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

Date: Thursday, 8 March 2018

Committee:
Pensions Committee

Date: **Friday, 27 July 2018**
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
Chris Mellings
Brian Williams
Michael Wood

Co-opted Members (Voting):
Malcolm Smith
David Wright

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

Substitute Members of the Committee:
Roy Aldcroft (SC)
Roger Evans (SC)
Simon Harris (SC)
Alexander Phillips (SC)
Lee Carter (T&W)
Adrian Lawrence (T&W)
Vacancy (Pensioner Rep)
Vacancy (Employee Rep)

Your Committee Officer is:

Tim Ward Committee Officer
Tel: 01743 257713
Email: tim.ward@shropshire.gov.uk

AGENDA

1 **Election of Chairman**

To elect a Chairman for the forthcoming year

2 **Apologies & Substitutions**

To receive apologies for absence and notification of any substitutions

3 **Appointment of Vice-Chairman**

To appoint a Vice-Chairman for the forthcoming year

4 **Disclosable Pecuniary Interests**

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

5 **Minutes of the Previous Meeting** (Pages 1 - 6)

The minutes of the meeting held on 16 March 2018 are attached for confirmation marked 5

Contact: Tim Ward (01743 257713)

6 **Public Questions**

To receive any questions from members of the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 9.30 a.m. on Thursday, 26 July 2018.

7 **LGPS Central Update**

To receive a presentation from Andrew Warwick Thompson

8 **Internal Audit out turn Report for Shropshire Council Pension Fund 2017/18** (Pages 7 - 18)

The report of the Head of Audit is attached marked 8

9 **External Audit - The Audit Findings for Shropshire County Pension Fund 2017/18** (Pages 19 - 36)

The report of Grant Thornton is attached marked 9

10 **Pension Fund Annual Accounts 2017/18** (Pages 37 - 178)

The report of the Head of Finance, Governance and Assurance is attached marked 10.

11 **Introduction to Absolute Return Investing**

To receive a presentation from Louis Paul Hill (Aon Hewitt)

12 **Hedge Fund and Alternative Risk Premia**

To receive a presentation from David Kingsley and Harry Skaliotis (Man Group)

13 **Corporate Governance Report** (Pages 179 - 248)

The report of the Investment Officer is attached marked 13

14 **Investment Strategy Statement** (Pages 249 - 268)

The report of the Head of Treasury and Pensions is attached marked 14

Contact: Justin Bridges (01743 252072)

15 **Pensions Administration Monitoring** (Pages 269 - 278)

The report of the Pensions Administration Manager is attached, marked 15

Contact: Debbie Sharp (01743 252192)

16 **Pensions Administration Strategy Statement** (Pages 279 - 302)

The report of the Pensions Administration Manager is attached, marked 16

Contact: Debbie Sharp (01743 252192)

17 **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 18 to 22 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.

18 **Exempt Minutes of the Previous Meeting** (Pages 303 - 308)

The exempt Minutes of the meeting held on 16 March 2018 are attached for confirmation, marked 18

19 **Investment Strategy and Equity Options**

To receive an update from Louis Paul Hill (Aon Hewitt)

20 **Investment Monitoring - Quarter to 31 March 2018** (Pages 309 - 356)

The exempt report of the Head of Treasury & Pensions is attached, marked 20

Contact: Justin Bridges (01743 252072)

21 **New Admission Bodies** (Pages 357 - 360)

The exempt report of the Pensions Administration Manager is attached, marked 21

Contact: Debbie Sharp (01743 252192)

22 **Record of Breaches** (Pages 361 - 366)

The exempt report of the Pensions Administration Manager is attached, marked 22.

Contact: Debbie Sharp (01743 252192)

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Pensions Committee

27 July 2018

10.00 a.m.

MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 16 MARCH 2018
9.30 AM - 3.45 PM

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

Present:

Members of the Committee:
Councillor Thomas Biggins (Chairman)
Councillors Chris Mellings, Brian Williams and Michael Wood

Co-Opted Members (Non-Voting):
Jean Smith

45 **Apologies for Absence / Notification of Substitutes**

Apologies for absence were received from Councillors Malcolm Smith and David Wright.

Apologies for absence were also received from Councillors Lee Carter and Adrian Lawrence (Substitute Members).

46 **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.

47 **Minutes of the Previous Meeting**

RESOLVED:
That the Minutes of the meeting held on 24 November 2017 be approved and signed by the Chairman as a correct record.

48 **Public Questions**

There were no public questions.

49 **Exclusion of Press and Public**

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Minutes 50 to 55, 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.

50 **Recap on Insurance Linked Securities and Managers Presenting (Exempted by Category 3)**

Mr Louis-Paul Hill, Aon Hewitt, was in attendance to present this item.

51 **Insurance Linked Securities Presentations (Exempted by Category 3)**

Forty Five minutes were allocated to each candidate to make their presentation and for Members to ask questions. In making their presentations, the managers had been asked to cover specific areas.

52 **Insurance Linked Securities Report (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 further information in relation to the appointment of an Insurance Linked Securities Manger.

RESOLVED:
That the decisions as detailed in the Exempt Minutes be implemented.

53 **Recap on Property Debt and Managers Presenting (Exempted by Category 3)**

Mr Louis-Paul Hill, Aon Hewitt, was in attendance to present this item.

54 **Property Debt Presentations (Exempted by Category 3)**

Forty Five minutes were allocated to each candidate to make their presentation and for Members to ask questions. In making their presentations, the managers had been asked to cover specific areas.

55 **Property Debt Report (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 further information in relation to the appointment of a Property Debt Manager.

RESOLVED:
That the decisions as detailed in the Exempt Minutes be implemented.

(The full version of Minutes 50 to 55 constitutes exempt information under Category 3 of paragraph 10.2 of the Council's Access to Information Procedure Rules and has accordingly been withheld from publication).

(From this point, the proceedings of the Committee were conducted in public session in relation to Minutes 56 to 62).

56 **Grant Thornton - The Audit Plan for Shropshire County Pension Fund 2017/18 and Informing The Audit Risk Assessment for Shropshire County Pension Fund 2017/18**

In respect of 'The Audit Plan for Shropshire County Pension Fund 2017/18', the Committee received the report of the External Auditor, Grant Thornton, (copy attached to the signed Minutes) which set out the external audit plan for Shropshire County Pension Fund for the year ending 31 March 2018.

Mr David Rowley, Executive for Grant Thornton, was in attendance to present the report. It was noted that the audit fee for 2017/18 would be the same as it was for 2016/17 (£23,427).

RESOLVED:
That the contents of the report by the External Auditor, Grant Thornton, be noted.

In respect of 'Informing The Audit Risk Assessment for Shropshire County Pension Fund 2017/18', the Committee received the report of the External Auditor, Grant Thornton, (copy attached to the signed Minutes) which detailed responses received from the Fund's management in respect of a series of questions relating to the areas of fraud, laws and regulations, going concern, related parties and accounting estimates.

Mr David Rowley, Executive for Grant Thornton, was in attendance to present the report.

RESOLVED:
That the contents of the report by the External Auditor, Grant Thornton, be noted.

57 **LGPS Central Update**

Joanne Segars and Andrew Warwick-Thompson were in attendance to present this item. They provided Members with a progress review, looked at the structure of the Governance Framework and presented the key deliverables for 2018/19.

58 **Corporate Governance Monitoring**

The Committee received the report of the Investment Officer (copy attached to the signed Minutes) which informed Members of Corporate Governance and socially responsible investment issues arising in the quarter 01 October 2017 to 31 December 2017.

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.

59 **Pension Fund Treasury Strategy 2018/19**

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which proposed the Pension Fund Treasury Strategy for 2018/19 for the small cash balances that the Administrating Authority maintained to manage the day to day transactions of the Fund. These transactions included the payment of pensions and transfers out together with the receipt of contributions from employers and transfers into the Fund.

In response to a question, the Head of Treasury and Pensions confirmed that the Fund does lend to some Local Authorities, but not many.

RESOLVED:
(a) That delegated authority be given to the Scheme Administrator (Section 151 Officer) to manage the Pension Funds day to day cash balances.

(b) That the Pension Fund Treasury Strategy be approved.

(c) That the Scheme Administrator (Section 151 Officer) be authorised to place deposits in accordance with the Pension Fund's Treasury Strategy.

(d) That delegated authority be given 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.

60 **Pensions Administration Monitoring**

The Committee received the report of the Pensions 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:
(a) That the position as set out in the report by the Pensions Administration Manager be accepted.

(b) That the decision to not collect overpayment of pension due to incorrect GMP information being held in accordance with guidance that the Pensioner would not have known their pension was incorrect due to the complexity of the Contracting out legislation, be approved.

61 **Employer Events Policy**

The Committee received the report of the Pensions Administration Manager (copy attached to the signed Minutes) which informed Members of the recently drafted

'Employer Events Policy' which replaced the Fund's Termination Funding Policy. It was noted that there had been a consultation period in relation to this new policy.

RESOLVED:
That the 'Employer Events Policy' be approved.

62 **Exclusion of Press and Public**

That under paragraph 10.2 of the Council's Access to Information Procedure Rules, the proceedings of the Committee in relation to Minutes 63 to 67, 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.

63 **Exempt Minutes of the Previous Meeting (Exempted by Categories 2 and 3)**

That the Exempt Minutes of the meeting held on 24 November 2017 be approved and signed by the Chairman as a correct record.

64 **Equity Protection Strategy Update (Exempted by Category 3)**

Mr Charles Iversen, Aon Hewitt, was in attendance to present this item.

RESOLVED:
That the decisions as detailed in the Exempt Minutes be implemented.

65 **Investment Monitoring - Quarter to 31 December 2017 (Exempted by Category 3)**

The Committee received the exempt report of the Head of Treasury and Pensions (copy attached to the Exempt signed Minutes) which provided Members with monitoring information on investment performance and managers for the quarter period to 31 December 2017, and reported on the technical meetings held with managers since the quarter end.

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

66 **New Admission Bodies (Exempted by Category 3)**

The Committee received the exempt report of the Pensions Administration Manager (copy attached to the Exempt signed Minutes) which provided Members with details of the following:

- Two new employer admissions to the Fund under Schedule 2 Part 3 Regulation 1 (d) (i) of the Local Government Pension Scheme Regulations 2013. These were due to services transferring from Scheme Employers, under a service contract.

- Confirmation that one new admission had been approved by the Chairman between committee meetings.

- One admission agreement, reported at the last Pensions Committee meeting, which did not take place.

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

67 **Record of Breaches (Exempted by Category 3)**

The Committee received the exempt report of the Pensions Administration Manager (copy attached to the Exempt signed Minutes) which informed them of breaches arising in the quarter 01 October 2017 to 31 December 2017, which had been recorded in the breaches log.

RESOLVED:
That the content of Appendix A to the report which detailed breaches recorded in the last quarter, be noted.

(The full version of Minutes 63 to 67 constitutes exempt information under Categories 2 and 3 of paragraph 10.2 of the Council's Access to Information Procedure Rules and has accordingly been withheld from publication).

Signed .... (Chairman)

Date: ....

Committee and Date	Item
Pension Committee 27th July 2018	 Public

INTERNAL AUDIT OUTTURN REPORT FOR SHROPSHIRE COUNTY PENSION FUND 2017/18

Responsible Officer Ceri Pilawski
e-mail: ceri.pilawski@shropshire.gov.uk@shropshire.gov.uk Telephone: 01743 257739

1. Summary

This annual report provides members with details of the work undertaken by Internal Audit for the year ended 31 March 2018. It reports on progress against the annual audit plan agreed with the Head of Treasury and Pensions. It also provides the Head of Audit's opinion on the overall adequacy and effectiveness of the organisation's governance, risk management, and control processes when considering the Public Sector Internal Audit Standards or Guidance, as required by the Accounts and Audit Regulations 2015.

Final performance has been good with 100% of the plan being delivered.

Five good assurances were made in 2017/18. A total of nine recommendations have been made in the five audit reports related to the year. No fundamental recommendations have been raised in 2017/18.

Based on the work undertaken and management responses received; the Pension Fund's governance, risk management and internal control processes are sound and working effectively and the Head of Audit is able to deliver a positive year end opinion on the Fund's internal control environment for 2017/18.

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment;

a) Performance against the Audit Plan for the year ended 31 March 2018.

b) The Head of Audit's positive year end opinion on the Fund's internal control environment for 2017/18 based on the work undertaken and management responses received.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 The delivery of a risk based Internal Audit Plan is an essential part of ensuring probity and soundness of the Pension Fund's financial, governance and risk management systems and procedures and is closely aligned to the risk register. The Plan is delivered in an effective manner; where Internal Audit independently and objectively examines, evaluates and reports on the adequacy of the control environments as a contribution to the proper economic, efficient and effective use of resources. It provides assurances on the governance, risk management and internal control systems, by identifying areas for improvement or potential weaknesses and engaging with management to address these in respect of current systems and during system design. Failure to maintain robust internal controls create an environment where poor performance, fraud, irregularity and inefficiency can go undetected leading to financial loss and reputational damage.

3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998 and the Accounts and Audit Regulations 2015.

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

3.4 Internal Audit customers are consulted on the service that they receive, feedback from which is included in this report and continues to be positive.

4. Financial Implications

4.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the Pension Fund.

5. Background

5.1 This report is the culmination of the work of the Internal Audit team during 2017/18 and seeks to:

- Provide an opinion on the adequacy of the risk management, control and governance arrangements;
- Inform the review of an effective Internal Audit by providing performance data against the plan.
- Confirm to the Pension Committee that the Audit service has been delivered free from interference throughout the year.

5.2 The requirement for Internal Audit derives from local government legislation, including section 151 of the Local Government Act 1972 which requires the

Pension Fund to plan for the proper administration of its financial affairs. Proper administration includes Internal Audit. More specific requirements are detailed in the Accounts and Audit Regulations 2015, in that "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".

5.3 The Public Sector Internal Audit Standards (PSIAS) define the scope of the annual report on internal audit activity. The annual report must incorporate an annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This annual report provides information to support that assessment and that an effective Internal Audit is established at Shropshire County Pension Fund, in accordance with the requirements of the 2015 Accounts and Audit Regulations. The Internal Audit Service is provided by Shropshire Council. In June 2018, a paper was presented to Shropshire Council's Audit Committee which provides assurance on the effectiveness of the Internal Audit service, against the PSIAS. The Pension Committee can take assurance from this report.

5.4 Internal Audit operates a strategic risk based plan. The plan is reviewed each year to ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk, this results in a comprehensive range of audits undertaken in the year, to support the overall opinion on the control environment. The plan contains a small contingency provision of two days; any unforeseen work demands that may arise, i.e. special investigations, would be delivered in addition to the planned work using the contingency first and any additional time in agreement with the Fund Administrator. The contingency provision was not utilised in 2017/18.

Annual Internal Audit Opinion from Internal Audit Work undertaken during 2017/18

5.5 It is the responsibility of Shropshire County Pension Fund to develop and maintain the internal control framework. In undertaking its work, Internal Audit has a responsibility under the Public Sector Internal Audit Standards to deliver an annual internal audit opinion and report. The annual internal audit opinion will conclude on the overall adequacy and effectiveness of the Pension Fund's framework of governance, risk management and internal control. This opinion plays a key part in enabling the Pension Committee to deliver their annual assurance statement to stakeholders.

5.6 The results of individual audits, when combined, form the basis for the overall opinion on the adequacy of the Pension Fund's internal control systems. No system of internal control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that absolute assurance. The work of Internal Audit is intended only to provide reasonable assurance on governance, risk management and controls based on the work undertaken. In assessing the level of assurance to be given, I have considered:

- The work undertaken on the fundamental systems. Whilst identifying a small number of areas where minor improvement can be made, there are no significant material weaknesses that could result in a material misstatement in the Pension Fund's accounts and reliance can be placed upon the systems.

- From other planned audit work undertaken during the year, there have been no major financial weaknesses or issues identified; the Pension Fund's systems, governance, internal control environment and risk management procedures are sound and working effectively.

- In June 2017, Shropshire County Pension Fund entered into an inter authority agreement to establish Local Government Pension Scheme (LGPS) Central. No specific internal audit work has been undertaken in 2017/18 in respect of the pooling arrangements with LGPS Central, as no assets are due to be transferred to this new Fund Manager until 2018/19. Internal Audit have continued to monitor the position and hold regular discussions with the Head of Treasury and Pensions and the Scheme Administrator in respect of the schemes progress including establishment of the new body. The service is also in contact with the other member Authorities to ensure that audit arrangements are developed in a comprehensive and efficient manner.

5.7 These assurances are provided on the basis that management carry out the actions they have agreed in respect of the recommendations made to address any weakness identified and improvements suggested.

5.8 ***Based on the work undertaken and management responses received; the Pension Fund's governance, risk management and internal control processes are sound and working effectively and the Head of Audit is able to deliver a positive year end opinion on the Pension Fund's internal control environment for 2017/18.***

Key Assurances provided during 2017/18

5.9 Audit assurance opinions are awarded on completion of audit reviews reflecting the efficiency and effectiveness of the controls in place, opinions are graded as follows:

Good	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied.
Reasonable	Evaluation and testing of the controls that are in place confirmed that, in the areas examined, there is generally a sound system of control but there is evidence of non compliance with some of the controls.
Limited	Evaluation and testing of the controls that are in place performed in the areas examined identified that, whilst there is basically a sound system of control, there are weaknesses in the system that

	leaves some risks not addressed and there is evidence of non-compliance with some key control.
Unsatisfactory	Evaluation and testing of the controls that are in place identified that the system of control is weak and there is evidence of non-compliance with the controls that do exist. This exposes the Council to high risks that should have been managed.

Audit assurance opinions delivered in 2017/18

Audit	Opinion	Direction of Travel
Corporate Governance	Good	No Change
Pension Fund Monitoring	Good	No Change
Investment Managers Internal Control Reports	Good	No Change
Pensions Administration	Good	No Change
Altair Pension Application	Good	No Change

5.10 A summary of the five final audit reports issued in 2017/18 are listed at **Appendix A**.

5.11 Audit recommendations are also an indicator of the effectiveness of the Pension Fund's internal control environment and are rated according to their priority:

Best Practice (BP)	Proposed improvement, rather than addressing a risk.
Requires Attention (RA)	Addressing a minor control weakness or housekeeping issue.
Significant (S)	Addressing a significant control weakness where the system may be working but errors may go undetected.
Fundamental (F)	Immediate action required to address major control weakness that, if not addressed, could lead to material loss.

5.12 A summary of the level of assurance for each fundamental review area together with the number of recommendations made is shown in the table below.

5.13 A total of nine recommendations have been made in the five audit reports issued in the year; these are broken down by audit area in the table below.

Audit opinion and recommendations made on 2017/18 audits

System	Level of Assurance Given	Number of Recommendations made				
		BP	RA	S	F	Total
Corporate Governance	**Good**	0	0	0	0	0
Pension Fund Monitoring	**Good**	0	1	0	0	1
Investment Managers Internal Control Reports	**Good**	0	0	0	0	0

*Pensions Administration	**Good**	1	6	1	0	8
**Altair Pension Application	**Good**	0	0	0	0	0
Totals		**1**	**7**	**1**	**0**	**9**
Percentage		**11%**	**78%**	**11%**	**0%**	**100%**

* Note that the Pensions Administration and the Pensions Administration Transfers in and out audits were presented as one amalgamated report.
** The Altair Pension Application Audit and Information Governance and IT Network audits were presented as one amalgamated report.

5.14 Five good assurances were issued during the financial year. In each case positive responses have been received by management and will be followed up next year to determine whether satisfactory action has been taken.

5.15 The Internal Audit team has achieved 100% of the plan which is in line with its target.

5.16 It is management's responsibility to ensure accepted audit recommendations are implemented within an agreed timescale. No recommendations have been rejected in the year by management.

5.17 Of the nine recommendations made, one was rated as significant, seven as requires attention and the remaining one as best practice. Best practice recommendations are designed to add value to the high level of controls in place. This reflects the experience and diligence of the staff in the team, as there is only one significant recommendation and no fundamental recommendations from the audits performed.

Audit Performance

5.18 Audit Performance is demonstrated by measuring achievement against the plan, ensuring compliance against the Public Sector Internal Audit Standards (PSIAS), and evaluating improvements made over the last twelve months. A public report of effectiveness against the PSIAS is made annually to the Shropshire Council, June Audit Committee. Shropshire Council Audit Service are also externally reviewed every five years for compliance with the PSIAS and passed the review undertaken by CIPFA in November 2016. The effectiveness of Internal Audit is further reviewed directly by customers as they provided responses to surveys sent out after each audit.

Reporting

5.19 All Internal Audit work is reviewed by a senior auditor to ensure it complies with Internal Audit's standards and that the recommendations made are supported by the work undertaken before any audit reports are issued. This is a fundamental part of ensuring audit quality and that clients receive reports which are both informative, useful and add value to their work processes and procedures.

5.20 All audit assignments are subject to formal feedback to management. Draft reports are issued to the managers responsible for the area under review for agreement to the factual accuracy of findings and recommendations. After agreement, a formal implementation plan containing management's agreed actions and comments is issued to relevant officers. Follow up reviews capture evidence of implementation of recommendations.

Quality Assurance/Customer Feedback Survey

5.21 A customer feedback survey form is sent out with the all audits completed. These provide key feedback on the quality of audit service in relation to several areas, which are shown in the table below.

5.22 The surveys are a key part of ensuring the work meets our client expectations and that the quality of audit work is maintained. Two survey form were returned; the results are identified in the table below.

Customer Feedback Survey Forms - percentage of excellent and good responses

Item Being Scored	2017/18
Pre-audit arrangements	100%
Post-audit briefing	100%
Audit coverage/scope of the audit	100%
Timeliness of production of report	100%
Accuracy and clarity of report	100%
Practicality of recommendations	100%
Professionalism of approach, competence	100%
Communication skills, pleasant manner	100%
Timeliness of audit to your business process	100%
Number of forms returned	2

5.20 The results are pleasing, showing services generally delivered consistently at a high level, though the number of forms returned is low. There are regular meetings with the Head of Treasury and Pensions which allow any performance issues to be reviewed at that time. Internal Audit have introduced new auditors to the Pension Fund during this year to ensure that auditors can be rotated in line with the Public Sector Internal Audit Standards (PSIAS) and ensure that Internal Audit are able to continue to offer a professional high-quality service going forward. The information received is used both to improve techniques overall within the team and at annual performance appraisals to identify future development focus relating to individual skills or competences.

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

Pension Fund Internal Audit Plan

Public Sector Internal Audit Standards Accounts and Audit Regulations 2015
Cabinet Member (Portfolio Holder) N/A
Local Member - N/A
Appendices Appendix A - Summary of Findings from Pension Fund Audit Reports 2017/18

APPENDIX A

Summary of Findings from Pension Fund Audit Reports 2017/18

1 ***Pension Fund Investment Managers Monitoring*** - This area is reviewed on an annual basis. The audit concentrated on key controls in the following areas:

- Investment of the fund complies with statute, regulations and any restrictions specified.
- Appropriate control is exercised over fund managers.
- Transactions undertaken by Fund Managers are independently recorded and verified.
- Appropriate accounting entries are made and fund balances are reflected in the accounting system.
- Relevant management information is provided to strategic management.
- Information is secure and satisfactorily controlled.
- Personal data is processed in a secure and controlled manner in line with internal policy and legislation.

Evaluation and testing of the controls that are in place confirmed that there is a sound system of control in the areas examined.
No significant recommendations were raised in this audit.
One minor exception was noted against which management have provided a positive response.

Assurance Level: Good

2 ***Pensions Administration (Including Transfers In and Out)*** – This area is reviewed on an annual basis. The 2017/18 audit concentrated on the following objectives:

- Recommendations made in the previous Pensions Administration Audit have been implemented as agreed.
- The Officers responsible for administering the fund have sufficient resources, skills and access to policies and procedures to effectively process transactions and manage the fund.
- In accordance with regulations, if a new employee is required to join the scheme they are identified promptly and recorded accurately as members.
- Contributions received to the fund including, those from employees and employers are recorded accurately and promptly.
- Benefits paid are calculated correctly and paid to eligible persons. Changes are appropriately authorised and processed correctly.
- Pension payments made on the payroll are processed accurately, in a timely manner and are authorised appropriately.
- Fund members leaving the scheme have their deferred pension recorded accurately and any payments made from the scheme to leavers (other

than normal pensions) are accurate and appropriately authorised.
- Transfers In and Out of the scheme are calculated correctly, actioned promptly and authorised appropriately.
- There are procedures to ensure that administrative costs associated with the scheme are in accordance with the budget and any costs due to the fund are recovered accurately and promptly.
- The ledger control accounts associated with the scheme are reconciled accurately and on a regular and timely basis.
- There is an appropriate process in place to ensure all complaints are actioned in accordance with the Internal Dispute Resolutions Policy.
- Management information is accurate and reliable.
- Personal data is processed in a secure and controlled manner in line with internal policy and legislation.

Evaluation and testing of the controls that are in place confirmed that there is a sound system of control in the areas examined. One significant recommendation was raised in this audit. Seven minor exceptions were noted against which management have provided positive responses.

The significant recommendation related to reconciliation of the monthly contributions received from Shropshire Council. Management have confirmed that they are working with Shropshire Council in respect of the complexities caused by supplementary payroll runs to ensure that information is presented in such a manner to allow reconciliation of the funds monthly.

Nine previous recommendations were followed up; of these, progress has been made in the implementation of six, with one superseded, one partially implemented and one outstanding.

Recommendations that remain outstanding have been repeated and are included within the eight recommendations in the report. Of these, both are 'requires attention', recommendations relating to a minor weakness which management have advised are now resolved or under review.

Assurance Level: Good

3. ALTAIR Pension Application (Pensions System) –
Audit to identify the controls in place within the application, to test those controls to the extent considered necessary and to identify and report on any areas for improvement present within the current control environment.

The 2017/18 audit concentrated on the following objectives:
- Recommendations made in the 2016-17 audit have been implemented.
- The system complies with all external legislation and policies.
- The application is secure.
- Users have received the required training.
- Parameter data is correct, updated in a timely manner and access is restricted.

- Data is accurately input and the authenticity of data is verified.
- Data is processed in a timely manner and validated.
- Output is secure, accurate and reaches the intended recipient in a timely manner.
- There are continuity processes are in place to ensure system availability.
- Management/Audit trails are in place.
- Changes to the system are managed effectively.
- Recording and documentation is retained for key changes made to the system.
- Clear procedures are in place for the authorisation of changes.
- System changes are applied by appropriately qualified staff.
- Interfaces with the system are secure, efficient and effective.
- Appropriate Information Governance arrangements exist with the pension service which are operating effectively in practice.

Evaluation and testing of the controls that are in place confirmed that there is a sound system of control in the areas examined.
No recommendations were raised in respect of this audit.

Assurance Level: Good

4. ***Corporate Governance*** –The audit concentrated on the following objectives:

- The Pensions Committee has met the roles and responsibilities as defined in CIPFA best practice guidelines (Oct 2013).
- The Governance of the Pension Fund is in line with the Pension Regulators Code of Practice issued in April 2015.
- Risks arising from business strategies and activities are identified and prioritised and management and the Pensions Committee have determined the level of risk acceptable to the organisation.
- Risk mitigation activities are designed to reduce, or otherwise manage, risk at levels that were determined to be acceptable to management and the Pensions Committee.
- Ongoing monitoring activities are conducted to periodically reassess risk and the effectiveness of controls to manage risk.
- The Pensions Committee and management receive periodic reports of the results of the risk management process.

Evaluation and testing of the controls that are in place confirmed that there is a sound system of control in the areas examined. No recommendations were raised in respect of this audit.

Assurance Level: Good

5. ***Review of Investment Managers Internal Control Reports*** – This annual review provides assurance on the security and management of the Pension Funds' investments, based upon the information provided in AAF 01/06, SOC1 and SSAE16 reports, which are subject to External Audit review. In addition, there are some fund managers who are not required to produce these reports and tailored self-assessment questionnaires are sent to them for completion. The review is performed after the financial year end, when the most up to date reports are available. Reports are reviewed in the first instance by Treasury staff, who seek explanations of any areas where there appear to be weaknesses or concerns in the reports. Following the receipt of these responses, the reports are subject to a second, independent, review by Internal Audit. Audit work concentrated on the following objectives:

- The most recent internal control reports have been received for all fund managers who are required to produce SOC1, SSAE16 or AAF01/06 reports.
- Back office provider reports have been obtained and reviewed.
- Fund Managers have confirmed that they maintain comprehensive procedure notes.
- Fund Managers have confirmed that they have appropriate insurance arrangements in place with adequate liability cover.
- Internal Control Questionnaires have been completed by the Fund Managers who are not required to produce control reports.

Evaluation and testing of the controls that are in place confirmed that there is a sound system of control in the areas examined. No exceptions were noted in respect of this audit.

Assurance Level: Good

Agenda Item 9

Grant Thornton

Audit Findings

Year ending 31 March 2018

Shropshire County Pension Fund

27 July 2018

Contents

Your key Grant Thornton team members are:

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

Headlines

Introduction

This table summarises the key issues arising from the statutory audit of Shropshire County Pension Fund (‘the Pension Fund’) and the preparation of the Pension Fund's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year, and • have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting;	Our audit work was completed on site during June and July 2018. Our findings are summarised on pages 4 to 11. We have not identified any issues requiring an adjustment to the Fund’s reported financial position. However, as a function of the earlier reporting deadline in 2017/18, we note two variances between the fund’s reported position and that provided by investment managers. Whilst we do not see these as being indicative of a control weakness, we are required to report these to those charged with governance as they are above our trivial threshold. This issue is set out in further detail at the unadjusted misstatements section of the report detailed in Appendix A. We anticipate issuing an unqualified audit opinion following the Pensions Committee meeting on 27 July 2018

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Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit. The working papers issued to the audit team were of excellent quality and the finance team were very supportive throughout the audit. This contributed to the audit team being able to complete the audit in line with the 31st July 2018 national deadline.

Summary

Overview of the scope of our audit

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have completed our audit of your financial statements and anticipate issuing an unqualified audit opinion following the Pensions Committee meeting on 27 July 2018.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for Shropshire County Pension Fund.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	18.650m	Based on 1% of net assets as at the interim audit stage (November 2017). This was considered to provide sufficient assurance over account balances without rendering the audit inefficient. Net asset values did not move sufficiently between interim and final audit to warrant recalculation of materiality.
Performance materiality	13.988m	Set at 75% of headline materiality. Performance materiality set lower than headline materiality in order to mitigate the risk of a combination of lower balance issues resulting in a material misstatement.
Trivial matters	0.933m	Set at 5% of headline materiality. Balances below this value are considered to be clearly trivial.
Materiality for specific transactions, balances or disclosures	0.655m	Management fees; owing to a level of sensitivity around these disclosures, a separate materiality was set for these balances of 5% of the total of management fees.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA 240 (UK) 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.	**Auditor commentary** Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the 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 County Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Shropshire County Pension Fund.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We identified management override of controls as a risk requiring special audit consideration.	**Auditor commentary** • The following work was performed in this area: – review of accounting estimates, judgements and decisions made by management – testing of journal entries – review of accounting estimates, judgements and decisions made by management – review of unusual significant transactions Our audit work has not identified any issues in respect of management override of controls.

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Significant audit risks

Risks identified in our Audit Plan	Commentary
3 **The valuation of Level 3 investments 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. We identified the valuation of level 3 investments as a risk requiring special audit consideration.	**Auditor commentary** The following work has been performed in this area; • gain an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls • 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. • consideration of the competence, expertise and objectivity of any management experts used. • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2018 with reference to known movements in the intervening period. During the course of this work, we noted that the fund's holdings managed by Harbour Vest were understated by £3.411m. We believe that this has come about as a result of earlier reporting deadlines meaning that management now utilise capital statements from September 2017 (adjusted for known capital movements) as opposed to utilising those available at a date closer to year end. We feel that this is a reasonable course of action, given that the investment managers report in arrears and management have been required to produce accounts and begin the audit earlier than in previous years. Ultimately, asset values are understated which suggests that the fund's reported position has a higher level of prudence than if overstated. However, the variance is above trivial and therefore we are required to report this to the Committee as those charged with governance.

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Reasonably possible audit risks

Risks identified in our Audit Plan	Commentary
7 **The valuation of Level 2 investments is incorrect** While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly. We identified valuation of level 2 investments as a risk requiring particular audit attention.	Auditor commentary We have undertaken the following work in relation to this risk: • gained an understanding of the Fund's process for valuing Level 2 investments and evaluate the design of the associated controls. • evaluated the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments. • reviewed the reconciliation of information provided by the pension fund's/individual fund manager's custodian and the Pension Scheme's own records and sought explanations for variances; • considered the competence, expertise and objectivity of any management experts used. • for a sample of investments, tested the valuation by obtaining independent information from a third party source on unit prices. In line with our findings on Level 3 investments, we also noted a £1.3m understatement on assets managed by GIP. The reason behind this is similar to our observations on HarbourVest. Management are obliged to use earlier capital statements adjusted for known capital movements to derive a year end figure resulting in a higher likelihood of variances against the position reported by investment managers. As with the level 3 findings, this did not result in an overstatement of assets. Whilst we do not see this as a control issue, as the variance is above trivial we are required to report this to the Committee as those charged with governance.

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Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
5	**Contributions** Contributions from employers and employees' represents a significant percentage (93%) of the Fund's revenue (excluding returns on investment). We therefore identified occurrence and accuracy of contributions as a risk requiring particular audit attention	**Auditor commentary** We have undertaken the following work in relation to this risk: • evaluated the Fund's accounting policy for recognition of contributions for appropriateness; • gained an understanding of the Fund's system for accounting for contribution income and evaluated the design of the associated controls; • tested a sample of contributions to source data to gain assurance over their accuracy and occurrence; • Rationalised contributions received with reference to changes in member body payrolls and the number of contributing pensioners to ensure that any unusual trends are satisfactorily explained. We did not find any issues which we wish to draw to your attention during this testing.
6	**Pension Benefits Payable** Pension benefits payable represents a significant percentage (91%) of the Fund's expenditure. We identified completeness of pension benefits payable as a risk requiring particular audit attention:	**Auditor commentary** We have undertaken the following work in relation to this risk: • **evaluated** the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • gained an understanding of the Fund's system for accounting for pension benefits expenditure and evaluated the design of the associated controls; • tested a sample of individual pensions in payment by reference to member files; • rationalised pensions paid with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained. We did not find any issues which we wish to draw to your attention during this testing.

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Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
The following process was adopted: • The client's estimate of cash flows and movements on asset values over the next three years: • These were based on the assumption that both cash flows such as contributions and benefits payable would continue in line with prior periods and that asset values would continue to rise;	• Based on the method outlined, management were satisfied that the entity will continue as a going concern for at least the next three accounting periods; • The audit team are in agreement with this assessment. Whilst it is difficult to make reasonable predictions around certain aspects of this review (such as the future behaviour of asset values), we have satisfied ourselves that the fund is in a sufficiently robust position at present to meet its obligations going forward.
Work performed	**Auditor commentary**
Detail audit work performed on management's assessment	• The team tested the arithmetical accuracy of management's assessment and performed a reasonableness check of their future predictions against trends based on previous activity; • There are no factors or events which we consider would cast significant doubt over the pension funds ability to continue as a going concern • Whilst there are no specific requirements for the fund to comment on this assessment within their financial statements, we feel that management have provided an adequate level of disclosure for users of the accounts and other interested parties.
Concluding comments	**Auditor commentary**
	• Overall, we are satisfied that the preparation of the financial statements using the going concern principal is reasonable • Based on the above comments, we anticipate being able to issue an unmodified opinion.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• There are two key policies in relation to revenue recognition, in relation to contribution income and investment income. • Normal contributions are accounted for in the payroll month to which they relate; • Investment income is accounted for on the date stocks are quoted ex-dividend. Income from fixed interest and index-linked securities, cash and short term deposits Is accounted for on an accruals basis, as is income from other investments.	• The accounting policies are appropriate under relevant accounting framework i.e. CIPFA Code of Practice • The accounting policy for revenue recognition has been adequately disclosed in the notes to the accounts • The accounting policies adopted are consistent when benchmarked against other similar bodies	(Green)
Judgements and estimates	• Because of the nature of the fund no significant accounting judgements have been made, with all judgements following the requirements set out in the Code. • The fund has a material balance of investments with significant unobservable inputs. The valuation of these investments is subject to varying degrees of estimation uncertainty. The Fund discloses the differing methods of valuation for these funds within the accounting policies. In each case the Fund choses to rely on the valuation provided by the fund manager.	• The accounting policies are considered appropriate under the accounting framework in place i.e. CIPFA Code of Practice; and • Sufficient assurance has been provided by either the experts used for valuing the fund, or we have been able to agree valuations to third party evidence;	(Green)
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	(Green)

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Assessment
- Marginal accounting policy which could potentially be open to challenge by regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of the audit.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed aside from the omission of disclosure of transactions with the pension Fund management team. Further details of this are included at Appendix A.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A standard letter of representation has been requested from the Pension Fund, which is included within the Committee papers.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to the custodian and all investment managers working with the Fund. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation,
6	**Disclosures**	• Our review found no material omissions in the financial statements.
7	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report at the same time as our opinion on the financial statements.

Independence and ethics

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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams. No non-audit services were identified.

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Reason for not adjusting
1	**Holdings managed by Harbour Vest understated by £3.411m**	CR £3.411m	DR £3.411m	• Value not material either individually or in conjunction with other noted unadjusted misstatements.
2	**Holdings managed by GIP understated by £1.370m**	CR £1.370m	DR £1.370m	• As above
	Overall impact	**£4.781m**	**£4.781m**	

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Related Party Transactions	• Consistent with prior years, the related party transactions disclosure notes that details in respect of the remuneration of senior management are provided within the Shropshire Council financial statements	• We consider that pension fund financial statements should be capable of standing alone from the local authority financial statements and therefore our view is that appropriate disclosures should be made within the pension fund accounts in line with section 3.4 of the CIPFA Code of Practice	X
Various	• A small number of minor clerical issues were noted in the annual report. This is in line with expectations for a review of a report of this size	• Proposed amendments addressed by management	✓

Fees

We confirm below our final fees charged for the audit:

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£23,427	£23,427
Proposed fee variation	£1,979	£1,979
Total audit fees (excluding VAT)	**£25,406**	**£25,406**

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). The variation is in respect of additional work which we are asked to do by the auditors of several admitted bodies to provide assurance in relation to the actuarial valuation of the relevant shares of the Fund’s assets and liabilities.

Audit opinion

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor’s report to the members of Shropshire Council on the pension fund financial statements

Opinion

We have audited the pension fund financial statements of Shropshire Council (the ‘Authority’) for the year ended 31 March 2018 set out on pages *** to ** which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund’s assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;

have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

the Head of Finance, Governance and Assurance’s use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or

the Head of Finance, Governance and Assurance has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Head of Finance, Governance and Assurance is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages **[**xx to xx**]**, other than the pension fund financial statements, our auditor’s report thereon and our auditor’s report on the Authority’s financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)
In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Statement of Accounts, for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Matters on which we are required to report by exception
Under the Code of Audit Practice we are required to report to you if:
we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Head of Finance, Governance and Assurance and Those Charged with Governance for the financial statements
As explained more fully in the Statement of Responsibilities [set out on page(s) x to x], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Head of Finance, Governance and Assurance. The Head of Finance, Governance and Assurance is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Head of Finance, Governance and Assurance determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Head of Finance, Governance and Assurance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

[Signature]

John Gregory
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

Date:

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Committee and Date	Item
Pensions Committee 27 July 2018 10.00am	**10** Public

PENSION FUND ANNUAL ACCOUNTS 2017/18

Responsible Officer James Walton
e-mail: james.walton@shropshire.gov.uk Tel: (01743) 258915

1. Summary

1.1 The report provides Members with the Shropshire County Pension Fund Annual Report 2017/18 and an update on the annual audit. Grant Thornton has completed its annual audit and an unqualified opinion has been given.

2. Recommendations

2.1 The Committee is asked to approve the Pension Fund Annual Report 2017/18.

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

3.4 The Annual Report 2017/18 will be published on the Scheme's website.

4. Financial Implications

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

5. Background

5.1 Following the end of the financial year officers compiled the Pension Fund accounts for 2017/18. The annual report has been produced which outlines the accounts and details the activities of the Fund during the last year **(Appendix A).**

5.2 Grant Thornton have completed the audit of the accounts for the Shropshire County Pension Fund and an opinion and certificate is included within the annual report. An unqualified opinion has been given on the accounts.

6. Annual Accounts

6.1 In the year to the end of March 2018 the Fund increased in value by £66 million to £1.834 billion. During the year the Fund received £14.0 million in contributions from employees and £64.1 million in contributions from scheme employers. The reason the contributions from employers is higher than the previous year is due to upfront deficit contributions being paid for 3 years from Shropshire Council and two other employers within the Fund.

6.2 The last financial year continued to see an increase in the total number of scheme members. Total scheme membership increased by 2.6**%** to 47,957 during the year.

6.3 Local Government employees who leave employment have the option to transfer out their accumulated pension fund. During the last financial year the Fund paid out £5.2 million in transfer payments for staff leaving employment. Conversely, new employees have the ability to transfer in accumulated benefits from previous employment. The Fund also received £6.0 million in transfer payments from new employees during the financial year.

6.4 In 2017/18 the Fund paid pensions totalling £56.5 million, an increase of £2.0 million on the previous year. This is due to an increase in the number of pensioners during the year.

6.5 Also in 2017/18 management expenses totalled £14.6 million, an increase of £0.9 million from the previous year. This was mainly due to the increase in the value of the Fund over the financial year as management fees are charged on the total assets under management.

6.6 A full analytical review of the Pension Fund Accounts was carried out by officers and passed to Grant Thornton in advance of their audit. The audit was completed by July 2018.

6.7 The Annual Report will be available to all scheme employers, investment managers, advisor's and scheme members as it will be published on the pension fund website. The report will also be available for review at the Fund's AGM in November.

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. Shropshire County Pension Fund Annual Report 2017/18.

Annual report 2017/18

Shropshire County Pension Fund

Introduction

A. Management and Financial performance

B. Investment Policy and Performance

C. Scheme Administration

D. Actuarial Report on Funds

E. Governance Arrangements

F. Statement of Accounts and Notes

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Introduction

Welcome to the 2017/18 annual report and accounts of the Shropshire County Pension Fund

This year's Fund information

£66 million	£1.834 billion	3.1 %	0.5 %
Fund value increase	Total Fund value	Fund value increase	Under benchmark

During the year the Shropshire Fund increased in value by £66 million to be valued at £1.834 billion at the end of the year. The Fund increased in value by 3.1% over the year and slightly underperformed its benchmark by 0.5%. Over the last two years the Fund returned 10.9% per annum which was 2.1% above benchmark and over the last three years the Fund returned 6.9% per annum which was 0.8% above benchmark. The reason the Fund performance was slightly below benchmark for the year was largely due to the negative returns generated from equity markets during the last quarter of the financial year. Performance of the Fund's active equity managers were all below benchmark during the year.

