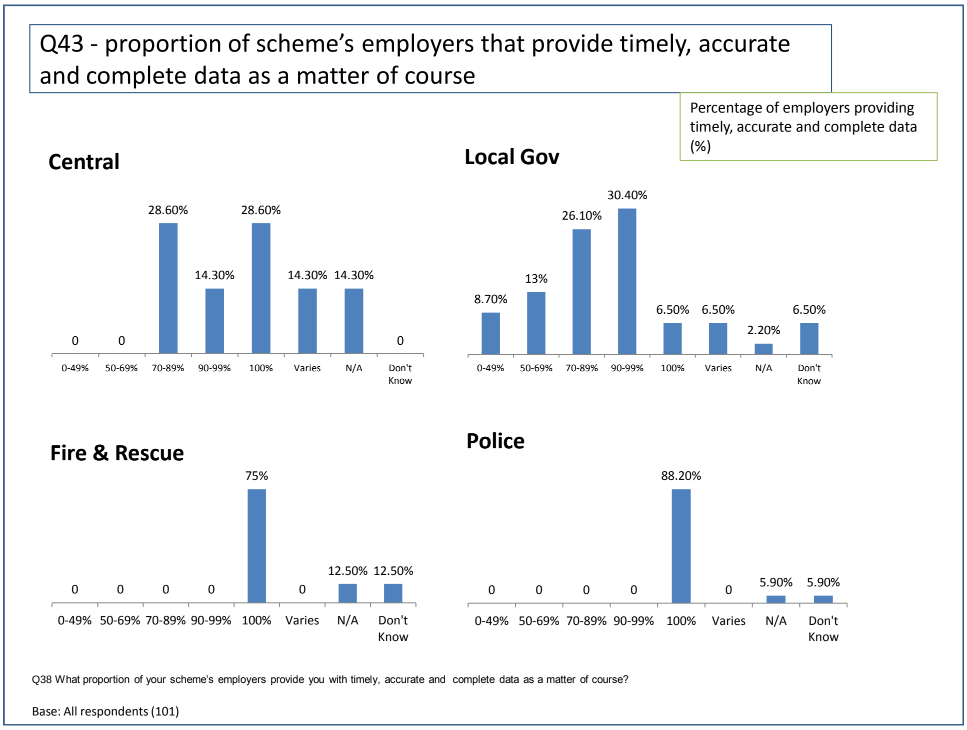
- A full review and checks of all data held by the scheme was one of the most common tasks identified by those answering for Central (5 out of 12), Fire & Rescue (4 out of 14) and Police (14 out of 22) schemes.
- Key risk areas of data reviewed and checked was also a top mentioned activity among Central (5 out of 12), Fire & Rescue (4 out of 14) and Local Government (18 out of 53) schemes.
- Assessing the completeness of all data was also part of the review among several Local Government schemes (12 out of 53).
- A quarter of Local Government schemes (14 out of 53) mentioned that the content varied in each review.

Figure 4.13-8: Schemes require participating employers to provide timely and accurate data



In all scheme types the vast majority of schemes require employers to provide data on a timely and accurate basis. In a minority of cases, Central schemes, Fire and rescue schemes and Police schemes do not have this requirement.

Figure 4.13-9: Proportion of scheme employers which provide data that is timely, accurate and complete as a matter of course



Overall (51%) of schemes reported that 90%-100% of scheme employers provided schemes with timely, accurate and complete data as a matter of course; three in ten (32%) stating 100%.

3 out of 7 Central schemes submitted that 90% of employers provided timely, accurate and complete data. The same figure for Local government schemes was 17 out of 46 schemes. Most Fire and& rescue (6 out of 8 schemes) and Police schemes (15 out of 17) who answered the question indicated that 100% of employers provided timely, accurate and complete data.

4.14 Maintaining contributions

Almost all schemes (98 out of 101, 97%) regardless of type had a method or other process for monitoring the payment of contributions to the scheme in place. The vast majority also had processes in place to resolve payment issues and assess whether to report payment failures.

Figure 4.14-1: Method or other process for monitoring the payment of contributions into the scheme

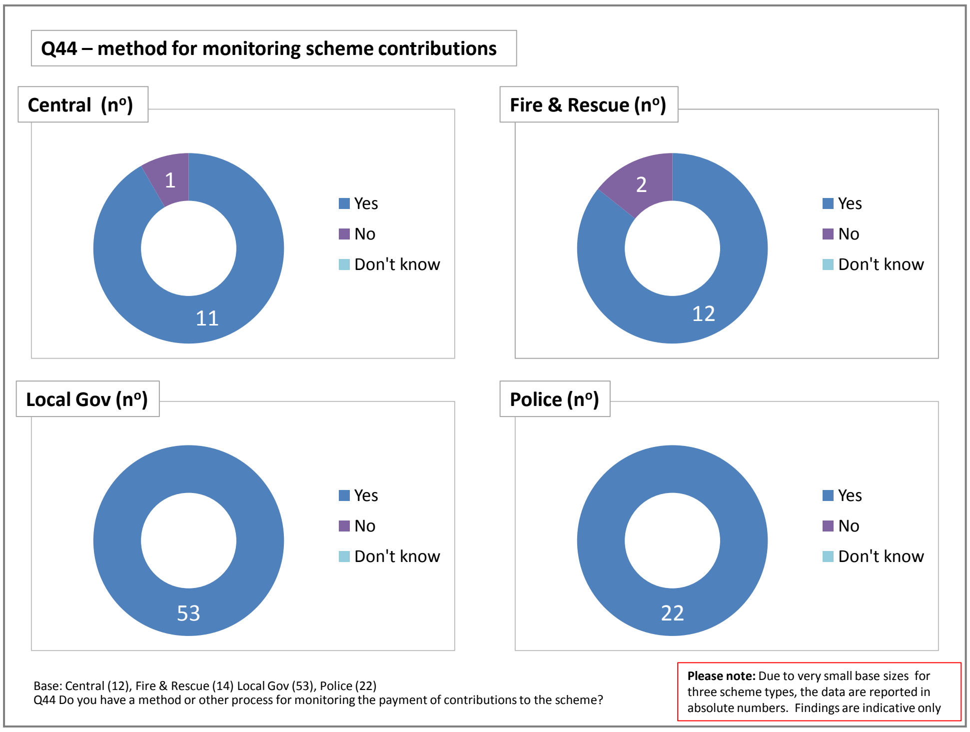
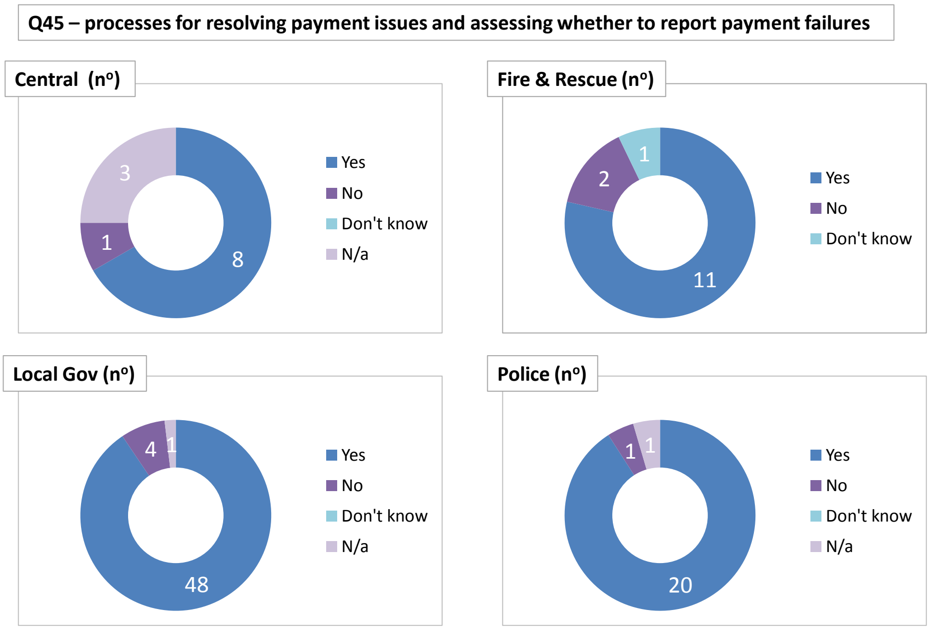