The Shropshire Fund had positive investment returns in a number of other asset classes which offset the underperformance of equities during the year. The strongest returns were generated in property where the Fund's investments increased in value by 11.3% in the year outperforming the benchmark by 3.9%. The Funds private equity manager produced returns of 7.6% and the Hedge Fund portfolio increased by 6.5% which was 6.3% above benchmark. The combined fixed income portfolios delivered a return of 0.5% which was 0.1% above benchmark. Only two managers produced negative returns during the year; the UK equity manager and one of the fixed income managers. The Fund's other managers produced positive returns which is the reason for the increase in value of £66 million during the year.

The Pensions Committee determine the strategic asset allocation for the Fund. This outlines the proportion of assets that the Fund invests in equities, bonds and alternative assets such as property. This is the most important decision that the Committee makes because it has the biggest impact on the long term returns of the Fund.

The Pensions Committee undertakes thorough monitoring of the Fund's investment managers and is prepared to make changes in response to investment underperformance or new investment opportunities.

The Fund undergoes an independent actuarial valuation every 3 years. The latest actuarial valuation was conducted at the end of March 2016, identifying that the Fund had a funding level (the relationship between estimated future pension payments and the funds held to pay for these pensions) of 84% which was an increase from 76% at the previous valuation in March 2013. As a local government pension scheme the Fund is able to take a long term view to the recovery of any funding deficit and is able to phase in any changes in the employer contribution rate in a manageable way.

Following the results of the actuarial valuation, the Committee together with Officers and Aon Hewitt started the process of reviewing the Fund's investment strategy. In June 2017, Aon Hewitt undertook a review of the movements in the funding level since the last valuation and presented the results to the Pension Committee.

Due to a strong rally in equity markets, particularly in 2016/2017, and a significant increase in the asset value of the Fund, this resulted in the funding level increasing to approximately 100% at the time the review was carried out which is positive news. In view of this, as a large proportion of the Fund is invested in equities and this represents the biggest risk within the Fund a decision was made to provide some protection for £280 million of the Fund from falls in equity markets by implementing an equity protection strategy in September 2017.

Further investment strategy discussions were held with Pension Committee in November 2017 and March 2018 and a decision has been made to reduce the overall allocation to equities by 5% in 2018/19 and replace them with investments in Property Debt and Insurance Linked Securities.

The Shropshire Fund continued to work with eight other Funds in the Midlands region in order to meet the tight deadlines set by Government to pool assets by April 2018. LGPS Central Ltd has been established to manage investment assets on behalf of its nine Local Government Pension Scheme (LGPS) funds across the Midlands region. It will be a multi-asset manager, investing approximately £40 billion of assets from 2018 onwards, on behalf of 900,000 LGPS members and 2,500 employers.

LGPS Central Ltd is jointly owned on an equal share basis by eight Pension Funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The participating pension funds are Cheshire, Derbyshire, Leicestershire, Nottinghamshire, Shropshire, Staffordshire, West Midlands and Worcestershire. West Midlands Integrated Transport Authority (ITA) Pension Fund will also be an investor, but not a shareholder, with its shareholder rights represented by West Midlands.

The key objectives of LGPS Central will be to deliver cost savings and improve risk adjusted investment returns after cost, enable access to a wider range of asset classes for the participating pension funds, and to ensure good governance. LGPS Central will manage a wide range of asset classes, employing a mix of internal and external investment management. The company is a private company limited by shares and was incorporated on 13 October 2016. The majority of assets under management will be structured in an Authorised Contractual Scheme (ACS), itself regulated by the FCA, in addition to other pooled investments held in alternative structures. The company has been formed to act as an Alternative Investment Fund Manager (AIFM) to allow the participating LGPS administering authorities to pool their respective investments.

The governance structure for LGPS Central has been agreed by all partner funds and appointments for key individuals has progressed well during the year. The LGPS Central Board and Executive Committee are now in place. There are currently 32 permanent staff with further recruitment to come over the course on 2018. Regular investment pooling meetings continue to be held with representatives from each of the eight LGPS Funds. The Practitioners Advisory Forum, which is made up of s151 Officers and Pension Managers from each Fund, are updated regularly on the progress made and key developments of LGPS Central. Meetings of the Shareholders

Forum, which is made up of one elected member from each Fund, have been held during the year to approve key decisions. The Joint Committee, which is also made up of one elected member from each Fund, has also met during the year to discuss any client related investors issues. An FCA application for LGPS Central Ltd was submitted in July 2017 and approval was granted in November 2017 in order to meet the April 2018 deadline.

LGPS Central Ltd opened for business on the 3 April 2018 with the launch of 3 new pooled funds. In addition to these funds, LGPS Central will be responsible for 8 advisory and discretionary mandates on behalf of its Partner Funds. Together these new funds and mandates see LGPS Central Ltd responsible for £12 billion of assets following its launch. Working with our partners to develop and implement our investment strategy will continue to be a major strategic focus for the Fund over the next year.

The Pensions Administration Team have always tried to ensure data is collected in a timely manner from Fund employers and that the data they provide is accurate. However, this has become an even higher priority following the announcement that the Pensions Regulator expected all Schemes to undertake an annual data review and from 2018 must provide data scores on its Annual Return. To ensure the Fund is compliant, during 2017/18, the team undertook a Data Review Exercise to measure the accuracy of the data it holds. The team have also been working closely with Scheme Employers for the past couple of years to ensure member data is supplied on time and all employers are now using an electronic data transfer system called iConnect. Employers submit monthly data via iConnect, queries identified by the team are dealt with straight away and members are able to view their most up to date pension benefits using the 'My Pension Online' area of the website. The team are also on track to meet the December 2018 deadline to ensure that Members records are reconciled with HMRC following the end of contracting out in April 2016. A full update on the work of the Pensions Administration Team over the past 12 months can be found on pages 26-28.

The information above and other developments are all covered in more detail on the following pages. We hope you find the report interesting and informative. As always we welcome your feedback on the report and indeed, on any aspect of the Scheme's activities.

If you wish to make a comment or if you have any questions, our contact details are given on the back page of the report.

James Walton

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

Thomas Biggins

Chair of Pensions Committee
Shropshire Council

Scheme management & advisors

Administering Authority

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SY2 6ND

Scheme Administrator

James Walton
Head of Finance, Governance and Assurance (Section 151 Officer)

Shropshire Council Officers

James Walton
Head of Finance, Governance and Assurance (Section 151 Officer)
Justin Bridges
Head of Treasury and Pensions
Debbie Sharp
Pensions Administration Manager
Claire Green
Fund Accountant

Investment Managers

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1 Bread Street
LONDON EC4M 9HH

BlackRock
12 Throgmorton Avenue
LONDON EC2N 2DL

BMO Global Asset Mangement
Exchange House
Primrose Street
London
EC2A 2NY

GAM
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London
SW1Y 6QY

Global Infrastructure Partners
The Peak
5 Wilton Road
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HarbourVest Partners (U.K.) Limited
3rd Floor
33 Jermyn Street
LONDON SW1Y 6DN

Harris Associates LP
111 South Wacker Drive, Suite 4600
Chicago ILLINOIS 60606

Investec Asset Management
Woolgate Exchange
25 Basinghall Street
LONDON EC2V 5HA

Legal & General
One Coleman Street
LONDON EC2R 5AA

Majedie Asset Management
10 Old Bailey
LONDON EC4M 7NG

MFS Investment Management
One Carter Lane
LONDON EC4V 5ER

PIMCO Europe Ltd
11 Baker Street
LONDON W1U 3AH
EC4R 0HH

Custodian

Northern Trust
50 Bank Street
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LONDON E14 5NT

Independent Advisors

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The AON Centre
The Leadenhall Building
122 Leadenhall Street
LONDON EC3V 4AN

Roger Bartley

Banker

NatWest Bank
Corporate & Commercial Banking
5th Floor
2 St Phillips Place
Birmingham
B3 2RB

Auditor

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham B4 6AT

Legal Advisor

Shropshire Council
Legal Services

Actuary

Mercer
No 4 St Paul's Square
Old Hall Street
LIVERPOOL L3 9SJ

AVC Providers

Prudential Assurance Company Ltd
Lancing
BN15 8GB

Equitable Life Assurance
20-22 Bedford Row
LONDON WC1R 4JS

Responsible Engagement Advisor

BMO Global Asset Management
Exchange House
Primrose Street
LONDON EC2A 2NY

Performance Measurement

Northern Trust
50 Bank Street
Canary Wharf
LONDON E14 5NT

Risk Management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them. Shropshire Council has a formal risk management strategy and risk registers for Pension Fund Investment, Investment Pooling and Pension Administration are included within this overall Strategy.

Please see below a summary of the Pension Fund's key risks:

Risks	Controls in Place
The insolvency of an employer places additional liabilities on the Fund and ultimately the remaining employers.	Admission agreements, Employer covenant check across Fund employers, some bonds in place. Shorter deficit recovery periods for some employers. Funding Strategy Statement approved by Pension Committee.
Failure of Pension Fund investment managers to meet expected returns resulting in increased costs to the Council and other employers.	Rigorous selection process established. Rigorous and continual Investment Manager monitoring arrangements. Diversification of managers. External expert advice. Reporting & monitoring arrangements. Investment Strategy Statement and Funding Strategy Statement published. Clear and relevant mandates. Audit of investment managers.
Risks of the tight timescales imposed by Government for Pension Funds to pool assets by 1 April 2018 which is extremely challenging and a resource intensive process.	Shropshire has joined the LGPS Central Pool with 8 other Funds in the Midlands region. Meetings take place regularly between the Partner Funds to progress work. Project plan in place to deliver to timescale, work stream leads to progress work and meet deadlines. Advice from PWC and Eversheds regarding governance structure. Regular meetings with DCLG/HMT/LGA to update on progress. Shareholders Forum, Joint Committee and Practitioners Advisory Forum established and meeting regularly. Presentations to Pension Committee to update on progress made. Meetings with FCA in advance of application being submitted. FCA registration now received and LGPS Central launched in accordance with deadline.
LGPS Central is unable to recruit to key company positions in line with the FCA authorisation timeline, causing delays to the submission of the application, delays in meeting the governments pooling deadline and delays in achieving participating fund savings.	Consultant/Head hunter recruited to assist in process. Separate HR and Recruitment work streams set up to ensure timely appointments made. Planned recruitment structure in place and staffing structure and key deadlines for appointment monitored regularly. Regular meetings with the FCA to ensure any issues are resolved prior to application being submitted.
Inappropriate Investment Strategy	Funding Strategy Statement published following consultation with scheme employers outlining how the Fund plans to meet its liabilities. External expert advice. Trained and experienced staff. Three yearly Actuarial Valuation. Investment Strategy Statement. Regular review of investment strategy with Aon Hewitt.
Failure to meet good governance	Compliance against Myners Principles considered on an annual basis as part of the review and updating of the Investment Strategy Statement. The Fund has produced a Governance Compliance Statement. Audit of Governance arrangements.

Risks	Controls in Place
Continued decrease in UK government bond yields resulting in future reduction in returns from government bonds, increase in the value placed on liabilities through the reduction in the discount rate and deterioration in funding position which results in an increase in employer contribution rates	Monitoring of investment performance relative to the estimated growth in liabilities on an annual basis. Some investment in bonds (and similar investments) helps to mitigate this risk. Implemented Liability Driven Investment (LDI) strategy in order to further hedge liabilities against changes in interest rates and inflation. Change in methodology agreed with Actuary to calculate liability values rather than using gilt yields.
Pay and price inflation significantly higher than anticipated and pensioners in receipt of pensions for longer resulting in an increase in the Fund's liabilities, deterioration in funding position and increase in employer contribution rates.	Actuarial valuation process focuses on real returns on assets. Monitoring of investment performance in relation to the estimated growth in liabilities. Some investment in index-linked bonds (and other inflation linked investments) and LDI helps to mitigate this risk. Triennial strategic asset allocation review considers appropriateness of assets. Mortality assumptions are set with some allowance for future increases in life expectancy as part of the valuation process which the Fund Actuary monitors. LDI manager appointed to further hedge liabilities against changes in inflation rates.
Incorrect information/benefits provided to members of the scheme.	Benefits calculations are checked. All supporting calculations are provided to the member. Team training, Employer training.
Late payment of contributions by Fund Employers leading to the Pension Fund having to report to the Pension Regulator and possibly be fined.	Employer training/guidance on website. Employer newsletter. Contributions check and balance. Adhere to internal governance compliance statement. Adhere to Pension Regulator code of practice. Breaches log monitoring. Engage with employers to ensure contributions received on time.
Failure of Employers to provide accurate data leading to incorrect benefit statement/payments or Fund valuations.	Employer training. Administration Strategy Statement. Team training. Introduction of iConnect has resulted in improvement of data. Employers trained on TPR Code. Breaches log records any issues which are reported to Pension Committee/Pension Board.
Loss or inappropriate disclosure of personal data leading to fines and reputational loss.	ICT security used such as data encryption, secure mail and document management software with strict security profiles. Secure working environment. Protecting information training undertaken by all staff annually.
Not undertaking work to reconcile GMP data in line with ending of contracting out legislation resulting in possible overpayments and additional costs to the Pension Fund.	GMP's have historically been processed when received and leavers notified to HMRC. Reconciliation process currently being undertaken by the Pension Administration team. Contract with ITM has been signed to assist in this process. Possibly use LG Framework to appoint a third party to complete the project.
Failure to identify and report breaches of law, in accordance with the requirements of the Pensions Regulator leading to reputational damage & potential fines.	Breaches policy in place together with a breaches log which is reported to the Pension Committee, Pension Board and Scheme Administrator. Training undertaken by key staff.
Failure of ICT hardware supported by Shropshire Council, impacting adversely the ability to run the Altair pension administration system.	Disaster recovery plan in place which is tested annually. Investigated virtual server environment to make hardware more robust and strengthen back up capacity. Migrating to virtual servers in the first half of 2018.
Non-compliance with the Law around LGPS Benefit Administration leading to fines by the Pensions Regulator.	The use of a good LGPS administration software solution together with experienced trained staff mitigates the risks to the Council.

Financial Performance

The following tables show the forecasts for the Fund Account and the Net Assets Statement for the next three years to 31 March 2021. It also identifies the 2017/18 actuals against the 2017/18 budget.

Forecast v actual report on Fund cash flows

PENSION FUND ACCOUNT	2017-18 BUDGET £M	2017-18 ACTUAL £M	2018-19 BUDGET £M	2019-20 BUDGET £M	2020-21 BUDGET £M
Contributions (employees and employers)*	62.197	78.132	56.631	57.764	82.914
Transfers in	5.000	6.005	5.000	5.000	5.000
Pensions paid	(56.171)	(56.515)	(58.210)	(59.957)	(61.755)
Lump sums paid	(10.500)	(8.337)	(10.500)	(11.000)	(11.500)
Lump sum death benefits	(1.500)	(1.272)	(1.500)	(1.600)	(1.700)
Refund of contributions	(0.300)	(0.218)	(0.250)	(0.300)	(0.350)
Transfers to other Funds	(4.700)	(5.249)	(4.800)	(4.900)	(5.000)
Net additions from dealings with Scheme Members	**(5.974)**	**12.546**	**(13.629)**	**(14.993)**	**7.609**
Management expenses	(14.462)	(14.607)	(14.968)	(15.441)	(15.817)
Investment income	19.500	24.935	20.000	20.500	21.000
Gain/(loss) on cash and currency hedging **	0.000	10.669	0.000	0.000	0.000
Taxes on income	(0.100)	(0.344)	(0.300)	(0.310)	(0.320)
Change in market value	106.524	32.347	119.477	131.774	117.667
Surplus/(deficit) on the Pension Fund for the year	**105.488**	**65.546**	**110.580**	**121.530**	**130.139**
Opening Net Assets of the Scheme	**1,768.270**	**1,768.270**	**1,833.816**	**1,944.396**	**2,065.926**
Closing Net Assets of the Scheme	**1,873.758**	**1,833.816**	**1,944.396**	**2,065.926**	**2,196.065**

Contributions and payments are based on current expectations, the management expenses are based on current budgets,and the net investment income and change in market value are based on the long term forecast returns for each assets class. // * 2017/18 actual figure includes upfront deficit contributions for three employers normally paid over three years. 2018/19 & 2019/20 budgets have been reduced to take account of this & 2020/21 budget includes an estimate of up front payments for the next three years. // ** A budget has not been included for a gain/(loss) on cash as the movement year on year would be too difficult to account for as it is mainly based on FX currency movements.

Forecast v actual report on Fund asset values

NET ASSETS STATEMENT	2017-18 BUDGET £M	2017-18 ACTUAL £M	2018-19 BUDGET £M	2019-20 BUDGET £M	2020-21 BUDGET £M
UK Equities	141.015	135.853	146.450	157.873	170.187
Global Equities - Unconstrained	485.836	447.625	486.568	528.900	574.914
Global Equities - Passive	365.420	367.277	393.354	421.282	451.193
Unconstrained Bonds	441.901	429.517	447.986	467.250	487.341
Hedge Funds	102.809	127.140	130.573	134.098	137.719
Private Equity	80.356	74.762	80.892	87.526	94.703
Infrastructure	45.654	50.821	53.718	56.780	60.016
Property	82.357	93.757	99.664	105.943	112.617
Liability Driven Investments (LDI)	73.190	69.991	70.341	70.693	71.046
Cash and net current assets	55.220	37.073	34.850	35.582	36.329
Total investment assets	**1,873.758**	**1,833.816**	**1,944.396**	**2,065.926**	**2,196.065**

Forecast for total investment assets

The forecast for total investment assets are based on actual allocations at 31st March 2018 figures multiplied by the forecast long term returns for each asset class as provided by the Fund's Investment Strategy Statement. These forecasts will need to be adjusted for any future investment decisions formally approved by the Pensions Committee.

ASSET CLASS	RETURN
UK Equities	7.80%
Global Equities - Unconstrained	8.70%
Global Equities - Passive	7.10%
Unconstrained Bonds	4.30%
Hedge Funds	2.70%
Private Equity	8.20%
Infrastructure	5.70%
Property	6.30%
LDI	0.50%
Cash	2.10%

Management expenses forecast

Here is a more detailed analysis of the management expenses budget forecast, which is split into three categories; investment management expenses, administration expenses and oversight and governance.

The budget forecasts for 2018/19 to 2020/21 have been revised and are based on the 2017/18 actual costs which have been reanalysed to agree with the CIPFA guidance on management costs. (see note 8)

OPERATIONAL EXPENSES	2017-18 BUDGET £M	2017-18 ACTUAL £M	2018-19 BUDGET £M	2019-20 BUDGET £M	2020-21 BUDGET £M
Administrative Costs					
Employee costs	0.602	0.624	0.668	0.701	0.736
IT Costs	0.180	0.161	0.170	0.175	0.180
Office accommodation	0.024	0.022	0.024	0.026	0.028
Consultants	0.070	0.027	0.030	0.030	0.030
Printing, Postage and Design	0.060	0.049	0.055	0.060	0.065
Subscriptions	0.016	0.015	0.015	0.016	0.016
Other costs	0.040	0.038	0.040	0.042	0.044
TOTAL	**0.992**	**0.936**	**1.002**	**1.050**	**1.099**
Investment Management Expenses					
Management Fees	8.700	8.635	8.700	8.800	8.800
Performance Fees	1.500	1.620	1.600	1.800	2.000
Other Fees	1.753	2.338	2.408	2.480	2.555
Transaction Costs	0.700	0.467	0.490	0.520	0.550
Custody Fees	0.065	0.058	0.065	0.068	0.070
TOTAL	**12.718**	**13.118**	**13.263**	**13.668**	**13.975**
Oversight and Governance Costs					
Investment advice	0.237	0.312	0.321	0.331	0.341
Employee costs (pensions investment)	0.155	0.159	0.165	0.160	0.155
Actuarial advice	0.055	0.014	0.055	0.060	0.065
Responsible Engagement Overlay	0.052	0.050	0.052	0.054	0.056
LGPS Central Pooling costs	0.150	(0.082)	0.000	0.000	0.000
External audit	0.027	0.022	0.027	0.030	0.033
Performance analysis	0.026	0.025	0.026	0.027	0.028
Internal audit	0.018	0.017	0.018	0.019	0.020
Legal and Committee	0.017	0.015	0.016	0.017	0.018
Other costs	0.015	0.021	0.023	0.025	0.027
TOTAL	**0.752**	**0.553**	**0.703**	**0.723**	**0.743**
Total Management Expenses	**14.462**	**14.607**	**14.968**	**15.441**	**15.817**

Interest charged on overdue contributions

The Fund monitors the timeliness of contribution receipts from all employers and will consider charging interest if the Fund experiences a series of consistent late payments from any individual employer, or a late payment that is of significant size to be a material risk to the Fund. Material breaches will also be reported to the Pensions Regulator.

The Fund classes contributions income as being received on time where it is received no later than the 19th day of the month following the period of deduction.

During 2017/18 a percentage of 97.15% contributions were received on time. Interest amounting to £3.01 was charged to one employer in 2017/18. No other employers were charged interest.

Administrative management performance

Top 10 Cases

This table shows casework volumes processed during the year and the amount completed within the performance targets currently set. It is interesting to note that the data transfer service iConnect creates the largest volume of administration work, which is an indication of the amount of data checks undertaken when receiving monthly data submissions from Scheme employers. This format of monthly data submission is important in a Career Average Revalued Earnings Scheme. Other case types which appear in the top 10 such as Actual Retirement and Death procedures are not the highest in terms of volume but have more individual tasks within the administration process and are more complex to complete.

CASE TYPE	TOTAL	% COMPLETED ON TIME
i-Connect data checks	6001	52.94
Personal details updates /general correspondance to members	3625	93.82
Deferred Benefits	1560	40.77
Retirement quotations	1241	91.06
Member refunds	1233	55.88
Aggregation of records	1058	38.00
New starters	815	99.75
Optants out	611	32.24
Actual Retirements	572	77.27
Death procedure	406	75.62

Key Indicators 2017/18

8,062
Calls received and answered by Pensions Helpdesk

6,541
Emails received and answered by Pensions Helpdesk

808
Member drop in's to the Pensions Office

2,729
Average cases per member of staff

1,918
Average Members per Pension Team staff member

9,394
Total members registered for 'My Pension Online'

0.013%
Complaints compared to workload of the Pensions Team

94,971
Total page views on website

Feedback from members and employers

"Thank you to the team who are always helpful when inquiries made."

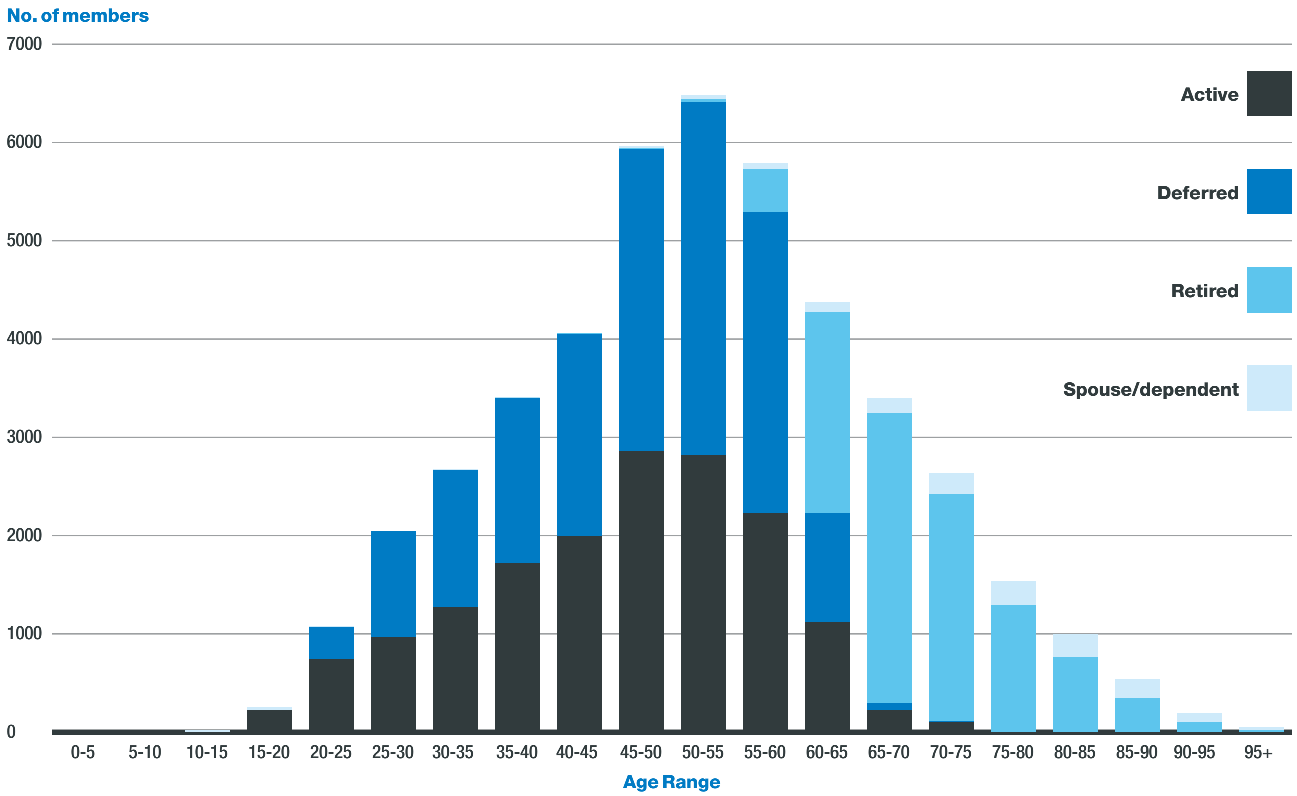
"Thank you so much for your extremely efficient, prompt reply to my letter . . . accompanied by your most helpful, comprehensive and clear explanations."

Member said how refreshing it is how helpful the pensions team always are when she calls the office. Keep up the good work!

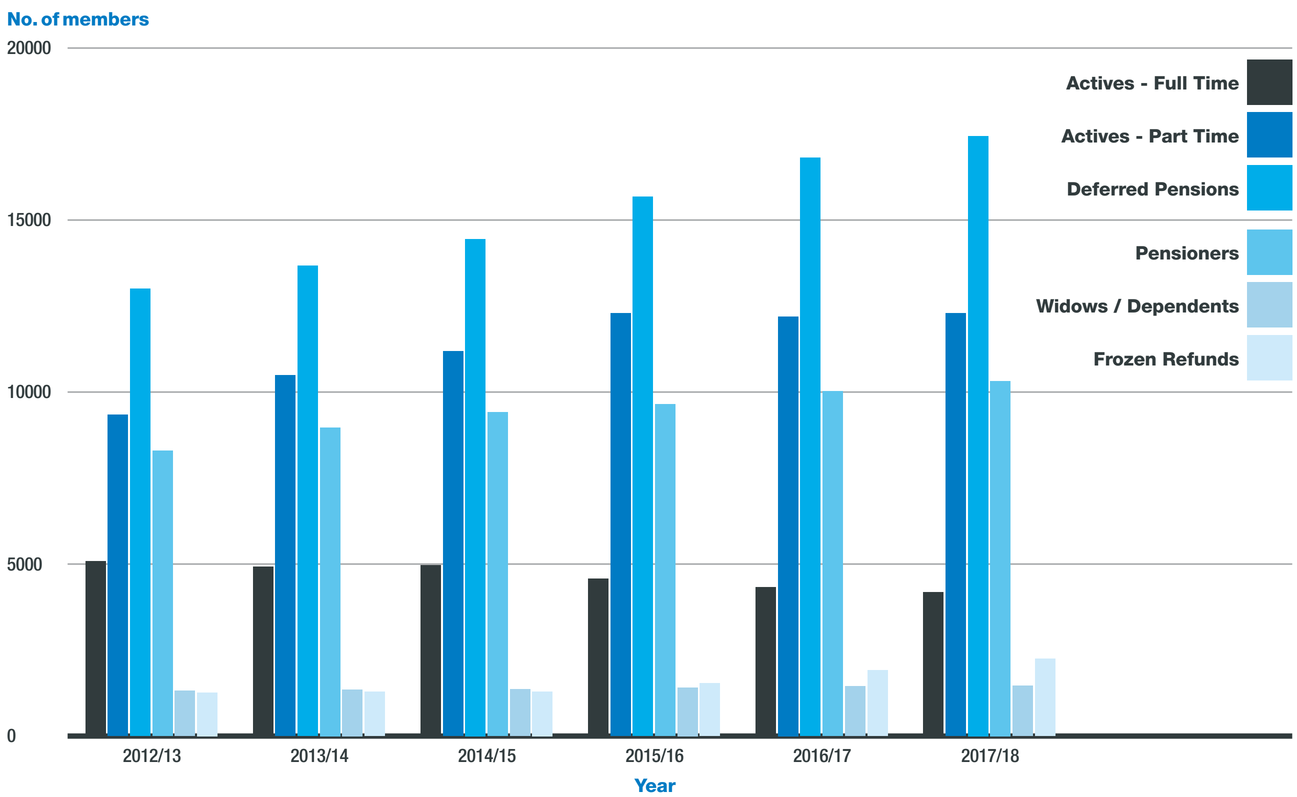
"Unfortunately, I am one of the 1950's ladies who had the greatest hike in pension age - for me 5.5 years - so I won't be receiving my State pension until January 2020! Quite frankly, if it wasn't for my public service pension I don't know where I would be! So thank you so much once again."

"Your letter with my P60 results arrived on Saturday. You made one Crumbly enjoy a happy weekend. Thank you too for your patience in trying to guide me through your on-line system that doesn't like me. You are a real credit to the Pension Fund. Take care, enjoy life, Happy Days."

Age profile of membership as at 31 March 2018



Membership numbers and trends



A list of contributing employers and the amount of contributions received during the year (split by employers and employees)

EMPLOYER NAME	EMPLOYEES CONTRIBUTIONS: £	EMPLOYERS CONTRIBUTIONS: £
SCHEME EMPLOYER		
Abraham Darby Academy	49,367.41	113,125.67
Abraham Darby School	No active members	
HAFT Adams Grammar School	42,496.00	140,648.27
Adams Grammar School	No active members	
Alveley Primary School	6,509.89	22,413.10
Barrow 1618 Free School	5,050.69	13,771.00
Bishop Anthony Educational Trust	19,685.03	50,473.62
Bitterley C.E Primary School	7,777.53	33,646.62
Bridgnorth Endowed School	26,446.46	99,857.67
Bridgnorth District Council	No active members	
Burford Primary School	6,010.08	15,487.84
Castlefields Primary School	4,588.69	20,639.09
Charlton School	46,011.11	147,600.06
Church Stretton School	33,809.10	131,111.90
Clee Hill Community Academy	8,664.89	30,610.44
Cleobury Mortimer Primary School	17,295.76	57,487.61
Communities Academies Trust	161,320.66	583,917.86
Condover CE Primary School	3,174.14	14,662.06
Corbet School	No active members	
Corbet School (Academy)	33,808.91	125,751.17
Dawley C.E Primary Academy	13,826.29	55,741.39
Ellesmere Primary School	24,578.91	103,513.57
Ercall Wood School	38,812.93	133,929.81
Fields Multi-Academy Trust	16,754.77	70,433.69
Grange Junior School	No active members	
Greenacres Primary School	11,212.62	48,624.17
Holy Trinity Academy (BRJ)	24,797.08	84,588.21
Holy Cross C.E School	No active members	
Idsall School	46,828.97	181,211.78
Kickstart Academy	3,491.81	8,776.23
Lacon Childe School	26,631.37	102,410.89
Lakelands Academy	37,193.50	140,710.52
Lawley Village Academy	4,761.35	7,108.97
Learning Community Trust	7,240.90	30,403.92
Ludlow CE School	31,207.86	124,450.68
Ludlow College	No active members	
Ludlow Infant School	15,358.09	59,326.14
Ludlow Junior School	13,940.08	60,378.69
Madeley Academy Trust Ltd	50,063.52	149,368.81
Marches Academy Trust	71,432.00	269,767.49
Moorfield Primary School	13,944.10	48,810.08
Morville C.E Primary School	1,982.35	5,553.30
National Health Service	No active members	
New College Telford	40,120.05	104,497.57
Newport Girls High School Academy Trust	17,066.45	55,840.28
North Shropshire College	104,403.37	398,043.41
North Shropshire College (Pre 02)	No active members	
North Shropshire District Council	No active members	
North West Education Action Zone	No active members	
Oswestry Borough Council	No active members	
Oldbury Wells School	32,698.30	118,828.37
Priorslee Primary Academy Trust	24,748.38	79,572.67
The Priory School Trust	84,798.19	317,932.54
Severndale Specialist Academy	141,164.03	480,731.29
Severn Bridges MAT	53,385.45	223,121.38
Shrewsbury & Atcham Borough Council	No active members	
Shrewsbury Academies Trust	95,925.77	378,102.30

EMPLOYER NAME	EMPLOYEES CONTRIBUTIONS: £	EMPLOYERS CONTRIBUTIONS: £
Shropshire Career Service Ltd	No active members	
Shrewsbury College of Arts & Technology	No active members	
Shrewsbury Colleges Group	274,574.67	838,122.56
Shropshire & Wrekin Fire Authority	147,056.87	409,905.64
Shropshire Council	4,998,983.66	34,022,829.69
Shropshire County Council	No active members	
Shropshire Magistrates Court	No active members	
Shropshire Probation Committee	No active members	
South Shropshire District Council	No active members	
St Chads MAT/Holy Trinity School	14,070.81	54,667.28
St Edward's C.E. School	1,130.43	4,097.32
St Leonards CE School	7,593.83	30,210.60
Stokesay Primary School	7,191.15	29,203.51
Stottesdon C.E Primary School	7,594.28	27,254.17
Telford & Wrekin Council	4,135,960.83	12,760,933.83
Telford and Wrekin Education Action Zone	No active members	
Telford College of Arts & Technology	320,835.29	832,207.59
West Mercia Energy	27,578.58	531,955.36
Walford College Shropshire	No active members	
West Mercia Supplies	No active members	
William Brookes School	51,326.57	163,675.41
Woodside Primary School	39,385.63	134,327.16
Woodside Start Centre	4,539.70	15,612.37
Wrekin District Council	No active members	
ADMISSION BODIES		
Accord Housing Association	6,393.68	61,959.92
Addaction	8,903.98	26,459.44
Age Uk Shropshire, Telford & Wrekin	4,050.06	49,750.60
Alliance in Partnership- Grange Primary School	1,047.52	3,817.08
Alliance in Partnership- Grange Secondary School	No active members	
Alliance in Partnership (Ludlow School)	3,067.55	11,925.59
Alliance in Partnership (Oldbury Wells)	2,266.80	7,860.20
Alliance in Partnership (Priory School)	2,143.59	7,755.80
Alliance in Partnership (SAT)	685.43	2,679.26
Alliance in Partnership - Thomas Adams School	3,734.68	13,174.73
Aquarius	2,417.15	8,335.14
ARCH Initiatives	13,352.30	39,689.74
Association of Local Councils	3,204.38	12,504.94
Bethphage - Ellesmere Day Service and Library	5,236.84	21,999.07
Bethphage - Oak Farm and Innage Grange Day	11,354.74	47,090.94
Care Quality Commission	2,727.82	60,642.42
Catering Academy Ltd (NGHS)	No active members	
Catering Academy Ltd (Priory)	1,150.77	3,766.12
Churchill Contract Services	121.27	72.77
Compass (UK) Ltd	No active members	
Connexions	No active members	
County Training	No active members	
Coverage Care Crowmoor House	25,729.07	73,132.55
Coverage Care Ltd	10,667.64	193,597.86
CRI	No active members	
Energize	5,291.04	16,420.06
Enterprise South West Shropshire	608.19	1,946.24
Fastrack Maintenance Ltd	No active members	
Funeral Services Ltd	No active members	
Halo Leisure Services Ltd	10,297.69	36,135.80
Harper Adams University College	494,473.70	1,306,130.78
HMM Arts Ltd (The Hive)	No active members	
Interserve Catering Services Ltd	1,415.54	6,357.06
Interserve Ltd	No active members	
Ironbridge Gorge Museum Trust	5,059.78	66,626.48
Landau Consultants	No active members	
Liveability	419.87	1,089.14
Mencap	No active members	
Meres & Mosses Housing Association	44,385.70	127,923.96

EMPLOYER NAME	EMPLOYEES CONTRIBUTIONS: £	EMPLOYERS CONTRIBUTIONS: £
Midland Heart Ltd	0.00	426.90
NIC Group	240.60	979.92
Perthyn	19,155.10	68,290.62
The Forward Trust (previously RAPT)	2,123.09	5,474.86
Relate	No active members	
Ringway Infrastructure Ltd	136,737.42	225,053.04
Sanctuary Group	18,068.81	57,846.23
Severn Gorge Countryside Trust	7,285.31	22,597.49
Severnside Housing Association	157,848.12	741,792.82
Shropshire County Leisure Trust	34,618.57	94,624.42
Shropshire Disability Consortium	No active members	
South Shropshire Housing Association	5,760.03	164,560.87
South Shropshire Leisure Ltd	14,728.35	12,417.45
Strettons Mayfair Trust	1,096.63	5,307.82
Taylor Shaw (Bridgnorth Endowed)	498.67	1,323.58
Taylor Shaw (Priory)	No active members	
Telford & Wrekin Services Ltd	73,121.01	177,644.39
Telford Development Corporation	No active members	
Telford Trust	No active members	
The Boathouse Ellesmere Ltd	3,199.60	10,868.26
Transforming Telford	No active members	
Veolia Environmental Services (UK) Plc	103,899.83	224,470.12
Veolia TWC	5,163.34	17,647.81
Womens Royal Voluntary Service	No active members	
Wrekin Housing Trust	779,614.66	2,154,604.99
WSP UK Ltd (previously Mouchel)	26,381.88	76,283.75
DESIGNATED BODIES		
Albrighton Parish Council	1,391.70	4,805.21
Bayston Hill Parish Council	2,103.81	6,773.19
Bishops Castle Town Council	1,284.17	4,546.00
Bridgnorth Town Council	20,475.47	77,682.95
Broseley Town Council	2,893.05	9,200.58
Church Stretton Town Council	8,193.30	32,909.12
Condover Parish Council	No active members	
Dawley Hamlets Parish Council	208.10	2,425.40
Donnington and Muxton Parish Council	3,596.66	10,782.84
Ellesmere Town Council	3,391.50	10,002.70
Ford Parish Council	326.94	549.44
Great Dawley Parish Council	11,023.67	20,132.62
Great Hanwood Parish Council	341.40	613.80
Hadley & Leegomery Parish Council	4,169.33	10,707.26
Hollinswood & Randlay Parish Council	5,628.60	17,397.72
Ketley Parish Council	216.16	672.10
Ludlow Town Council	15,618.63	47,061.14
Madeley Town Council	8,253.03	29,904.46
Market Drayton Town Council	6,126.80	22,195.19
Much Wenlock Town Council	3,815.91	14,843.84
Newport Town Council	6,474.44	18,805.49
Oakengates Town Council	3,463.41	8,341.80
Oswestry Town Council	30,582.16	84,441.11
Rodington Parish Council	232.01	438.77
Shifnal Town Council	4,517.99	17,855.74
Shrewsbury Town Council	83,996.59	199,854.55
Shropshire Towns & Rural Housing	172,940.05	383,260.98
St Georges and Priorslee Parish Council	1,629.53	5,026.23
Stirchley & Brookside Parish Council	4,691.14	12,291.50
The Gorge Parish Council	552.05	1,963.27
Wellington Town Council	8,729.50	29,276.71
Wem Town Council	3,992.42	7,154.41
Whitchurch Town Council	8,538.53	15,089.43
Wrockwardine Parish Council	302.76	3,938.72
Wrockwardine Wood & Trench Parish Council	1,084.80	3,871.84
	14,048,740.55	**62,683,859.76**

Investment of funds

The Fund pursues a policy of managing risk by diversifying both investments and investment managers. Assets are held by the Fund in order to achieve returns consistent with the cost of future pension liabilities as assessed by the actuary. Actuarial valuations are undertaken every three years with the latest one being undertaken in March 2016, the results of which have been communicated to employers and new contribution rates have been set for the next 3 financial years commencing 1 April 2017.

The Fund's strategic allocation 2017/18

52 % of fund	21.5 % of fund	3.5 % of fund	23 % of fund
Equities	Fixed Interest Stocks	Liability Driven Investment	Alternatives

Fixed Interest Stocks (also known as bonds), Liability Driven Investments and Alternatives are generally considered to be less risky, as returns are less volatile than Equities. Over longer periods, investment returns achieved by Bonds are expected to be lower than those achieved by Equities.

Following the results of the actuarial valuation, the Pension Committee together with Officers and Aon Hewitt started the process of reviewing the Fund's investment strategy during 2017/18. In June 2017, Aon Hewitt undertook a review of the movements in the funding level since the valuation and presented the results to the Pension Committee.

Due to a strong rally in equity markets, particularly in 2016/17, and a significant increase in the asset value of the Fund, this resulted in the funding level increasing from 84% at the last valuation to approximately 100% at the time the review was carried out which is positive news. In view of this, as a large proportion of the Fund is invested in equities and this represents the biggest risk within the Fund, a decision was made to provide some protection for £280 million of the Fund from falls in equity markets by implementing an equity protection strategy. This was implemented during September 2017 with Legal & General one of the funds existing managers.

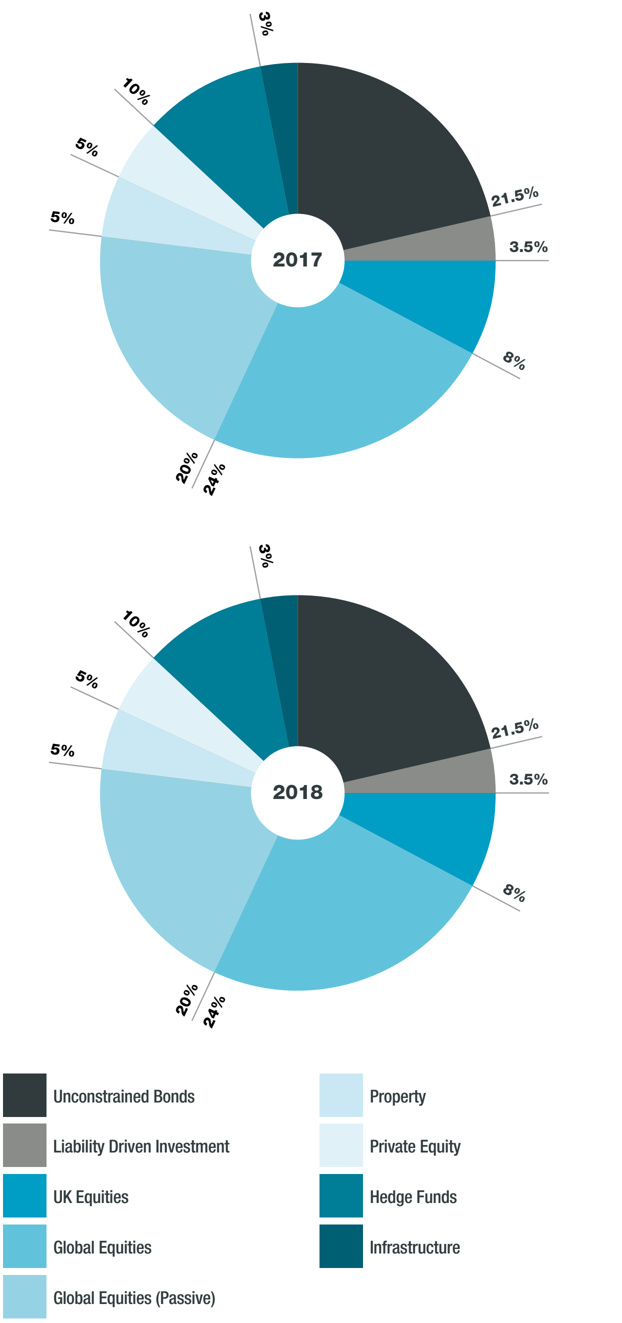
The equity protection strategy was a short term decision to protect the Fund against potential falls in equity markets over a 12-18 month period and lock in previous gains made whilst the overall investment strategy was being reviewed. Further investment strategy discussions were held with Pension Committee in November 2017 and March

2018. At the Pension Committee in March 2018, due to the improvement in the funding level, a decision was made to reduce the overall equity allocation by 5% and make new allocations to Property Debt and Insurance Linked Securities. These changes will be implemented in 2018/19. There were no Fund manager changes during the 2017/18 financial year.