Figure 4.14-2: Processes in place to resolve payment issues and assess whether to report payment failures



Base: Central (12), Fire & Rescue (14) Local Gov (53), Police (22)
Q45 Does your scheme have a process to resolve payment issues and assess whether to report payment failures?

Please note: Due to very small base sizes for three scheme types, the data are reported in absolute numbers. Findings are indicative only

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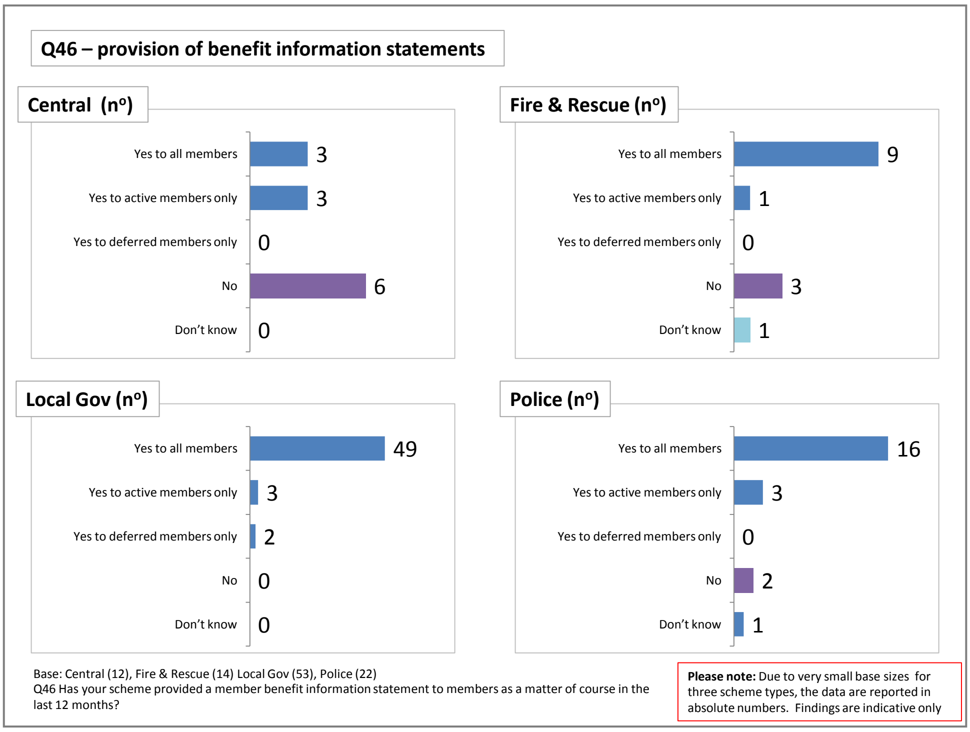
4.15 Providing information to members

Figure 4.15-1: Provision of benefit information statements to members as a matter of course in the last 12 months



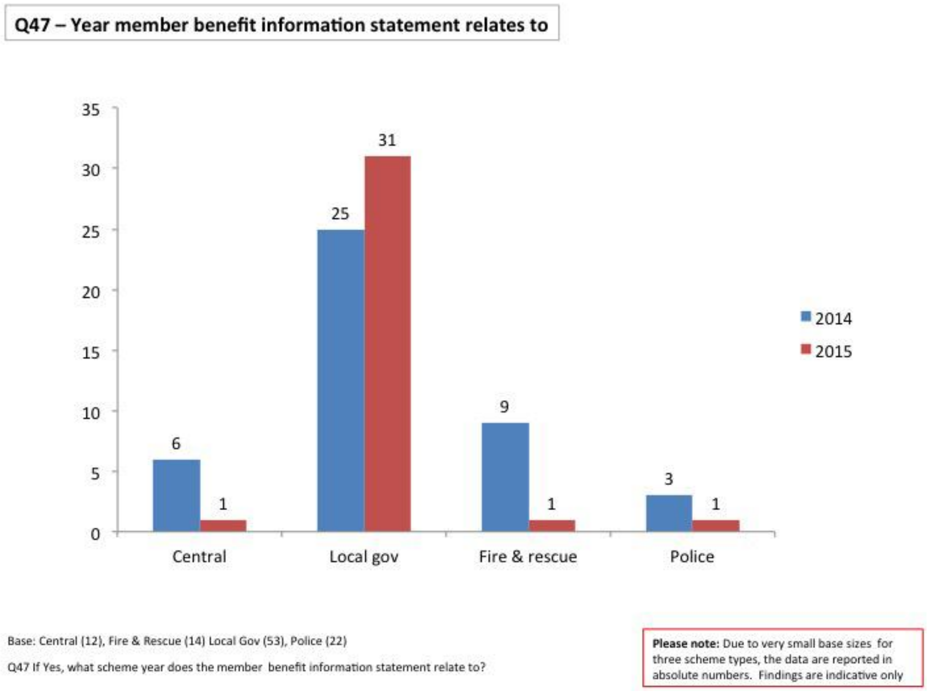
Overall, 77 out of 101 (76%) of schemes reported that they had issued a member benefit statement to all members as a matter of course in the last 12 months.

Half of Central schemes (6 out of 12) had provided member benefit information statements to members as a matter of course in the last 12 months. Three provided these to all members and three to active members only.

The majority of Fire and rescue (9 out of 14) and Police (16 out of 22) schemes had provided member benefit information statements to all members as a matter of course in the last 12 months

Among Local government schemes, all schemes had provided member benefit information statement to members as a matter of course in the last 12 months, with the vast majority being provided to all members (49 out of 53).

Figure 4.15-2: Year that the member benefit statement refers to



Of the schemes that had provided a member benefit statement in the previous 12 months, the majority related to the year ended 31 March 2014 for Central, Fire and rescue and Police schemes. For Local government, the majority related to the year ended 31 March 2015.

4.16 Internal Dispute Resolution

Figure 4.16-1: frequency of assessing effectiveness of Internal Dispute Resolution arrangements