The Shropshire Fund continued to work with eight other Fund's in the Midlands region in order to meet the tight deadlines set by Government to pool assets by April 2018. LGPS Central Ltd is jointly owned on an equal share basis by eight Pension Funds and is a Collective Portfolio Management Investment Firm (CPMI) regulated by the Financial Conduct Authority (FCA). The majority of assets under management will be structured in an Authorised Contractual Scheme (ACS), itself regulated by the FCA, in addition to other pooled investments held in alternative structures. LGPS Central Ltd will be a multi-asset manager, investing approximately £40 billion of assets on behalf of its member funds from 2018 onwards. The aims of LGPS Central will be to deliver cost savings, to build on the existing investment expertise of its member funds through increased scale, resilience, and sharing of knowledge. It will also aim to make use of a blend of internal and external investment management and a key objective will be to improve risk adjusted investment returns after cost.

Following FCA approval, LGPS Central Ltd opened for business in line with the Governments timetable on the 3 April 2018 with the launch of 3 new pooled funds managed via an Authorised Contractual Scheme. In addition to these funds, LGPS Central Ltd will be responsible for 8 advisory and discretionary mandates on behalf of its Partner Funds. Together, these new funds and mandates see LGPS Central Ltd currently being responsible for £12 billion of assets from the date of launch. Assets are not expected to start transferring from Shropshire County Pension Fund until September 2018 when a global active equity sub fund will be launched. Working with our partners to develop and implement our investment strategy will continue to be a major strategic focus for the Fund over the next year.

Strategic asset allocation at the start and end of the year



The 20% global equity allocation managed passively by Legal & General is 100% hedged back to sterling. This is designed to eliminate some of the risks in holding an increased proportion of overseas investments. The equity protection strategy is also implemented as part of this portfolio.

Spread of assets between Fund managers as at 31 March 2018

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

FUND MANAGER		PERCENTAGE OF FUND %	VALUE OF FUNDS HELD £M	PORTFOLIOS HELD
	Legal & General Investment Managers	20.03	367.277	Global Equities (Passive)
	MFS	8.51	156.068	Global Equities
	Investec	8.19	150.280	Global Equities
	Harris Associates	8.07	147.961	Global Equities
	PIMCO Europe Ltd	7.99	146.525	Unconstrained Bonds
	Global Asset Management	7.75	142.184	Unconstrained Bonds
	Majedie Asset Management	7.48	137.101	UK Equities
	Blackrock	7.68	140.821	Unconstrained Bonds
	Blackrock	6.93	127.141	Hedge Fund
	Aberdeen Property Investors	5.21	95.554	Property Unit Trusts
	HarbourVest Partners Ltd	4.25	77.976	Private Equity
	BMO Global Asset Management	3.82	69.995	LDI
	Global Infrastructure Partners	2.78	50.955	Infrastructure
Other		1.13	20.672	Other
Total Assets Held by Fund Managers		99.82	1,830.510	
Net Current Assets		0.18	3.306	Net Current Assets
Total Fund		**100.00**	**1,833.816**	

Major shareholdings as at 31 March 2018

	UK EQUITIES	SECTOR	VALUE £M	% OF FUND
	Royal Dutch Shell	Energy	14.984	0.82
	HSBC	Financials	10.747	0.59
	BP Ord	Energy	10.346	0.56
	WPP	Consumer Discretionary	7.450	0.41
	Diageo	Consumer Staples	6.799	0.37
	Tesco	Consumer Staples	6.773	0.37
	Glencore	Materials	6.382	0.35
	GlaxoSmithKline	Health Care	5.584	0.31
	Vodafone	Telecommunications	4.813	0.26
	WM Morrison	Consumer Staples	4.232	0.23
	OVERSEAS EQUITIES	**COUNTRY**	**VALUE £M**	**% OF FUND**
	Alphabet	United States	13.262	0.72
	Microsoft Corp	United States	9.306	0.51
	Daimler	Germany	8.971	0.49
	Citigroup	United States	8.161	0.45
	BNP Paribas	France	8.130	0.44
	Allianz	Germany	8.082	0.44
	Thermo Fisher	United States	7.823	0.43
	Honeywell International	United States	7.581	0.41
	Apple Inc	United States	7.518	0.41
	Comcast Corp	United States	7.116	0.39
	Total Fund Value		**1833.816**	

Investment Performance

During the year the Shropshire Fund increased in value by £66 million to be valued at £1.834 billion at the end of the year.

This year's Fund performance:

The Fund increased in value by 3.1% over the year and slightly underperformed its benchmark by 0.5%. Over the last two years the Fund returned 10.9% per annum which was 2.1% above benchmark and over the last three years the Fund returned 6.9% per annum which was 0.8% above benchmark. The reason the Fund performance was slightly below benchmark for the year was largely due to the negative returns generated from equity markets during the last quarter of the financial year. Performance of the Fund's active equity managers were all below benchmark during the year.

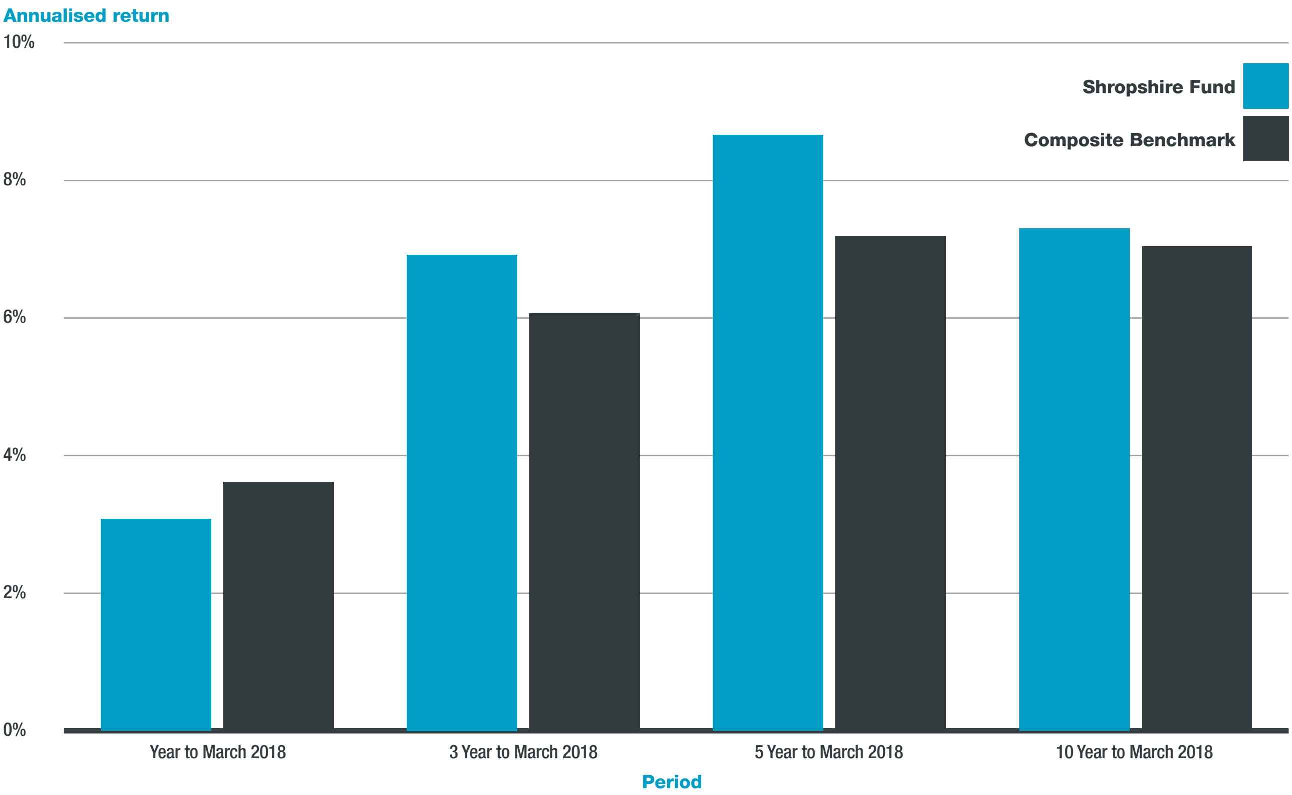
The Fund invests in a range of asset classes so as to diversify risk and provide more stable returns. The Shropshire Fund had positive investment returns in a number of other asset classes which offset the underperformance of equities during the year. The strongest returns were generated in property where the Fund's investments increased in value by 11.3% in the year outperforming the benchmark by 3.9%. The Funds private equity manager produced returns of 7.6% and the Hedge Fund portfolio increased by 6.5% which was 6.3% above benchmark. The combined fixed income portfolios delivered a return of 0.5% which was 0.1% above benchmark. Only two managers produced negative returns during the year which was the UK equity manager and one of the fixed income managers. The Funds other managers produced positive returns which is the reason for the increase in value of £66 million during the year.

Graph 01: Whole Fund performance
Graph 01 shows total fund investment returns compared with the benchmark. The stock markets that make up the benchmark showed positive returns in 2017/18 of 3.6%. The Fund increased in value by 3.1% over the year slightly underperforming its benchmark by 0.5%. Overall the Fund has increased in value by an average of 6.9% per annum over the last 3 years which is 0.8% above benchmark, 8.7% per annum over the last 5 years which is 1.5% above benchmark and by 7.3% per annum over the last 10 years which is above the benchmark by 0.3%.

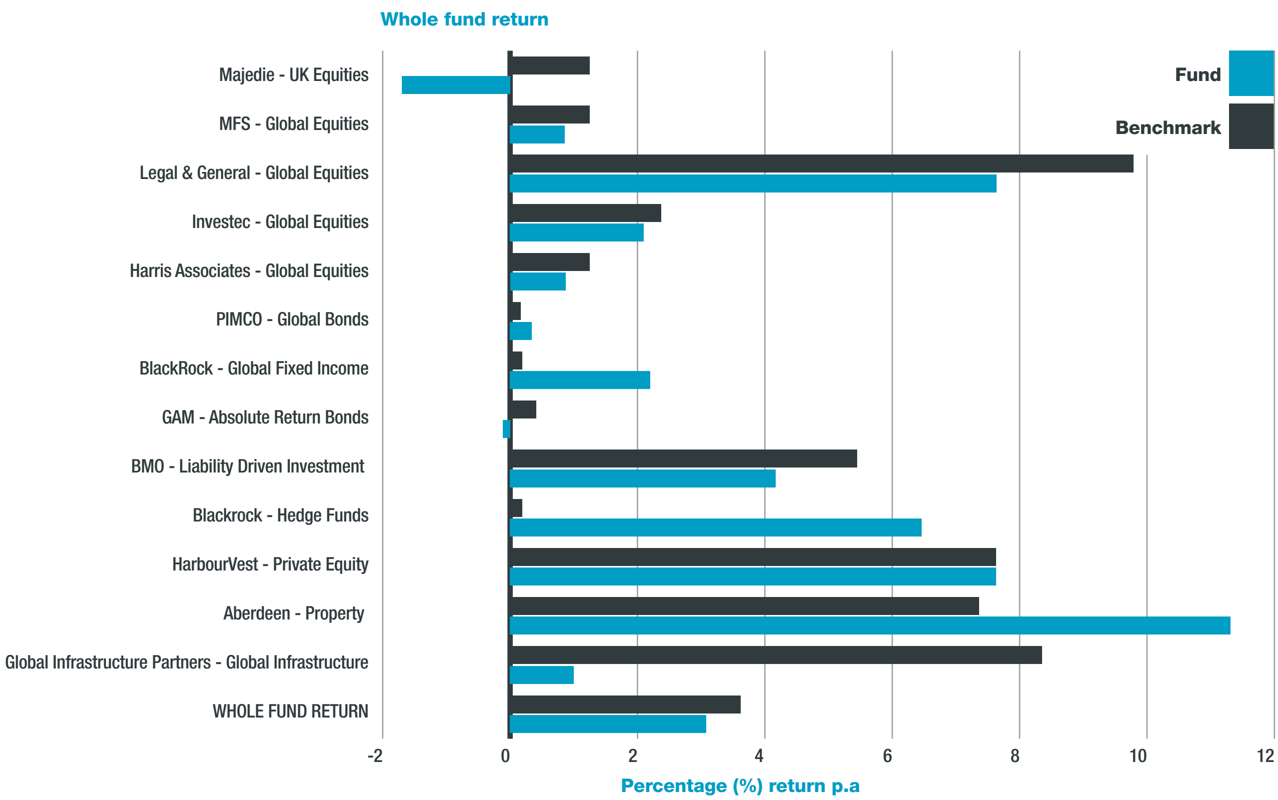
Performance data used in this report is provided by Northern Trust who supplies independent confirmation of the investment performance of individual managers on the Fund's behalf.

Graph 02: Individual fund manager performance
Individual portfolio managers are given performance benchmarks related to the indices of the assets in which they invest or an absolute return benchmark where this is more appropriate. Manager performance compared to their benchmark for the year is shown in Graph 02.

Graph 01: Whole Fund performance



Graph 02: Individual fund manager performance



Corporate governance and socially responsible engagement

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

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

Shareholder voting

Shropshire County Pension Fund has been actively voting at the Annual General Meetings and Extraordinary General Meetings of the companies in which it invests for over sixteen years. The individual Fund Managers vote on the Fund's behalf on all equity portfolios.

The Fund believes that good governance is an important element in reducing the risk of corporate failures in the future. It also believes that over the long term, commitment to corporate best practice will enhance investment returns. As shareholders, we have a fiduciary interest and a responsibility in ensuring the highest standards of governance and accountability within the companies in which we invest.

Through ISS (Institutional Shareholder Services) the Fund has adopted a corporate governance policy based on codes of best practice and governance. Wherever practicable, votes are cast in accordance with industry best practice as set out in the UK Corporate Governance Code.

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

Socially responsible engagement

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

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

For example, BMO have been engaging with Tesco on the subject of food waste since 2012. Food waste is a financially material and ethically sensitive issue for Tesco and they have set ambitious targets to address this issue. Since BMO began engaging with Tesco on this subject, they have been encouraging food waste to be quantified and systems to be implemented to reduce it throughout the value chain. Over the years Tesco have detailed the challenges they face and through BMO's engagement the extent of the progress made by the company has been demonstrated. BMO are encouraged by the work Tesco are undertaking in this area and see positive momentum for further progress. Key achievements to date include published, independently assured food waste data, the CEO at Tesco chairing a coalition of leaders dedicated to accelerating progress on food waste, and no food waste going to land fill. In 2017, 39,000 tonnes of food waste was generated, this was used for energy recovery, animal feed and anaerobic digestion.

In 2017, BMO had over 1060 engagements with 676 companies of which 37% were on environmental standards, 21% were on social issues and 42% were on corporate governance topics. Much of the environmental engagement continued to focus on climate change. This engagement was shaped by the guidelines published by the Financial Stability Board's Task Force on climate related financial disclosures which aim to bring greater consistency to the way companies and investors report climate relevant analysis. BMO were actively involved in setting up a global investor collaboration to scale engagement on this theme. In relation to social themes, key engagement areas included two projects in the pharmaceutical sector one focusing on approaches to corporate drug pricing in the US market and the second on access to medicine. Furthermore, BMO continued engagement on labour standards with a focus on supply chains. As part of this work they visited UK clothing factories and warehouses to get a better understanding of worker conditions following allegations of bad labour practices.

Local authority pension fund forum

Shropshire remains a committed member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF brings together 72 public sector pension funds (as at 31 March 2018) representing 85% of local government pension funds when measured by assets. LAPFF exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders in promoting corporate social responsibility and high standards in corporate governance among the companies in which they invest.

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

- **Cybersecurity**

Reflecting growing concerns on cybersecurity and data content, LAPFF has had a number of meetings with companies to probe their governance and risk management procedures on this issue. In order to underpin engagement, LAPFF has co-signed a letter to the UK National Cyber Security Centre (NCSC) in support of targeted research on managing cyber risks to understand how directors make decisions about cyber security, how board responsibility is designated and what information and metrics board members use to assess risk and make judgements on the worth of security measures.

- **Environmental and Carbon Risk**

LAPFF issued a number of voting alerts recommending members back shareholder resolutions on climate change disclosure at US energy firms. The alerts follow the signing of the Paris Agreement under which countries agreed to limit the global average temperature rise to below 2 degrees Celsius. The objective of the resolutions have been that companies undertake analysis and produce publically available reports on the impact that a 2 degree scenario is likely to have on their business and shareholder value. Resolutions, such as that to Chevron, have also called on energy firms to report on how they can transition to a low carbon economy. The resolutions are in line with LAPFF's policy position to press companies to use scenarios to provide forward looking analysis, and that companies should be positioning themselves for a low carbon future by disclosing strategic business transition plans. The Forum has also signed a joint letter with 200 global investors (representing $15 trillion Assets under Management) urging the G7 to stand by the Paris Agreement and push ahead with its implementation. LAPFF will continue to press companies on aligning their business models with a 2 degree scenario.

Scheme Administration Report

Shropshire County Pension Fund administers the Local Government Pension Scheme (LGPS) which provides occupational pensions for employees (other than teachers) of Local Authority employers within the geographical area of Shropshire. This includes support staff employed by Academies, employees of organisations which have entered into admission agreements with the Fund and bodies who have made a resolution to join the Fund.

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The LGPS was contracted out of the State Second Pension scheme (S2P) until 5 April 2016; from 6 April 2016 the ‘contracted out’ status ceased to exist for all pension schemes due to the introduction of the single tier State Pension. The LGPS is a qualifying scheme under the automatic enrolment provisions of the Pensions Act 2008. From 1 April 2014 benefits for active members build up in the Career Average Revalued Earnings (CARE) Scheme. Pensions are worked out every year and added to a members pension account. The amount in a members pension account is revalued at the end of each scheme year (April to March) so their pension keeps up with the cost of living. Benefits for members with service pre April 2014 are calculated under the provisions of the 1997, 2008 LGPS Regulations.

Shropshire Council is required by law to administer the LGPS in Shropshire. It is accountable to the Pensions Committee, the Pensions Board, the Fund’s participating employers and Scheme members. The responsibilities for Scheme administration are met in-house by the Pensions Team based within the Finance, Governance and Assurance service area within Shropshire Council. The administration includes the collection of employee and employer contributions, member data from all Fund employers, the calculation of member benefits, and payment of pension benefits to retired members, as well as looking after the benefits for deferred members who have not yet taken payment. The Scheme not only provides pensions for members but also survivor benefits to spouses, civil and cohabiting partners and children.

Arrangements in place for gathering assurance over the effective and efficient operation of administration operations:

- External Audit
- Internal Audit
- Pensions Committee
- Pensions Board
- Reporting Breaches policy
- Quarterly Performance Reporting
- The Pensions Regulator Scheme Return

As at 31 March 2018 the Shropshire County Pension Fund had 16,477 active members, 17,433 deferred members, 10,321 pensioners, 1,467 dependants and 181 employers, all looked after by 25 members of staff in the Pensions Administration Team.

Overview of administration in 2017/18

Data Quality

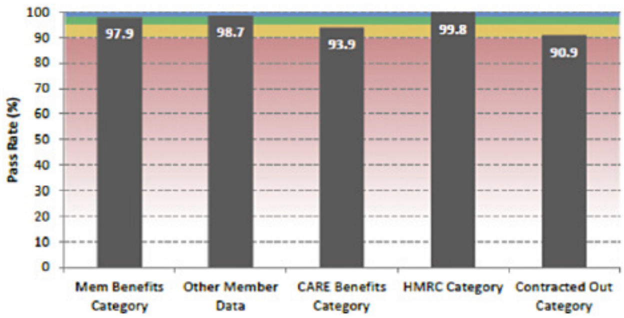
Although the data received by the Fund from Scheme Employers has always been an integral part in ensuring its administrative duties are met, over the past 12 months the Fund has stepped up work to improve the data it collects and holds. For many years checks have taken place at year-end to ensure the data provided by an employer is correct. However during 2017 a data quality review was undertaken as recommended by the Pensions Regulator’s (TPR) 2016 governance and administration survey report.

The TPR stated that it expected all schemes to undertake an annual data review and put an improvement plan in place (if required) and will, for the first time from 2018, expect data accuracy scores to be reported by Funds in the 2018 scheme return.

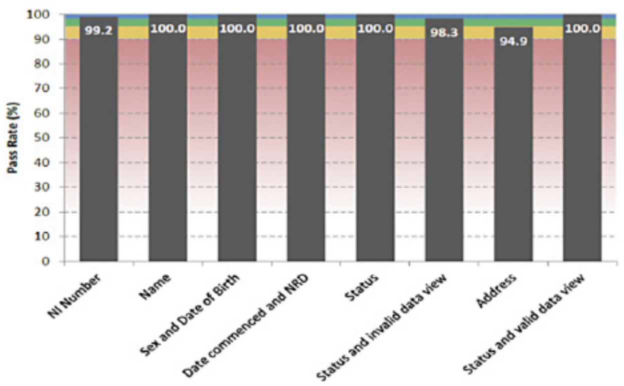
To meet this requirement the Fund undertook a Data Quality Review in July 2017 as part of a pilot being offered by the Fund's Administrator Software Provider. The exercise provided a detailed report on the quality of the Fund's data benchmarked against common and scheme specific (formerly referred to as conditional) data. The types of data deemed as common are outlined in guidance from the TPR but scheme specific data items are not specified. However guidance from the Scheme Advisory Board (SAB) is expected in this area for the LGPS. The tests the Fund has already performed will be reviewed once the guidance is released by the SAB.

The graphs below shows the Fund's performance against each data category reviewed against common and Scheme Specific Data (formally conditional data).

Common data



Scheme Specific data



The review looked at not only the presence of data but also the accuracy of the data held in the Pensions Administration System.

The common data was measured as 92.7% being accurate and the scheme specific data measured at 80.9%. Because these scores are less than 100% the Fund has implemented a data improvement plan to demonstrate the steps it is taking to improve its data.

Electronic data transfer

Since April 2017 all of the Funds employers have been using the iConnect service to transfer their data to the Fund. Member data is transferred from an employer's payroll system, on a monthly basis, into the pension administration system. All of the Fund's employers use iConnect for data transfer. There are two ways to transfer data; 62 employers do a manual upload via the iConnect service whereas 72 upload their data via an electronic data extract that is fed directly into the iConnect service. Collecting data in this way has seen an increase in the number of data changes and cases requiring investigation, being identified on a monthly basis, instead of being picked up at year end, therefore improving data quality. The Fund actively engages with all employers to ensure good quality, accuracy and timeliness of their data. Training is also provided to all new employers joining the Fund.

The responsibilities of both the Fund and employers are outlined in the Pensions Administration Strategy (PAS), which can be viewed in appendix 02.

Key iConnect data facts for 2017/18 Employer Events Policy

12,699
address updates

196,514
contributions postings

402,588
pay data postings

6,452
notifications of starters

5,268
notifications of leavers

A new policy was approved by Pensions Committee in March 2018, called the Employer Events Policy. As there are more employers in the Fund coming and going, resulting from increased services being outsourced and re-let and the increasing number of Local Authority Schools becoming Academy schools this policy was created following advice from the Fund Actuary.

The new policy replaced the Termination Funding Policy and is a more comprehensive policy covering an employer's lifetime in the LGPS from joining the Scheme, to winding up. It summarises events, possible outcomes and informs those affected employers of the Fund's policy when these scenarios occur.

The policy also includes updated regulatory references and expands on the previous Terminations Policy to incorporate joining the Fund, events for admission bodies, new academies, mergers and the process of the Triennial Actuarial Valuation. Also covered is the actions the Fund will take if it becomes aware of a potential exit and how the cost of this will be managed.

One area of change, within the new policy, was to standardise the approach used for exit assessment and current employers were given the opportunity to engage with the Fund on the new policy. All queries raised were dealt with by officers. The change in exit assessment had financial implications for four employers and those affected were provided with a breakdown of the effect on their exit calculation using the new approach.

GMP Reconciliation

During 2017/18, the project to reconcile the Funds data with HMRC's records following the end of contracting out in April 2016 has remained on track to ensure it is completed by December 2018, which is the deadline set by HMRC. The 3rd stage GMP rectification exercise for Pensioners and the reconciliation exercise for Active members was started in March 2018.

Reporting breaches

Section 70 of the Pensions Act 2004 imposes a requirement on the Fund and its named stakeholders to report a breach of law to the Pensions Regulator. When deciding whether a breach is likely to be of material significance to the Pensions Regulator, the cause, effect, reaction to and wider implications of the breach should all be considered and, if a breach has occurred that is deemed material, it should be reported to the Pensions Regulator.

Any breaches by the administration team or Fund employers are recorded on the Breaches Log and reported quarterly to the Pensions Committee.

Up until the 31 March 2018, 270 breaches were recorded however, all were deemed not materially significant to report. The Fund wrote to 7 employers in the year who had multiple breaches across the year. The Fund is working with these employers to help them improve their administration practises.

The current Reporting Breaches policy can be found in Appendix 06 on page 127.

Use of Information Technology

The Fund continues to strive for improved efficiency through the use of Information Technology. This is achieved with the system supplier Aquila Heywood by helping to develop the pensions administration system. The Fund takes part in testing of new releases and engages in user groups to ensure that the pensions administration system continues to meet the needs of the Fund.

Further information on the Funds use of its website as an information source and the Member Self Service facility can be found on page 60.

Pensions Administration Team

Scheme Administrator, Head Of Treasury & Pensions & Treasury Team

Internal dispute resolution procedure

Despite our best efforts we do, sometimes, receive complaints from our members when they have not been satisfied with scheme decisions.

Your right to ask

Members have the right to ask for Scheme decisions to be looked at again under the formal complaint procedure and also have the right to use the procedure if a decision should, but has not been made by their employer or the Fund.

The complaint procedure's official name is the Internal Dispute Resolution Procedure and the procedure is outlined in Regulation 72 of the LGPS Regulations 2013. A Scheme member, pensioner, deferred pensioner or potential beneficiary can all make an appeal under the IDRP procedure. There are two stages to IDRP with the first stage of the dispute going to the body that made the original decision requesting a review of that decision.

If a member is dissatisfied with the outcome of the stage 1 decision, they may apply to the Administering Authority for a review at stage 2 of the IDRP within six months of the stage 1 decision.

If after the stage 2 decision the member or beneficiary is still dissatisfied, they can contact The Pensions Advisory Service (TPAS) and ask for their assistance. Where the complaint or dispute cannot be resolved after the intervention of TPAS, the member or beneficiary has three years in which to apply to the Pensions Ombudsman for a decision.

The Pensions Ombudsman can investigate any type of complaint about a member's or beneficiary's pension, but they must have been through stages 1 and 2 of the IDRP before they contact the Ombudsman.
Fortunately such instances are few and far between. The table below is a summary of the IDRP cases the Fund has received directly, or has been made aware of, that have been raised directly with an employer.

IDRP cases reported 2017/18

STAGE	CASES SUBMITTED	DISMISSED	UPHELD	ONGOING
1st	1	1	0	0
2nd	2	1	0	1

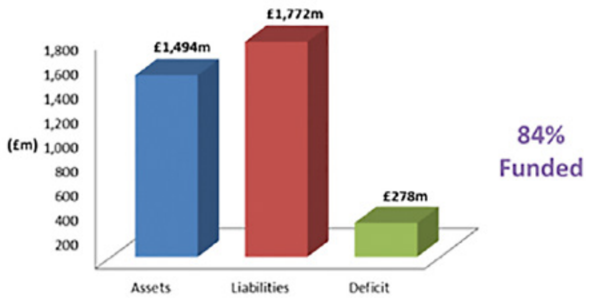
Statement by the Consulting Actuary

Accounts for the year ended 31 March 2018

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Shropshire County Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £1,494 million represented 84% of the Fund's past service liabilities of £1,772 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £278 million.



The valuation also showed that a Primary contribution rate of 14.9% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The Secondary rate of the employer's contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 22 years, and the total initial recovery payment (the "Secondary rate") for 2018/19 is approximately £15.1 million (this allows for some employers to phase in any increases or prepay in April 2017). For most employers, the Secondary rate will increase at 3.7% per annum. Other employers have opted to pay a higher non-increasing contribution over the recovery period. With the agreement of the Administering Authority employers may also opt to pay some of their employer contributions early (after suitably agreed reductions), with either all three years being paid in April 2017 or payment being made in the April of the year in question.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

	FOR PAST SERVICE LIABILITIES (FUNDING TARGET)	**FOR FUTURE SERVICE LIABILITIES** (COMMON CONTRIBUTION RATE)
Rate of return on investments (discount rate)	4.55% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

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

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2018 (the 31 March 2017 assumptions are included for comparison):

	31 MARCH 2017	**31 MARCH 2018**
Rate of return on investments (discount rate)	2.5% per annum	2.6% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.3% per annum	2.1% per annum
Rate of pay increases*	3.8% per annum	3.6% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.3% per annum	2.2% per annum

* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS 26 purposes at the year end than at the beginning of the year (2.6% p.a. versus 2.5% p.a.). The expected rate of increases in pensions in payments decreased during the year, from 2.3% p.a. to 2.1%. Both of these factors served to decrease the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2017 was estimated as £2,669 million. Interest over the year increased the liabilities by c£67 million, and allowing for net benefits accrued/ paid over the period also increased the liabilities by c£23 million (after allowing for any increase in liabilities arising as a result of early retirements/ augmentations). There was then a decrease in liabilities of £100 million due to "actuarial gains" (i.e. the effect of the changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2018 is therefore £2,659 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries

Mark Wilson
Fellow of the Institute and Faculty of Actuaries

Mercer Limited
May 2018

Governance structure

Shropshire Council, as an Administering Authority is required to prepare, publish and maintain a Governance Compliance Statement under Regulation 55 of The Local Government Pension Scheme Regulations 2013.

Outline of the Governance Structure

The Governance Compliance Statement prescribes how the Shropshire County Pension Fund is governed. It explains the role of the Pensions Committee and the Pensions Board and how it reports into the Council. The make-up of the Committee is outlined and the reasons for the current representation. The role of officers, independent advisors and employee and pensioner representatives are also clearly explained.

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

Under the cabinet structure in local government, management of the Pension Fund is a non-executive function and this is reflected in Shropshire Council's governance structure as Administering Authority.

The Pensions Committee was established in 1994 with responsibility for all matters relating to the management and administration of the Shropshire County Pension Fund. The Pensions Committee is a standing committee of the Council and is linked to Full Council by virtue of the Chairman or Vice Chairman being a Shropshire Council member.

The Shropshire County Pension Fund's local Pensions Board was established by Shropshire Council in 2015 under the powers of Section 5 of the Public Service Pensions Act 2013, and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013. The local Pensions Board operates independently of the Pensions Committee, details of which are set out in its terms of reference.

The latest version of the Governance Compliance Statement was approved by the Pensions Committee in June 2015. Please see appendix 1 on page 67 for the latest copy.

Pensions Board Chairs Report 2017/18

The role of the Board is to assist the Administering Authority - Shropshire Council to review the work carried out by Shropshire County Pension Fund and helping to ensure it complies with all the relevant laws and regulations. It is important to note that the Pensions Board has no involvement in the day to day management of the Fund.

The Board has four members, two of whom are employee representatives and two who are employer representatives. During 2017/18 they were:

The Pensions Board members 2017/18

Mike Morris (Chair)

Member Representative

Pat Hockley

Member Representative

Philip Ingle

Employer Representative
Severnside Housing
(Part of the Housing Plus Group)

Liz Furey

Employer Representative
Harper Adams University College

The Shropshire County Pension Board has been operational since 2015 - its role being to assist the Administering Authority (Shropshire Council) to ensure compliance with all of the relevant legislation and regulations of the Local Government Pension Scheme (LGPS).

The Board does not administer or manage any part of the Scheme but it does oversee the decisions that are made - and it can, and does make recommendations for improving efficiency and effectiveness. It also has a role in overseeing the introduction of new regulations.

For example, this year sees the introduction of two important sets of EU legislation.

In January 2018 new share dealing rules were introduced through the MiFID II regulations - aimed at making clear that Fund managers have a responsibility to their investors to trade stocks and shares at the very best prices.

The second major piece of legislation, which comes into effect from May 25th, is GDPR - the General Data Protection Legislation concerns the way that data is collected, held and stored. Like many organisations in the UK who hold personal data, Shropshire County Pension Fund is putting in plans to ensure it is compliant including informing Scheme Members how their data is used.

The Pension Board has examined the impact of both of these pieces of legislation and will keep them under review. Training has also been received on the new data protection standards.

During the year ahead, in addition to the above, we will continue to scrutinise key performance indicators and statistics of the fund's administration, look at the development of a Data Quality Review - as well as keeping an overview of the transition of assets into the LGPS Central Pool.

During the past year there have been two changes in the Pension Board membership. One employer representative, Stuart Wheeler, left in 2017 and his position was filled by a new employer representative, Philip Ingle. In March 2018, Pat Hockley, a member representative who had served for three years, stepped down and at the time of writing we are actively recruiting for her replacement.

The Board and the Administering Authority are extremely grateful for all the time and expertise which the two of them brought to their role.

We have a busy year ahead and lots of developments on the horizon, and so, as ever, Board member training and development will be crucial.

Mike Morris
Chair of the Pensions Board
2017/18

Committee members 2017-18

Thomas Biggins
(Chairman)

Shropshire Council
VOTING

Malcolm Smith
(Vice Chairman)

Telford & Wrekin Council
VOTING

Chris Mellings

Shropshire Council
VOTING

Brian Williams

Shropshire Council
VOTING

Michael Wood

Shropshire Council
VOTING

Dave Wright

Telford & Wrekin Council
VOTING

Jean Smith

Pensioner Representative
NON-VOTING

Overall responsibility for the Shropshire County Pension Fund lies with Shropshire Council, however, this responsibility has been delegated to the S151 Officer, James Walton, Head of Finance, Governance and Assurance who is the Scheme Administrator for the Fund.

The Pension Fund Committee is responsible for advising the Scheme Administrator on the overall management of the Fund and they do this by meeting four times a year, or otherwise as necessary.

Some of the main responsibilities of the Committee are as follows:

- Monitor investment activities during the year
- Monitor overall performance of all the Fund managers
- Oversee the appointment and termination of investment managers
- Monitor the activities of the administration function
- Accept new employers into the Fund
- Reviewing governance arrangements

The agenda and minutes from each of the Pensions Committee meetings can be found on the Shropshire Council website which can be accessed here:
www.shropshirecountypensionfund.co.uk

Training policy (members and officers)

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

Training policy

The Fund has adopted a Training Policy which sets out how the Fund intends to meet its training responsibilities. The current Training Policy can be found in appendix 07 on page 135.

Pensions Committee

The Pensions committee meets quarterly or more often if required and before each meeting there is a training session usually delivered by the Fund investment advisors, Aon Hewitt, Investment Fund Managers or Officers.

Topics are wide ranging and in the past year have included the following:

- LGPS Central Investment Pooling
- Investment Strategy review
- MiFID II
- Implementation of Equity Options
- Insurance Linked Securities
- Property Debt

As well as specific training completed at each Pension Fund committee meeting for members and senior officers, a number of additional training sessions were provided during the year for both members and officers. These included:

Pensions Board: Each Pension Board member throughout 2017/18 received training. The training was either provided by the Local Government Association (LGA), Aon Hewitt or was provided by officers in-house. Each Pension Board member and senior officers have completed the Pensions Regulators' eLearning programme and a skills assessment to identify areas where further training may be required in the future.

Members Training day was held on the 13th October 2017 and topics covered were: Roles and Responsibilities of the Administering Authority/ Employers, Major Asset Classes, Benefits of the LGPS and Other Asset Classes, Asset Allocation and Responsible Investment.

Pensions AGM: Presentations were given on Global Equities by Harris Associates, Investment Pooling, Investment Performance and Fund administration.

Officer Attendance at conferences, seminars and networking groups: LGPS Central Practitioners Advisory Forum, LGC Investment Symposium, LGC Investment Summit, PLSA conference, CIPFA Pensions network seminars, North West and Wales Pension & Accounting Group, Shrewsbury Pensions Officers Group (SPOG), LGA National Communications Working Group and Regional Communications Working Group.

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

James Walton
Head of Finance, Governance and Assurance
(S151 Officer and Scheme Administrator)
27 July 2018

Pension Fund Account

Pension Fund Account for the year ended 31 March 2018

2016/17 £M		NOTES (PGS 38-55)	2017/18 £M	
	CONTRIBUTIONS & BENEFITS			
	Contributions			
47.049	Employers	7	64.083	
13.927	Employees	7	14.049	
2.854	Transfers In from other pension funds	3,7	6.005	
63.830	**Total Income**			**84.137**
	Benefits Payable			
54.534	Pensions	7	56.515	
9.021	Commutation of pensions and lump sum retirement benefits	7	8.337	
1.256	Lump sum death benefits	7	1.272	
	Payment to & acccount of leavers			
0.298	Refund of contributions	7	0.218	
6.736	Transfer to other Funds	3,7	5.249	
71.845	**Total Expenditure**			**71.591**
(8.015)	**Net additions/(withdrawals) from dealings with scheme members**			**12.546**
(13.717)	**Management Expenses**	8		**(14.607)**
	Returns on Investments			
23.155	Investment Income	3,9	24.935	
10.955	Gain/(loss) on cash and currency hedging		10.669	
(0.097)	Taxes on Income	10	(0.344)	
261.999	Profits and losses on disposal of investments and changes in value of investments	11a	32.347	
296.012	**Net increase (decrease) in the net assets available for benefits during the year**			**67.607**
274.280	**Surplus / (deficit) on the pension fund for the year**			**65.546**
1493.990	**Opening Net Assets of the Scheme**			**1768.270**
1768.270	**Closing Net Assets of the Scheme**			**1833.816**

Net Assets Statement

Net Assets Statement as at 31 March 2018

31/03/2017 £M		NOTES (PGS 38-55)	31/03/2018 £M	%
	Investment Assets			
263.900	**Equities**	11b	264.509	14.42
	Pooled Investment Vehicles			
1446.606	Other Managed Funds	11b	1532.234	83.56
	Other Investment Balances			
0.000	Loans	11b	0.685	0.04
	Cash Deposits			
54.084	Deposits	11a	33.081	1.80
2.520	Temporary Investments	27	2.000	0.11
1767.110	**Total Investment Assets**		**1832.509**	**99.93**
	Current Assets			
2.233	Contributions due from Employers	18	2.292	0.12
1.697	Other Current Assets	18	2.204	0.12
	Current Liabilities			
(0.218)	Unpaid Benefits	19	(0.163)	(0.01)
(2.453)	Other Current Liabilities	19	(2.807)	(0.15)
(0.099)	Cash Balances	27	(0.219)	(0.01)
1768.270	**Net Assets of the Scheme - Available to Fund Benefits as at 31 March**		**1833.816**	**100.00**

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed in the Statement by the Consulting Actuary.

Notes

To the Shropshire County Pension Fund accounts for the year ending 31 March 2018

Note 1: Description of Fund

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

The Fund is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Shropshire Council to provide pensions and other benefits for pensionable employees of Shropshire Council and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The Fund is overseen by the Shropshire County Pension Fund Committee, which is a committee of Shropshire Council.

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

Organisations participating in the Shropshire County Pension Fund include:

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

There are 181 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

SHROPSHIRE COUNTY PENSION FUND	31 MARCH 2018	31 MARCH 2017
No of employers with active members	138	127
Number of employees in the scheme		
Shropshire Council	6,690	7,227
Other employers	9,787	9,290
Total	**16,477**	**16,517**
Number of pensioners in the scheme		
Shropshire Council	5,048	4,920
Other employers	5,273	5,105
Total	**10,321**	**10,025**
Number of deferred pensioners in the scheme		
Shropshire Council	8,561	8,366
Other employers	8,882	8,450
Total	**17,443**	**16,816**

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2018. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was as at 31 March 2016. Currently, employer contribution rates range from 6.9% to 28.0% of pensionable pay.

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below:

	SERVICE PRE 1 APRIL 2008	SERVICE POST 31 MARCH 2008
Pension	Each year worked is worth 1/80 X final pensionable salary	Each year worked is worth 1/60 X final pensionable salary
Lump sum	Automatic lump sum of 3x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is up-rated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits.

Note 2: Basis of Preparation

The statement of accounts summarises the Fund's transactions for the 2017/18 financial year and its position at year-end as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

Note 3: Summary of Significant Accounting Policies

Fund Account – revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund Actuary in the payroll period to which they relate. Employers deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date. Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

Transfers to and from other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with The Local Government Pension Scheme Regulations 2013 (see note 7). Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in (see note 7). Bulk (group) transfers are included for on an accruals basis in accordance with the terms of the transfer agreement.

Investment Income

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

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

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

Fund Account – expense items

Benefits payable

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

Taxation

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

Management expenses

The Code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

Investment management expenses

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

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

In addition, the Fund has negotiated with the following managers that an element of their fee will be performance related:
Majedie Asset Management – UK Equities
Pimco Europe Ltd – Absolute Return Bonds
Blackrock – Hedge Fund
Investec Asset Management – Global Equities
Harris Associates – Global Equities
Total performance related fees for all managers in 2017/18 £1.620m (2016/17 £1.060m).

Where an investment manager's fee note has not been received by the year-end date, an estimate based upon the market value of their mandate as at the end of the year is used for inclusion in the fund account. In 2017/18, £0.005m of fees is based on such estimates (2016/17 £0.005m).

Net Assets Statement

Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the day the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 14).

Foreign Currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End of year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period.

Cash

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Additional voluntary contributions

Shropshire County Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. Please see note 20 for further information.

Note 4: Critical judgments in applying accounting policies

The net pension fund liability is recalculated every three years by the Fund Actuary. The methodology used is in line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the Actuary and have been summarised in note 17.

Note 5: Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates. The items in the net assets statement as at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

ITEM	UNCERTAINTIES	EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTIONS
Private Equity	Private Equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £74.8 million. There is a risk that this investment may be under or overstated in the accounts.
Hedge Funds	The hedge funds are valued at the sum of the fair values provided by the Administrators of the underlying funds plus any adjustments deemed necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total hedge fund value in the financial statements is £127.1 million. There is a risk that these investments may be under/over - stated in the accounts.

Note 6: Events after the Reporting date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. There have been no events between 31 March 2018, and when these accounts were authorised, that require any adjustments to be made.