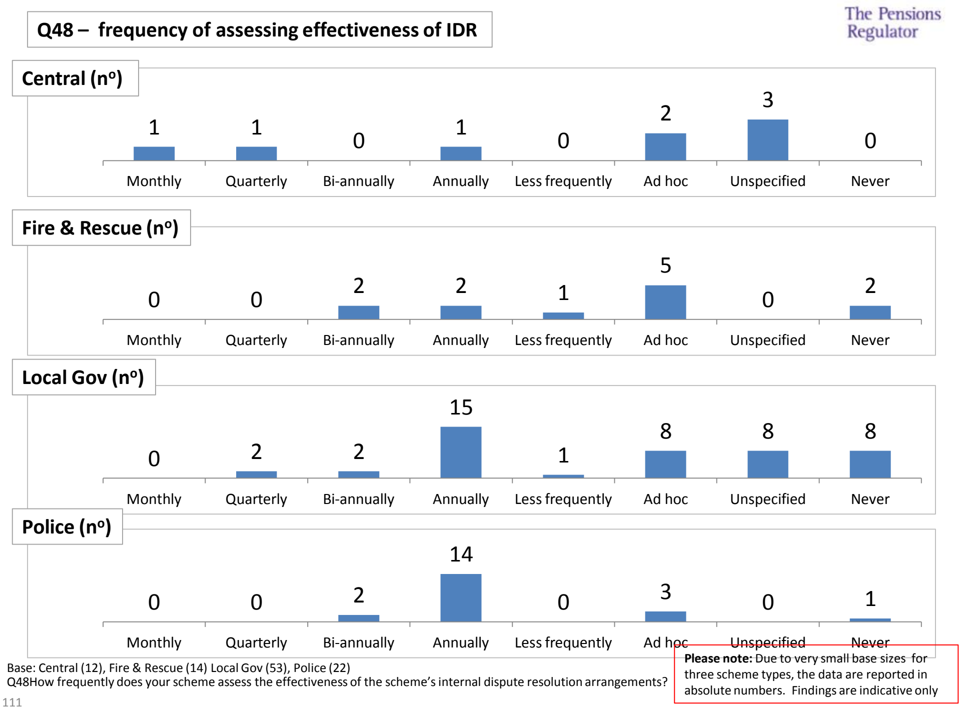
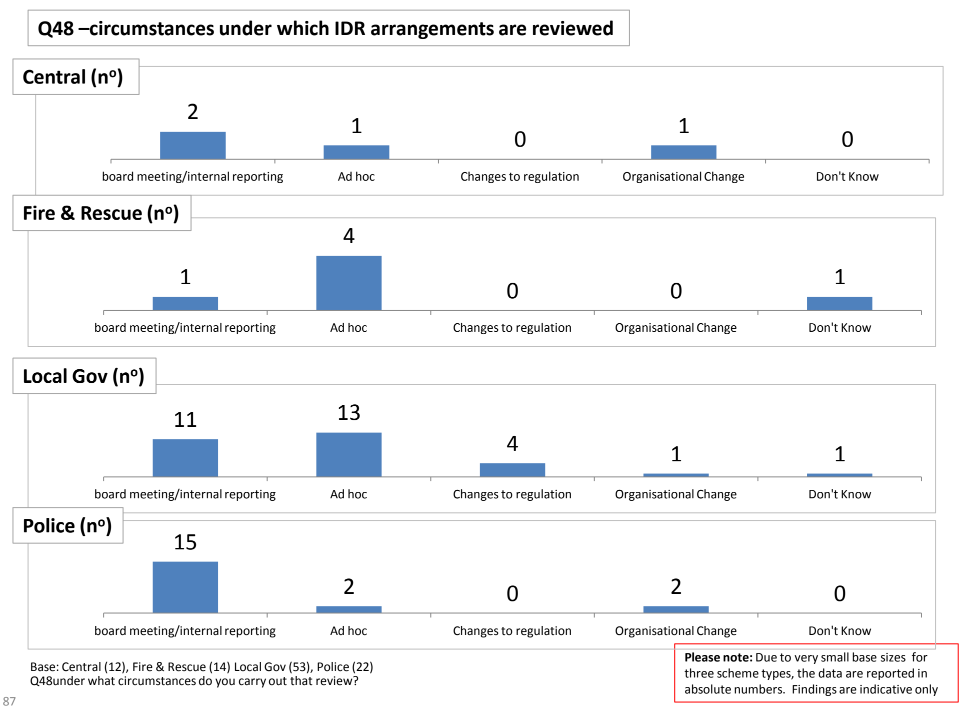