Note 7: Analysis of the main revenue account transactions

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

	ADMINISTERING AUTHORITY £M	ADMISSION BODIES £M	DESIGNATION BODIES / SCHEME EMPLOYERS £M	TOTAL £M
2017/18				
Contributions Received				
Employees	5.132	1.966	6.951	14.049
Employers	35.026	6.499	22.558	64.083
Transfers In	2.676	0.781	2.548	6.005
Total Income	**42.834**	**9.246**	**32.057**	**84.137**
Payments Made				
Pensions	33.875	6.985	15.655	56.515
Lump Sums	3.362	1.897	3.078	8.337
Death Benefits	0.490	0.397	0.385	1.272
Refunds	0.067	0.018	0.133	0.218
Transfers Out	2.643	0.840	1.766	5.249
Total Expenditure	**40.437**	**10.137**	**21.017**	**71.591**
2016/17				
Contributions Received				
Employees	5.137	2.093	6.697	13.927
Employers	18.618	6.632	21.799	47.049
Transfers In	1.525	0.210	1.119	2.854
Total Income	**25.280**	**8.935**	**29.615**	**63.830**
Payments Made				
Pensions	32.828	6.562	15.144	54.534
Lump Sums	2.916	1.772	4.333	9.021
Death Benefits	0.652	0.221	0.383	1.256
Refunds	0.108	0.029	0.161	0.298
Transfers Out	3.923	0.552	2.261	6.736
Total Expenditure	**40.427**	**9.136**	**22.282**	**71.845**

This table shows a breakdown of the employers contributions above:

2016/17 £M	EMPLOYERS CONTRIBUTION BREAKDOWN	2017/18 £M
30.774	Employers normal contributions	33.050
12.156	Employers deficit contributions	*29.634
4.119	Employers augmentation contibutions	1.399
47.049		**64.083**

* Employers deficit contributions figure for 2017/18 includes upfront deficit payments covering three years for Shropshire Council, West Mercia Energy & Age UK

Note 8: Management Expenses

This analysis of the costs of managing the Shropshire County Pension Fund during the period has been prepared in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016).

2016/17 £M	MANAGEMENT EXPENSES	2017/18 £M
0.946	Administrative costs	0.936
12.021	Investment management expenses	13.118
0.750	Oversight and governance costs	0.553
13.717		**14.607**

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

The investment management expenses shown below includes £1.620m (2016/17 £1.060m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £0.467m in respect of transaction costs (2016/17 £0.683m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investment sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of Investments (see note 11a).

2016/17 £M	INVESTMENT EXPENSES	2017/18 £M
8.516	Management Fees	8.635
1.060	Performance Fees	1.620
1.702	Other Fees	2.338
0.683	Transaction Costs	0.467
0.060	Custody Fees	0.058
12.021		**13.118**

The costs incurred by the Council in administering the Fund totalled £0.936m for the year ended 31 March 2018 (2016/17 £0.946m).

2016/17 £M	ADMINISTRATIVE COSTS	2017/18 £M
0.573	Employee costs	0.624
0.175	IT	0.161
0.067	Consultants	0.027
0.055	Printing, Postage and Design	0.049
0.022	Office Accommodation	0.022
0.016	Subscriptions	0.015
0.038	Other Costs	0.038
0.946		**0.936**

The costs incurred by the Council in Oversight and Governance totalled £0.553m for the year ended 31 March 2018 (2016/17 £0.750m)

2016/17 £M	OVERSIGHT & GOVERNANCE COSTS	2017/18 £M
0.226	Investment advice	0.312
0.153	Employee costs (pensions investment)	0.159
0.129	Actuarial advice	0.014
0.097	LGPS Central Pooling costs	*(0.082)
0.050	Responsible engagement overlay	0.050
0.025	External audit	0.022
0.025	Performance analysis	0.025
0.017	Internal audit	0.017
0.015	Legal and Committee	0.015
0.013	Other costs	0.021
0.750		**0.553**

* LGPS Central Pooling costs are shown as a negative figure in 2017/18 as cumulative costs incurred to date are due to be reimbursed back to Shropshire County Pension Fund by LGPS Central in 2018/19

Note 9: Investment Income

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

2016/17 £M	INVESTMENT INCOME	2017/18 £M
6.943	Dividends from equities	7.312
4.974	Income from pooled investment vehicles	5.810
0.014	Interest on cash deposits	0.007
11.224	Other	11.806
23.155		**24.935**

Note 10: Taxes on Income

This table breaks down the taxes on income by asset class:

2016/17 £M	TAXES ON INCOME	2017/18 £M
0.000	Withholding tax - Fixed interest securities	0.000
0.097	Withholding tax - equities	0.311
0.000	Withholding tax - pooled	0.033
0.097		**0.344**

Note 11a: Reconciliation of movements in investments

2017/18 INVESTMENT TYPE	VALUE AS AT 1ST APRIL 2017 £M	PURCHASES AT COST £M	SALE PROCEEDS £M	TRANSITION £M	OTHER CASH TRANSACTIONS £M	CHANGE IN MARKET VALUE £M	VALUE AS AT 31ST MARCH 2018 £M
Equities	263.900	92.244	(84.169)			(7.466)	*264.509
Pooled Investment Vehicles - Unitised Investment Vehicles	0.000						0.000
Pooled Investment Vehicles - Other managed Funds	1446.607	153.735	(106.074)		(1.736)	39.702	*1532.234
Other Investment Balances	0.000	0.685					0.685
	1710.507	**246.664**	**(190.243)**	**0.000**	**(1.736)**	**32.236**	**1797.428**
Cash deposits - with Managers	54.084		(0.103)		(21.011)	0.111	33.081
Temporary Investments	2.520				(0.520)		2.000
	1767.111	**246.664**	**(190.346)**	**0.000**	**(23.267)**	****32.347**	**1832.509**

* Within the Pooled Investment Vehicles - other managed funds total of £1532.234m are £201.902m of level 3 investments as at 31 March 2018. Within the Equities figure of £264.509 are £1.315m of level 3 investments as at 31 March 2018. The value of the level 3 investments were £174.372m as at 1st April 2017 which increased to £203.217m as at 31 March 2018. The increase in value is due to purchases of £62.067m, sales of £36.024m and change in market value of £2.802m. // ** The total change in market value for 2017/18 as per the table above is £32.347m. This figure is made up of profit on sales of £170.854m and also the difference between book cost and market value for the whole Fund which for 2017/18 was -£138.507m.

2016/17 INVESTMENT TYPE	VALUE AS AT 1ST APRIL 2016 £M	PURCHASES AT COST £M	SALE PROCEEDS £M	TRANSITION £M	OTHER CASH TRANSACTIONS £M	CHANGE IN MARKET VALUE £M	VALUE AS AT 31ST MARCH 2017 £M
Equities	213.865	101.680	(121.297)			69.652	263.900
Pooled Investment Vehicles - Unitised Investment Vehicles	162.999		(0.806)	(158.665)		(3.528)	0.000
Pooled Investment Vehicles - Other managed Funds	1077.783	313.156	(298.245)	158.665	(0.615)	195.863	*1446.607
	1454.647	**414.836**	**(420.348)**	**0.000**	**(0.615)**	**261.987**	**1710.507**
Cash deposits - with Managers	38.116				15.956	0.012	54.084
Temporary Investments	0.860				1.660		2.520
	1493.623	**414.836**	**(420.348)**	**0.000**	**17.001**	****261.999**	**1767.111**

* Within the Pooled Investment Vehicles - other managed funds total of £1446.607m are £174.372m of level 3 investments as at 31 March 2017. The value of the level 3 investments were £214.739m as at 1st April 2016 which decreased to £174.372m as at 31 March 2017. The decrease in value is due to purchases of £18.711m, sales of £68.025m and change in market value of £8.946m. // ** The total change in market value for 2016/17 as per the table above is £261.999m. This figure is made of up of profit on sales of £133.785m and also the difference between book cost and market value for the whole Fund which for 2016/17 was £128.214m.

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

2016/17 £M		2017/18 £M
	Equities	
	UK	
118.440	Quoted	121.917
0.000	Unquoted	1.315
	Overseas	
145.449	Quoted	141.277
263.889		**264.509**
	Pooled Funds - additional analysis	
	UK	
12.372	Unit Trusts	12.621
	Overseas	
1139.205	Unit Trusts	1173.133
100.106	Hedge Fund of Funds	127.140
77.476	Pooled property investments	93.757
74.266	Private Equity	74.762
43.192	Infrastructure	50.821
1446.617		**1532.234**
	Other Investment Balances	
0.000	Loans	**0.685**
1710.506	**Total investment assets**	**1797.428**

Note 12: Stock lending

The Fund participates in a stock lending programme with its Custodian, Northern Trust to lend eligible securities from within its portfolio of stocks to third parties in return for collateral. Collateral is restricted to AAA Sovereign debt (the highest rated collateral available).

Collateralised lending generated income of £0.067m in 2017/18 and this is included within investment income in the Pension Fund Account. At 31 March 2018 £16.312m worth of stock (via the Custodian) was on loan, for which the Fund was in receipt (via the Custodian) of £17.346m worth of collateral representing 106% of stock on loan.

Although stock lending involves the transfer of title of those securities to the borrower, the lender's rights to the normal benefits and corporate actions that would have arisen had the asset not been lent are protected. The lender thus retains an economic interest in the securities transferred. During the period stock is on loan, the voting rights of the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

Note 13: Analysis of derivatives

Between November 2007 and September 2013 the Fund passively hedged 50% of all currency exposure to eliminate some of the risks over the longer term involved in holding an increased proportion of overseas investments. In 2013 a decision was made to terminate the contract with Northern Trust who provided this service due to the restructure of the Fund which took place on 30 September 2013.

From September 2013, Legal & General, who manage the global equity passive portfolio, hedge 100% of their foreign currency exposure back to sterling.

Note 14: Fair value - basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

DESCRIPTION OF ASSET	VALUATION HIERARCHY	BASIS OF VALUATION	OBSERVABLE AND UNOBSERVABLE INPUTS	KEY SENSITIVITIES AFFECTING THE VALUATIONS PROVIDED
Market quoted investments	Level 1	Published bid market price ruling on the final day of accounting period	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Pooled investments - overseas unit trusts and property funds	Level 2	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Not required
Infrastructure	Level 2	Valued at the net asset value or a single price advised by the fund manager	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date by changes in cashflows.
Private Equity & Other Unquoted Equity	Level 3	Valued based on the Fund's share of the net assets in the fund or limited partnership using the latest financial statements in accordance with the International Private Equity and Venture Capital guidelines 2012	EBITDA multiple, revenue multiple, discount for lack of marketability, control premium	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date by changes in cashflows.
Hedge Funds	Level 3	Closing bid price where bid and offer prices are published. Closing single price where single price published	NAV based pricing set on a forward pricing basis	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension fund's own reporting date by changes in cashflows.

Sensitivity of assets valued at level 3:
The table below sets out the assets which have been categorised at level 3. The figures have been derived using the valuation methods adopted by each of the relevant investment managers and are assumed to be accurate. The table also sets out the consequential potential impact on the closing value of investments if these valuations were inaccurate, based on an indicative movement of 5% on the value of investments held as at 31 March 2018.

ASSET	ASSESSED VALUATION RANGE (+/_)	VALUE AS AT 31-MAR-18 £M	VALUE ON INCREASE £M	VALUE ON DECREASE £M
Private Equity	5%	74.762	78.500	71.024
Hedge Funds	5%	127.140	133.497	120.783
Unquoted UK Equity	5%	1.315	1.381	1.249
Total		**203.217**	**213.378**	**193.056**

Note 14a: Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur, during 2017/18 however there were no transfers identified.

Level 1: Assets and liabilities at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2: Assets and liabilities at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value.

Level 3: Assets and liabilities at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested.

These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly, however, lag a quarter behind so the valuation in the accounts is as at 30th September 2017. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. In previous years this value has been as at March, however, due to the early closedown deadline from this year onwards the valuation in the accounts are based on February 2018. Assurances over the valuation are gained from the independent audit of the value.

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

ASSET TYPE 2017/18	INVESTMENT MANAGER	INVESTMENT TYPE	MARKET VALUE £M	QUOTED MARKET PRICE LEVEL 1 £M	USING OBSERVABLE INPUTS LEVEL 2 £M	WITH SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3 £M
Equities	Majedie Asset Management	UK Equities	119.206	119.206		
	LGPS Central	UK Equities (unquoted)	1.315			1.315
	Harris Associates	Global Equities	143.979	143.979		
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	12.621	12.621		
	Pimco Europe Ltd	Global Aggregate Bonds	146.524	146.524		
	MFS	Global Equities	156.068	156.068		
	HarbourVest Partners Ltd	Private Equity	74.762			74.762
	Aberdeen Property Investors	Property Unit Trusts	93.757		93.757	
	Blackrock	Hedge Fund	127.140			127.140
	Global Infrastructure Partners	Infrastructure	50.821		50.821	
	Legal & General	Global Equities	367.277	367.277		
	Investec	Global Equities	150.280	150.280		
	Blackrock	Fixed Interest	140.811	140.811		
	GAM	Absolute Return Bonds	142.183		142.183	
	BMO	LDI	69.991	69.991		
Net Current Assets (including cash & other)			37.081	37.081		
			1833.816	**1343.838**	**286.761**	**203.217**

ASSET TYPE 2016/17	INVESTMENT MANAGER	INVESTMENT TYPE	MARKET VALUE £M	QUOTED MARKET PRICE LEVEL 1 £M	USING OBSERVABLE INPUTS LEVEL 2 £M	WITH SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3 £M
Equities	Majedie Asset Management	UK Equities	120.148	120.148		
	Harris Associates	Global Equities	143.741	143.741		
Pooled Investment Vehicles	Majedie Asset Management	UK Pooled Fund	12.372	12.372		
	Pimco Europe Ltd	Global Aggregate Bonds	146.028	146.028		
	MFS	Global Equities	154.295	154.295		
	HarbourVest Partners Ltd	Private Equity	74.266			74.266
	Aberdeen Property Investors	Property Unit Trusts	77.476		77.476	
	Blackrock	Hedge Fund	80.627			80.627
	Global Infrastructure Partners	Infrastructure	43.192		43.192	
	Legal & General	Global Equities	341.195	341.195		
	Investec	Global Equities	147.195	147.195		
	Brevan Howard	Hedge Fund	19.479			19.479
	Blackrock	Fixed Interest	137.777	137.777		
	GAM	Absolute Return Bonds	139.878		139.878	
	BMO	LDI	72.826	72.826		
Net Current Assets (including cash)			57.775	57.775		
			1768.270	**1333.352**	**260.546**	**174.372**

Note 15: Financial instruments

Note 15a: Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

31-MAR-17 FAIR VALUE THROUGH PROFIT & LOSS £M	31-MAR-17 LOANS AND RECEIVABLES £M	31-MAR-17 FINANCIAL LIABILITIES AT AMORTISED COST £M		31-MAR-18 FAIR VALUE THROUGH PROFIT & LOSS £M	31-MAR-18 LOANS AND RECEIVABLES £M	31-MAR-18 FINANCIAL LIABILITIES AT AMORTISED COST £M
			Financial Assets			
263.900			Equities	264.509		
1446.606			Pooled Investment Vehicles - Other managed Funds	1532.234		
	0.000		Other Investment Balances - Loans		0.685	
	56.505		Cash		34.862	
	3.930		Debtors		4.496	
1710.506	**60.435**	**0.000**		**1796.743**	**40.043**	**0.000**
			Financial liabilities			
		(2.671)	Creditors			(2.970)
0.000	**0.000**	**(2.671)**		**0.000**	**0.000**	**(2.970)**
1710.506	**60.435**	**(2.671)**		**1796.743**	**40.043**	**(2.970)**

Note 15b: Net gains and losses on financial instruments

2016/17 £M	FINANCIAL INSTRUMENTS	2017/18 £M
	Financial Assets	
261.999	Fair value through profit and loss	32.347
0.000	Loans and receivables	0.000
0.000	Financial liabilities measured at amortised cost	0.000
	Financial Liabilities	
0.000	Fair value through profit and loss	0.000
0.000	Loans and receivables	0.000
0.000	Financial liabilities measured at amortised cost	0.000
261.999		**32.347**

Note 16: Nature and extent of risks arising from financial instruments

Risk and Risk Management

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

Responsibility for the Fund's risk management strategy rests with the pension fund committee. Risk management policies are established to identify and analyse the risks faced by the council's pensions operations. Policies are reviewed regularly to reflect changes in activity and in market conditions.

Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the assets mix. The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks in two ways:

1. The exposure of the fund to market risk is monitored through a factor risk analysis, to ensure that risk remains within tolerable levels
2. Specific risk exposure is limited by applying risk-weighted maximum exposures to individual investments.

Other price risk

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

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

Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, it has been determined that the following movements in market price risk are reasonably possible for the 2017/18 reporting period. The potential price changes disclosed below are broadly consistent with a one-standard deviation movement in the value of the assets. The sensitivities are consistent with the assumptions contained in the investment advisor's most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

ASSET TYPE	POTENTIAL MARKET MOVEMENTS (+/-)
UK Equities	19.2%
Global unconstrained Equities	21.2%
Global Equities (passive)	20.2%
Property	12.7%
Private Equity	27.6%
Hedge Funds	9.3%
Unconstrained bonds	5.2%
Infrastructure	18.6%
LDI	31.4%

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows.

ASSET TYPE	VALUE AS AT 31 MARCH 2018 £M	POTENTIAL MARKET MOVEMENT £M	VALUE ON INCREASE £M	VALUE ON DECREASE £M
Net Assets including Cash and Other	37.073	0.000	37.073	37.073
Investment Portfolio Assets				
UK Equities	135.853	26.084	161.937	109.769
Global Equities (unconstrained)	447.625	94.897	542.522	352.728
Global Equities (passive)	367.277	74.190	441.467	293.087
Unconstrained Bonds	429.517	22.335	451.852	407.182
Property	93.757	11.907	105.664	81.850
Private Equity	74.762	20.634	95.396	54.128
Hedge Funds	127.140	11.824	138.964	115.316
Infrastructure	50.821	9.453	60.274	41.368
LDI	69.991	21.977	91.968	48.014
Total assets available to pay benefits	**1,833.816**	**293.301**	**2,127.117**	**1,540.515**

ASSET TYPE	VALUE AS AT 31 MARCH 2017 £M	POTENTIAL MARKET MOVEMENT £M	VALUE ON INCREASE £M	VALUE ON DECREASE £M
Net Assets including Cash	57.764	0.000	57.764	57.764
Investment Portfolio Assets				
UK Equities	130.812	25.116	155.928	105.696
Global Equities (unconstrained)	446.950	94.753	541.703	352.197
Global Equities (passive)	341.195	68.921	410.116	272.274
Unconstrained Bonds	423.684	22.032	445.716	401.652
Property	77.476	9.839	87.315	67.637
Private Equity	74.265	20.497	94.762	53.768
Hedge Funds	100.106	9.310	109.416	90.796
Infrastructure	43.192	8.034	51.226	35.158
LDI	72.826	22.867	95.693	49.959
TOTAL ASSETS AVAILABLE TO PAY BENEFITS	**1,768.270**	**281.369**	**2,049.639**	**1,486.901**

Interest rate risk

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

The Fund's interest rate risk is routinely monitored by the Council and its investment advisors in accordance with the Fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The Fund's direct exposure to interest rate movements as at 31 March 2018 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

ASSET TYPE	AS AT 31 MARCH 2018 £M	AS AT 31 MARCH 2017 £M
Cash and cash equivalents	28.270	51.010
Cash balances *	(0.219)	(0.099)
Bonds	429.517	423.684
Total	**457.568**	**474.595**

* overdrawn cash balance as at 31st March 2017 & 31st March 2018

The Council recognises that interest rates can vary and can affect both income to the Fund and the carrying value of fund assets, both of which affect the value of the net assets available to pay benefits. A 1% movement in interest rates is consistent with the level of sensitivity applied as part of the fund's risk management strategy.

The following analysis shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates assuming all variables, in particular exchange rates, remain constant.

ASSETS EXPOSED TO INTEREST RATE RISK	VALUE AS AT 31 MARCH 2018 £M	POTENTIAL MOVEMENT ON 1% CHANGE IN INTEREST RATES £M	VALUE ON INCREASE £M	VALUE ON DECREASE £M
As at 31 March 2018				
Cash and cash equivalents	28.270	0.000	28.270	28.270
Cash balances	(0.219)	0.000	(0.219)	(0.219)
Bonds	429.517	4.295	433.812	425.222
Total	**457.568**	**4.295**	**461.863**	**453.273**

ASSETS EXPOSED TO INTEREST RATE RISK	VALUE AS AT 31 MARCH 2017 £M	POTENTIAL MOVEMENT ON 1% CHANGE IN INTEREST RATES £M	VALUE ON INCREASE £M	VALUE ON DECREASE £M
As at 31 March 2017				
Cash and cash equivalents	51.010	0.000	51.010	51.010
Cash balances	(0.099)	0.000	(0.099)	(0.099)
Bonds	423.684	4.237	427.921	419.447
Total	**474.595**	**4.237**	**478.832**	**470.358**

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash/cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

During 2017/18 the Fund received £0.07m in interest from surplus pension fund revenue cash. This was either invested in call accounts which are classified as a variable rate investment or a fixed term deposit. If interest rates throughout the year had been 1% higher this would have increased the amount of interest earned on these investments by £0.032m. The impact of a 1% fall in interest rates would therefore imply a negative interest rate and therefore it is assumed no interest would have been received or charged on these investments.

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the currency of the Fund (UK sterling). The Fund's currency rate risk is routinely monitored by its investment advisor in accordance with the Fund's risk management strategy, including monitoring the range of exposure to currency fluctuations. The following table summarises the Fund's currency exposure as at 31 March 2018 and as at the previous year end:

CURRENCY EXPOSURE - ASSET TYPE	AS AT 31 MARCH 2018 £M	AS AT 31 MARCH 2017 £M
Overseas Equities	420.886	419.612
Overseas Pooled Fixed Interest	2.915	8.337
Overseas Private Equity	74.762	74.266
Overseas Pooled Property	10.960	20.583
Overseas Infrastructure	50.821	43.192
Total overseas assets	**560.344**	**565.990**

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 11% (as measured by one standard deviation). An 11% fluctuation in the currency is considered reasonable based on historical movements in the month end exchange rates over a rolling 36 month period assuming all other variables, in particular, interest rates, remain constant. An 11% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

ASSETS EXPOSED TO CURRENCY RISK	ASSET VALUE AS AT 31 MARCH 2018	POTENTIAL MARKET MOVEMENT £M	VALUE ON INCREASE £M 11%	VALUE ON DECREASE £M 11%
Overseas Equities	420.886	46.297	467.183	374.589
Overseas Fixed Interest	2.915	0.321	3.236	2.594
Overseas Private Equity	74.762	8.224	82.986	66.538
Overseas Pooled Property	10.960	1.206	12.166	9.754
Overseas Infrastructure	50.821	5.590	56.411	45.231
Total change in assets available	**560.344**	**61.638**	**621.982**	**498.706**

ASSETS EXPOSED TO CURRENCY RISK	ASSET VALUE AS AT 31 MARCH 2017	POTENTIAL MARKET MOVEMENT £M	VALUE ON INCREASE £M 11%	VALUE ON DECREASE £M 11%
Overseas Equities	419.612	46.157	465.769	373.455
Overseas Fixed Interest	8.337	0.917	9.254	7.420
Overseas Private Equity	74.266	8.169	82.435	66.097
Overseas Pooled Property	20.583	2.264	22.847	18.319
Overseas Infrastructure	43.192	4.751	47.943	38.441
Total change in assets available	**565.990**	**62.258**	**628.248**	**503.732**

Credit Risk

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, (the Fund currently does not hold any, but derivatives positions would be an exception here, where risk equates to the net market value of a positive derivative position). However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

The main criteria for determining the suitability of investment counterparties is outlined in the Administering Authority's creditworthiness policy which the Pension Fund has also adopted and approved as part of the annual Pension Fund Treasury strategy.

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

The Council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits over the past five financial years. The Fund's cash holding under its treasury management arrangements as at 31st March 2018 was £2.0m (31 March 2017 £2.520m). This was held with the following institutions.

	RATING	AS AT 31 MARCH 2018 £M	AS AT 31 MARCH 2017 £M
Lloyds Bank Fixed Term deposit	A+	0	520,000
Handelsbanken Instant Access Account	AA	2,000,000	2,000,000
TOTAL		2,000,000	2,520,000

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due i.e. that cash is not available when required. The Fund therefore takes steps to ensure that the Pension Fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the cash flow matching mandates from the main investment strategy to meet the pensioner payroll costs and also cash to meet investment commitments.

The Council has immediate access to cash through two instant access accounts which at any one time could have up to £6 million available in total. The Fund also has the ability to access immediate cash held by Northern Trust which as at 31 March 2018 was £18.660m. The Fund does not have access to an overdraft facility.

Officers prepare a daily cash flow forecast to understand and manage the timing of the Fund's cash flows. The appropriate strategic level of cash balances to be held forms part of the investment strategy.

All financial liabilities at 31 March 2018 are due within one year.

Note 17: Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016 and the next valuation will take place as at 31 March 2019.

The key elements of the funding policy are:

- To ensure the long term solvency of the Fund, i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment
- To ensure that employer contribution rates are as stable as possible
- To minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- To reflect the different characteristics of employing bodies in determining contribution rates where it considers it reasonable to do so
- To use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations

The aim is to achieve 100% solvency over a period of 22 years and to provide stability in employer contribution rates by spreading any increases in rates over a period of time. For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2016 actuarial valuation, the Fund was assessed as 84% funded (76% at the March 2013 valuation). This corresponded to a deficit of £278 million (2013 valuation was £383 million) at that time. Revised contributions set by the 2016 valuation will be introduced in 2017/18 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 14.9% of pensionable pay (14% at the March 2013 valuation).

The valuation of the Fund has been undertaken using the projected unit method under which the salary increase for each member is assumed to increase until they leave active service by death, retirement or withdrawal from service. The principal assumptions were as follows:

FINANCIAL ASSUMPTIONS	31 MARCH 2016	31 MARCH 2013
Discount rate	4.55% p.a.	4.95% p.a.
Assumed long term CPI inflation	2.2% p.a.	2.6% p.a.
Salary increases – long term	3.7% p.a.	4.1% p.a.
Salary increases – short term	1% p.a. for 4 years	1% p.a. for 3 years
Pension increases in payment	2.2% p.a.	2.6% p.a.

The post retirement mortality tables are the S2PA tables. These base tables are then projected using the CMI 2015 model, allowing for a long-term rate of improvement of 1.5% per year. The assumed life expectancy from age 65 is as follows:

DEMOGRAPHIC ASSUMPTIONS	GENDER	31 MARCH 2016	31 MARCH 2013
Current pensioners (at age 65)	Males	22.9	23.7
	Females	26.1	26.0
Future pensioners (assumed current age 45)	Males	25.1	"25.9
	Females	28.4	28.8

It is assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take a 3/80ths cash sum (which is the standard for pre April 2008 service).

Note 18: Analysis of Debtors

Provision has been made for debtors known to be outstanding as at 31 March 2018. An analysis of debtors is shown below:

2016/17 £M	DEBTORS	2017/18 £M
0.147	Central Government bodies	0.458
1.615	Other Local Authorities	1.503
0.000	NHS Bodies	0.000
0.000	Public corporations	0.000
2.168	Other entities and individuals	2.535
3.930		**4.496**

Note 19: Analysis of Creditors

Provision has also been made for creditors known to be outstanding at 31 March 2018. An analysis of creditors is shown below:

2016/17 £M	CREDITORS	2017/18 £M
0.592	Central Government bodies	0.579
0.189	Other Local Authorities	1.151
0.000	NHS Bodies	0.000
0.000	Public corporations	0.000
1.890	Other entities and individuals	1.240
2.671		**2.970**

Note 20: Additional Voluntary Contributions

Scheme members have the option to make Additional Voluntary Contributions (AVC's) to enhance their pension benefits. These contributions are invested with an appropriate provider and used to purchase an annuity at retirement. Contributions are paid directly from scheme members to the AVC provider and are therefore not represented in these accounts in accordance with regulation 4 (1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

Contributions are invested in with-profit, unit linked or deposit funds of the scheme member. At present there are around 542 scheme members with AVC policies. These policies are held either by Equitable Life or Prudential.

During 2017/18 contributions to the schemes amounted to £0.697m. The combined value of the AVC funds as at 31 March 2018 was £5.009m.

Note 21: **Related Party Transactions**

The Shropshire County Pension Fund is administered by Shropshire Council. Consequently there is a strong relationship between the Council and the Pension Fund. Shropshire Council incurred costs of £1.168m (2016/17 £1.173m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

Shropshire Council is also the single largest employer of members of the pension fund and contributed £34.613m (2016/17 £18.274m). All monies owing to the Fund were paid across in the year. Shropshire Council chose to pay all its deficit payments in 2017/18 rather than over the usual three years and this accounts for the variation between 2017/18 and 2016/17 figures noted above. The Scheme Administrator of the Shropshire County Pension Fund is also the Head of Finance, Governance & Assurance for Shropshire Council.

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

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

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

Under the Local Government Pension Scheme 1997 Regulations, Councillors were entitled to join the scheme. Legislation which came into force on 1 April 2014 meant the LGPS was only available to councillors and elected mayors of an English County Council or District Council who elected to join before 31 March 2014. From 1 April 2014 access to the LGPS for councillors was removed and those councillor members who were in the Scheme on the 31 March 2014 could only remain in the Scheme until the end of their current term of office. The remaining active councillor members were removed from the Scheme in May 2017 at the end of their individual office. All councillor members who sit on the Pension Fund Committee who joined the LGPS before 31 March 2014 are now either deferred or pensioner members of the Fund.

LGPS Central Ltd has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the Pool.

No services were provided by LGPS Central Ltd during 2017/18 as operation only commenced in April 2018.

£1,315,000 has been invested in share capital and £685,000 in a loan to LGPS Central during the year. These are the balances at year end.

£416,890 has been spent by Shropshire County Pension Fund on setting up LGPS Central during 2017/18. These costs were borne by West Midlands Pension Fund and then recharged equally to the administering authorities. A total of £499,260 is due to be refunded to Shropshire County Pension Fund by LGPS Central during 2018/19 reflecting the cost of setting up the enterprise from 2016/17 to the end of March 18.

Note 22: Contractual Commitments

The Fund has a 5% (£92 million) strategic asset allocation to Private Equity. It is necessary to over commit the strategic asset allocation because some private equity investments will mature and be repaid before the committed capital is fully invested.

As at 31 March 2018 £209m has been committed to investment in private equity via a fund of funds manager (HarbourVest Partners). Investment in this asset class will be made as opportunities arise over the next 2-3 years. As at 31 March 2018 the funds Private Equity investments totalled £74.762m.

Note 23: Contingent Assets

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

Note 24: Value Added Tax

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

Note 25: Custody of Investments

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

Note 26: Fund Auditors

Grant Thornton has completed its audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practice Board. The Audit Certificate is published within this report.

Note 27: Pension Fund Bank Account

Since April 2010 all income received for the pension fund has been paid into a separate pension fund bank account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2018 £2.0 million was invested. The cash balance in the Pension Fund account as at the same date was overdrawn £0.219m.

Note 28: Fund Structure update

At the June 2016 Pensions Committee, members decided that all funds with Brevan Howard, one of the funds hedge fund managers, should be redeemed. Funds were redeemed in 25% instalments over a 12 month period with 75% of the value of the portfolio being redeemed in 2016/17 and the final amount being redeemed in June 2017. These funds have been invested with Pimco in the absolute bond fund portfolio and Blackrock the Fund's other hedge fund manager.

In September 2017, an equity protection strategy was implemented with Legal & General one of the Fund's existing managers. The strategy is currently being used to reduce equity risk while the Fund considers making allocations to other investments with £280 million of equities being protected.

In March 2018, Pension Committee agreed to appoint an Insurance Linked Securities and Property Debt manager and reduce the overall allocation to equities. These changes will be implemented during 2018/19.

Independent audit opinion and certificate

Independent Auditor's Report

Independent auditor's report to the members of Shropshire Council on the consistency of the pension fund financial statements included in the Pension Fund Annual Report

Opinion

The pension fund financial statements of Shropshire Council (the "Authority") for the year ended 31 March 2018 which comprise the Fund Account, the Net assets statement and the notes to the financial statements, including a summary of significant accounting policies, of Shropshire County Pension Fund are derived from the audited pension fund financial statements for the year ended 31 March 2018 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18 and applicable law.

Pension fund annual report - Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 27 July 2018.

Head of Finance, Governance and Assurance's responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

John Gregory

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
B4 6AT

27 July 2018

Statement of responsibilities

For the statement of accounts

Shropshire Council's Responsibilities
Shropshire Council, as Administering Authority for the Shropshire County Pension Fund, is required to:

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

Approved by Pensions Committee
The Statement of Accounts was approved at a meeting of the Pensions Committee on 27 July 2018.

Thomas Biggins
Chair of Pensions Committee
27 July 2018

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

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

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

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

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

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

Certificate of the Chief Financial Officer
I hereby certify that the Shropshire County Pension Fund Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Fund for the year ended 31 March 2018 and also that the Statement of Accounts complies with the requirements of the Accounts and Audit Regulations 2011.

James Walton
Head of Finance, Governance & Assurance
(s151 Officer & Scheme Administrator)
27 July 2018

Other Fund Policies

Governance Compliance Statement

This Statement has been prepared by Shropshire Council (the Administering Authority) to set out the governance arrangements for the Shropshire County Pension Fund, in accordance with The Local Government Pension Scheme Regulations 2013 (Regulation 55).

The latest copy of this document can be found in appendix 1 on page 67.

Pensions Administration Strategy Report

Pension Fund Administering Authorities have discretion as to whether to prepare a Pensions Administration Strategy Statement. Shropshire Council, as Administering Authority do produce a report under regulation 59 of The Local Government Pension Scheme Regulations 2013.

This report sets out the administration processes for the Fund and outlines the policies and performance standards towards providing a cost-effective, inclusive and high quality administration service.

The latest copy of this document can be found in appendix 2 on page 79.

Funding Strategy Statement

Administering authorities have been required to prepare, publish and maintain a Funding Strategy Statement (FSS) under Regulation 58 of The Local Government Pension Scheme 2013 (as amended).

This document provides the basis for the actuarial valuation which occurs every three years. The Funding Strategy Statement formed the basis of the 2016 actuarial valuation. It sets out in a transparent way the Fund's prudent approach to meeting pension liabilities and maintaining stable employer contribution rates. It outlines the financial assumptions used in the actuarial valuation and identifies the risks and countermeasures employed by the Fund.

Please see appendix 3 on page 89 for the latest copy of this document.

Investment Strategy Statement

Pension Fund Administering Authorities are also required to prepare, maintain and publish an Investment Strategy Statement (ISS) under Regulation 7 of the LGPS (Management and Investment of Funds) Regulations 2016.

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

Please see appendix 4 on page 107 for the latest copy of this document.

Communications

How we keep in touch with our members and employers

Regulation 67 of the LGPS regulations 2013, states that an Administering Authority must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members; and scheme employers.

The Communications Policy statement sets out the Fund's formal policy concerning communications with its stakeholders including the format and frequency of information provided. Following any amendments this document is passed for approval to Pensions Committee and is published on the Fund website. The most recent statement in place can be found in Appendix 05.

Officers in the Fund are part of a regional Communications Working Group (CWG) where communication officers from different funds in England and Wales meet on a quarterly basis to develop items of communication for scheme members in the LGPS. The Fund also has representation on the National Communications Group organised by the Local Government Association (LGA).

The CWG provides the opportunity for LGPS funds to share knowledge and experience in the field of communications. The priorities of the group include the identification of best practice within pension communications generally and the LGPS specifically, exploring the areas where regionally produced communications can complement that produced by the LGA to save individual LGPS funds financial resources and staff time.

Website

The Fund's website is the main source of information for both current and prospective members, as well as Fund employers.
The website address is:
www.shropshirecountypensionfund.co.uk

The website holds the Brief Scheme Guide including the forms and other guidance available to members to download. Members can also access their pension record online via 'My Pension Online' and this is the second most popular page on the website after the homepage. The most popular pages on the website, in order of popularity, from April to October 2017 were:

1. Homepage
2. My Pension Online
3. View your payslips online
4. Forms and Guides
5. Paying In
6. Employer
7. Frequently Asked Questions
8. Contributions
9. About the Scheme
10. Left but no benefits paid

The website provides guidance for Scheme employers and links to the forms they are required to complete. Employer responsibilities are set out in the employers section of the website along with a link to the national guidance on:
www.lgpsregs.co.uk

All participating employers in the Fund are encouraged to use this area to ensure they meet their responsibilities as a Fund Employer.

My Pension Online

For a number of years the Fund has provided members with access to their pension benefits via 'My Pension Online'. Members are able to check their pension records, perform retirement calculations and update their personal information. Over recent years, the Fund has prioritised increasing member take up of 'My Pension Online'.

As at the 31st March 2018:
- 37% of active members
- 29.7% of deferred members

were registered users of 'My Pension Online'

Over the past 12 months there has been a 3% increase in active members registering and an 8% increase in deferred members registering to use 'My Pension Online'. Posters, email campaigns and employer presentations have all been used to increase the sign up rate. In particular, all employers were offered pension surgeries on site for their employees. A total of 6 employers' organised surgeries with 144 members receiving a 1-2-1 appointment.

Email updates

The Fund has continued to utilise email to provide Scheme updates to members and employers. Emails were sent monthly to both members and employers during 2017/18 to inform them of the latest news and events.

Annual benefit statements

The Annual Benefit Statements for 2017 were issued to all active and deferred members as at 31 March 2017 by the regulatory deadline of the 31 August. The statements for both active and deferred members were issued electronically via the Funds secure website area 'My Pension Online'. Any member who has opted out of electronic communication received a hard copy of the statement. Deferred and active members are informed of the annual increase to their benefits via their Annual Benefit Statements.

Pensions Saving Statements are issued each year to any members of the Fund who have exceeded the Annual Allowance Limit. In September 2017, 38 LGPS statements were issued to members who had breached the Allowance over the previous Pension Input Period for 2016/17.

All Scheme members are made aware of the Annual Allowance and Lifetime Allowance Limits through regular newsletters, the Fund's website and email updates.

Retired member newsletter

The retired members' newsletter 'InTouch' is issued bi-annually, in April and November. It covers an update from the pensions committee pensioner representative and also features an update from the pensions manager. It covers various pension issues such as death benefits in retirement. The Fund also issues a combined P60, April payslip and pensions increase notification to Pensioners in April. Payslips and P60s are available for pension members to view online if they wish.

Employers meetings

An employer's meeting was held in October 2017, the meeting was attended by 33 delegates representing 27 employers within the Fund. The agenda covered the following:

- Administration update,
- Importance of employer data
- The new General Data Protection Regulations
- Fund Policies
- Annual Allowance and Lifetime Allowance

Feedback from those that attended stated that that they understood more about LGPS after attending and that they would attend the next meeting. All feedback forms received stated that individuals would be interested in topic based workshops in the future. For the employers who were unable to attend the meeting, each of the presentations were filmed and are available to view on the Fund's website.

Employer training

During 2017/18 specific training events were organised for staff within scheme employers who deal with pension issues. Topics covered were 'Making a Discretions Policy', 'Dealing with outsourcings' and 'Employer Responsibilities'.

Further information

Employer Summary as at 31 March 2018

81	65	35	181
Scheme Employers	Admission Bodies	Designated Bodies	Total

A summary of the number of employers in the Fund analysed by Scheme employers, admission bodies and designated bodies which are active (with active members) and ceased (no active members but with some outstanding liabilities) as at 31 March 2018.

EMPLOYERS	ACTIVE	CEASED	TOTAL
Scheme Employers	58	23	81
Admission Bodies	46	19	65
Designated Bodies	34	1	35
Total	138	43	181

Analysis of Fund assets as at 31 March 2018

ASSET TYPE	UK £M	NON-UK £M	GLOBAL £M	TOTAL £M
As at 31 March 2018				
Equities	135.853	141.277	673.626	950.756
Bonds	0.000	0.000	429.517	429.517
Alternatives	141.569	96.940	177.961	416.470
Cash and cash equivalents	22.309	10.772	0.000	33.081
Other	0.685	0.000	0.000	0.685
Total	**300.416**	**248.989**	**1281.104**	**1830.509**
As at 31 March 2017				
Equities	130.812	145.460	642.686	918.958
Bonds	0.000	0.000	423.684	423.684
Alternatives	129.719	94.849	143.297	367.865
Cash and cash equivalents	44.467	9.617	0.000	54.084
Other	0.000	0.000	0.000	0.000
Total	**304.998**	**249.926**	**1209.667**	**1764.591**

Analysis of investment income accrued during the reporting period

ASSET TYPE	UK £M	NON-UK £M	GLOBAL £M	TOTAL £M
As at 31 March 2018				
Equities	4.778	2.534	0.000	7.312
Bonds	0.000	0.000	0.000	0.000
Alternatives	3.034	2.776	0.000	5.810
Cash and cash equivalents	0.070	0.038	0.007	0.115
Other	1.097	4.096	6.505	11.698
Total	**8.979**	**9.444**	**6.512**	**24.935**
As at 31 March 2017				
Equities	4.578	2.364	0.000	6.942
Bonds	0.000	0.000	0.000	0.000
Alternatives	3.256	1.718	0.000	4.974
Cash and cash equivalents	0.086	0.021	0.011	0.118
Other	1.043	3.894	6.184	11.121
Total	**8.963**	**7.997**	**6.195**	**23.155**

Glossary

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

Additional Voluntary Contributions (AVC): An option available to individuals to secure additional pension benefits by making regular payments in addition to the basic employee contribution payable.

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

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

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

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

Currency Hedging: A technique using forward currency contracts to off set the risks associated with the changing value of currency on the Fund's overseas investments.

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

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

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

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

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

Equity Protection Strategy: A strategy that uses a combination of derivatives in order to dampen equity market risks while receiving dividends from an underlying equity portfolio. The strategy is currently being used to reduce equity risk while the Fund considers making allocations to other investments.

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

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

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

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

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

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

Insurance-linked securities (ILS): ILS is a way of investing in insurance markets, receiving a premium in order to underwrite specific risks such as weather events. The strategy is diversified across a range of different underlying risks, insurers, and types of insurance investment. ILS typically produces returns that do not move in line with other markets, which is a useful characteristic when held alongside the Fund's other portfolios.

Liability Driven Investments (LDI): A strategy which aims to enable Pension Funds to reduce risk and improve funding levels by reducing volatility over time. Because the value of future pension payments is directly linked to inflation, interest rates and the longevity of Fund members, Funds have sought investments linked to such factors.

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

MiFID II: Markets in Financial Instruments Directive II is a European Union law that provides harmonised regulation for investment services across member states of the European Economic Area.

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

Pooled Investment Vehicles: Any fund in which multiple investors contribute assets and hold them as a group.

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

Property debt: A strategy that provides loans secured on commercial property and income (rent). The loans are typically bilateral (one lender and one borrower) and can be created for a range of purposes, including redevelopment.

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

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

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

Transfer Value: These are sums which represent the capital value of past pension rights which a member may transfer on changing Pension Schemes.

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

Governance Compliance Statement

Appendix

01

Agreed by Pensions Committee on 26 June 2015

Appendices

Introduction

1. This Statement has been prepared by Shropshire Council (the Administering Authority) to set out the governance compliance statement for the Shropshire County Pension Fund (the Scheme), in accordance with The Local Government Pension Scheme Regulations 2013 (Regulation 55 refers), and its predecessor, Regulation 31 of the Local Government Pension Scheme Regulations 2008 (as amended).
2. It has been prepared by the administering authority in consultation with appropriate interested persons.

Purpose of Governance Compliance Statement

3. The regulations on governance compliance statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain and publish a written statement setting out:
   a. whether it delegates its functions, or part of its functions, in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority;
   b. and, if so, it must state:
      - the terms of reference, structure and operational procedures of the delegation;
      - the frequency of any committee/ sub-committee meetings;
      - whether the committee/sub-committee includes representatives of employing authorities (including non-scheme employers) or scheme members and, if there are such representatives, whether they have voting rights.
   c. the extent to which delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying.
   d. details of the terms, structure and operational procedures relating to the local pension board established under regulation 106 (local pension boards: establishment).
4. Thus, the policy statement should include information about all of the administering authority's pension fund governance arrangements. Information about the representation of employers should cover any arrangements for representing admitted body employers (non-scheme employers).

Governance of Shropshire County Pension Fund

5. Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the Shropshire Council governance structure that is set out below.
6. The Pensions Committee was established in 1994 with responsibility for all matters relating to the management and administration of the Shropshire County Pension Fund. The Pensions Committee is a standing committee of the Council and is linked to Full Council by virtue of the Chairman or Vice Chairman being a Shropshire Council member.
7. The Shropshire County Pension Fund local Pension Board was established by Shropshire Council in 2015 under the powers of Section 5 of the Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013. The local Pension Board operates independently of the Pensions Committee, details of which are set out in its terms of reference (summarised below).

Shropshire Council

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

Terms of Reference:

a. To advise the Council on the arrangements for the proper administration of the Shropshire County Pension Fund in accordance with the Local Government Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009;
b. To advise employing organisations and employees within the Fund of their benefits, contributions and the financial performance of the Fund;
c. To advise and assist the Council on the determination of any matters of general policy relating to the investment of the Pension Fund;
d. To approve the annual report and accounts of the Fund and hold an Annual Meeting.

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

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

Representaion

9. Representation on the Pensions Committee is as follows:

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

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

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

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

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

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

10. The power to co-opt rests with the Council in full assembly and not with committees; although in practice the selection of persons to serve as co-opted members is usually left to committees. The co-opted members from the Borough of Telford & Wrekin are voting members.

11. The Pensions Committee can, if so minded, elect a co-opted member as its Chairman but in this instance the Chairman is unable to:

- attend council meetings and pilot Pension Committee proposals through the full assembly;
- answer questions put to him/her there;
- represent the Pensions Committee on other committees
- However, a Shropshire Council Vice-Chairman is able to deputise for the co-opted member Chairman.

Reasons for current representation

12. Myners' first principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. All members of the Pensions Committee are offered the Employers Organisation training.

The Fund holds an annual training day when members of the Committee are exposed to presentations on topical issues, such as hedge funds, private equity, actuarial valuations, infrastructure etc.

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

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

For example by the holding of:

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

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

Local Pension Board

Introduction and Role

15. The Shropshire County Pension Fund local Pension Board was established by Shropshire Council in 2015 under the powers of Section 5 of the Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.

16. The role of the local Pension Board as defined by regulation 106 (1) of the LGPS Regulations, is to assist Shropshire Council, the Administering Authority, as Scheme Manager;

- to secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
- to ensure the effective and efficient governance and administration of the LGPS for the Shropshire County Pension Fund.

The Council considers this to mean that the Pension Board is providing oversight of these matters and, accordingly, the Pension Board is not a decision making body in relation to the management of the Pension Fund but merely makes recommendations to assist in such management.

In undertaking its role, the Pension Board will ensure it:

- is done effectively and efficiently
- complies with relevant legislation and
- is done by having due regard and in the spirit of the Code of Practice on the

governance and administration of public service pension schemes issued by the Pension Regulator and any other relevant statutory or non-statutory guidance.

Composition and Appointment

17. The Pension Board shall consist of 4 voting members and be constituted as follows:

a. **2 employer representatives**

b. **2 scheme member representatives**

Employer representatives shall be office holders or senior employees of employers of the Fund or have experience of representing scheme employers in a similar capacity. Subject to restrictions as set out in the LGPS Regulations, Employer representatives can also include elected members. Member representatives shall be scheme members of the Shropshire County Pension Fund and have the capacity to represent scheme members of the Fund.

18. An independent member and substitute members may also be included in the composition of the Pension Board at the discretion of the Appointment Panel. Substitute members for employer and scheme member representatives will have voting rights but an independent member or any other members appointed to the Pension Board by the Appointment Panel will not.

19. The Appointment Panel, made up of the Legal Monitoring Officer and the Head of Finance, Governance & Assurance at Shropshire Council (or their deputies) will determine any eligibility and/or selection criteria that will apply to Pension Board members having due regard to the LGPS Regulations and any other relevant Code of Practice and guidance (statutory or otherwise). The selection process for representative members will be:

- **Employer representatives** – each employer will be invited to nominate one representative to represent employers on the Pension Board.
- **Scheme member representatives** – all active, deferred and pensioner scheme members will be invited to submit applications to join the Pension Board.

The applications and nominations will then be subject to a selection process determined and carried out by the Appointment Panel. The Chair and Deputy Chair will be determined by the Appointment Panel. The term of office will be for 4 years with a possible extension for up to 2 years.

Former or existing members of the Pension Board can be reappointed (under the appointment procedures) with no limit on the number of terms they may have.

Operational Procedures

20. Full details of the operational procedures are set out in the local Pension Board's Terms of Reference. This includes:

- circumstances where membership may be terminated prior to the end of the member's term of office
- Duties and role of the chair insofar as they:
  i. will ensure all meetings are productive and effective
  ii. ensure opportunity for all views to be heard, and
  iii. seek to reach consensus and that decisions are properly put to vote where necessary.
- A quorum constituting as 2 members, made up of 1 employer and 1 member representative.
- The reporting of any concerns over a decision made by the Pension Committee to the Pension Committee subject to the agreement of at least 50% of voting Pension Board members if all voting members are present. If not all voting members are present then the agreement should be of all voting members who are present, where the meeting remains quorate.
- Escalation route and procedures if necessary, regarding a breach of regulation / the regulator's code previously reported to the Pensions Committee but not rectified in a reasonable time period.
- Meetings will normally be held at the offices of Shropshire Council and will be a minimum of twice in each calendar year.
- Compliance with Shropshire Council's Conflict of Interest Policy including declarations of interest of members which may lead to a conflict.
- The ability to access advice and information, either from Fund officers, or other professional advisers as appropriate.

- The requirement of members to be able to demonstrate their appropriate knowledge and understanding and to refresh and keep their knowledge up to date. In addition to the requirements under the Public Service Pensions Act, it includes compliance with the Pension Fund's Training Policy insofar as it relates to Pension Board members.
- A requirement for members to have the highest standards of conduct in accordance with the Council's Constitution.
- The right for members of the Pensions Committee to attend in an observer capacity.
- The publication of information relating to the local Pensions Board in accordance with the Public Service Pensions Act requirements.
- Details of reimbursement, remuneration and allowances.

Delegation to officers

21. Under the Local Government Pension Scheme Regulations 2013 the Shropshire Fund was required to formulate a policy on local discretions. These discretions were originally approved by Pensions Committee in March 1998 and have been updated following subsequent regulation changes. The latest version taking into account LGPS Regulations 2013 is listed in Appendix A.

22. In addition to these local fund-wide discretions there are certain employer discretions, which under regulations, employers have the authority to determine. These discretions are employer specific.

Arrangements outside of formal governance

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

With employing authorities

23. The Fund's primary long term investment objective is to achieve and maintain a funding level at, or close to, 100% of the Fund's estimated liabilities; and within this to endeavour to maintain stable employers' contribution rates. Employing Authorities are pro-actively consulted on the Funding Strategy Statement on which the valuation and employer contribution rates are based.

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

ORGANISATION	CONTRIBUTORS %
Shropshire Council	48
Borough of Telford and Wrekin Council (co-opted)	27
Parish / Town Councils	1
Other Scheme Employers	14
Admitted Bodies	10
TOTAL	100

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

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

25. Over the last decade, consultation with employing authorities on pension fund investment, actuarial matters and proposed central government changes to the regulations has evolved. A large step forward was afforded by the introduction of Statements of Investment Principles and Funding Strategy Statements, the consultation process surrounding them, and their accessibility to the Council's web site.

26. All employers are invited to regular employer meetings which provide information on changes in regulations, investment matters and actuarial valuations. All employing authorities are also kept abreast of events, by e-mail, and they are encouraged to get in touch if they have questions.

27. The Fund undertakes annual monitoring of its actuarial valuation position. Employer organisations are kept up to date of the latest position and its likely impact on employer contributions at the next formal valuation. At triennial valuations the Scheme Actuary presents to the employers meeting to explain changes in the funding level and implications on employer contribution rates. Employers meetings are also used to discuss the Funding Strategy Statements and data requirements for FRS17.

28. An annual meeting is held each year to which all employers are invited. The meeting outlines investment performance and any changes to the Fund's investment strategy as well as regulation changes and administration issues. A Fund Manager also presents at the meeting and allows employers and scheme members the opportunity to ask questions.

With Scheme members

29. Employees are represented on the Pensions Committee by two non-voting members (both Union members) who have an active role in the selection of managers, performance monitoring, investment strategy and responses to consultations on regulation changes. Pensioners are represented by a non-voting pensioner member.

30. All employees, as well as representatives from employer organisations, are invited to the Annual Meeting each year. All pensioners and deferred members also receive an invite to the Annual Meeting which is usually held in November in the county. The meeting is filmed and made available online to enable members unable to attend in person to watch. The meeting is well attended and provides a useful opportunity for members to meet their Employee or Pensioner Representative, learn about the fund and ask questions.

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

The Pension Fund's website includes further information on:

- Full annual report and financial summary
- Statement of Investment Principles
- Myners Compliance
- Funding Strategy Statement
- Communication Policy
- Actuarial Valuation
- Investments
- Pensioner meetings

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

33. In light of the requirements following the LGPS Governance changes emerging from the Public Service Pensions Act 2013, Fund Officers are currently reviewing the Training Policies in order to ensure that all stakeholders are well equipped to carry out their duties as effectively and efficiently as possible. The Training Plan includes:

- Pension Fund Officers and Managers
- Pensions Committee Members
- Local Pensions Board Members.

Once this review has been completed, the updated Training Policy will be adopted and steps taken to ensure all parties meet their requirements.

Compliance against best practice guidelines

34. The current governance arrangements which were established in 1994 and updated since to take account of the latest regulatory change, adhere to the best practice guidance given by the Secretary of State.

The extent to which delegation complies with the best practice guidance is shown in Appendix B.

Appendix A

Shropshire County Pension Fund policy on local directions

- The Local Government Pension Scheme Regulations 2013 [prefix R]
- The Local Government Pension Scheme (Amendment) Regulations 2015
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- The Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- The Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

REGULATION	DISCRETION	GUIDELINE	DELEGATED TO
A52 (2) TP17 (5) TO (8) R40 (2) R43 (2) R46 (2) R82 (2) LGPS 1997 38 (1) & 155 (4) R17 (12)	Payment of death grant	The death grant will normally be paid to or amongst nominated beneficiaries. Where no nomination has been made, we would normally pay a death grant to the deceased's personal representatives (in that capacity). Where both of these options are seen to be inappropriate or impossible perhaps because nominees have died, circumstances appear to have changed since the nomination was made or other persons claiming some or all of the death grant or would seem to have a claim, we may pay the grant as we see fit to or between surviving nominees or personal representatives or any person appearing to us to have been a relative or dependant of the deceased at any time.	Scheme Administrator
R17 (12)	Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	The approach for this discretion will be the same as stated above in 'Payment of death grant'	Scheme Administrator
Rsch1 & TP 17 (9)	Decide to treat child as being in continuous education or vocational training despite a break	To be reinstated where break does not exceed one academic year	Scheme Administrator
B27 (5)	Split of children's pensions	To be paid in equal proportions to the children	Scheme Administrator
A52 (A) B27 (5)	Payment of children's pensions to parent or guardian	To be paid to child and only paid to parent or guardian in exceptional circumstances.	Scheme Administrator
R30(8) TP3 (1), TPSch2, paras 2 (1) and 2 (2) B30 (5) and B30A (5)	Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age including any actuarial reduction on pre and/or post April 2014 benefits	Due to the potential costs of waiving actuarial reduction it is recommended that it be applied only on strong compassionate grounds e.g. where evidence shows that long-term care is being given to a dependent relative (solely dependent on the employee) and that this is likely to continue for many years. However, the cost of pension strain will be given significant relevance in reaching a decision.	Scheme administrator (where Employer has become defunct)
R30 (8)	Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	The Fund will not agree to flexible retirement except in circumstances where the interests of the employer considers and it is in its financial or operational interests to do so. Each case - will be considered on the merits of the financial and / or operational business case put forward, - will set out whether, in additional to any pre 1 April 2008 benefits, the member will be permitted, as part of the flexible retirement agreement, to take a) all, some or none of their 1 April 2008 to 31 March 2014 benefits, and /or b) all, some or none of their post 31 March 2014 benefits, and - will require the approval of the scheme administrator	Scheme administrator (where Employer has become defunct)
B39 & T14 (13) R34 (1)	Commutation of small pensions	To be commuted in all cases where annual value is below Inland Revenue limits other than in exceptional circumstances. The member must make a formal request including the exceptional circumstance they wish to be taken into account. Each formal request to not commute benefits will be assessed on its circumstances and merits	Scheme Administrator
A56 (2) R 36 (3)	Medical requirements	To be based on advice from the Council's Occupational Health Physician or one of the doctors on the list as approved by the pensions committee for the giving of certificates regarding permanent incapacity.	Scheme Administrator
LGPS97 - 60 (5)	Minimum level of Additional Voluntary Contribution	NONE	Scheme Administrator

REGULATION	DISCRETION	GUIDELINE	DELEGATED TO
R71 (1)	Employer's Contributions	To be paid with employees contribution by the 19th of month following the month to which they relate. If contributions are overdue by a month or more than interest may be charged depending on the individual circumstances.	Scheme Administrator
A28 (2) **TP15 (1) (d)** **A28 (2)**	Charge for estimate of transfer of AVC to main scheme	First calculation free thereafter £25 per estimate	Scheme Administrator
LGPS97 - 92	Recovery of Contribution Equivalent Premium	To be recovered in all cases permitted by the regulations	Scheme Administrator
A83 (9) **R100 (7)**	Acceptance of transfer value	To be refused if insufficient to meet Guaranteed Minimum Pension liability	Scheme Administrator
R100(68)	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	The Fund will only extend the 12 month time limit within which a scheme member must make an election to transfer other pension rights into the LGPS after joining the LGPS: - where the member asked for transfer investigations to be commenced within 12 months of joining the LGPS but a quotation of what the transfer value will purchase in the LGPS has not been provided to the member within 11 months of joining the LGPS. The time limit for such a member to make a formal election to transfer pension rights into the LGPS will be extended to one month beyond the date of the letter issued by the Pension Fund administering authority notifying the Scheme member of the benefits the transfer will buy in the LGPS; - where the available evidence indicates the member made an election within 12 months of joining the LGPS, but the election was not received by the Pension Fund administering authority (e.g. the election form was lost in the post); - where the available evidence indicates the member had not been informed of the 12 month time limit due to maladministration. - The Funds decision would also be to support employers decision where is reasonable	T
Financial Rules of the Administering Authority, Shropshire Council.	Overpayment of pension	Overpayments of less than £100 not to be recovered where they occur during the month of death and recovery is likely to cause hardship or be impractical.	Scheme Administrator
R69 (1)	Decide frequency of payments to be made over to Fund by employers and decide form and frequency of information to accompany payments	All payments must be made by the 19th of the month following the month they were deducted. The formal procedure employers must adhere to is set out in the Administration Strategy Statement.	Scheme Administrator
A60 (8) **R76 (4)**	Procedure to be followed by Admin Authority when exercising its stage two IDRP functions	Full procedure can be found on: www.shropshirecountypensionfund.co.uk	Scheme Administrator
R100 (68)	Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	The fund will generally support employers who wish to allow an employee to transfer in pension rights outside of the standard 12 month election period. However, where the Fund considers that such a transfer would have a significantly adverse effect on an individual employers funding position and/or there is a possibility that the additional liability will fall to a sponsoring employer or some other employing authority a late transfer will not be permitted.	Scheme Administrator
LGPS97 - 109 & 110 (4) (b) **TP3 (13)** **A70 (1)** **A71 (4) (c)** **T12**	Abatement of pensions following re-employment	From the 1 June 2006 the abatement and suspension of pension policy operated by the Council changed and since this date no adjustments are required to funded pensions in respect of re-employment, regardless of the level of earnings. This policy applies to the funded element of the pension only and not the added year's compensation. This will still be subject to adjustment as per the regulations.	Scheme Administrator
B10 (2) **TP3 (6)** **TP4 (6)(c)** **TP8 (4)** **TP10 (2) a** **TP17 (2)(b)** **Tsch1** **L23(9)**	Where a member dies before making an election of average of 3 years pay for final pay purposes.	Election to be made by the Fund on behalf of the deceased member.	Scheme Administrator
A52 A **B27 (5)** **R83**	Payments for persons (other than an eligible child) incapable of managing their affairs	If it appears that a person (other than an eligible child as defined in the appropriate regulations is entitled to the payment of benefits under the Scheme but is, by reason of mental disorder or otherwise, incapable of managing his or her affairs, taking regard to the circumstances of the case and medical guidance where appropriate the following will be considered; (a) paying benefits or any part of them to a person having care of the person entitled, or such other person as the Scheme Administrator may determine, to be applied for the benefit of the person entitled as the Scheme Administrator may direct, or (b) applying the benefits in such manner as the Scheme Administrator may determine for the benefit of the person entitled, or his/her beneficiaries and is authorised to implement the Regulation subject to any third parties who are not the legal partner of the pension benefit recipient being required to provide Power of Attorney where the annual pension payable exceeds £1000 (linked to CPI from 2014); in cases where the annual pension benefit is below £1000, medical and documentary evidence as applied for legal partners would be deemed acceptable.	Scheme Administrator

REGULATION	DISCRETION	GUIDELINE	DELEGATED TO
B25 RSch1 TP17 (9)(b)	Evidence required to determine financial dependence of co-habiting partner	A signed declaration form is required confirming the conditions which have been met and supported by the appropriate evidence.	Scheme Administrator
TSch 1 & L23 (9) B42 (1) (c) R49 (1) (c)	In the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	Benefit which is more beneficial to member to be used.	Scheme Administrator
31 (2)	Recharging payments to employers for annual compensation	A 1% handling fee of the total recharge of compensation being paid on behalf of the Employer, will be levied.	Scheme Administrator
R36 (3)	Approve medical advisors used by employers (for ill health benefits)	The medical advisors used by the employers for opinion on ill health benefits must meet the requirements set out in the LGPS regulations and have been approved by the Pensions Committee.	Scheme Administrator
TPSch 2, para 2 (3)	Whether to require any strain on Fund costs to be paid 'up front' by employing authority following flexible retirement or release of benefits before age 60	All strain is required to be paid up front. The process is outlined in 'Administration Strategy Statement'. The Fund may agree, on request from an Employer, to an alternative repayment period if exceptional circumstances are shown.	Scheme Administrator
R16 (1)	Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g where the sum being paid is very small and could be paid as a single payment)	Requests to pay an APC/SCAPC via a lump sum will be refused if cost is less than £50.	Scheme Administrator

Appendix B

Governance

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

1. Structure

a. The management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.

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

b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.

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

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

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

d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

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

2. Representation

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

Fully compliant
The Pension Committee includes representatives from its main employers which represent 75% of active members. The Committee includes two co-opted employee representatives and a pensioner representative. The Committee is supported by the advice of an independent advisor and investment consultant.

b. That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers and meetings, training and are given full opportunity to contribute to the decision making process, with or without voting rights.

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

3. Selection and role of lay members

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

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

b. That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda

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

4. Voting

a. The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.

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

5. Training / facility time / expenses

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

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

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

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

6. Meetings (fequency/quorum)

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

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

b. That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.

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

c. That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented

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

7. Access to information, documents and advice

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

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

8. Scope

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

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

9. Publicity

a. That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed, can express an interest in wanting to be part of those arrangements.

Fully compliant
The Pension Fund Governance Policy Statement is published on the Administering Authority's website and hard copies are available on request.

Administration Strategy Statement

Appendix

02

Agreed by Pensions Committee on 26 June 2016

Appendices

1. Introduction

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

This document is the Pensions Administration Strategy Statement which outlines the policies and performance standards towards providing a cost-effective, inclusive and high quality pensions administration service.

Delivery of such an administration service is not the responsibility of one person or one organisation, but is rather the joint working of a number of different stakeholders which between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership and the regulatory requirements.

2. Compliance

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

In no circumstances does this strategy override any provision or requirement of the Regulations nor is it intended to replace the more extensive commentary provided by the Employers' information on the Funds website and guides provided by the Local Government Association (LGA)

3. Review

The undertakings set out within this Pension Administration Strategy will be reviewed annually by the Fund. The Fund will review this policy statement and make revisions as appropriate following a material change in its policies in relation to any of the matters contained in the strategy. Employers will be consulted and informed of the changes.

4. Regulatory framework

Regulation 59-(1) of the LGPS Regulations 2013 enables an LGPS administering authority to prepare a document ("the pension administration strategy") detailing administrative standards, performance measures, data flows and communication with employers.

In addition, Regulation 70.-(1) of the LGPS Regulations 2013 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority's level of performance in carrying out its functions under these Regulations. See section on Poor Performance.

This document has been presented, considered and ratified by the Pensions Committee on the 28th June 2016 and, as such, the contents of which apply to all existing and future employers of Shropshire County Pension Fund from that date.

5. Scheme employer duties and responsibilities

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

Monthly/Annual Data transfer

The Fund's preferred method of data collection for employee is via iConnect or an agreed alternative. It is a Fund intention that all employers are using iConnect by March 2018.

Appointing a main contact

Each Employing authority must designate a named individual to act as the main point of contact with regard to any aspect of administering the LGPS and be responsible for ensuring the requirements set out in this strategy are met.

Their key responsibilities will be to:

- to act as a conduit for communications to appropriate staff within the employer - for example, Human Resources, Payroll teams, Directors of Finance;

- to ensure that standards and levels of service are maintained and regulatory responsibility is complied with.
- to ensure that details of all nominated representatives and authorised signatures are correct and to notify the Fund of any changes immediately;
- to arrange distribution of communications literature as and when required;
- to inform the Fund of any alternative service arrangements required;
- to assure data quality and ensure the timely submission of data to the Fund; and
- to assist and liaise with the Fund on promotional activities.

Authorised signatories

Each employer must nominate individuals to act as authorised signatories whose names and specimen signatures will be held by Pensions and must sign all documents or instructions received from an employer. In signing a document an authorised officer is not merely certifying that the form comes from the employer stated, but also that the information being provided is correct.

Consequently if an authorised signatory is certifying information that someone else has compiled, for example leaving information including a final salary pay, career average pay, assumed pay, (s)he should satisfy him/herself that the information is correct.

It is the employer's responsibility to ensure that details of the authorised signatures are correct, and to notify the Fund of any changes.

Employer Training

The Fund holds annual training for employers where its officers provide information on Fund Finances, Investment Performance, Regulatory changes and also Administration Performance. Attendance by each employer's main contact and Senior Management is actively encouraged. Usually the meeting content is communicated so the relevant staff can attend. In some instances the training is filmed to enable individuals unable to attend to watch afterwards.

Policy Discretions

Each employer is required by statute to prepare and publish, a written statement of its policy regarding detail the exercise of certain discretionary functions available to them within the LGPS regulations. The policy statement must be kept under review and, where revisions are made, the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date. The LGA has produced a list of discretions employers have in the LGPS. The document can be found on the website www.lgpsregs.org

Notification of employee's rights

Internal Disputes Resolution Procedure (IDRP)
Under Regulation 72 of The LGPS 2013 regulations any decisions made by an employing authority affecting an employee's rights to membership or entitlement to benefits must be made as soon as is reasonably practicable and notified to the employee in writing including a reference to their right of appeal in line with Regulation 73 of the LGPS regulations. Every notification must;

- Specify the rights under stage 1 and 2 of the appeals procedure quoting the appropriate regulations;
- Specify the time limits within an appeal under either stage must be made and;
- Specify to whom an application for appeal must be made
    - For first stage appeals this must be the nominated person of the employer who made the decision. For second stage appeals this will be the appointed person at the administering authority

Nominated person

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

Computer Links

The Fund can provide the links to the Pensions Administration System to appropriate large employers, in order for employing authority staff to produce retirement estimates and enquire on their employees' record of membership. There is a charge for this access.

The Fund will ensure that the Pensions Administration System is available for use during normal office hours with the exception of any necessary scheduled maintenance of the system. Employers must notify the Fund when registered users leave the organisation or no longer requires access.

6. Service standards to Scheme members

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

Some of these performance standards are held within the following tables but not all:

NEW APPOINTMENTS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To ensure that pensions information is included as part of any induction process including in contracts of employment and appointment letters. To provide each new employee with a Brief Scheme Guide and New Member Form with their contract of employment. This may be in the form of issuing a paper copy, or PDF or directing all new members to the Funds website where the information can be viewed or downloaded. The most up to date versions can always be found on our website. Employers should ensure that whoever deals with new joiners within their organisation is issuing or directing members to the latest version of both the New Member Form and the Brief Scheme Guide. Employers must also determine the appropriate contribution rate (whether individually or by an automated process on payroll) and the employer must (as soon as is reasonably practicable) notify the employee of the contribution rate to be deducted from the employee's pensionable pay and the date from which the rate is payable. It is for the employer to determine the method by which the notification is given to the employee but the notification must contain a conspicuous statement giving the address from which further information about the decision may be obtained; must notify the employee of the right to appeal and including the process and timescales involved. To apply the correct employee contribution rate according to the scheme the member is in – either the 50/50 or 100/100 scheme. To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.	To support employers request to attend inductions. To update pension information in accordance with regulatory changes and to keep PDF versions up to date on the Fund website www.shropshirecountypensionfund.co.uk

NEW STARTERS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To ensure that all employees subject to automatic/contractual admission are brought into the Scheme from the relevant date, and provide the Pension Administration Team, with accurate details within 4 weeks of their start date by the agreed monthly return format. To assist the Fund in ensuring that all new starters complete the New Member Form containing information including on previous pension schemes and personal details such as their National Insurance Number, Date of Birth and Home Address. New starter information should also be added to the agreed monthly return within four weeks of the employees first pay date. Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified as above. To send the Fund notification in agreed monthly return of any eligible employees subject to automatic entry, who opt out of the scheme within three months of joining.	To accurately record and update associated member records on the pension administration system. To apply for any Transfer Value details within two weeks of receipt of all the relevant information from the member and to produce Membership Certificates and forward them to member's home address, within thirteen weeks of joining the Scheme or as stated within the Regulations. To accurately create member records on the pension administration system within four weeks of receipt of the notification. To accurately record and update member records on the pension administration system within four weeks of receipt of the documents.

ANNUAL RETURN, VALUATION & ANNUAL BENEFIT STATEMENTS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To provide the Fund with year-end information to 31 March each year in an approved format no later than 30 April or the next working day. The information should be accompanied by a final statement; balancing the amounts paid during the year with the total amounts on the year-end return data file together with a compliance statement both duly signed by an appropriate officer. To provide any additional information that may be requested for the production of Annual Benefit Statements for service up until the 31st March in each particular year by the 30 April each year. To provide the Fund with up to date and correct information as requested in accordance with agreed timescales and the regulations. To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.	To process employer year end contribution returns within three months of receipt i.e. 30th April, or within three months of receipt of the information if later. To produce annual benefit statements for all active members by 31st August and to provide Annual Allowance information by the 5th October each year. Statements will also be produced for deferred members, but no information from employers will be required. Employers must ensure that all leavers are notified to the pension's team. To provide data to the Fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined. To provide an electronic copy of the valuation report and contributions certificate to each employer.

CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To ensure that the Fund is informed of any changes in the circumstances of employees on the agreed monthly return or on the appropriate form within four weeks of the change. Guidance can be found in the Employers Guide at: www.shropshirecountypensionfund.co.uk **CHANGES INCLUDE:** **Personal Information:** • Change of Name • Marital Status • National insurance Number **Conditions of employment affecting pensions:** • Contractual Hours (mandatory for members who meet the underpin requirements only) • Any remuneration changes due to promotion and down grading - pre April 2014 members only • Full-time equivalent pensionable pay according to the Pre 2014 definition • Actual pensionable pay (including overtime/additional hours) in 100/100 and 50/50 Schemes according to the Post 2014 definition (CARE). • Employees Contribution Rate • Employee Number and/or Post Number • Date Joined Scheme (if adjusted) • Confirmation of 50/50 or 100/100 scheme entry NB. An Employee can easily exceed HMRC Annual Allowance if their pay increases. You therefore are asked to inform the Fund of: • Augmentation, • Honorariums • AVC contributions Further information is available from the fund on this issue or visit the page on 'Monthly returns' on the website www.shropshirecountypensionfund.co.uk **Absence** During periods of reduced or nil pay as a result of sickness, injury or relevant child related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) Assumed Pensionable Pay (APP) should be applied for pension purposes. Employer contributions should be deducted from pay and any APP. If the employee receives no pay the employer contributions should still be deducted from APP. Should an employee wish to purchase Additional Pension Contribution (APC) or Shared Cost (SCAPC) contract to buy back the pension 'lost' during the absence, the APP amount will need to be calculated and provided to the members employer. Employers must bring to the attention of the member before a period of absence that they can buy back the 'lost' pension. Employers should also direct members to the website www.lgpsmember.org so they can calculate the cost to buy back the 'lost' pension. **Types of absences include:** • Maternity, Paternity and Adoption • Paid & Unpaid leave of absence • Industrial Action (SCAPC not available) • Any other material/authorised period of absence **See section 'ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's' for further information.**	To provide template forms and spreadsheets for recording any key changes in circumstance and to provide advice on the secure submission of data electronically. To accurately record and update member records on pension administration systems within four weeks of notification or any shorter period as requested by the employer with regard to specific requirements. To highlight annually if an individual has exceeded their Annual Allowance.

RETIREMENT, TRANSFER,DIVORCE ESTIMATES / OUT SOURCINGS ETC	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To submit a request using forms PEN010 by post or attaching it to an e-mail. For larger bulk estimates, requests can be made in alternative agreed formats. To provide pay and other relevant data as requested and provided in the format requested at the time either on an individual or group basis for; • Employee requests e.g. Transfer requests, divorce requests, retirement. • Actuary Requests e.g. Triennial Valuation, FRS17/IAS 19 • Staff transfers e.g. Outsourcings etc.	To issue the individual quotations within seven working days of receiving the request or by separate agreed timescales for bulk requests. To provide large employers links to the appropriate software to produce retirement estimates without the resource of Fund staff. (Employers should note there is a charge for this access).

ACTUAL RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To submit the appropriate PEN007 form to the Fund as soon as the information is available. The PEN007 form must be completed fully as it confirms the information required to enable the benefits to be calculated and the employer's decision as to the type of benefit is to be paid to member. Evidence of the calculation of final pensionable pay is preferred so the Pensions Team can check the accuracy of the pay provided. If not provided the PEN007 form would be returned if it appeared to be incorrect. Further information can be found in the Employers Guide via www.shropshirecountypensionfund.co.uk	To issue the member with a letter and benefits information within seven days of employer's notification. To make payment of any lump sum within seven working days of receipt of all relevant forms and certificates from the member, if later than retirement date. To pay any pension payment on the 29th of each month into the bank, following retirement, unless this falls on a weekend or bank holiday when the payment will be made on the last working day before.

ILL HEALTH RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To determine whether an ill health award is to be made, based on medical evidence and the criteria set in the current LGPS regulations after obtaining an opinion from a Fund approved Independent Medical Registered Practitioner (IMRP) on the appropriate certificate. If an award is made, to then determine which tier 1, 2 or 3 is to be awarded. Arrange for completion of the PEN007 and then submit to the Fund with all related paperwork. To keep a record of all Tier 3 ill health retirements, particularly in regard to arranging the 18 month review. Arranging if necessary with an (IMRP) approved by the Administration Authority for a further medical certificate. To recover any overpayment of pension benefits following a discovery of gainful employment and notify the Fund, where appropriate. To review all Tier 3 ill health retirement cases prior to discontinuance at three years. Further information on Ill health retirements can be found on the employers pages on our website www.shropshirecountypensionfund.co.uk	To calculate and pay required benefits in line with actual retirement timescales. To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.

MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To notify the Fund using the Leavers Form PEN007 form of the employee's date and reason for cessation of membership and all other relevant information on approved forms within four weeks of the event at the latest.	To accurately record and update member records on the pension administration system. To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement within one month of receiving all relevant information.

FORMER MEMBERS WITH DEFERRED BENEFITS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required: • Name & Last known address • National Insurance Number • Payroll Number • Date of Birth • Last job including job description • Salary details • Date and reason for leaving To determine, following an application from the former employee to have their deferred benefits paid early, as to whether or not they are eligible for early payment on ill health grounds in line with the criteria set in the relevant regulations and after seeking a suitable medical opinion from an (IMRP) approved by the Administering Authority or to determine whether benefits should to be released early and in some cases any actuarial reduction waivered on compassionate grounds.	To record and update member records on pension administration system. To provide former members, where possible, an annual benefit statement of their deferred benefits updated by accrued annual pensions increase awards. To provide estimates of benefits that may be payable and any resulting employer costs within seven days of request.

DEATH IN SERVICE & TERMINAL ILLNESS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To inform the Fund immediately on the death of an employee, or when a member is suffering from a potentially terminal illness and provide details of next of kin. Further information can be found on the employers pages of our website www.shropshirecountypensionfund.co.uk	To assist employers, employees and their next of kin in ensuring the pension options are made available and that the payment of benefits are expedited in an appropriate and caring manner.

FINANCIAL OBLIGATIONS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To pay the Fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions and any deficit Lump Sum payments due on a monthly basis, no later than the 19th day of the month following the period of deductions. Further information can be found in the Employer Guide via www.shropshirecountypensionfund.co.uk Each payment must be accompanied by the agreed monthly statement providing; • the breakdown of the payment, at employee level (if not using iConnect). • Employee 100/100 (main scheme) contributions • Employee 50/50 scheme contributions • Employee additional contributions • Employer contributions • Employer SCAPC contributions • Deficit payment To pay all rechargeable items to the Fund on receipt of the invoice. Benefits will not commence until the invoice is paid.	To allocate the received contributions to each employers record. Interest may be charged for late payment in the following circumstances; • Employer contributions (including deficit payment) are overdue if they are received a month later than the due date specified. • All other payments are overdue if they are not received by the due date specified. Inform each employer of any new contribution bandings tables. Inform employers of any rechargeable items as they become due.

ADDITIONAL PENSION CONTRIBUTIONS (APCS) AND SHARED COST APC'S (SCAPCS)	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To communicate to employees regarding the option of SCAPC's to cover periods of 'lost pension' and the timeframe they must elect to purchase a SCAPC. Members must elect within 30 days of returning to work following the absence but employers have the discretion to extend this period. To calculate and collect from the employee payroll contributions and to arrange the prompt payment to the Fund, according to the published schedule and to be no later than the 19th of the month following deduction. More information can be found in the Employers Guide on www.shropshirecountypensionfund.co.uk	To provide information on APCs to members/employers through www.shropshirecountypensionfund.co.uk where a modeller can be found.

Standards of data

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

- the Occupational Pensions Schemes
- (Disclosure of Information) Regulations 2015;
- The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015
- the Pensions Act 1995, 2004 and 2014;
- any Transitional Regulations currently in place;
- the Discretionary and Compensation Regulations 2006;
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Disability Discrimination Act 1995;
- the Age Discrimination Act 2006;
- the Finance Act 2004;
- Health and Safety legislation;
- Employment Rights Act 2010;
- HMRC Legislation and Current GAD Guidance
- Public Service Pensions Act 2013

and any future amendments to the above legislation.

Data Protection

To protect any personal information held electronically the Administering Authority is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund. Members who wish to apply to access their data on data protection grounds should contact the Data Protection Officer on: (01743) 252774

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 processed for the sole purpose of administering your pension and your personal details will be retained.

The Fund may, if it chooses, 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.
Members who wish to see a copy of information held about them by the Shropshire County Pension Fund should make a subject access request under the Data Protection Act 1998 to the Information Governance Team at Shropshire Council. For details:
Tel: 01743 252774 or 01743 252179
Email: governance@shropshire.gov.uk
Visit the website: www.shropshire.gov.uk

Secure Data Transfer

The Fund will follow Shropshire Council's data security guidelines when sending any personal data in bulk, including its published data sharing policy. This means that if data is shared:

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

The full guidelines can be made available on request.

8. Fund administration performance measures

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

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

Audit

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

Benchmarking

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

9. Employer performance reporting

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

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

Poor Performance

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

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

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

In dealing with poor performance the Fund will:

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

Reporting Breaches

The Fund has a procedure to be followed by certain persons in relation to reporting breaches of the law to the Pensions Regulator. The breaches procedure applies, in the main to;

- all members of the Shropshire Pension Board;
- all officers involved in the management of the Pension Fund including members of the Treasury Team and Pensions Administration Team, and the Head of Finance, Governance3 and Assurance (Section 151 Officer);
- any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Shropshire County Pension Fund who are responsible for Local Government Pension Scheme matters.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

If a breach needs occurs the breaches policy must be followed. The most up to date breaches policy can be found on the Funds website.

If a breach occurs by an employer the Fund will notify the employer to ensure improvements are made and will record and monitor the breach. If this failure to comply with the regulations is likely to be of material

10. Associated policy statements

The statement outlines the Fund's policy on:

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

Governance Policy

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

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation. It also includes information on how it will exercise certain discretions provided by the scheme.

Employer Discretions

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

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

A list of the Employer discretions can be found on www.lgpsregs.org

The Fund has purchased a template to assist employers when making their policy. A copy of the template can requested from the Pensions Team.

11. Regulations Extracts

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

80. — (1) A Scheme employer must —

a. Inform the appropriate administering authority of all decisions made by the employer under regulation 72 (first instance decisions) or by an adjudicator appointed by the Scheme employer under regulation 74 (applications for adjudication of disagreements) concerning members; and
b. give that authority such other information as it requires for discharging its Scheme Functions

(2) If—

a. (a)an administering authority makes any decision under regulations 72 (first instance decisions), 75 (decisions of the adjudicator) or 76 (reference of adjudications to administering authority) about a person for whom it is not the Scheme employer; and
b. (b) information about that decision is required by the person's Scheme employer for discharging that employer's Scheme functions, that authority must give that employer that information if asked to supply it.

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

a. the employee's name and gender;
b. the employee's date of birth and national insurance number;
c. a unique reference number relating to each employment in which the employee has been an active member; and (d) the information relating to the employee for the Scheme year in question for each employment which is specified in paragraph (4).

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

a. the dates of active membership;
b. the pensionable pay received and employee contributions deducted while regulation 9 (contributions) applied;
c. the pensionable pay received and employee

contributions deducted while regulation 10 (temporary reduction in contributions) applied;

d. any contributions by the employer in relation to the employee's pensionable pay;
e. any contributions by employee or employer under regulation 16 (additional pension contributions);
f. any contributions by employee or employer under regulation 17 (additional voluntary contributions).

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

59. — (1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are —

a. procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");
b. the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—
   i. the setting of performance targets,
   ii. the making of agreements about levels of performance and associated matters, or
   iii. such other means as the administering authority considers appropriate;
c. procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
d. procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
e. the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
f. the publication by the administering authority of annual reports dealing with—
   - the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
   - such other matters arising from its pension administration strategy as it considers appropriate; and
g. such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must —

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

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

(5) An administering authority must publish—

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

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

Funding Strategy Statement

Appendix
03

Agreed by Pensions Committee on 17 March 2017

This Funding Strategy Statement has been prepared by Shropshire Council (the Administering Authority) to set out the funding strategy for the Shropshire County Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Appendices

Executive summary

Ensuring that the Shropshire County Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (Shropshire Council). The Funding Strategy adopted by the Shropshire County Pension Fund will therefore be critical in achieving this.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Shropshire County Pension Fund.

It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Shropshire County Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

The Fund's objective

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

Solvency and long term cost efficiency

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

Deficit recovery plan and contributions

As the solvency level of the Fund is 84% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may, in certain circumstances at the discretion of the Administering Authority, also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the contributions at the expected monetary levels from the preceding valuation (including any indexation in deficit payments over the recovery period). Full details are set out in this FSS.

The target recovery period for the Fund as a whole is 16 years at this valuation which is 3 years shorter than the target recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

Where there is an increase in contributions required at this valuation the employer may, at the Administering Authority's discretion, be permitted to step-up their total contributions over a period of 3 years.

Actuarial assumptions

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in an Appendix to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets allowing for the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.35% per annum and for determining the future service ("Primary") contribution rates is 2.75% per annum.

Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Section 151 Officer and reported to the Committee.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

Employer asset shares

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer's asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

Fund policies

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas:

1. **Covenant assessment and monitoring**

   An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

   The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

   After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer.

2. **Admitting employers to the Fund**

   Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is determined by the Fund's admission policy. Examples of new employers include:

   - Fund Employers
   - Designated bodies - those that are permitted to join if they pass a resolution
   - Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

   Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. **Termination policy for employers exiting the Fund**

   When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

   Where there is no guarantor who would subsume the liabilities of the exiting employer, the Fund's policy is that a discount rate linked to government bond yields and a more prudent longevity assumption is used for assessing liabilities on termination. Any exit payments due should be paid immediately although instalment plans will be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

4. **Insurance arrangements**

   The Fund may consider whether ill health retirement costs can be insured either through a third party insurer or by setting up an internal captive insurance arrangement which pools these risks for eligible employers. If such an arrangement is implemented the relevant employer contribution rates will be adjusted accordingly.

1. Introduction

The Local Government Pension Scheme Regulations 2013 (as amended) (“the 2013 Regulations”) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Transitional Regulations”) (collectively; “the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Shropshire County Pension Fund (the “Fund”), the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Fund published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

Benefits

The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Average Revalued Earnings (“CARE”) benefits earned thereafter. There is also a “50:50 Scheme Option”, where members can elect to accrue 50% of the full Fund benefits in relation to the member only and pay 50% of the normal member contribution.

Employer contributions

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the “primary” and “secondary” rate of the employer’s contribution).

Primary rate

The “Primary rate” for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer’s covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers’ Primary rates.

Secondary rate

The “Secondary rate” is an adjustment to the Primary rate to arrive at the total rate of contribution each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

2. Purpose of the FSS in policy terms

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3. Aims and purpose of the fund

The aims of the Fund are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4. Responsibilities of the key parties

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and, in particular the Pensions Committee the individual employers and the Fund Actuary and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

Key parties to the FSS

The Administering Authority should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a Fund employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The Individual Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5. Solvency funding target

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

Solvency and long term efficiency

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the LGPS so far as relating to the Fund.