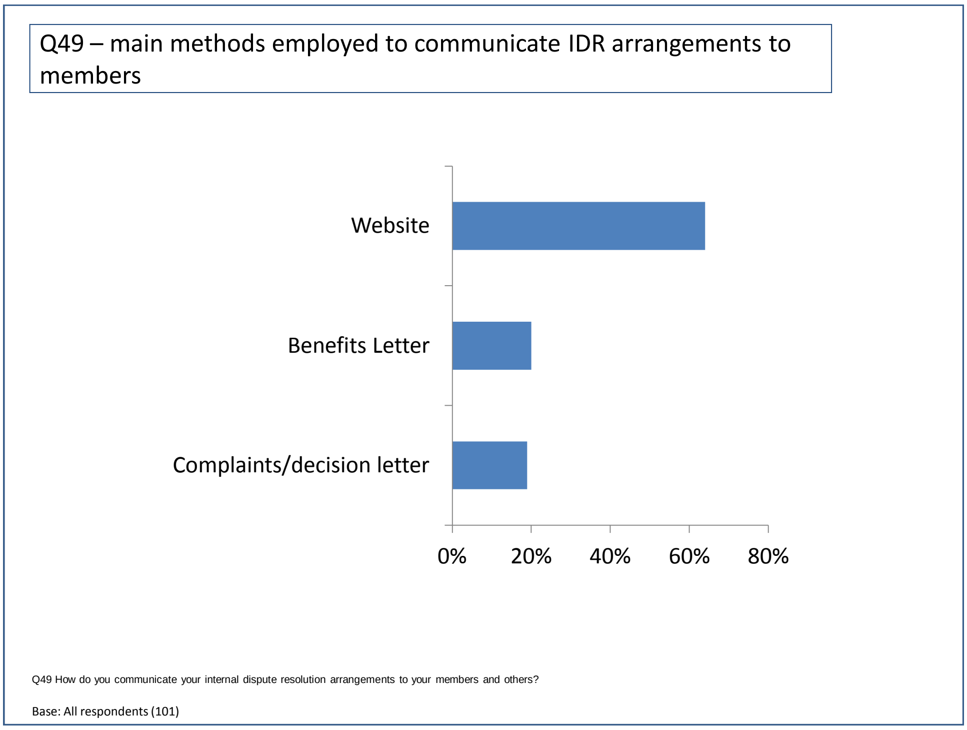
Figure 4.16-2: circumstances under which Internal Dispute Resolution arrangements are reviewed



In terms of internal dispute resolution (IDR) arrangements, assessments tended to be carried out on infrequent or ad hoc basis for all scheme types. 14 out of 22 Police schemes and 15 out of 53 Local Government schemes reported that they carried out reviews annually. Schemes reported that they typically reviewed arrangements as part of a wider internal reporting review.

Online methods were prevalent as a form of communication, but IDR arrangements were either included with or mentioned in hard copy communications by a large minority of schemes. This was consistent across all scheme types.

Figure 4.16-3: main methods employed to communicate Internal Dispute Resolution arrangements to members



4.17 Reporting breaches

Training was provided to the scheme managers and pension board members on their duty to report breaches of the law to the regulator for 71 out of 101(70%) schemes. Overall, 56 out of 101 (55%) schemes reported that their scheme had procedures in place to enable the scheme manager, pension board members and those who have a duty to report to identify and assess breaches of the law.

Among Central schemes, training was provided in two-thirds of the schemes (8 out of 12). The same proportion of schemes (8 out of 12) had procedures in place regarding identifying and assessing breaches of the law.

Just over half (8 out of 14) of Fire and rescue schemes stated training was provided regarding reporting breaches of the law, with five schemes stating they had procedures relating to identifying and assessing breaches of the law in place.

Training was provided regarding duties to report breaches of the law among two-thirds of Local government schemes (37 out of 53). With regard to having procedures in place relating to identifying and assessing breaches of the law, half of the Local government schemes stated they were doing this (27 out of 53).

The vast majority of Police schemes (18 out of 22) provided training regarding reporting breaches of the law. Around three-quarters (16 out of 22) had procedures relating to identifying and assessing breaches of the law in place.

Figure 4.17-1: Provision of training for scheme managers and pension board members on their duty to report breaches of the law to the regulator