Determination of the solvency funding target and deficit recovery plan

The principal method and assumptions to be used in the calculation of the funding target are set out in Appendix A. The Employer Deficit Recovery Plans are set out in Appendix B. Underlying these assumptions are the following two tenets:

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

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

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- The Fund does not believe it appropriate for contribution reductions to apply compared to the existing funding plan (allowing for indexation where applicable) where deficits remain unless there is compelling reason to do so.
- Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Section 151 Officer and reported to the Committee.
- Subject to consideration of affordability, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in Appendix B). These principles have resulted in an target recovery period of 16 years being adopted across all Fund employers.
- Individual employer contributions will be expressed and certified as two separate elements:
  - the **Primary rate:** a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
  - the **Secondary rate:** a schedule of lump sum monetary amounts over 2017/20 in respect of an employer's surplus or deficit

  For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 actuarial valuation.
- Where increases in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, if the Administering Authority agrees then the increase from the rates of contribution payable in the year 2017/18 may be implemented in steps, over a maximum period of 3 years.
- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer.
- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

Funding for non-ill health early retirement costs

Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund.

6. Link to Investment Policy and the Investment Strategy Statement

The results of the 2016 valuation show the liabilities to be 84% covered by the current assets, with the funding deficit of 16% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked, fixed interest gilts and possible swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 51%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current strategy is:

ASSET CLASS	ALLOCATION	CONTROL RANGES
Total Equity	**52.0**	**47.0-57.0**
Unconstrained Global Equity	24.0	20.0-28.0
Passive Equity (100% Hedged to GBP)	8.0	5.5-10.5
UK Alternatives	20.0	16.0-24.0
Total Alternatives	**23.0**	**18.0-28.0**
European (Inc UK) Property	5.0	n/a
Private Equity	5.0	n/a
Infrastructure	3.0	n/a
Fund of Hedge Funds	5.0	n/a
Multi-Strategy Hedge Funds	5.0	n/a
Total Bonds	**25.0**	**20.0-30.0**
Liability Driven Invstment (LDI)	3.5	2.0-5.0
Unconstrained Bonds	21.5	17.5-25.5

The investment strategy and return expectations set out above equate to an overall best estimate average expected return of around 3.25% per annum in excess of CPI inflation. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations.

7. Identification of risks and counter measures

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

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term.

Financial

The financial risks are as follows:

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses

- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Demographic

The demographic risks are as follows:

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations
- The level of take-up of the 50:50 option at a higher or lower level than built into the actuarial assumptions.

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements.** Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

Insurance of certain benefits

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

Regulatory

The key regulatory risks are as follows:

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules

Membership of the LGPS is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

Governance

The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their representatives on the Local Pension Board) to make their views known to the Fund and to participate in the decision-making process.

Governance risks are as follows:

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond. Where there is a guarantor body in place, any outstanding funding deficit that is not recovered from the outgoing employer / bond will need to be paid by the guarantor (or the assets and liabilities for the outgoing employer will need to be subsumed by the guarantor). For cases where there is no guarantor or bond in place, any outstanding funding deficit that is not recovered from the outgoing employer will need to be subsumed by the Fund as a whole and spread across all employers.
- Changes in the Committee membership.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

8. Monitoring and review

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Fund membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

Appendix A

Method and assumptions used in calculating the funding target

Method

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

Financial assumptions - solvency funding target

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets base on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.35% per annum above CPI inflation i.e. a real return of 2.35% per annum, equating to a total discount rate of 4.55% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In the shorter term, the long term salary increase assumption has been replaced by an assumption of 1.0% per annum for the period to 2019/20, reflecting expected short term pay restraint in the public sector over this period.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

Demographic Assumptions

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary.

Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections with a long-term improvement trend of 1.5% per annum.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option (an allowance of 10% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.6% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

Method and assumptions used in calculating the cost of future accrual (or primary rate)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the FSR should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum, giving a total discount rate of 4.95% per annum.

Employer asset shares

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the "primary rate") for the 2016 actuarial valuation

LONG-TERM YIELDS	
Market implied RPI inflation	3.2% p.a.
SOLVENCY FUNDING TARGET FINANCIAL	
Investment return/Discount Rate	4.35% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.
FUTURE SERVICE ACCRUAL FINANCIAL ASSUMPTIONS	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

	BASE TABLE	IMPROVEMENT	ADJUSTMENT (M / F)
Current pensioners:			
Normal health	S2PA	CMI_2015 [1.5%]	95% / 83%
Ill-health	S2PA	CMI_2015 [1.5%]	Normal health + 3 years
Dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	115% / 93%
Future dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	113% / 96
Current active / deferred:			
Active normal health	S2PA	CMI_2015 [1.5%]	95% / 83%
Active ill-health	S2PA	CMI_2015 [1.5%]	Normal health + 4 years
Deferred	S2PA	CMI_2015 [1.5%]	95% / 83%
Future dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	113% / 96%

Other demographic assumptions are set out in the Actuary's formal report.

Appendix B

Employer deficit recovery plans

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including the option of prepaying the deficit contributions in one lump sum (either on annual basis or a one-off payment). This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of the recovery periods is summarised in the table below:

CATEGORY	TARGET DEFICIT RECOVERY PERIOD	DERIVATION
Fund Employers	16 years	Determined by reducing the recovery period from the preceding valuation by at least 3 years and to ensure contributions do not reduce versus those expected from the existing plan.
Open Admitted Bodies	16 years	Determined by reducing the recovery period from the preceding valuation by at least 3 years and to ensure contributions do not reduce versus those expected from the existing plan.
Closed Employers	Minimum of 16 years and the future working lifetime of the membership	Determined by the future working life of the membership, and to ensure contributions do not reduce versus those expected from the existing plan.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the contributions at the expected monetary levels from the preceding valuation (allowing for any indexation in deficit payments over the recovery period).

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Fund officers and Section 151 officer in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

Appendix C

Glossary

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies: A specific type of employer under the Local Government Pension Scheme (the "LGPS") who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Employing bodies: any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities: shares in a company which are bought and sold on a stock exchange.

Fund / Scheme Employers: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers.

Funding or solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / guarantor: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Letting employer: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities: the actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Minimum risk basis: an approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

Orphan liabilities: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

Investment Strategy Statement

Appendix

04

Agreed by Pensions Committee on 22 September 2017

Appendices

1. Introduction

The Local Government Pension Scheme ("LGPS"), of which the Fund is a part, is established under the Superannuation Act 1972 and is regulated by a series of Regulations made under the 1972 Act. All LGPS funds in England and Wales are required to have an Investment Strategy Statement ("ISS" or "Statement"). Regulation 7 of The LGPS (Management and Investment of Funds) Regulations 2016 governs the requirements of this Statement. The Shropshire County Pension Fund (the "Fund") has complied with these requirements. Under the regulations the Secretary of State has the power to intervene in the investment function of an administering authority if the administering authority does not have regard to the Regulations, guidance or if other concerns are raised. This may include changing the ISS and, in the extreme, the transfer of investment powers to the Secretary of State or another nominated person.
Shropshire Council (the "Authority") is the Administrating Authority for the Fund.

This ISS has been prepared by the Fund's Pension Committee (the "Committee"), following advice received from the Fund's consultant, Aon Hewitt.

The document takes account of the Fund's:

Approach to pooling

- the Authority's approach to the pooling of investments, including the use of collective investment vehicles and shared services.

Asset allocation and risk

- to ensure that asset allocation strategies are sufficiently diversified;
- to include the Authority's assessment of the suitability of asset classes;
- set out the maximum percentage of the total value of all investments that it will invest in in particular asset classes;
- to include the Authority's approach to risk, the assessment of risks and how they are to be managed.

Policies regarding investments

- the Authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
- the Authority's policy on the exercise of the rights (including voting rights) attaching to investments.

The ISS will be reviewed every three years after the investment strategy has been reviewed and is confirmed as fit for purpose. In addition the ISS will be reviewed following changes to the investment strategy.

A copy of this ISS will be made available on request to any interested party.

2. Governance

Shropshire Council has delegated responsibility for the management of the Fund to the Pension Committee. The Pension Committee has responsibility for establishing investment policy and ongoing implementation.

The Pension Committee is made up of nine members comprising both elected councillors and a non-voting employee and pensioner representative.

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

Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's advisers. Only persons or organisations with the necessary skills, information and resources take decisions affecting the Fund. The Members of the Pension Committee will ensure they receive training as and when deemed appropriate, to enable them to critically evaluate any advice they receive.

The Committee receives independent investment advice from the following sources:

- Roger Bartley - strategic and overall investment approach advice.
- Aon Hewitt (the Investment Consultant) - analysis and advice of a technical nature in relation to all investment related aspects of the Fund.

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

Local Pensions Board
The role of the Local Pensions Board is to assist in the good governance of the scheme through the monitoring of adherence to statutory duties.

The Board consists of 2 employer and 2 member representatives.

The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with scheme rules.

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

3. Approach to Pooling

The Fund is a participating member of the LGPS Central Pool. The proposed structure and basis on which the LGPS Central Pool (the "Pool") will operate was set out in the July 2016 submission to Government.

Assets to be Invested in the Pool
The Fund's intention is to invest its assets through the LGPS Central Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government.

It is expected that the majority of the Fund's liquid assets will be transferred to the Pool on 1st April 2018, although it will take some time for the Pool to restructure the assets into appropriate sub-funds within the Pool. These sub-funds are likely to be set-up over a period of 2 – 3 years, with the timing being dependent on market conditions and operational circumstances, and until such time as the appropriate sub-fund is set up the assets transferred into the Pool will be overseen by LGPS Central on behalf of the Fund. It is not expected that any significant decisions (e.g. replacement of a manager) will be taken on the assets transferred over to the Pool without prior consultation with the Fund, unless it is part of the process that leads to the setting up of a sub-fund.

At present it is expected that any transitory cash will be held outside the Pool (but not strategic cash holdings), and it is possible that currency management will continue to be carried out at an individual fund level.

Structure and Governance of the LGPS Central Pool
The eight administering authorities of LGPS Central will all be equal shareholders of the company. A Shareholders' Forum, comprising of one elected member from each administering authority, will fulfil the shareholders' role in ensuring that the company is managed efficiently and effectively and in the best interests of the funds.

A Joint Committee, also comprising one elected member from each administering authority, will be formed that will hold the company to account on all investment-related issues. The Joint Committee will have no decision making powers and all actions that are felt to be appropriate will ultimately require approval at an individual fund level.

A Practitioners' Advisory Forum, comprising of Officers of the administering authorities, will also be set up. The intention of this forum is to provide support and guidance to elected members on some of the practical issues, and to act as a conduit between the Joint Committee and the Committees of individual funds.

4. Asset allocation and risk

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

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

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

The Committee formulates the investment strategy with a view to:

- the advisability of investing money in a wide variety of investments;
- the suitability of particular investments and types of investment;
- ensuring that asset allocation strategies are sufficiently diversified.

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

- quoted and unquoted equity;
- government and non-government bonds;
- Liability Driven Investment ("LDI");
- property and infrastructure;
- hedge funds and other alternative investments;
- derivatives, including equity options

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

Investment Beliefs

The following investment beliefs are taken into account when agreeing an asset allocation policy:

- A long term approach to investment will deliver better returns.
- The long term nature of the Fund's liabilities is well suited to a long term approach to investment.
- Asset allocation policy is the most important driver of long term return.
- Risk premiums exist for certain types of asset and taking advantage of these can help to improve investment returns.
- Markets can be inefficient, and sometimes 'mispriced' for long periods of time, and there is a place for both active and passive investment management.
- Diversification across investments with low correlation improves the risk/return profile, but over-diversification is both costly and adds little value.
- The Fund should be flexible enough in its asset allocation policy to take advantage of opportunities that arise as a result of market inefficiencies, and also flexible enough to protect against identifiable short-term risks when this is both practical and cost-effective.
- Responsible investment can enhance long term investment performance and investment managers will only be appointed if they integrate responsible investment into their decision-making processes.
- Investment management fees are important and should be minimised wherever possible, but it is ultimately the net return to investors (i.e. the return after all fees and costs) that is the most important factor.

Asset-liability Study and Expected Returns

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

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

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

Expected annualised returns are formulated for each asset class based on long term capital market assumptions, using ten year expected returns and volatilities. The returns and volatilities used for each asset class are shown in the table below, and represent the current 10 year annualised nominal return assumptions from Aon Hewitt at 31 December 2016 (as used in the Asset-Liability Modelling study carried out at that time).

ASSET CLASS	31 DECEMBER 2016	
	EXPECTED RETURN %	VOLATILITY %
UK Equities	7.8%	19.2%
Global Unconstrained Equities	8.7%	21.2%
Global Passive Equities	7.1%	20.2%
Property	6.3%	12.7%
UK Index-Linked Gilts (Over 5 year duration)	0.5%	10.2%
Unconstrained Bonds	4.3%	5.2%
Global Fund of Hedge Funds	2.7%	9.3%
Global Private Equity	8.2%	27.6%
Infrastructure	5.7%	18.6%
Inflation (CPI)	2.1%	1.1%

Investment Strategy and Control Ranges

The Fund's strategic asset allocation was agreed by Pensions Committee in September 2015 as follows:

ASSET CLASS	ALLOCATION	CONTROL RANGE
Total Equities	**52.0**	**47.0 – 57.0**
Unconstrained Global Equities	24.0	20.0 – 28.0
UK Equities	8.0	5.5 – 10.5
Passive Equities (100% Hedged to GBP*)	20.0	16.0 – 24.0
Total Alternatives	**23.0**	**18.0 – 28.0**
European (Incl UK) Property	5.0	n/a
Private Equity	5.0	n/a
Infrastructure	3.0	n/a
Fund of Hedge Funds	5.0	n/a
Multi-Strategy Hedge Funds**	5.0	n/a
Total Bonds	**25.0**	**20.0 – 30.0**
Liability Driven Investment (LDI)	3.5	2.0-5.0
Unconstrained Bonds	21.5	17.5-25.5

* The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term. The strategy protects £280m of equities with £140m of protection expiring in June 2018 and £140m expiring in December 2018. The protection targeted is such that when expected dividend income is allowed for, total losses over the terms of the protection will be no greater than 3%, unless the extent of price losses are sufficiently large to result in total returns losses exceeding 23%, in which case the protection structure reduces the total return losses by 20%. The strategy was funded by selling upside returns on the equity protected with the amount retained varying by region.**The Fund is disinvesting from the multi-strategy hedge fund and temporarily increasing the allocation to fund of hedge funds and unconstrained bonds.

Rebalancing Policy

Officers will review the position of the Fund quarterly to ensure the assets are within the control ranges listed above, and will rebalance as appropriate.

Risk

TThe Committee regards 'risk' as the likelihood that it fails to achieve the objectives set out above and has taken several measures, to minimise this risk so far as is possible. The Fund's Risk Register has more information.

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

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

Asset Allocation Mismatch

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

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

- the rate of return on assets;
- salary escalation and price inflation for active members;
- price inflation for deferred members;
- price inflation for pensioners.

In terms of magnitude, the Committee considers asset-liability mismatch risk to be one of the most important to control. Therefore, following each actuarial valuation, the Committee conducts an asset-liability review, which focuses on the impact of asset allocation on expected future funding levels. The Committee considers the results using advanced modelling techniques and, with the assistance of expert advisers, are able to measure and quantify them in terms of their definitions of risk. This allows the Committee to assess the probabilities of critical funding points associated with different investment strategies. Consideration is given to the volatility of a number of parameters (e.g. items associated with accounting measures, contributions etc.), to further assess the potential risks associated with a particular investment strategy.

Cash-flow Risk

The Fund remains open to new members and new accruals. Contributions are received from both active members and employers within the Fund. Active members contribute on a tiered system. Contributions from employers within the Fund are determined based on advice from the Fund Actuary based on the triennial valuation.

The majority of investments held within the Fund are quoted on major markets and may be realised quickly, if required. Certain asset classes, Hedge Funds, Private Equity, Property and Infrastructure are relatively illiquid and may take longer to realise, if required.

Investment Risk

The Committee believe the use of active management within the Fund will increase the likelihood that the Fund will meet its objectives. The decision as to whether to pursue active management is evaluated separately for each asset class, with regard to the potential reward within that asset class for taking on active manager risk. Active manager risk is then diversified through the use of different investment managers and pooled funds.

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

The Fund's assets are invested in portfolios managed by external investment managers shown in appendix B. They are benchmarked against the indicated indices. Based on expert advice (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool), investment managers may be replaced at any time and this list may not always be current.

The performance targets for the investment manager(s) are shown in appendix B. Shropshire Council recognises that these targets will not be met in all periods under consideration, but expects that they will be met in the vast majority of long-term periods under consideration. In addition, the return generated on the passive equities is constrained by the equity protection strategy the Fund has in place with Legal & General.

Each investment manager appointed by the Committee (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool) is bound by the terms and conditions of an Investment Management Agreement where restrictions and targets are clearly documented, including a measure of risk. The pooled fund investments and direct investments are governed by the terms and conditions of the fund and or policy documents.

Frequent monitoring of portfolio performance and exposure characteristics also aids in the ongoing risk management for the Fund (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool).

Concentration Risk

The split between asset classes has been set to ensure there isn't excessive exposure to any particular asset class or specific risk such as equities or credit risk.

To ensure that asset allocation is sufficiently diversified the Committee considers a full range of investment opportunities including those available through the LGPS Central Pool. In addition investment opportunities outside the pooling arrangements will be considered if they are not already or likely to be available through the Pool, and there are suitable resources to invest in and monitor the investment. These can include contracts related to financial futures or insurance.

Appropriate advice will be sought on alternative asset classes when setting the strategy and as opportunities arise.

Currency and Counterparty Risk

Passive equity investments are fully currency hedged by the investment manager.

Some investment managers may take active currency positions based on their mandates.

The Committee has delegated responsibility for the counterparty risk to the investment manager(s) (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

Legal & General shall manage the Fund's margin or payment requirements arising in respect of the equity protection strategy.

Custody Risk

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

Stock Lending

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

The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unit-holders. Where a pooled fund engages in this activity the extent is fully disclosed by the manager (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool).

Monitoring

The Committee monitors the strategy and its implementation as follows:

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

The Officers, in conjunction with the Investment Consultant, will regularly review the allocation of assets between the different asset classes.

Service Provider Monitoring

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

Investment Manager Fees

Investment management fees comprise an ad valorem or fixed base fee element and in some cases a performance based element. The ad valorem fee is calculated as a percentage of assets under management. Where applicable, the performance based element is calculated as a percentage of outperformance. The assessment period ranges from one to three years depending on the investment manager and the mandate. The exact details of the fee arrangements are specific to the investment manager and are as agreed in the respective Investment Manager Agreements or pooled fund documentation (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool).

5. Policies regarding investments

Social, Environmental and Corporate Governance Considerations

Shropshire Council is aware of the UK Stewardship Code and is working towards becoming signatories to the Stewardship Code (the "Code"). Although it has not yet formally signed up to the Code it aims to abide by the principles of the Code where appropriate. The principles of the UK Stewardship Code are included in Appendix C for information.

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

In addition the Fund is a member of the Local Authority Pension Fund Forum which helps ensure governance is in line with current best practice.

The Exercise of the Rights Attaching to Investments

The Committee has delegated responsibility for the selection, retention and realisation of investments to the investment manager(s) (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

The Committee expects the investment managers to take steps to ensure that environmental, social and governance factors are adequately addressed in the selection, retention and realisation of investments as far as such factors may affect investment performance (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

The Committee supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its investment manager(s) who exercise its voting rights. Votes are cast by proxy. Investment manager(s) provide reports when any voting rights are exercised (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool). Only direct investments in traded equity shares carry such voting rights.

Appendix A

Myners Principles for Institutional Investment Decision Making

PRINCIPLE	COMPLY OR EXPLAIN	COMMENT/EXAMPLES
1. Effective decision making • Administrating authorities should ensure that: • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation • cThose persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest	Comply	Pension Committee takes decisions relating to setting investment objectives and strategic asset allocation, appointment of investment managers. Pension Committee members, substitute members and Officers participate in an annual training day, attend educational seminars and receive occasional papers and presentations at committee meetings. The training requirements of new Pensions Committee members are addressed and appropriate training programmes made available, with a formal Training Programme being submitted to the Committee for consideration on an annual basis.
2. Clear Objectives • An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administrating authority and scheme employers, and these should be clearly communicated to advisors and investment managers	Comply	A Fund specific investment objective is set to maintain a funding level at, or close to 100% and within this, to endeavour to maintain low and stable employers contribution rates. As set out in the Funding Strategy Statement, the actuary takes account of a range of factors on the Fund's liabilities in setting contribution rates as part of the valuation process. Performance and risk parameters are specified in relation to relevant indices and appropriate time periods and are set out in investment mandates.
3. Risk and liabilities • In setting and reviewing their investment strategy administrating authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk	Comply	Asset/Liability review is carried out every three years and the actuary takes account of a range of factors on the Fund's liabilities as set out in the Fund's Funding Strategy Statement which addresses the issues of financial assumptions, longevity and strength of covenant. If required, the actuarial funding position can be reported to the Pensions Committee on a quarterly basis, using information provided by Aon Hewitt.
4. Performance assessment • Arrangements should be in place for formal measurement of performance of the investments, investment managers and advisors • Administrating authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members	Comply	The Officers have an independent performance measurer in place. They also receive regular updates from Aon Hewitt regarding managers and the Officers meet regularly with their managers and advisors to review their performance. The Fund has recently assessed its effectiveness as a decision-making body and aims to spend more time on strategic level and asset allocation decisions compared to meeting managers going forwards.
5. Responsible ownership • Administrating authorities should • Adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents • Include a statement of their policy on responsible ownership in the statement of investment principles • Report periodically to scheme members on the discharge of such responsibilities	Comply	The Investment Strategy Statement includes a statement on responsible ownership. An independent advisor is appointed to engage with companies on socially responsible issues and voting at company meetings is effected through the Fund's investment managers.

PRINCIPLE	COMPLY OR EXPLAIN	COMMENT/EXAMPLES
6. Transparency and reporting • Administrating authorities should • Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives • Provide regular communication to scheme members in the form they consider most appropriate	Comply	A range of documents are published relating to the Fund's investment management and governance including the Governance Compliance Statement, Funding Strategy Statement, Investment Strategy Statement, Communication Policy Statement and Annual report and accounts. These documents are available in full on the Fund's website and any amendments are published. Stakeholders are also invited to attend the annual meeting of the Fund.

Appendix B

Investment manager mandates

INVESTMENT MANAGER	ASSET CLASS	BENCHMARK	TARGET
ACTIVE PORTFOLIOS			
PIMCO Europe Ltd	Unconstrained bonds	1 month Sterling LIBOR	+4% p.a.
BlackRock	Unconstrained bonds	3 month USD LIBOR	+ 4-6% p.a.
GAM	Unconstrained bonds	3 month Sterling LIBOR	+ 3-5% p.a.
BMO	Liability Driven Investment (LDI)	Hedge Benchmark (based on FTSE over 5 yrs Index Linked Gilt Index)	Outperform the benchmark
Majedie Asset Management	UK Equities	FTSE All Share	+2% p.a. over rolling 3 year periods
MFS Investment Management	Global Equities	MSCI World	+1% p.a. over rolling 3 year periods
Investec Asset Management	Global Equities	MSCI All Country World NDR	+ 3-5% p.a. over rolling 3 year periods
Harris Associates	Global Equities	MSCI World	+ 2-3% p.a. over 3 to 5 years
Harbour Vest Partners Limited	Private Equity Fund of Funds	Broad public equities index	+ 3-5% p.a.
Global Infrastructure Management	Infrastructure	n/a	RPI +5% p.a.
Aberdeen Property Investors	European (incl UK) Property	Composite of INREV VA Europe Index, vintage 2005 – 2008 and IPD UK All Balanced Funds Index	RPI +4% p.a.
Brevan Howard	Multi-Strategy Hedge Fund	3 month Sterling LIBOR	+6.0% p.a.
BlackRock	Fund of Hedge Funds	3 month Sterling LIBOR	+5.0% p.a.
INDEXED (PASSIVE) PORTFOLIOS			
Legal & General Investment Management	Global Equity	FTSE Developed World – GBP Currency Hedged	Match benchmark*

* The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term.

Appendix C

Principles of the UK Stewardship Code

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
3. Monitor their investee companies.
4. Establish clear guidelines on when and how they will escalate their stewardship activities.
5. Be willing to act collectively with other investors where appropriate.
6. 6. Have a clear policy on voting and disclosure of voting activity.
7. 7. Report periodically on their stewardship and voting activities.

Communications Policy Statement

Appendix

05

Agreed by Pensions Committee on 26 June 2015

This statement has been prepared by Shropshire Council (the Administering Authority) to set out the communications strategy for the Shropshire County Pension Fund (the scheme), in accordance with Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013.

Appendices

Shropshire Council, in its capacity as an Administering Authority deals with over 120 employers and approximately 15,000 scheme members, 13,000 deferred members and 10,000 pensioners in relation to the Local Government Pension Scheme (LGPS). The delivery of benefits involves communication with the membership and a whole range of other interested parties. This statement provides an overview of how we communicate and how we intend to measure whether our communications are successful.

This statement is effective as of 26 June 2015 and the membership details were correct as of that date.

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

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

1. Introduction

1.1 The principal aim of the Shropshire County Pension Fund is to provide secure pensions, effectively and efficiently, administered at the lowest cost to the contributing employers.

1.2 The Fund is committed to providing comprehensive information to all stakeholders, through the most appropriate communication methods. Effective communication cannot be left to chance and this document outlines the ways in which the Fund aims to meet this objective.

1.3 The Shropshire County Pension fund has experience of using innovative communication techniques and intends to continue using a wide variety of communication tools in the future.

1.4 The Fund is now part of a Joint Communications Group with neighbouring Local Government Pension Fund Authorities.

Thus the funding and resourcing of elements or our communication service is shared, such as the development and production of newsletters and Annual Benefit Statements. This has already, and will continue to, provide Fund efficiency savings.

1.5 The Fund Officers will endeavour to ensure that value for money and quality of service is obtained from sourcing both imaginative, cost effective designers and reliable printing departments.

2. Principles of communication

2.1 The Fund has adopted five key principles that support all of its communication. The Fund is committed to ensuring that:

- Communication is factual and presented in plain language
- Communication is designed in a manner appropriate to its audience
- Communication is looked upon as involving a dialogue with others
- Communication takes on the developments and improvements in new technology and different channels.
- Communication is planned, Co-ordinated and evaluated

2.2 The Fund will make every effort to make communication materials available in large print, Braille, audio tape and different languages if requested.

2.3 The local Government Pension Scheme is a useful tool in attracting employees to work in local government. For Employers it is a key part of their recruitment and retention package. Pension Services are also the last, and often the only, link between former staff members and their employers. The Fund therefore has an important role in ensuring that it communicates effectively with all its stakeholders.

2.4 Pension Services work to maintain a thorough knowledge of the regulations in order to retain the confidence of its members. Pension Services should always be the first place staff members turn for pension information during their working life and in retirement.

2.5 Pension Services are committed to responding promptly to members' requests for information, whether it's by face to face communication, email or by letter. Information is provided within set timescales. Our turnaround time for dealing with requests is normally ten days.

3. How does the Fund communicate with stakeholders?

3.1 Printed /Electronic Literature

Any paper or electronic based communications is produced using the Fund branding, be that newsletters, guides or individual letters.

3.2 Drop in Service

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

Appointments can be made to discuss specific pension options or problems, but generally this is not necessary as members of the team are available during office hours. If members do drop in, appointments held are confidential and private.

3.3 Telephone

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

3.4 Website

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

The Fund provides a secure area on the site which allows Scheme members to access their own records, calculate benefit estimates, projections and to update home address information. This is called Member Self Service or MSS.

3.5 Contacting the Fund by post or email

For general communications, the Fund has an email account and postal address. These details can be found on the back cover of this statement.

3.6 Email alerts

The Fund asks all new members for an email address and has made efforts to capture the email addresses of deferred and pensioner members. This is so all members can be sent out email notifications when there has been a significant update to the website or an upcoming event.

3.7 Presentations and courses

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

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

3.8 Roadshows and Member Consultations

The Fund organises events on a consultation/ surgery basis with time slots for members and prospective members. This is particularly useful for employers with small numbers of staff.

Fund membership is dispersed over a large rural area and therefore these consultations are an ideal way to reach members. These consultations are generally held after Annual Benefit Statements have been sent.

3.9 Newsletters

'Pension update' is the Fund's in-house newsletter and is sometimes produced in conjunction with our Joint Communications Group. This in-house newsletter is issued periodically. With an audience of Scheme and eligible non-members the newsletter aims to provide topical news, articles and the latest information about the Scheme and pensions in general.

InTOUCH is the Funds in-house newsletter for retired members. Published twice a year, the newsletter proves to be a useful way of providing updates on relevant changes in legislation, topical news, competitions and member's articles.

Deferred members also receive a newsletter, normally sent with their Annual Benefit Statements. These newsletters are sent when information needs to be communicated to them, again providing updates on relevant changes in legislation, topical news and reminding the member to keep the Fund notified of any future changes in address.

Newsletters or email bulletins are also issued to Scheme Employers frequently. These provide legislation, operational items and technical updates and support. They also advertise upcoming training and events.

Annual Report, Accounts & Meeting
The Annual report is a financial reporting document showing the Funds accounts over the previous twelve months, along with details on both investments and administration performance.

The report and accounts are the main focus of the Annual Meeting held in November.

All retired, active and deferred members are invited to attend the Annual Meeting. The meeting gives members the opportunity to meet the Pension Committee and the members of staff who administer the Scheme on a one to one basis. Also, the Funds management team provide updates on the latest Fund news. The Fund is committed to making the meeting widely accessible to the membership and ensuring its content is of both interest and relevance. The Annual Meeting regularly covers scheme benefit changes, valuation position and investments in an interesting and informative manner.

4. Who are the stakeholders of the Fund and what is provided to them?

4.1 Active & Deferred Scheme Members

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

Annual Benefit Statement
An Annual Benefit Statement is provided to all active and deferred members. The statements include various pension details such as the current value of benefits, how they are calculated, and when they become payable. The format of the statements is continually being developed to provide members with the information they require in a clear and concise manner.

Scheme Literature
A large range of literature, including scheme guidance and frequently asked questions, is produced by the Fund and is made available to both Employers and Scheme members.

A different guide is available for councillors to whom different rules apply. Councillor members of the scheme also have a different section of the Funds website.

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

4.2 Prospective Scheme Members

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

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

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

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

Other Employer Communications
The increasing role of communication within all organisations means that more employers have staff newsletters, intranets and other communication facilities. The Fund actively works to provide their employees with the best information and opportunities in regard to the Scheme and often provides information to be made available on intranets and websites.

4.3 Retired Members Pay Advices

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

Online access to Payslips and P60s

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

Combined P60 Payslip and P.I.

Every retired member and/or their dependents will receive a P60, Payslip and P.I. notification normally at the end of April.

The pension increase notification informs them of the inflation increase on their pension, if any.

Retired Members Meeting

Every summer a dedicated meeting is held for retired members. These include a presentation from an outside speaker on a non-pension related subject and an update on the latest pensions news.

Cards & Flowers

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

Validation - Retired Members Living Abroad

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

4.4. Employing Authorities Employer Meetings & Training Sessions

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

Employers' Guide

An Employers' Guide is available to all employers, detailing the processes, procedures and forms required to effectively discharge their pension administration responsibilities. The employers guide is held on the employers area of the website www.shropshirecountypensionfund.co.uk

Employers Bulletins

Regular email bulletins are periodically sent out to all employers. These aim to inform employers on latest news, issues, events and regulatory changes. The bulletin is also used to communicate any consultations in regard to policy and regulations.

Monthly returns and end of year procedure

There is data that employers must submit to the Pensions Team in respect of Scheme members on a monthly basis to ensure their pension record is accurate. The monthly return template can be found in the employers pages of the pension's website and the notes on completion are contained within the spreadsheet. The spreadsheet should be securely sent to the Pensions Team to update member records each month.

Each year employers are required to submit a year end return. Employers are emailed towards the end of the financial year with the year-end template and instructions for completion.

Some employers in the Fund are using a "middleware" facility called I-Connect that assists the fund and employers by improving the flow of member data between the two parties. It is equipped for the 2014 CARE scheme requires and addresses automatic enrolment obligations together with minimizing the risk of fines from the Pension Regulator. The main cost of this system falls on the Pension Fund with a small cost to the employer.

4.5 Pension Committee & Fund Staff Pensions Committee

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

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

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

Pensions Board

In accordance with the LGPS Governance Regulations 2015, a Pension Board has been introduced from 1 April 2015 to ensure effective governance and administration of the Scheme.

The Local Pension Board is be responsible for assisting Shropshire Council, the Scheme Manager, to:
Secure compliance with:

- The Local Government Pension Scheme Regulations;
- Any other legislation relating to the governance and administration of the Scheme, and;
- Requirements imposed by The Pensions Regulator in relation to the Scheme, and; to ensure the effective governance and administration of the Scheme.

From the date of its set up on the 1st April 2015 the Board will be an oversight body and not decision making. It does not replace existing governance arrangements in place in the Shropshire County Pension Fund in respect of the administration of the Local Government Pension Scheme.

The Pension Board shall consist of 4 voting members and be constituted as follows:

- 2 employer representatives
- 2 scheme member representatives

Pension Board reports will be available on the council's website www.shropshire.gov.uk and by following the link for 'Committees, meetings and decisions' and on the 'Pension Board' page or at www.shropshirecountypensionfund.co.uk

Service Management Team

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

Team Meetings

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

Training

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

Intranet and E-Mail

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

Local Authority Pensions Web

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

4.6 Communication with Other Bodies

Mercer (Pension Fund Actuary)

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

Legal Advice

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

DCLG

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

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

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

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

Joint working with other pension funds
To reduce costs the Fund leads on collaborative working with other pension funds.

Representatives from each fund meet quarterly to discuss communications issues.

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

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

4.7 Measure of Successful Communication Service Quality Questionnaire
A questionnaire is issued to members with various correspondences, including retirements and benefit quotes. This allows the fund to evaluate the service provided. Survey responses are collated and reviewed twice a year.

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

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

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

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

6. Information governance

Data Agreement
To protect any personal information held electronically the Administering Authority is registered under the Data Protection Act 1998. This allows members to check that their details held are accurate. The Fund may, if it chooses, pass certain details to a third party, if the third party is carrying out an administrative function of the Fund.

Members who wish to apply to access their data on data protection grounds should contact the Data Protection Officer on: (01743) 252774

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 processed for the sole purpose of administering your pension.

The Fund may, if it chooses, 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.

Members who wish to see a copy of information held about them by the Shropshire County Pension Fund should make a subject access request under the Data Protection Act 1998 to 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/

Protecting Information Staff Training

Information is vital to the work undertaken by the Pension Funds administrators and each member of staff is responsible for safeguarding information held by the Fund. Staff who come into contact with, or use, personal information about members of the public are required complete a formal data handling training on an annual basis. This training helps to ensure personal information is handled appropriately and every member of the pensions team completes this training once a year.

Freedom of Information Requests

The Freedom of Information Act (FOI) means that members of the public and organisations have new rights of access to information held by public bodies. Upon request we must tell individuals if we hold information and if so, provide it within 20 working days.

For requests of information under the Freedom of Information Act or similar legislation, please forward your request to:
information.request@shropshire.gov.uk

7. Further information

Further information can be obtained from:
Pensions Helpline: (01743) 252130
Email: pensions@shropshire.gov.uk
Web: www.shropshirecountypensionfund.co.uk

FUND PUBLICATIONS AND COMMUNICATIONS

COMMUNICATION DOCUMENT	WHEN ISSUED	AVAILABLE TO	FORMAT	WHEN REVIEWED
Brief Scheme Guide	Upon commencing employment/ when requested	Prospective/Active/Deferred/ Retired Members/Dependents	Paper/ PDF on Website	As regulations change
Topical Booklets	When required	Active/Deferred/ Retired Members/ Dependents	Paper/ PDF on Website	As regulations change/ new leaflets introduced regularly
Benefit Statements	Annually by 31st August (rolling programme)	Active/Deferred Members/ Pension Credit	Paper /online via Member	Annually
Encouraging New Members Campaign	When Required	Prospective Members	Paper-Flyer	When required
Members Newsletter	As Required	Active/Deferred Members	Paper/PDF	As regulations change/as required
Pension Consultations	As Required	Active Members	Face to face	As required
Retirement Process Booklet	To Retiring Members	Prospective/Active/Deferred/ Retired Members on website	Paper/PDF on website	As regulations change/as required
Service Quality Survey	Continually	Active/Deferred/ Retired Members	Paper/email	As required
Presentations	As Required	Prospective/Active Members	Presentation/ Face to face	As required
Induction Presentations	When requested by employer	Prospective/Active Members	Face to face	As required
Statutory notification	When member record changed	Active Members	Paper	As regulations change/as required

FUND PUBLICATIONS AND COMMUNICATIONS				
COMMUNICATION DOCUMENT	**WHEN ISSUED**	**AVAILABLE TO**	**FORMAT**	**WHEN REVIEWED**
Website	Continually	All Members/ Employers/Fund Managers/ Non Scheme Members	Website	Monthly
Annual Meeting	Annually (November)	All Members/ Employers/Fund Managers	Presentation/ Face to face/film	Annually
Annual Report	Annually	All Members/ Employers/Fund Managers	Paper/ Website/ Intranet	Annually
Helpdesk	Continually (within Office Hours)	All Members/ Employers/Fund Managers	Face to face/ Telephone/ Paper/E-mail	As required
Correspondence	Continually (within Office Hours)	All Members/ Employers/Fund Managers	Face to face/ Telephone/ Paper/E-mail	As required
Payslip	Monthly	Pensioner Members/ Dependents	Paper/ MyView	Paper copy issued when £5 variation in net pay
P60	Annually (April)	Pensioner Members	Paper/ MyView	Annually
Pensions Increase Notification	Annually (April)	Pensioner Members	Paper	Annually
InTouch- Pensioner Newsletter	Biannually (April/ October)	Pensioner Members	Paper/ Website	Biannually
Retired Members Meeting	Annually (June)	Pensioner Members	Invites by Paper/Face to face/ Website	Annually
Age 100 Pensioners	As Required	Pensioner Members	Paper/Gift	As required
Pensioners Living Abroad	Annually	Pensioner Members	Paper	Annually
Employers Guide including PEN forms	As Required	Employers	Held on Pensions Website	As regulations change/as required
Employers Bulletin	As Required	Employing Authorities	Email alerts	As regulations change/as required
Employer Meetings and Training	As Required	Employing Authorities	Face to face/ Training videos on website	As regulations change/as required
Pension Administration Strategy	Annually and as required	Employing Authorities	PDF on website	Annually
Employer Satisfaction Survey	As Required	Employing Authorities	Paper/ Online survey	Annually
iconnect	As Required	Employing Authorities	Electronic	As required
Data Transmission	As Required	Employing Authorities	Electronic	As required
Annual Report and Accounts	Annually (October)	All Members	Paper/Website/Intranet/ Email	Annually
Valuation Report	Every three years	Employing Authorities/ all Stakeholders	Paper/	Website (Overview)/ AGM Every three years
Statement of Investment Principles (SIP)	Annually	All Members/ Stakeholders	Website	As required
Governance & Compliance Statement	Quarterly	All Members	Website	Quarterly
Pension Committee Training Day	Annually	Committee Members/Fund Staff	Face to face	Annually
Other body Communications inc. SPOG, NIF, Media/ Press, Trade Unions, Joint Communication meeting	As Required	All Relevant Bodies	Paper/ Website/ Face to face	As required
Fund Staff Training and Meetings	Monthly/ as required	Fund Staff	Face to face/ Paper	As regulations change/as required
Email alerts	As required when there is a significant website update / event/ regulation change	All members	Email	As required

Reporting Breaches Policy Statement

Appendix

06

Agreed by Pensions Committee on 27 November 2015

Appendices

1. Introduction

1.1 This document sets out the procedures to be followed by certain persons involved with the Shropshire County Pension Fund, the Local Government Pension Scheme managed and administered by Shropshire Council, in relation to reporting breaches of the law to the Pensions Regulator.

1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

1.3 This Procedure document applies, in the main, to:

- all members of the Shropshire Pension Board;
- all officers involved in the management of the Pension Fund including members of the Treasury Team and Pensions Administration Team, and the Head of Finance, Governance3 and Assurance (Section 151 Officer);
- any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Shropshire County Pension Fund who are responsible for Local Government Pension Scheme matters.

2. Requirements

2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme, to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:
  1. a legal duty relating to the administration of the scheme has not been or is not being complied with, and
  2. the failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 The Pension Regulator's Code of Practice

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice including in the following areas:

- implementing adequate procedures.
- judging whether a breach must be reported.
- submitting a report to The Pensions Regulator.
- whistleblowing protection and confidentiality.

2.4 Application to the Shropshire County Pension Fund

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice in relation to the Shropshire County Pension Fund and this document sets out how the Board will strive to achieve best practice through use of a formal reporting breaches procedure.

3. The Shropshire County Pension Fund Reporting Breaches Procedure

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Shropshire County Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 Clarification of the law
Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004: *www.legislation.gov.uk/ukpga/2004/35/contents*
- Employment Rights Act 1996: *www.legislation.gov.uk/ukpga/1996/18/contents*
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations): *www.legislation.gov.uk/uksi/2013/2734/contents/made*
- Public Service Pension Schemes Act 2013: *www.legislation.gov.uk/ukpga/2013/25/contents*
- Local Government Pension Scheme Regulations (various): *www.lgpsregs.org/timelineregs/Default.html* (pre 2014 schemes) *www.lgpsregs.org/index.php/regs-legislation* (2014 scheme)
- The Pensions Regulator's Code of Practice: *www.thepensionsregulator.gov.uk/codes/code-governance-administration-publicservice-pension-schemes.aspx*
  In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Head of Finance Governance & Assurance (s151 Officer) and Monitoring Officer, provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence).

3.2 Clarification when a breach is suspected
Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, it will usually be appropriate to check with the Head of Finance Governance & Assurance, the Monitoring Officer, a member of the Pensions Committee or Pension Board or others who are able to explain what has happened. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 Determining whether the breach is likely to be of material significance
To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

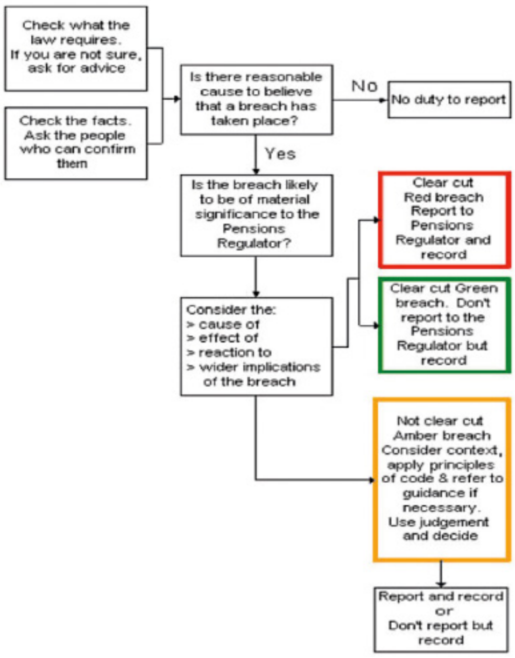
- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

Further details on the above four considerations are provided in Appendix A to this procedure.

The individual should use the traffic light framework described in Appendix B to help assess the material significance of each breach and to formally support and document their decision.

3.4 A decision tree is provided overleaf to show the process for deciding whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



3.5 Referral to a level of seniority for a decision to be made on whether to report

Shropshire Council has a designated Monitoring Officer to ensure the Council acts and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. If breaches relate to late or incorrect payment of contributions or pension benefits, the matter should be highlighted to the Head of Finance Governance & Assurance or the Head of Treasury & Pensions at the earliest opportunity to ensure the matter is resolved as a matter of urgency. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The matter should not be referred to any of these officers if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 Dealing with complex cases

The Head of Finance Governance & Assurance or Monitoring Officer may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LGA Group - http://www.lgpsregs.org/). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Board meeting.

3.7 Timescales for reporting

The Pensions Act and Pension Regulators Code require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 Early identification of very serious breaches

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 Recording all breaches even if they are not reported

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). Shropshire Council will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Head of Finance Governance & Assurance. Records of unreported breaches should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be included in the quarterly Monitoring Report at each Pension Committee, and this will also be shared with the Pension Board.

3.10 Reporting a breach

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- full scheme name (Shropshire County Pension Fund);
- description of breach(es);
- any relevant dates;
- name, position and contact details;
- role in connection to the scheme; and
- employer name or name of scheme manager (the latter is Shropshire Council).

If possible, reporters should also indicate:

- the reason why the breach is thought to be of material significance to The Pensions Regulator;
- scheme address (provided at the end of this procedures document);
- scheme manager contact details (provided at the end of this procedures document);
- pension scheme registry number (10051249); and
- whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 Reporting to Pensions Committee and Pension Board

A report will be presented to the Pensions Committee and the Pension Board on a quarterly basis setting out:

- all breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- in relation to each breach, details of what action was taken and the result of any action (where not confidential);
- any future actions for the prevention of the breach in question being repeated; and
- highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). An example of the information to be included in the quarterly reports is provided in Appendix C to this procedure.

3.13 Review

This Reporting Breaches Procedure was originally developed in November 2015. It will be kept under review and updated as considered appropriate by the Head of Finance Governance & Assurance. It may be changed as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Further Information

If you require further information about reporting breaches or this procedure, please contact:

Justin Bridges
Head of Treasury & Pensions
Email: justin.bridges@shropshire.gov.uk
Telephone: 01743 252072

Debbie Sharp
Pension Administration Manager
Email: debbie.sharp@shropshire.gov.uk
Telephone: 01743 252192

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

Designated officer contact details:
1) Head of Finance Governance & Assurance – James Walton
Email: james.walton@shropshire.gov.uk
Telephone: 01743 255011

2) Monitoring Officer – Claire Porter
Email: claire.porter@shropshire.gov.uk
Telephone: 01743 252763

Appendix A

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance individuals should consider the following elements, both separately and collectively:

- cause of the breach (what made it happen);
- effect of the breach (the consequence(s) of the breach);
- reaction to the breach; and
- wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- acting, or failing to act, in deliberate contravention of the law;
- dishonesty;
- incomplete or inaccurate advice;
- poor administration, i.e. failure to implement adequate administration procedures;
- poor governance; or
- slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Committee/Board members not having enough knowledge and understanding, resulting in pension boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of interest of Committee or Board members, resulting in them being
- prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.

- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly identified and managed and/or the right money not being paid to or by the scheme at the right time.
- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach
A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

The wider implications of the breach
Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated next:

Appendix B

Traffic light framework for deciding whether or not to report

Red

Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance. **These must be reported to The Pensions Regulator.**

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.

Amber

Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members.

Green

However the breach was caused by a system error which may have wider implications for other public service schemes using the same system. Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.
When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:
www.thepensionsregulator.gov.uk/codes/code-related-notifiable-events.aspx

Appendix C

Example Record of Breaches

Date	Category (e.g. administration, contributions, funding, investment, criminal activity)	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported / Not reported (with justification if not reported and dates)	Outcome of report and/or investigations	Outstanding actions

Training Policy Statement

Appendix
07

Agreed by Pensions Committee on 18 March 2016

Appendices

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

Shropshire County Pension Fund

Further Information

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

Administered by:
Pension Services, Shropshire Council,
Shirehall, Abbey Foregate, Shrewsbury,
SY2 6ND

Pensions Helpline:
(01743) 252130

E-mail:
pensions@shropshire.gov.uk

Committee and Date	Item
Pensions Committee 27 July 2018 10.00am	**13** Public

CORPORATE GOVERNANCE MONITORING

Responsible Officer Ed Roberts
e-mail: ed.roberts@shropshire.gov.uk Tel: (01743) 252078

1. Summary

1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter 1st January 2018 to 31st March 2018.

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 16 March 2018
Cabinet Member N/A
Local Member N/A
Appendices A. Manager Voting Activity Reports. B. BMO Global Asset Management Responsible Engagement Overlay Reports.

VOTING AND ENGAGEMENT ACTIVITY

Welcome to your Quarterly Report's new Engagement Activity section. Here we share company engagement reports and voting notes on particular issues that we trust you will find of interest.

Please note that these company reports are firm wide to give you a full picture of Majedie's stewardship work on behalf of all clients. However, the voting record table which follows is bespoke.

- During the quarter, we responded to the Financial Reporting Council's (FRC) consultation on changes to the UK Corporate Governance Code, as well as some high-level questions it asked on the UK Stewardship Code. We welcomed the continuation of the principles of comply or explain as we support companies and investors taking the opportunity to explain their approach rather than merely provide box-ticking returns. We believe the new emphasis on companies' explanation of how the Principles have been applied and the outcomes will be a helpful addition. Our response can be read in the consultation section of the FRC's website.
- We worked on our first submission to the PRI, having become a signatory in January 2017. We submitted our report, which is a voluntary option for first-year signatories, at the start of April 2018.
- We completed our 2017 Responsible Capitalism Report, which was distributed to clients in early April 2018.

We engaged with a number of company management teams over the quarter, examples of which we give below.

- We met **Pearson's** Chief Technology Officer and product development executives to discuss next generation digital adaptive software. This applies machine learning and leverages IBM's artificial intelligence system Watson. For example, it uses innovative maths software to scan a student's handwritten maths problems. It can provide feedback on not only the correct solution, but also the steps the student has taken to get there before automatically relaying advice to the student and feedback to teachers.

- At **Parsley Energy**, 2017 had been disappointing on execution due to a number of poor oil well results, compounded by weak communication with the market (they had raised guidance early in the year, then downgraded it in the second half). In Q1, we met with the company's new CEO at a conference we were attending. In the meeting, we focused on simplification of the 2018 capital program, management capabilities, internal hires in the last year and the longer-term strategy.

- **Saga** consulted us on their proposed changes to the company's Remuneration Policy. In our response we noted that our preference is for a greater shareholding requirement for the CEO and CFO in order to achieve closer alignment with shareholder interests. We also mentioned the trend towards companies giving more data, with contextual analysis, on the ratio between the executive committee and average employee earnings. The company then made the following adjustments:
  - *'Under the new Policy the Committee has raised the minimum shareholding requirement for the CEO from 200% of salary to 250% and for the CFO from 150% of salary to 200%;*
  - *The disclosure of compensation ratios is not common at the moment in listed companies (although it will become more so when the Regulations are changed); however Saga as an early adopter is providing this information in the Company's 2017/18 Remuneration Committee Report.'*

- **Tesco, EGM**: We voted to approve Tesco's acquisition of Booker Group. The acquisition took place just over a year since it was first mooted, following the UK Competition and Markets Authority's inquiry and subsequent approval of the deal.

- **GVC and Ladbrokes Coral, EGMs**: We voted in favour of agenda items at both companies' meetings to approve the acquisition of Ladbrokes Coral by GVC.

- **AmerisourceBergen, AGM**: We voted in favour of a shareholder resolution that required the company to report on governance measures that the company has implemented regarding opioids. The Board felt that the report was unnecessary as it already had relevant disclosures in place, however we agreed with third-party research that it would be worthwhile to have more specific information about proactive steps the Board is taking to oversee and mitigate risks related to opioid distribution. Thus, our vote was against the Board's position.

- **MegaFon, EGM**: We voted against approving the remuneration of the directors, as the company proposed making severance payments to two independent directors who left the Board in January 2018. We did not view this as good practice; retrospective payment of fees for service in previous years falls short of best corporate governance practices and these arrangements are regarded as unusual. We have since sold our position.

- **CareTech, AGM**: We voted in favour of the company's Remuneration Report. We noted that the Finance Director had received a significant increase of approximately 22% over his base salary. External research had recommended a vote against the Report, as the company had not provided a reason for the increase. We engaged with the company, which advised us that the Remuneration Committee had commissioned Deloitte to produce an independent benchmarking and advisory report, and the Report's recommendations were subsequently adopted. This resulted in the significant increase to the Finance Director's salary, to bring it into line with market levels. We were therefore content to approve the Report given the company had provided a suitable reason, however we do not expect to see such increases in future, given the significant boosts to pay granted to executive directors in recent years.

VOTING POLICY

We introduced our own customised voting policy in the second quarter of 2014. This is run in parallel with ISS's policy recommendations. The majority of areas in which our policy differs from that of ISS are within the smaller company sector, where we are a leading UK participant, and relates to capital raising with pre-emptive shareholder rights and the composition of boards; these issues 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 review our policy annually to ensure it is consistent with current best practice. Below are the specifics of the policy. It is worth noting that we regard a smaller company as having a market capitalisation of £1.7bn or less.

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.
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 if they protect or increase shareholder value.
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. However, in a few limited cases we may support the management if they are making the issuance without pre-emptive rights in the course of a re-financing exercise.
Political Contributions	Vote for.	Vote against. We want to maintain an independent stance.

VOTING RECORD SUMMARY

Please see below a breakdown of the meetings and resolutions which pertain to your portfolio.

SUMMARY	VOTES	PERCENT
Number of meetings voted at this period	18	
Number of resolutions	204	
Where we voted in line with Management	202	99.0
Where we have not voted in line with Management	2	1.0

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 abstained.

CATEGORY	AGAINST MANAGEMENT	ABSTAIN
Board election & related proposals	1	0
Capitalisation	1	0
Miscellaneous	0	0
Remuneration	0	0
Reorganisations, mergers & anti-takeover	0	0
Routine/Business	0	0
Total	2	0

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
CARETECH	06 Mar 2018	AGM	Against Resolution 9
CENTAMIN	26 Mar 2018	AGM	Voted for all
CHEMRING	20 Mar 2018	AGM	Voted for all
CONYGAR INVESTMENT	25 Jan 2018	AGM	Voted for all
EI GROUP	08 Feb 2018	AGM	Voted for all
EUROMONEY	01 Feb 2018	AGM	Voted for all
GVC HOLDINGS	08 Mar 2018	EGM	Voted for all
ITE GROUP	25 Jan 2018	AGM	Voted for all
KAO CORP	23 Mar 2018	AGM	Voted for all
LONMIN	15 Mar 2018	AGM	Against Resolution 9
PATISSERIE	30 Jan 2018	AGM	Voted for all
PROVIDENT FINANCIAL	21 Mar 2018	EGM	Voted for all
RM	21 Mar 2018	AGM	Voted for all
RWS HOLDINGS	13 Feb 2018	AGM	Voted for all
SAGE GROUP	28 Feb 2018	AGM	Voted for all
TESCO	28 Feb 2018	EGM	Voted for all
TRINITY MIRROR	27 Feb 2018	EGM	Voted for all
XAFINITY	04 Jan 2018	EGM	Voted for all

Source: Majedie

Vote Summary Report

Date range covered: 01/01/2018 to 03/31/2018
Location(s): Harris Associates L.P.
Institution Account(s): 5984 -Shropshire County Pension Fund

Samsung Electronics Co. Ltd.

Meeting Date: 03/23/2018 **Country:** South Korea **Primary Security ID:** Y74718100
Record Date: 12/31/2017 **Meeting Type:** Annual **Ticker:** A005930

Primary CUSIP: Y74718100 **Primary ISIN:** KR7005930003 **Primary SEDOL:** 6771720

Shares Voted: 140

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Financial Statements and Allocation of Income	Mgmt	For	For	For	For
2.1.1	Elect Kim Jeong-hun as Outside Director	Mgmt	For	For	For	For
2.1.2	Elect Kim Sun-uk as Outside Director	Mgmt	For	For	For	For
2.1.3	Elect Park Byung-gook as Outside Director	Mgmt	For	For	For	For
2.2.1	Elect Lee Sang-hoon as Inside Director	Mgmt	For	Against	For	For
2.2.2	Elect Kim Ki-nam as Inside Director	Mgmt	For	For	For	For
2.2.3	Elect Kim Hyun-suk as Inside Director	Mgmt	For	For	For	For
2.2.4	Elect Koh Dong-jin as Inside Director	Mgmt	For	For	For	For
2.3	Elect Kim Sun-uk as a Member of Audit Committee	Mgmt	For	For	Refer	For
3	Approve Total Remuneration of Inside Directors and Outside Directors	Mgmt	For	For	For	For
4	Amend Articles of Incorporation	Mgmt	For	For	Refer	For

Vote Summary Report
Date range covered: 01/01/2018 to 03/31/2018
Location(s): Massachusetts Financial Services
Institution Account(s): MFS Investment Fund - Global Equity Fund

Visa Inc.

Meeting Date: 01/30/2018 **Country:** USA **Primary Security ID:** 92826C839 **Meeting ID:** 1190870
Record Date: 12/01/2017 **Meeting Type:** Annual **Ticker:** V

Primary CUSIP: 92826C839 **Primary ISIN:** US92826C8394 **Primary SEDOL:** B2PZN04

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Lloyd A. Carney	Mgmt	For	For
1b	Elect Director Mary B. Cranston	Mgmt	For	For
1c	Elect Director Francisco Javier Fernandez-Carbajal	Mgmt	For	For
1d	Elect Director Gary A. Hoffman	Mgmt	For	For
1e	Elect Director Alfred F. Kelly, Jr.	Mgmt	For	For
1f	Elect Director John F. Lundgren	Mgmt	For	For
1g	Elect Director Robert W. Matschullat	Mgmt	For	For
1h	Elect Director Suzanne Nora Johnson	Mgmt	For	For
1i	Elect Director John A.C. Swainson	Mgmt	For	For
1j	Elect Director Maynard G. Webb, Jr.	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Ratify KPMG LLP as Auditors	Mgmt	For	For

Monsanto Company

Meeting Date: 01/31/2018 **Country:** USA **Primary Security ID:** 61166W101 **Meeting ID:** 1193235
Record Date: 12/15/2017 **Meeting Type:** Annual **Ticker:** MON

Primary CUSIP: 61166W101 **Primary ISIN:** US61166W1018 **Primary SEDOL:** 2654320

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Dwight M. 'Mitch' Barns	Mgmt	For	For
1b	Elect Director Gregory H. Boyce	Mgmt	For	For
1c	Elect Director David L. Chicoine	Mgmt	For	For
1d	Elect Director Janice L. Fields	Mgmt	For	For

Monsanto Company

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1e	Elect Director Hugh Grant	Mgmt	For	For
1f	Elect Director Laura K. Ipsen	Mgmt	For	For
1g	Elect Director Marcos M. Lutz	Mgmt	For	For
1h	Elect Director C. Steven McMillan	Mgmt	For	For
1i	Elect Director Jon R. Moeller	Mgmt	For	For
1j	Elect Director George H. Poste	Mgmt	For	For
1k	Elect Director Robert J. Stevens	Mgmt	For	For
1l	Elect Director Patricia Verduin	Mgmt	For	For
2	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
4	Amend Bylaws to Create Board Human Rights Committee	SH	Against	Against

Sally Beauty Holdings, Inc.

Meeting Date: 02/01/2018 **Country:** USA **Primary Security ID:** 79546E104 **Meeting ID:** 1192253
Record Date: 12/07/2017 **Meeting Type:** Annual **Ticker:** SBH

Primary CUSIP: 79546E104 **Primary ISIN:** US79546E1047 **Primary SEDOL:** B1GZ005

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Katherine Button Bell	Mgmt	For	For
1.2	Elect Director Christian A. Brickman	Mgmt	For	For
1.3	Elect Director Marshall E. Eisenberg	Mgmt	For	For
1.4	Elect Director David W. Gibbs	Mgmt	For	For
1.5	Elect Director Linda Heasley	Mgmt	For	For
1.6	Elect Director Joseph C. Magnacca	Mgmt	For	For
1.7	Elect Director Robert R. McMaster	Mgmt	For	For
1.8	Elect Director John A. Miller	Mgmt	For	For
1.9	Elect Director Susan R. Mulder	Mgmt	For	For
1.10	Elect Director Edward W. Rabin	Mgmt	For	For

Sally Beauty Holdings, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Ratify KPMG LLP as Auditors	Mgmt	For	For

Accenture plc

Meeting Date: 02/07/2018 **Country:** Ireland **Primary Security ID:** G1151C101 **Meeting ID:** 1192342
Record Date: 12/11/2017 **Meeting Type:** Annual **Ticker:** ACN

Primary CUSIP: G1151C101 **Primary ISIN:** IE00B4BNMY34 **Primary SEDOL:** B4BNMY3

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Jaime Ardila	Mgmt	For	For
1b	Elect Director Charles H. Giancarlo	Mgmt	For	For
1c	Elect Director Herbert Hainer	Mgmt	For	For
1d	Elect Director Marjorie Magner	Mgmt	For	For
1e	Elect Director Nancy McKinstry	Mgmt	For	For
1f	Elect Director Pierre Nanterme	Mgmt	For	For
1g	Elect Director Gilles C. Pelisson	Mgmt	For	For
1h	Elect Director Paula A. Price	Mgmt	For	For
1i	Elect Director Arun Sarin	Mgmt	For	For
1j	Elect Director Frank K. Tang	Mgmt	For	For
1k	Elect Director Tracey T. Travis	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Amend Omnibus Stock Plan	Mgmt	For	For
4	Approve KPMG LLP as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For
5	Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights	Mgmt	For	For
6	Authorize Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Mgmt	For	For
7	Determine the Price Range at which Accenture Plc can Re-issue Shares that it Acquires as Treasury Stock	Mgmt	For	For

Accenture plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
8	Approve Merger Agreement	Mgmt	For	For
9	Amend Articles of Association to No Longer Require Shareholder Approval of Certain Internal Transactions	Mgmt	For	For

Compass Group PLC

Meeting Date: 02/08/2018 **Country:** United Kingdom **Primary Security ID:** G23296208 **Meeting ID:** 1188195
Record Date: 02/06/2018 **Meeting Type:** Annual **Ticker:** CPG

Primary CUSIP: G23296182 **Primary ISIN:** GB00BD6K4575 **Primary SEDOL:** BD6K457

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Remuneration Policy	Mgmt	For	For
3	Approve Remuneration Report	Mgmt	For	For
4	Approve Final Dividend	Mgmt	For	For
5	Re-elect Dominic Blakemore as Director	Mgmt	For	For
6	Re-elect Richard Cousins as Director (Withdrawn Resolution)	Mgmt	For	Abstain
7	Re-elect Gary Green as Director	Mgmt	For	For
8	Re-elect Johnny Thomson as Director	Mgmt	For	For
9	Re-elect Carol Arrowsmith as Director	Mgmt	For	For
10	Re-elect John Bason as Director	Mgmt	For	For
11	Re-elect Stefan Bomhard as Director	Mgmt	For	For
12	Re-elect Don Robert as Director	Mgmt	For	For
13	Re-elect Nelson Silva as Director	Mgmt	For	For
14	Re-elect Ireena Vittal as Director	Mgmt	For	For
15	Re-elect Paul Walsh as Director	Mgmt	For	For
16	Reappoint KPMG LLP as Auditors	Mgmt	For	For
17	Authorise the Audit Committee to Fix Remuneration of Auditors	Mgmt	For	For

Compass Group PLC

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
18	Authorise EU Political Donations and Expenditure	Mgmt	For	For
19	Approve Long Term Incentive Plan	Mgmt	For	For
20	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For
21	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For
22	Authorise Issue of Equity without Pre-emptive Rights in Connection with an Acquisition or Other Capital Investment	Mgmt	For	For
23	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For
24	Authorise the Company to Call General Meeting with 14 Working Days' Notice	Mgmt	For	For

Franklin Resources, Inc.

Meeting Date: 02/14/2018 **Country:** USA **Primary Security ID:** 354613101 **Meeting ID:** 1194657
Record Date: 12/18/2017 **Meeting Type:** Annual **Ticker:** BEN

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

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Peter K. Barker	Mgmt	For	For
1b	Elect Director Mariann Byerwalter	Mgmt	For	For
1c	Elect Director Charles E. Johnson	Mgmt	For	For
1d	Elect Director Gregory E. Johnson	Mgmt	For	For
1e	Elect Director Rupert H. Johnson, Jr.	Mgmt	For	For
1f	Elect Director Mark C. Pigott	Mgmt	For	For
1g	Elect Director Chutta Ratnathicam	Mgmt	For	For
1h	Elect Director Laura Stein	Mgmt	For	For
1i	Elect Director Seth H. Waugh	Mgmt	For	For
1j	Elect Director Geoffrey Y. Yang	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Report on Lobbying Payments and Policy	SH	Against	For

Vote Summary Report
Date range covered: 01/01/2018 to 03/31/2018
Location(s): Massachusetts Financial Services
Institution Account(s): MFS Investment Fund - Global Equity Fund

The Walt Disney Company

Meeting Date: 03/08/2018 **Country:** USA **Primary Security ID:** 254687106 **Meeting ID:** 1196130
Record Date: 01/08/2018 **Meeting Type:** Annual **Ticker:** DIS

Primary CUSIP: 254687106 **Primary ISIN:** US2546871060 **Primary SEDOL:** 2270726

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Susan E. Arnold	Mgmt	For	For
1b	Elect Director Mary T. Barra	Mgmt	For	For
1c	Elect Director Safra A. Catz	Mgmt	For	For
1d	Elect Director John S. Chen	Mgmt	For	For
1e	Elect Director Francis A. deSouza	Mgmt	For	For
1f	Elect Director Robert A. Iger	Mgmt	For	For
1g	Elect Director Maria Elena Lagomasino	Mgmt	For	Against
1h	Elect Director Fred H. Langhammer	Mgmt	For	For
1i	Elect Director Aylwin B. Lewis	Mgmt	For	For
1j	Elect Director Mark G. Parker	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Amend Executive Incentive Bonus Plan	Mgmt	For	For
4	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against
5	Report on Lobbying Payments and Policy	SH	Against	For
6	Proxy Access Bylaw Amendment	SH	Against	Against

Carlsberg

Meeting Date: 03/14/2018 **Country:** Denmark **Primary Security ID:** K36628137 **Meeting ID:** 1195868
Record Date: 03/07/2018 **Meeting Type:** Annual **Ticker:** CARL B

Primary CUSIP: K36628137 **Primary ISIN:** DK0010181759 **Primary SEDOL:** 4169219

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Receive Report of Board	Mgmt		

Carlsberg

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
2	Accept Financial Statements and Statutory Reports; Approve Discharge of Management and Board	Mgmt	For	For
3	Approve Allocation of Income and Dividends of DKK 16 Per Share	Mgmt	For	For
4a	Approve Remuneration of Directors in the Amount of DKK 1.85 Million for Chairman, DKK 618,000 for Vice Chair, and DKK 412,000 for Other Directors; Approve Remuneration for Committee Work	Mgmt	For	Abstain
4b	Authorize Share Repurchase Program	Mgmt	For	For
5a	Reelect Flemming Besenbacher as Director	Mgmt	For	For
5b	Reelect Lars Rebien Sorensen as Director	Mgmt	For	For
5c	Reelect Carl Bache as Director	Mgmt	For	For
5d	Reelect Richard Burrows as Director	Mgmt	For	For
5e	Reelect Donna Cordner as Director	Mgmt	For	For
5f	Reelect Nancy Cruickshank as Director	Mgmt	For	For
5g	Reelect Soren-Peter Fuchs Olesen as Director	Mgmt	For	For
5h	Reelect Nina Smith as Director	Mgmt	For	For
5i	Reelect Lars Stemmerik as Director	Mgmt	For	For
5j	Elect Magdi Batato as New Director	Mgmt	For	For
6	Ratify PricewaterhouseCoopers as Auditors	Mgmt	For	For

THE COOPER COMPANIES, INC.

Meeting Date: 03/19/2018 **Country:** USA **Primary Security ID:** 216648402 **Meeting ID:** 1199100
Record Date: 01/23/2018 **Meeting Type:** Annual **Ticker:** COO

Primary CUSIP: 216648402 **Primary ISIN:** US2166484020 **Primary SEDOL:** 2222631

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director A. Thomas Bender	Mgmt	For	For
1.2	Elect Director Colleen E. Jay	Mgmt	For	For
1.3	Elect Director Michael H. Kalkstein	Mgmt	For	For

THE COOPER COMPANIES, INC.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.4	Elect Director William A. Kozy	Mgmt	For	For
1.5	Elect Director Jody S. Lindell	Mgmt	For	For
1.6	Elect Director Gary S. Petersmeyer	Mgmt	For	For
1.7	Elect Director Allan E. Rubenstein	Mgmt	For	For
1.8	Elect Director Robert S. Weiss	Mgmt	For	For
1.9	Elect Director Stanley Zinberg	Mgmt	For	For
2	Ratify KPMG LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
4	Report on the Feasibility of Achieving Net Zero GHG Emissions	SH	Against	Against

Kubota Corporation

Meeting Date: 03/23/2018 **Country:** Japan **Primary Security ID:** J36662138 **Meeting ID:** 1203837
Record Date: 12/31/2017 **Meeting Type:** Annual **Ticker:** 6326

Primary CUSIP: J36662138 **Primary ISIN:** JP3266400005 **Primary SEDOL:** 6497509

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Kimata, Masatoshi	Mgmt	For	For
1.2	Elect Director Kubo, Toshihiro	Mgmt	For	For
1.3	Elect Director Kimura, Shigeru	Mgmt	For	For
1.4	Elect Director Ogawa, Kenshiro	Mgmt	For	For
1.5	Elect Director Kitao, Yuichi	Mgmt	For	For
1.6	Elect Director Yoshikawa, Masato	Mgmt	For	For
1.7	Elect Director Sasaki, Shinji	Mgmt	For	For
1.8	Elect Director Matsuda, Yuzuru	Mgmt	For	For
1.9	Elect Director Ina, Koichi	Mgmt	For	For
1.10	Elect Director Shintaku, Yutaro	Mgmt	For	For
2.1	Appoint Statutory Auditor Fukuyama, Toshikazu	Mgmt	For	For
2.2	Appoint Statutory Auditor Hiyama, Yasuhiko	Mgmt	For	For

Vote Summary Report
Date range covered: 01/01/2018 to 03/31/2018
Location(s): Massachusetts Financial Services
Institution Account(s): MFS Investment Fund - Global Equity Fund

Kubota Corporation

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
2.3	Appoint Statutory Auditor Fujiwara, Masaki	Mgmt	For	For
3	Approve Compensation Ceiling for Directors	Mgmt	For	For
4	Approve Annual Bonus	Mgmt	For	For

Samsung Electronics Co. Ltd.

Meeting Date: 03/23/2018 **Country:** South Korea **Primary Security ID:** Y74718100 **Meeting ID:** 1198691
Record Date: 12/31/2017 **Meeting Type:** Annual **Ticker:** A005930

Primary CUSIP: Y74718100 **Primary ISIN:** KR7005930003 **Primary SEDOL:** 6771720

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Approve Financial Statements and Allocation of Income	Mgmt	For	For
2.1.1	Elect Kim Jeong-hun as Outside Director	Mgmt	For	For
2.1.2	Elect Kim Sun-uk as Outside Director	Mgmt	For	For
2.1.3	Elect Park Byung-gook as Outside Director	Mgmt	For	For
2.2.1	Elect Lee Sang-hoon as Inside Director	Mgmt	For	Against
2.2.2	Elect Kim Ki-nam as Inside Director	Mgmt	For	For
2.2.3	Elect Kim Hyun-suk as Inside Director	Mgmt	For	For
2.2.4	Elect Koh Dong-jin as Inside Director	Mgmt	For	For
2.3	Elect Kim Sun-uk as a Member of Audit Committee	Mgmt	For	For
3	Approve Total Remuneration of Inside Directors and Outside Directors	Mgmt	For	For
4	Amend Articles of Incorporation	Mgmt	For	For

Vote Summary Report

Date range covered : 01/01/2018 to 03/31/2018

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

Vantiv, Inc.

Meeting Date: 01/08/2018 **Country:** USA **Meeting Type:** Special **Ticker:** VNTV

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Issue Shares in Connection with Acquisition	Mgmt	For	For	Refer	For
2	Adjourn Meeting	Mgmt	For	For	For	For

Samsung Electronics Co. Ltd.

Meeting Date: 03/23/2018 **Country:** South Korea **Meeting Type:** Annual **Ticker:** A005930

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Financial Statements and Allocation of Income	Mgmt	For	For	For	For
2.1.1	Elect Kim Jeong-hun as Outside Director	Mgmt	For	For	For	For
2.1.2	Elect Kim Sun-uk as Outside Director	Mgmt	For	For	For	Against
2.1.3	Elect Park Byung-gook as Outside Director	Mgmt	For	For	For	Against
2.2.1	Elect Lee Sang-hoon as Inside Director	Mgmt	For	Against	For	Against
2.2.2	Elect Kim Ki-nam as Inside Director	Mgmt	For	For	For	For
2.2.3	Elect Kim Hyun-suk as Inside Director	Mgmt	For	For	For	For

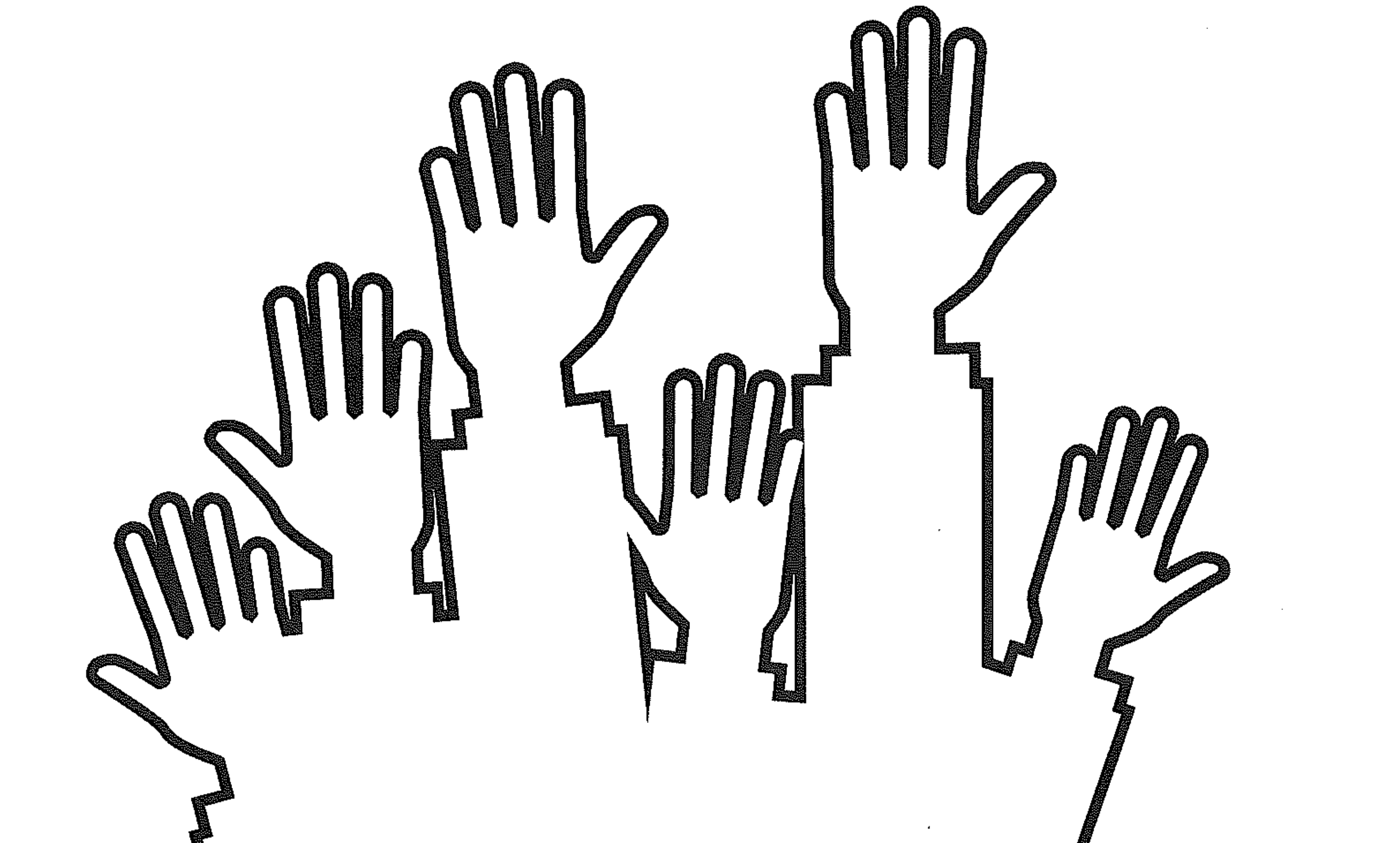
Investec Asset Management

Samsung Electronics Co. Ltd.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
2.2.4	Elect Koh Dong-jin as Inside Director	Mgmt	For	For	For	For
2.3	Elect Kim Sun-uk as a Member of Audit Committee	Mgmt	For	For	For	Against
3	Approve Total Remuneration of Inside Directors and Outside Directors	Mgmt	For	For	For	For
4	Amend Articles of Incorporation	Mgmt	For	For	For	For

Active ownership

Q1 2018 ESG Impact Report



Active ownership means using our scale and influence to bring about **real, positive change to create sustainable investor value.**

Legal & General
INVESTMENT MANAGEMENT

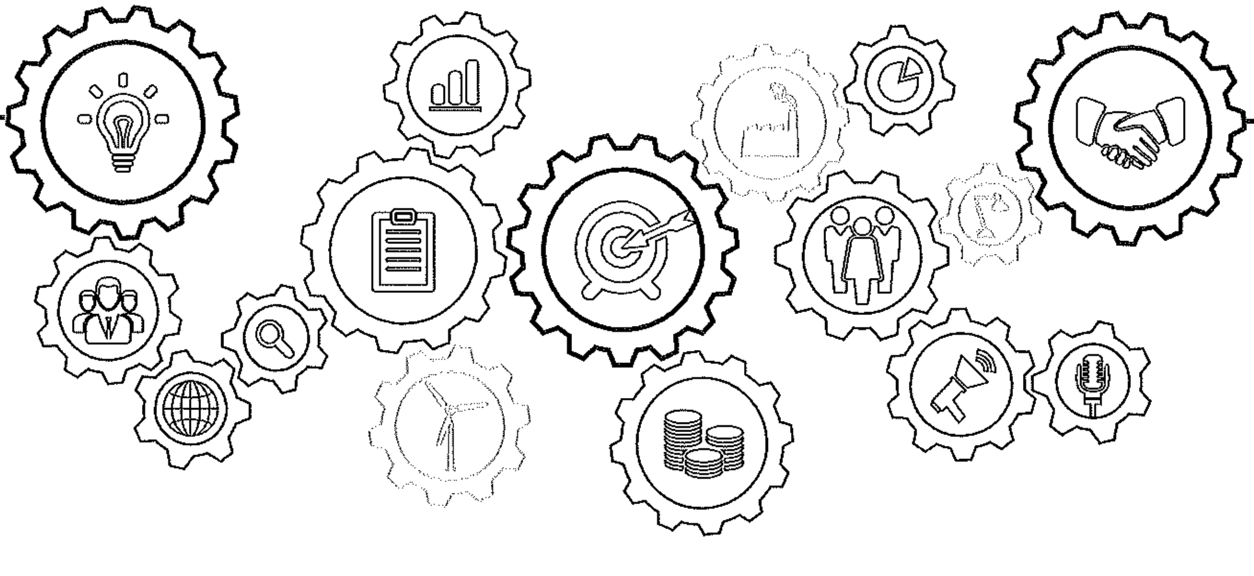
Our mission

To use our influence to ensure that:

Companies integrate **environmental, social and governance** (ESG) factors into their culture and everyday thinking.

&

Markets and regulators create an **environment** in which **good management** of ESG factors is valued and supported.



Our focus

1 Holding boards to account

To be successful, companies need to have people at the helm who are well equipped to create resilient long-term growth. By voting and engaging directly with companies, we encourage management to control risks and benefit from emerging opportunities.

We seek to protect and enhance our clients' assets by engaging with companies and holding management to account for their decisions. Voting is an important tool in this process, and one which we use extensively.

2 Creating sustainable value

We believe it is in the interest of all stakeholders for companies to build sustainable business models that are also beneficial to society. We work to prevent market behaviour that destroys long-term value creation.

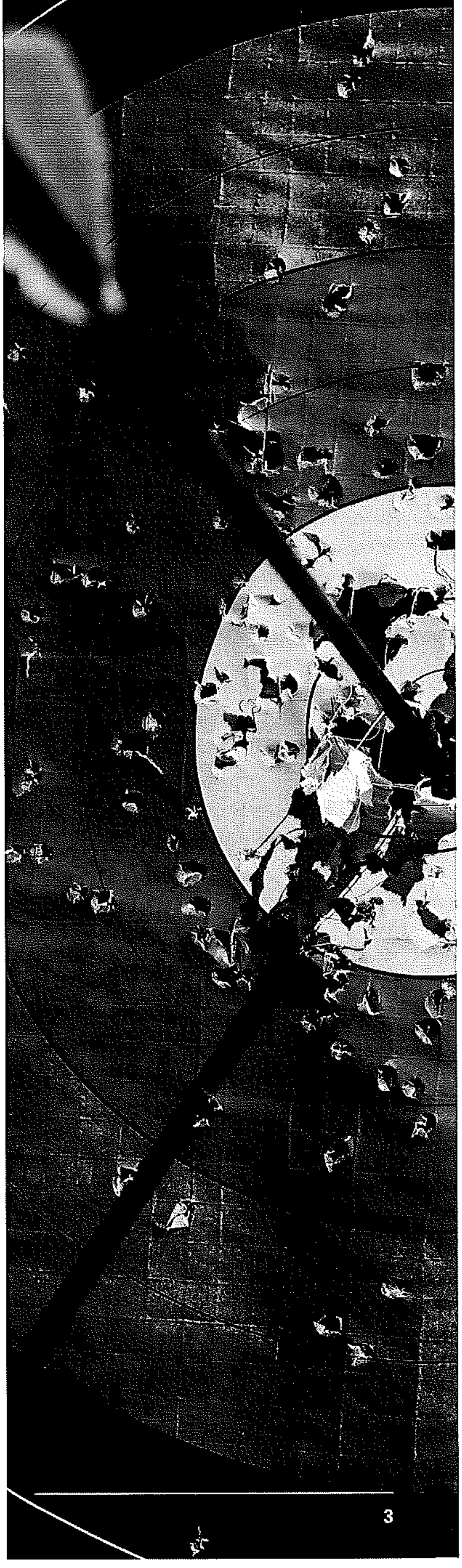
LGIM wants to safeguard and grow our clients' assets by ensuring that companies are well positioned for sustainable growth. Our active and enhanced index mandates incorporate ESG factors in the investment process and we consider ESG factors when voting our holdings in all strategies.

We engage directly and collaboratively with companies to highlight key challenges and opportunities, and to support strategies that can deliver long-term success.

3 Promoting market resilience

As a long-term investor for our clients, it is essential that markets are able to generate sustainable value. In doing so, companies should become more resilient to change and therefore benefit the whole market.

We use our scale and influence to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. This includes working with key decision-makers such as governments and regulators, and collaborating with asset owners to bring about positive change.



Action and impact

Our focus areas in the first quarter

UK CORPORATE GOVERNANCE AND STEWARDSHIP CODE CONSULTATION

In February, LGIM responded to the consultation by the Financial Reporting Council (FRC) on proposed changes to the UK Corporate Governance and Stewardship Codes.

LGIM highlighted its support for the changes to the Corporate Governance Code, which has been strengthened in key areas such as board diversity, director independence and consideration of the stakeholder voice. Furthermore, a key feature of our submission to the FRC included new recommendations to improve stewardship in the UK. We highlighted how a number of areas of the Stewardship Code, including those related to disclosure by signatories, assurance and oversight of the Code can be enhanced to reinforce good stewardship.

LGIM's response is publicly disclosed and can be found on the **FRC's website.**

PUBLIC POLICY RESPONSES IN ASIA

We responded to a consultation launched by the Hang Seng Index on the inclusion of issuers with Weighted Voting Rights (WVR) in its indices. LGIM explained that this framework prevents mechanisms in the market from working effectively and that we are not supportive of its implementation. This is a message we have sent consistently to all indices.

A similar response was also given to the Hong Kong Stock Exchange on its consultation relating to biotech, innovative companies and issuers with WVR. We recommended the strengthening of corporate governance protections for investors and the establishment of sunset provisions to mitigate risks associated with unequal voting rights.

LGIM also submitted a response to the Monetary Authority of Singapore on its recommendations to improve the Corporate Governance Code. We highlighted a proposal to implement a two-tier voting regime to enhance the voice of minority shareholders where a controlling shareholder is present.

LAUNCH OF L&G FUTURE WORLD EQUITY FACTORS INDEX FUND

In January, LGIM launched the **L&G Future World Equity Factors Index Fund** for UK retail investors. This new fund mirrors the Future World Fund launched in November 2016 for institutional DB and DC investors.

NEW LGIM VOTING AND ENGAGEMENT POLICIES

We reviewed and updated all our voting policies to ensure they remain aligned with evolutions in the corporate landscape and that they continue to respect our clients' investment beliefs and represent their interests. We also took into account the outcomes of our stakeholder roundtables on governance and sustainability.

LGIM's new policies include our **Global Corporate Governance & Responsible Investment Principles** document, which sets out LGIM's approach and minimum expectations with respect to key topics we believe are essential for an efficient governance framework and for building a sustainable business model globally.

We took a stronger approach on some topics such as boardroom diversity by expecting at least one woman on the board, board independence with a minimum threshold of 30% of independent directors, and director tenure. We also added new sections on stakeholder engagement and virtual-only shareholder meetings.

This Principles document is to be read in conjunction with our stricter region-specific policies such as **North America**, the **UK** and **Japan.** These policies set out where LGIM's expectations differ from our Principles document or where issues are specific to their market. These policies were also reviewed and updated.

In addition, LGIM has made the rationale for all votes against management globally publicly available in our **monthly voting reports**, available on our website.

EXTERNAL PRESENTATIONS

As LGIM is developing its Future World strategy, we met various actors in the pension industry in the US to present LGIM's products, strategy and actions in the field of ESG and responsible investment.