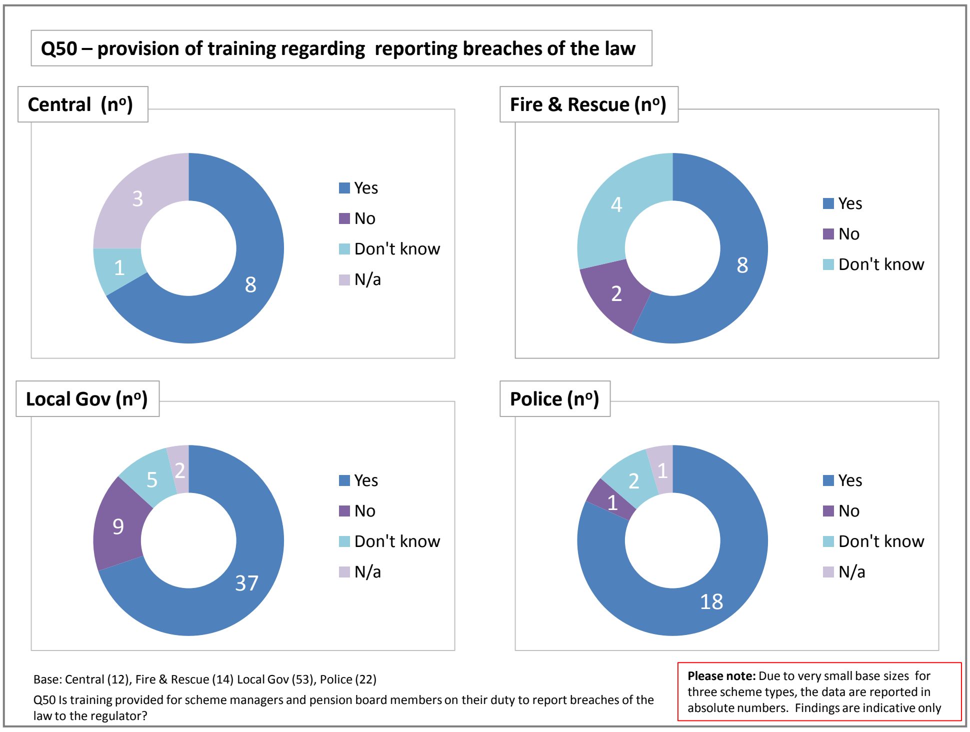
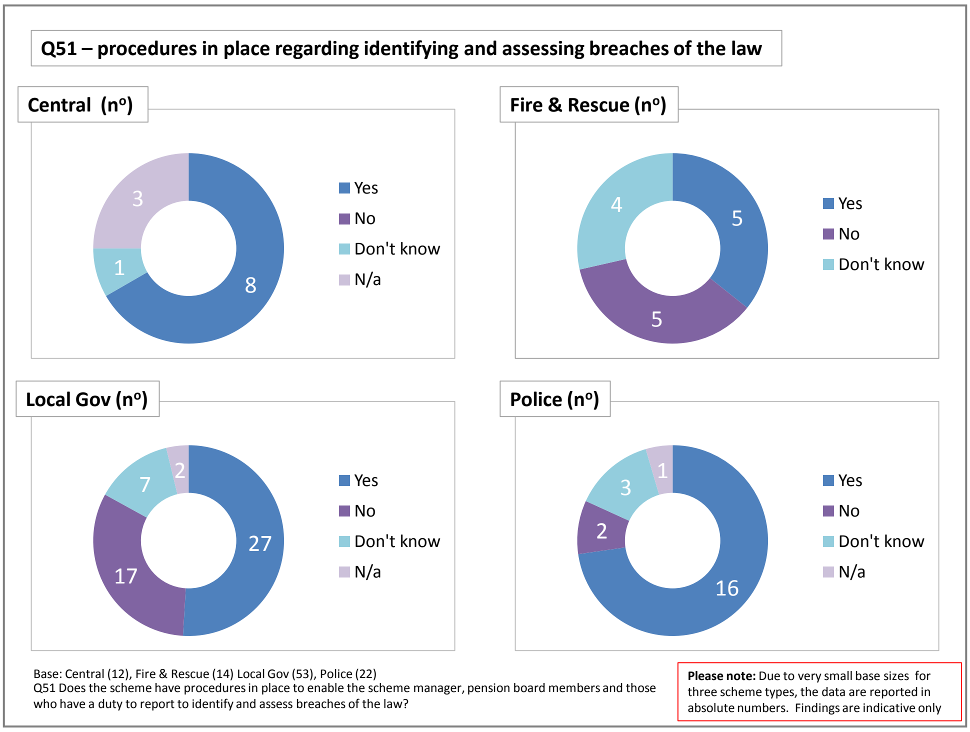


Figure 4.17-2: Procedures in place to enable the scheme manager, pension board members and those who have a duty to report to identify and assess breaches of the law



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Agenda Item 17

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