Furthermore, as part of the 7th annual World Pensions & Investment Forum held in Paris, we participated in a panel discussion on how institutional investors are filling the gap of ESG and sustainability after the Paris Agreement.

We also took part in a panel discussion at the European Bank for Reconstruction and Development on the topic of the effective board, including what needs to be done further.

NEWS/MEDIA COVERAGE

In response to the collapse of construction company Carillion, our director of corporate governance published an **editorial** in the Financial Times on structural problems of UK companies and the key corporate governance principles that can act as a remedy to these issues.

LGIM was also mentioned in an **article** by The Times on the importance of pre-emption rights for shareholders in relation to the decision of the telecoms company TalkTalk to raise the equivalent of 20% of its share capital on a non-pre-emptive basis through a placing.

For more information, please go to:
www.lgim.com/cgupdate

Regional updates
UK

KEY UK COMPANY ENGAGEMENTS

Aviva Plc Insurance Market Cap £19.7 billion	**What is the issue?** At the company's full-year results presentation on 8 March 2017, the CEO announced Aviva's intention to reduce its hybrid debt by cancelling its preference shares. Whilst the preference shares are "irredeemable", it appears that there is a mechanism to cancel the preference shares through a court-approved reduction of capital. However, there was debate about whether this was in fact permissible. **Why is it an issue?** LGIM is a holder of both ordinary and preference shares, which have suffered material losses since the announcement. There has also been negative media coverage of the proposed cancellation, including comments from retail investors who were large holders of the preference shares. Furthermore, the Treasury Select Committee has written a letter to the head of the Financial Conduct Authority (FCA) requesting answers. The FCA responded by also questioning Aviva's decision. **What did LGIM do?** LGIM collaboratively engaged on this matter with other investors representing approximately 35% of the company's issued share capital. A joint meeting was held with the board Chairman to better understand the decision-making process behind the cancellation of irredeemable preference shares. Furthermore, a message was sent to the company that LGIM would vote against such a move if a shareholder vote was required to cancel the preference shares. **What was the outcome?** On 23 March 2017, Aviva announced that it had reversed its decision to cancel the preference shares. LGIM welcomed the response and stated this publicly. Aviva's decision followed constructive engagement with shareholders, where the company listened to our concerns. We will be examining the wider implications of similar companies potentially seeking to cancel irredeemable preference shares, and will monitor future action closely.

KEY UK COMPANY ENGAGEMENTS

Victrex plc Materials Market Cap £2.07 billion	**What is the issue?** LGIM noted that the Chair of the audit committee of Victrex had also been Chair of the audit committee of construction company Carillion for six years. This director was up for re-election at Victrex's shareholder meeting in February 2018. In January this year, Carillion entered compulsory liquidation. Shortly after the announcement, UK regulators launched investigations into some of Carillion's directors, including its former Chair of the audit committee. These events affected our confidence in this director's ability to exercise his duties as Chair of the audit committee at Victrex and to commit sufficient time to the role. **Why is it an issue?** The audit committee plays a vital role in safeguarding investors' interests. It is responsible for monitoring the integrity of the financial statements of the company, appointing external auditors, and monitoring their qualifications and independence as well as their effectiveness and resource levels. The committee is also responsible for the overall risk management of the company to ensure sound and robust internal controls are in place to appropriately manage the company's financial, operational and reputational risks. In addition, the Chair of the audit committee plays an essential role in leading and overseeing the activities of the committee. **What did LGIM do?** LGIM took part in a private, collaborative initiative launched by an investor group of which we are a member. The objective was to communicate our concerns to the board of Victrex on the role of this director on the audit committee and push for him to step down from this position. **What was the outcome?** A few days later, before the AGM, this director offered his resignation to the board of Victrex. He has now left the company.

Regional updates

UK

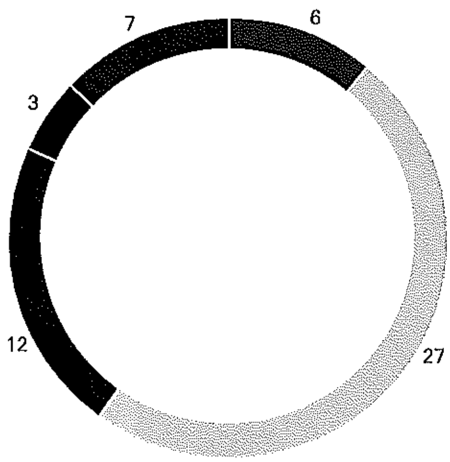
KEY UK COMPANY ENGAGEMENTS

Tesco/Booker Food retailers Market Cap £20 billion	**What is the issue?** In January 2017, Tesco made a recommended offer of £3.7 billion to merge with Booker. The proposed merger resulted in the resignation of one non-executive director that disagreed with the deal. **Why is it an issue?** Following several years of turbulence, including issues around overseas expansions and acquisitions, profit warnings and accounting scandals, Tesco started to demonstrate improved performance. We believe the CEO's strategy, which consisted of rebuilding the UK business and enhancing its reputation with customers and suppliers, has begun to show results. LGIM therefore had concerns around the strategic implications of the deal. In addition, we were concerned as to whether the premium being offered to Booker shareholders was sufficient. **What did LGIM do?** LGIM is a shareholder of both companies. In order to make an informed assessment, we expect management to be transparent on the terms of the merger and its financial and cultural integration implications on long-term business strategy. We therefore met the management teams of Tesco and Booker to get better insight into the rationale for the decision to integrate the two businesses and consider the merits presented by both companies. Prior to making a decision, the corporate governance team sought views from our investment teams. However, the decision was taken independently from them, in accordance with our conflicts of interest policy. We decided to support the management of Tesco in this merger. As the company continues to grow its UK operations, we believe this merger would help it access a new customer base of smaller retailers. However, as a Booker shareholder, we considered the premium that was being offered insufficient. We had concerns around the strategic fit or the synergies that could be extracted from such a deal. We therefore decided to oppose the transaction. **What was the outcome?** Both companies secured sufficient support from their shareholder base. As a large shareholder, we will continue to monitor the merged entity.

Q1 2018 VOTING SUMMARY UK

Proposal category	UK		
	For	Against	Abstain
Anti-takeover Related	53		
Capitalisation	291	6	
Directors Related	501	27	
Non-Salary Comp.	115	12	
Reorg. and Mergers	23	3	
Routine/Business	343	7	
SH-Compensation			
SH-Corp Governance			
SH-Dirs' Related			
SH-Gen Econ Issues			
SH-Health/Environ.			
SH-Other/misc.			
SH-Routine/Business			
SH-Soc./Human Rights			
Social Proposal			
Total	1326	55	0
Total resolutions	1381		
No. AGMs	82		
No. EGMs	33		
No. of companies voted	109		
No. of companies where voted against at least one resolution	33		
% no. of companies where at least one vote against	30%		

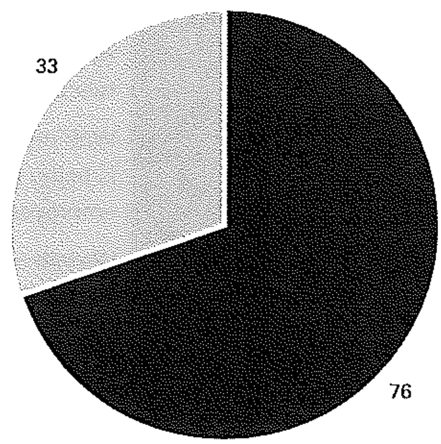
Voting issue breakdown (against)



- Capitalisation
- Directors related
- Non-salary comp.
- Reorg. and mergers
- Routine/Business

'LGIM voted against at least one resolution at 30% of UK companies over the quarter.'

Number of companies voted for/against



- No. of companies supported
- No. of companies where voted against at least one resolution

Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Regional updates

Europe

KEY EUROPEAN COMPANY ENGAGEMENTS

Volkswagen Automobiles Market Cap €81.2 billion	**What is the issue?** Since its emissions scandal in 2015, Volkswagen has been trying to rebuild its public reputation and make changes to its internal culture. Volkswagen is one of LGIM's key engagement targets as part of our Climate Impact Pledge. **Why is it an issue?** The board has been slow to deal efficiently with the fallout of the emissions scandal, raising concerns about the ability of the company to restore trust by the public in its products. We opposed the discharge of liability of all management and supervisory board members at the company's 2016 and 2017 AGMs. As one of the largest global automotive companies, Volkswagen also stands to be significantly impacted by the regulatory changes and physical risks associated with climate change. **What did LGIM do?** This quarter, another meeting was held with the supervisory board Chairman to understand how the company is responding to the challenges related to its culture. Additionally, our team sought to gain insight into the company's long-term strategy related to product development and its response to new regulations impacting the industry. The meeting was attended by LGIM representatives from both the Corporate Governance and Active Equity teams. **What was the outcome?** During the meeting, the Chairman explained that Volkswagen believes the direction of regulation will benefit makers of electric vehicles, which is why the company has announced it plans to introduce a new range of electric battery-powered cars by 2025. Additionally, the company recently announced that its fully electric ID range is aimed at meeting the needs of the everyday consumer. With regards to company culture, the Chairman stated that it is changing and progress is being made, but that ultimately it will take time. The company has conducted global employee surveys as a tool to measure how its culture is evolving. We will continue to engage with the company on its climate change strategy through LGIM's Climate Pledge and continue to seek improvements in its governance framework. LGIM will take into account this information when we decide on our voting at the company's 2018 AGM to be held in May.

KEY EUROPEAN COMPANY ENGAGEMENTS

Compagnie de Saint Gobain SA Construction materials Market Cap €23 billion	**What is the issue?** Since 2014, the company has been involved in a takeover battle with Sika AG. Saint Gobain is attempting to acquire a 16.1% share interest in Sika from the company's founding family, which would provide it with 52% of the voting rights. A provision in the articles of Sika has exempted Saint Gobain from having to make an offer for the remaining shares. The board of Sika has been dealing with the takeover attempt and the matter is still being considered by the Swiss Courts. LGIM is concerned about the long running nature of this takeover and its potential financial and strategic impact on the company. In these sensitive times, we expect companies to have a strong governance structure in place. We have concerns around the combination of the roles of Chair and Chief Executive and the level of independence of the board. In addition, we note transparency issues, especially with regards to remuneration and board matters. **Why is it an issue?** When a company becomes involved in a protracted and disputed investment/takeover, it is important there is sufficient oversight by the board to ensure the investment is and remains in the best interest of all shareholders. **What did LGIM do?** As a long-term shareholder, we have been engaging and monitoring the company over many years. LGIM held a meeting with the newly elected Lead Independent Director. This meeting was an opportunity to reaffirm our expectations around succession planning and request that the board consider a separation of the roles of Chairman and Chief Executive when a new appointment is made. In addition, we asked that the board be refreshed to improve its level of independence. We also discussed the disputed takeover. We challenged the board on the validity of the deal and how it is impacting the attention of management on running the company. Finally, we asked the company to provide more transparency on board attendance, performance reviews and performance conditions under incentive plans. **What was the outcome?** Our concerns and views were taken into account by the Lead Independent Director of the board. We will continue to actively monitor and engage with the company.

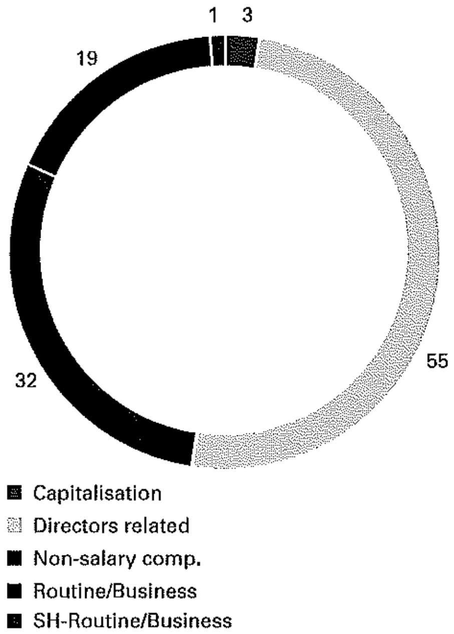
Regional updates

Europe

Q1 2018 VOTING SUMMARY EUROPE

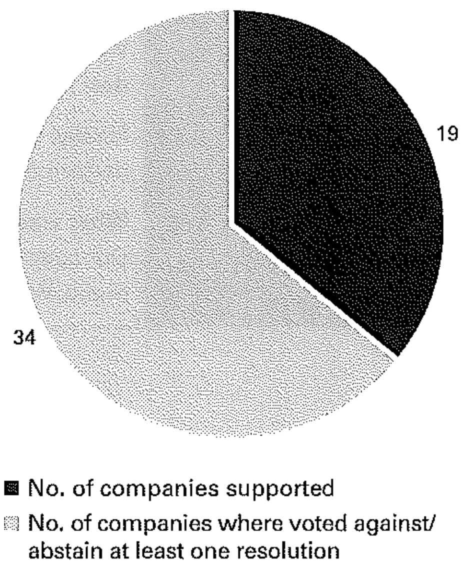
Proposal category	EUROPE		
	For	Against	Abstain
Anti-takeover Related			
Capitalisation	71	3	
Directors related	432	48	7
Non-salary compensation	67	32	
Reorganisations and mergers	8		
Routine/Business	296	19	
SH-Compensation	1		
SH-Corp Governance	1		
SH-Dirs' Related			
SH-Gen Econ Issues			
Shareholder resolution - Health/Environment			
SH-Other/misc.	4		
SH-Routine/Business	2	1	
SH-Soc./Human Rights			
Social Proposal			
Total	882	103	7
Total resolutions	992		
No. AGMs	52		
No. EGMs	1		
No. of companies voted	53		
No. of companies where voted against at least one resolution	34		
% no. of companies where at least one vote against	64%		

Voting issue breakdown (against and abstain)



'LGIM voted against at least one resolution at 64% of European companies over the quarter.'

Number of companies voted for/against/abstain



Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Regional updates

North America

KEY NORTH AMERICA COMPANY ENGAGEMENTS

Broadcom/Qualcomm Technology Combined Market Cap USD £172.6bn	**What is the issue?** Broadcom, a chipmaker based in Singapore, made a hostile bid to acquire a US rival Qualcomm. If this was executed, this transaction would have been the largest deal in the technology sector to date. When the offer was rejected by Qualcomm Broadcom decided to approach shareholders directly asking them to elect its nominees to Qualcomm's board. **Why is it an issue?** Broadcom launched a proxy fight for six board seats out of 11 at Qualcomm's annual meeting. **What did LGIM do?** We talked to both companies to understand their perspectives. We supported four out of the six candidates proposed by Broadcom. We believed these directors would be a positive addition to the Qualcomm board, bringing independent views and holding the board account for their financial targets and operational plan. **What was the outcome?** The meeting was delayed due to an announcement by the Committee on Foreign Investment in the United States which oversees the national security implications of foreign transactions in the US. The Committee stated that it would conduct a review into the takeover. In the meantime, Broadcom requested shareholders vote for its reincorporating from China to the US, which may make it easier to acquire a US company. We will stay engaged on the issue.
Council of Institutional Investors conference	**What is the issue?** A conference of US investors and asset owners. **What did LGIM do?** We attended the spring conference of the Council of Institutional Investors (CII) and spoke on a panel to discuss 'Beyond the Balance Sheet: how ESG can drive voting considerations'. The conference included keynote sessions from the Chair of the Securities and Exchange Commission; the Chair and CEO of MSCI; CEO of FTSE Russell; as well as academics and representatives from issuers, investors and asset owners. **What was the outcome?** A range of issues were discussed, including the role of index providers in the changing world of investments, corporate culture, dual-class stock, climate change, Sustainability Accounting Standards Board guidelines, human capital management, board composition, cyber security and proxy voting plumbing.

Regional updates

North America

KEY NORTH AMERICA COMPANY ENGAGEMENTS

Various US listed companies	**What is the issue?** Many US listed companies receive proposals from their shareholders addressing issues such as climate change, human rights and governance structures. **Why is it an issue?** Despite some shareholder proposals receiving majority support, many companies still do not take action to implement changes. **What did LGIM do?** Through a collaborative engagement led by a UK investor, LGIM signed a letter requesting the company respond to majority supported shareholder proposals. LGIM signed letters to nine US companies. **What was the outcome?** To date, the collaborative initiative has received three responses. The investor group will implement an engagement process to encourage progress at these companies. We will also review our voting decisions.

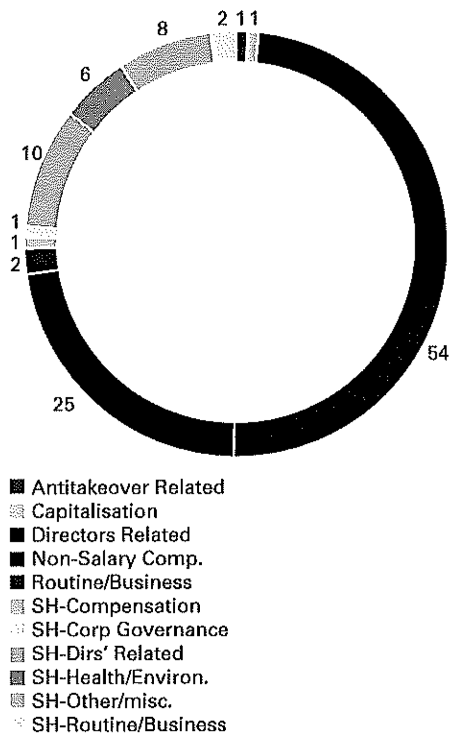
Regional updates

North America

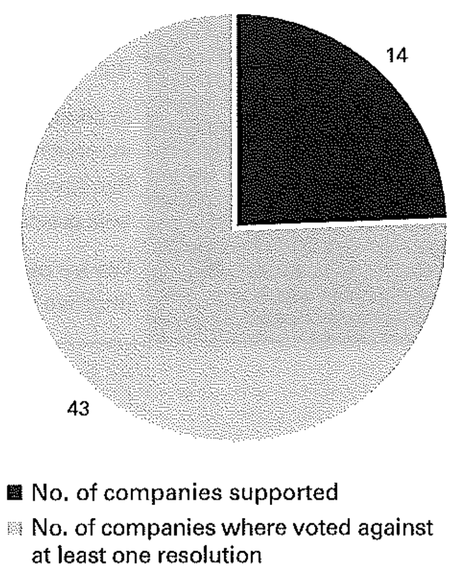
Q1 2018 VOTING SUMMARY NORTH AMERICA

Proposal category	NORTH AMERICA		
	For	Against	Abstain
Anti-takeover Related	11	1	
Capitalisation	11	1	
Directors related	354	54	
Non-salary compensation	58	25	
Reorganisations and mergers	11		
Routine/Business	62	2	
SH-Compensation		1	
SH-Corp Governance		1	
SH-Dirs' Related	8	10	
SH-Gen Econ Issues			
SH-Health/Environment		6	
SH-Other/misc.		8	
SH-Routine/Business		2	
SH-Soc./Human Rights			
Social Proposal	1		
Total	516	111	
Total resolutions	627		
No. AGMs	46		
No. EGMs	12		
No. of companies voted	57		
No. of companies where voted against at least one resolution	43		
% no. of companies where at least one vote against	75%		

Voting issue breakdown (against)



Number of companies voted for/against



'LGIM voted against at least one resolution at 75% of North American companies over the quarter.'

Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Regional updates

Japan

KEY JAPAN COMPANY ENGAGEMENTS

Toyota Motor Corp Automobiles Market cap JPY 53.8bn	**What is the issue?** As one of the largest car manufacturers in the world, Toyota is a company we have engaged with for a number of years to improve its corporate governance structure. In addition, the company is a key engagement target for LGIM's Climate Impact Pledge (CIP). Therefore, a meeting was held to understand how Toyota is addressing climate change by transitioning to low-emission vehicle models and its readiness for a low-carbon economy. **Why is it an issue?** The move towards electrification and driverless vehicles poses a threat and potentially severe disruption for traditional car firms such as Toyota. As an investor, we have a responsibility to engage to ensure the company is prepared to thrive in a carbon-constrained environment and support robust policy action to encourage the transition to clean vehicles. **What did LGIM do?** As part of our CIP and continuing engagement with the company, we sent a formal letter to the chairman last year highlighting key areas for improvement in terms of transparency as to how the business is approaching the low-carbon transition. A meeting was then held with the company to understand to what extent these suggested improvements have been implemented and to discuss any additional information on how Toyota is mitigating climate risk and taking advantage of the opportunities presented. **What was the outcome?** In the meeting, the company stated it was very receptive to the requests made in LGIM's CIP letter and outlined areas where it has begun to take positive action. For example, on board governance, LGIM argued there was need for improvement on diversity to reflect the global nature of the company's customer base. In response, Toyota has appointed its first female director to the board and has committed to further improvements in the future. In addition, LGIM requested that the board explicitly commit the company to playing a key part in meeting the global climate target of limiting temperature rise to 2°C or less. The company has since included this written commitment in its public disclosures, in line with international best practice. We are pleased with the progress made and will continue to work with the company to improve its transparency as part of our CIP.

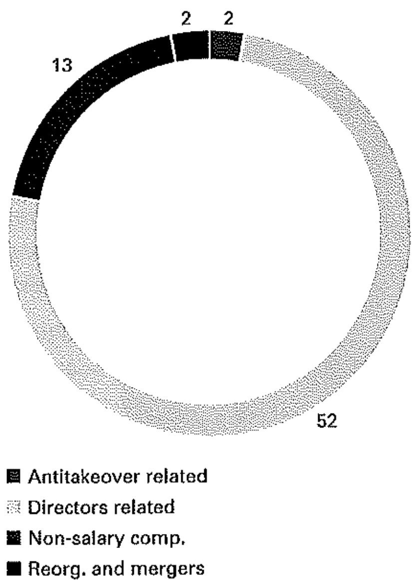
Regional updates

Japan

Q1 2018 VOTING SUMMARY JAPAN

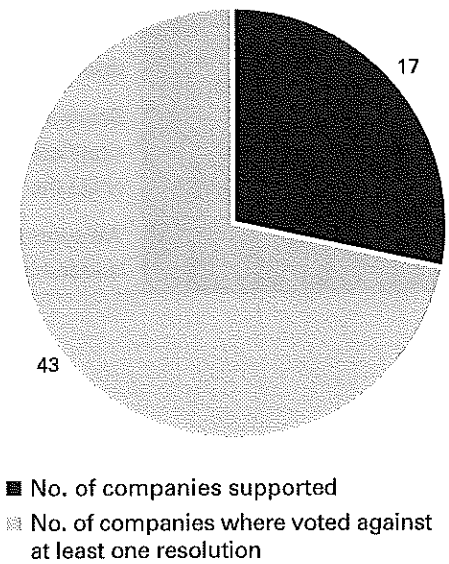
Proposal category	JAPAN		
	For	Against	Abstain
Anti-takeover Related		2	
Capitalisation			
Directors related	490	52	
Non-salary compensation	26	13	
Reorganisations and mergers	14	2	
Routine/Business	45		
SH-Compensation			
SH-Corp Governance			
SH-Dirs' Related			
SH-Gen Econ Issues			
Shareholder resolution - Health/Environment			
SH-Other/misc.			
SH-Routine/Business			
SH-Soc./Human Rights			
Social Proposal			
Total	575	69	
Total resolutions	644		
No. AGMs	58		
No. EGMs	2		
No. of companies voted	60		
No. of companies where voted against at least one resolution	43		
% no. of companies where at least one vote against	72%		

Voting issue breakdown (against)



'LGIM voted against at least one resolution at 72% of Japanese companies over the quarter.'

Number of companies voted for/against



Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Regional updates

Asia Pacific

KEY ASIA PACIFIC COMPANY ENGAGEMENTS

Samsung Electronics Technology Market cap KRW 355.8tn	**What is the issue?** As highlighted in the Q4 2017 ESG Impact Report, the CEO was arrested in a corruption investigation and sentenced to five years in prison in August 2017. Since February this year, it has been announced that the CEO has been released from prison. LGIM has been engaging with the company on its corporate governance practices for a number of years and sought an explanation from the company on how it has responded to such significant leadership issues. **Why is it an issue?** The arrest of the CEO meant that he was physically unable to attend board meetings. This emphasised a key-man risk problem in the company and highlighted the composition of its board. Additionally, the lack of independence, diversity and succession planning on the board remain significant concerns, given the control over the company by the family shareholding. **What did LGIM do?** Last year, LGIM worked collaboratively with other investors to request more information from the company on its decision-making process, specifically related to changes in leadership in response to the investigation. This quarter, LGIM continued this discussion, holding a meeting with the company directly to discuss these issues and the agenda for the upcoming AGM. **What was the outcome?** During the meeting, the company highlighted some changes to the board composition, made in response to investor concerns about company leadership. Firstly, the company has split the roles of Chairman and CEO. Although, the Chairman is not considered independent, the division of responsibilities alleviates key-man risk on the board. Additionally, the company stated that the Chairman would be willing to meet with investors to discuss his duties and responsibilities. Secondly, responding to concerns around diversity on the board, the company has made two significant appointments. One of the new directors is a US citizen with technology experience, while the second appointment is the first female external director. We support the company in making these important changes and will be engaging with the leadership going forward.

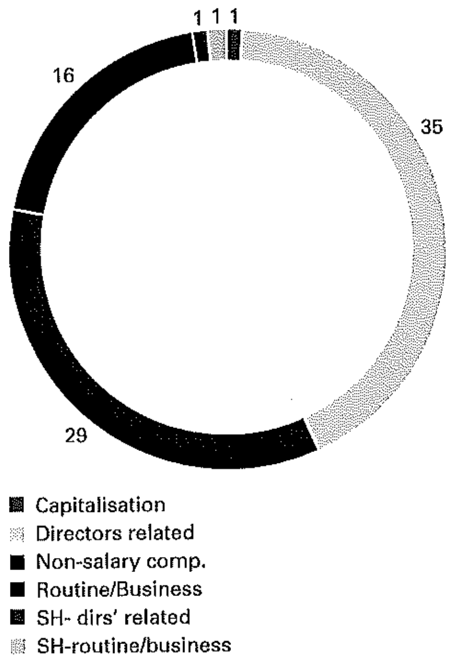
Regional updates

Asia Pacific

Q1 2018 VOTING SUMMARY ASIA PACIFIC

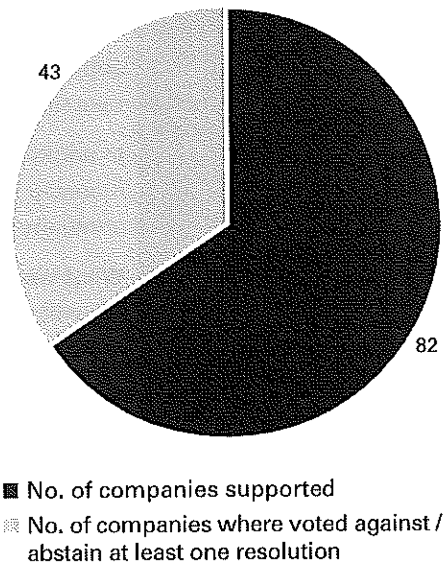
Proposal category	ASIA PACIFIC		
	For	Against	Abstain
Anti-takeover Related			
Capitalisation	3	1	
Directors related	327	35	
Non-salary compensation	115	29	
Reorganisations and mergers	9		
Routine/Business	282	16	
SH-Compensation			
SH-Corp Governance			
SH-Dirs' Related	1	1	1
SH-Gen Econ Issues			
Shareholder resolution - Health/Environment			
SH-Other/misc.			
SH-Routine/Business	2	1	
SH-Soc./Human Rights			
Social Proposal			
Total	739	83	1
Total resolutions	823		
No. AGMs	120		
No. EGMs	9		
No. of companies voted	125		
No. of companies where voted against/abstain at least one resolution	43		
% no. of companies where at least one vote against	34%		

Voting issue breakdown (against and abstain)



'LGIM voted against at least one resolution at 34% of Asia Pacific companies over the quarter.'

Number of companies voted for/against/abstain



Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Regional updates

Emerging markets

KEY EMERGING MARKETS COMPANY ENGAGEMENTS

CCR SA

Industrials

Market Cap BRL 24.75 bn

What is the issue?
2018 marks the first year that Brazilian companies will be required to adopt the comply-or-explain corporate governance report developed by the country's regulator.

We noted that the Chief Executive of CCR SA has held this role for 19 years and had concerns around the level of independence of board directors.

In addition, we noted the lack of disclosures on remuneration and use of cash instead of equity in incentive arrangements.

Why is it an issue?
CCR operates in an industry that has historically been at high risk of bribery and corruption. We therefore expect the company to observe high governance standards.

An independent board is essential to ensure it exercises efficient oversight and consistently acts in the best interests of the company and its stakeholders. Moreover, the regular refreshment of the board helps to ensure its members remain independent from management and third parties. It also ensures that different perspectives feed into board discussions and that skillsets remain relevant.

On remuneration, LGIM expects a proportion of executive pay to be linked to performance, measured over the long term and payable in shares. Transparency is also key for shareholders to form an informed view.

What did LGIM do?
LGIM engaged with the company to highlight our concerns around the lack of independence of the board, the CEO's tenure and the remuneration structure. We discussed the issue of succession planning with the company and set out our expectations.

At the company's AGM in April, LGIM took a step further in escalating our concerns. We voted against the re-election of the non-independent members of the board and supported a shareholder resolution to elect a Fiscal Council member to provide further oversight and represent the interests of minority shareholders.

In addition, we voted against the compensation resolution because the size of the increase in total remuneration is not justified given the underperformance of the company's shares.

What was the outcome?
We will continue to engage with the company to ensure it improves its governance practices.

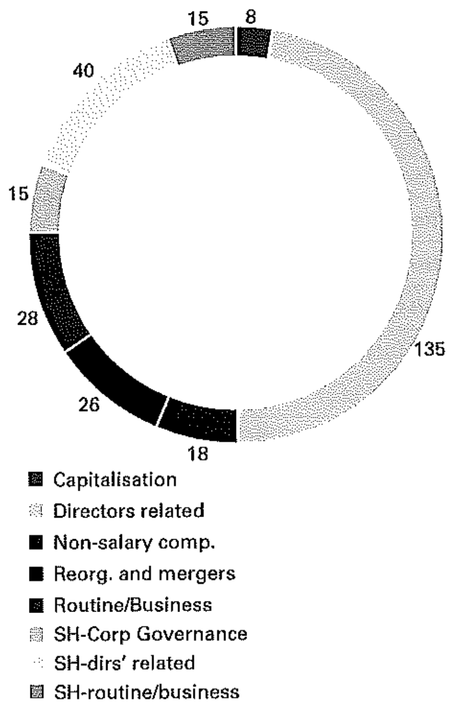
Regional updates

Emerging markets

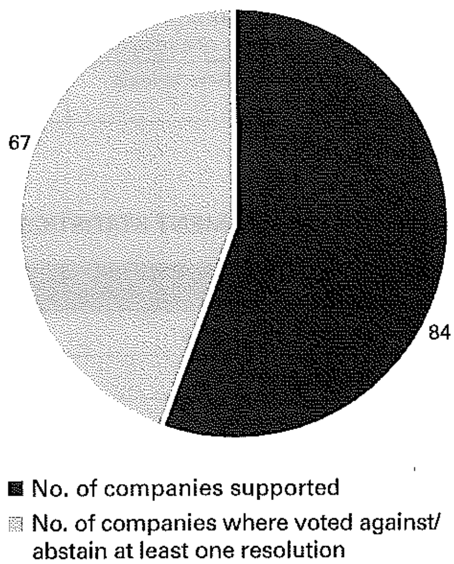
Q1 2018 VOTING SUMMARY EMERGING MARKETS

Proposal category	EMERGING MARKETS		
	For	Against	Abstain
Anti-takeover Related			
Capitalisation	119	7	1
Directors related	322	82	53
Non-salary compensation	31	18	
Reorganisations and mergers	138	25	1
Routine/Business	337	26	2
SH-Compensation			
SH-Corp Governance	1	15	
SH-Dirs' Related	10	40	
SH-Gen Econ Issues			
Shareholder resolution - Health/Environment			
SH-Other/misc.			
SH-Routine/Business	1	15	
SH-Soc./Human Rights			
Social Proposal			
Total	959	228	57
Total resolutions	1244		
No. AGMs	41		
No. EGMs	118		
No. of companies voted	151		
No. of companies where voted against/abstain at least one resolution	67		
% no. of companies where at least one vote against	44%		

Voting issue breakdown (against and abstain)



Number of companies voted for/against/abstain



> 'LGIM voted against at least one resolution at 44% of emerging markets companies over the quarter.'

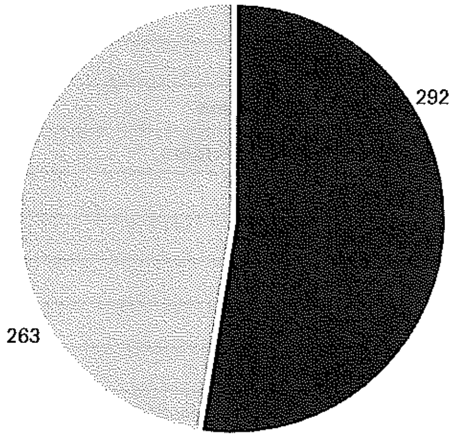
Source for all data LGIM. The votes above represent voting instructions for our main FTSE pooled index funds

Global summary

VOTING TOTALS

Proposal category	For	Against	Abstain	Total
Anti-takeover Related	64	3		67
Capitalisation	495	18	1	514
Directors related	2426	298	60	2784
Non-salary compensation	412	129		541
Reorganisations and mergers	203	30	1	234
Routine/Business	1365	70	2	1437
SH-Compensation	1	1		2
SH-Corp Governance	2	16		18
SH-Dirs' Related	19	51	1	71
SH-Gen Econ Issues				
Shareholder - Health/Environment		6		6
SH-Other/misc.	4	8		12
SH-Routine/Business	5	19		24
SH-Soc./Human Rights				
Social Proposal	1			1
Total resolutions	4997	649	65	5711
No. AGMs	399			
No. EGMs	175			
No. of companies voted	555			
No. of companies where voted against/abstain at least one resolution	263			
% no. of companies where at least one vote against	47%			

Number of companies voted for/against/abstain



■ No. of companies supported

▒ No. of companies where voted against/ abstain at least one resolution

Top three engagement themes this quarter

Board composition

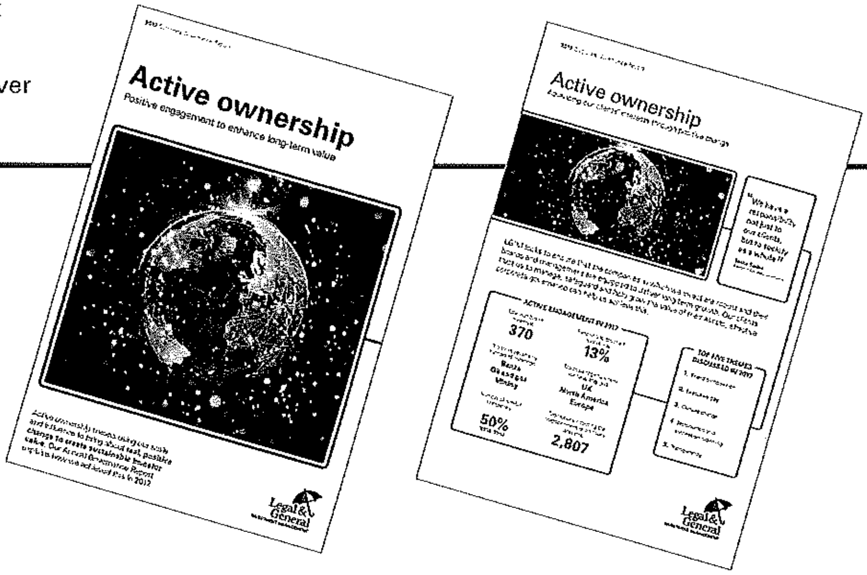
Strategy

Climate Change

COMPANY ENGAGEMENT STATISTICS

Proposal category	Total
Total number of companies	45
Total number of meetings	51
Number of meetings where environmental topics discussed	22
Number of meetings where social topics discussed	14
Number of meetings where governance topics discussed	37
Number of meetings where other topics (e.g. financial and strategy) discussed	29
% of meetings including environmental and social issues discussed	55%

To read more about LGIM's engagement activity in 2017, including many more examples of where we have helped deliver long-term positive change, please visit www.lgim.com/activeowner



CONTACT US FOR MORE INFORMATION

For further information on anything you have read in this report or to provide feedback, please contact us at corporategovernance@lgim.com. Please visit our website www.lgim.com/corporategovernance where you will also find more information including frequently asked questions.

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M1670

Shropshire County Council

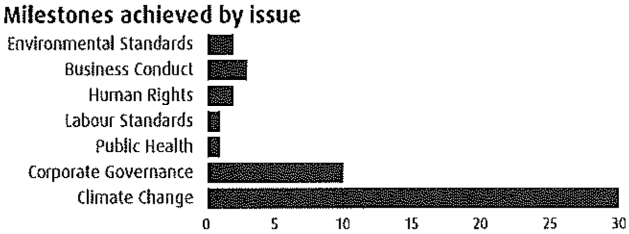
Q1 2018

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.

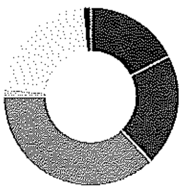
Companies engaged this quarter

Companies engaged	200
Milestones achieved	49
Countries covered	20

Milestones achieved by issue

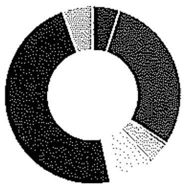


Companies engaged by country



United Kingdom	35
Continental Europe	41
North America	74
Asia (ex Japan)	3
Japan	44
Other	3

Companies engaged by issue **



Environmental Standards	18
Business Conduct	106
Human Rights	2
Labour Standards	14
Public Health	29
Corporate Governance	174
Climate Change	20

BMO Global Asset Management

* ***reo***® is currently applied to £144.2bn ($195billion / €162.3billion) of assets as at 31st December 2017. ** 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.

ESG Viewpoint

February 2018

Is the Circular Economy treading water?

Goal: Identify and promote best practice of natural resource management in the textile sector

Liat Piazza
Analyst
Associate
Governance and Sustainable Investment

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The information, opinions, estimates or forecasts contained in this document were obtained from sources reasonably believed to be reliable and are subject to change at any time.

Summary

- Demand growth in the textile sector has led to increasing stress on natural resources used in textile production.
- Apparel companies are under pressure to drive innovation in their manufacturing processes and life-cycle management to mitigate the risk of raw material shortages and rising sourcing and production costs.
- In 2017 we reached out to 19 companies in the sector including fast fashion, luxury and outdoor and sportswear companies to discuss their approaches to managing this risk.
- Companies are aware that they cannot ignore this issue and are starting to implement initiatives in this area, however most initiatives are still working on a pilot scheme basis.

Background

The apparel industry is well known for its linear economic model i.e. make, use and dispose. A circular economy model is an alternative to this whereby attempts are made to keep resources in circulation for as long as possible and yield the maximum value out of each resource. The creation of long lasting garments with recyclable qualities, and having the supporting manufacturing systems in place is key to implementing a successful circular economy model.

Extensive research has shown that natural resources used in textile production such as land and water are coming under increasing stress. According to the Pulse of The Fashion Industry Report written by the Boston Consulting Group (BCG) and the Global Fashion Agenda (GFA), apparel and footwear consumption will rise from 62 million tons in 2015 to 102 million tons in 2030. The report predicts a 50% increase in water consumption, 63% increase in energy emissions and 63% increase in waste creation from the apparel sector between 2015 and 2030.

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Telephone calls may be recorded.

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Continued

With the continued growth in consumption and demand for products it is likely that textile manufacturers will face increasing raw material shortages and rising sourcing and production costs. These stresses will require innovation in manufacturing processes and life-cycle management. The implementation of a comprehensive circular economy business model will allow brands to maximise the use of raw materials and natural resources in the manufacturing processes; and importantly, reduce their reliance on new raw materials.

Key raw materials for the sector include cotton, which according to the World Resources Institute (WRI) is the most widely used material in the sector accounting for 33% of all fibres used. Leather is widely used in the luxury and footwear segments of the sector, and polyester is used in the outdoor-wear and sportswear industries. Rubber is also an important raw material for the footwear industry. All these have different environmental impacts and consequently create challenges that brands need to consider.

Resource requirements and reuse challenges for raw materials and manufacturing

Cotton	• Around 3% of water used in agriculture is for growing cotton • Cotton accounts for around 48% of textile production • 1kg of cotton requires 20,000 litres of water; this makes roughly one t-shirt and a pair of jeans • Cotton does not retain its quality well when recycled therefore it is currently not possible to create products from 100% recycled cotton[1]
Leather	• The leather industry is one of the top 10 most toxic polluters • In China the leather industry is one of the top 20 wastewater dischargers • 400 tanneries are within the Ganges river basin in India, and the industry is one of the most polluting with around two thirds of the wastewater not being treated before returning to the river • Cattle farming is a key driver of deforestation • Leather can be recycled into lower quality leather however it is difficult for leather to retain its quality during the recycling process[2]
Polyester	• Five times more energy intensive to produce than cotton • Made from petroleum which has a negative environmental impact during the extraction process • Has a long useful life - retains quality when recycled and can be recycled a number of times
Rubber	• 90% of rubber comes from India, Vietnam, Southern China and Indonesia in some of the most biodiverse forest habitats, home to many endangered species • Growing demand for rubber drives deforestation to serve production of this crop. • Rubber can be produced without clearing natural forests, a process that should be encouraged • Rubber is a recyclable material[3]
Garment manufacturing	• Water heavily used in production process e.g. during fabric dyeing • Water pollution from garment manufacturing comprises 20% of industrial water pollution • Five trillion litres of water used in fabric dyeing a year[4]

[1] WWF
[2] China Water Risk, WWF, CDP

Innovative solutions for apparel companies exist, and there are new technologies and businesses emerging to support apparel companies on their journeys to implementing a circular economy business model. For example, Lenzing is an Austrian, man-made fibre producer that is working on a range of "specialty fibres", such as Refibra, which is made out of cotton scraps from factories. In addition, Dyecoo has developed and supplied water and chemical free textile dyeing systems to garment manufacturers.

Engagement action

Following research on the challenges associated with key raw materials, we looked to understand what sustainable and innovative materials and processes are being developed. This allowed us to identify a best-practice framework for a circular economy:

Risk management

- Mapping emerging natural resource scarcity in manufacturing processes and the supply chain.
    - Raw material scarcity mapping is an important risk assessment for apparel companies in addition to conventional cost mapping exercises.
    - Risk mapping is key for companies to have a clear understanding of long-term risks and cost impacts, which in turn can incentivise the development of circular economy solutions.

Design phase

- Re-designing garments to increase their potential for recyclability, such as creating garments from single materials as these are easier to recycle than garments made from a mix of materials and/or focusing on the research, development and innovation of fabrics.

[3] WWF
[4] WRI

Continued

- Ensuring minimal fabric waste at factories.

Post sales

- Take-back schemes that re-use and recycle material from garments that have been brought back, into new products.
- Repair services aimed at extending the useful life of garments whilst giving brands the image of quality and durability.

We reached out to 19 apparel companies requesting a dialogue on their approach to developing circular economy models that use the best practice elements we had identified.

Findings

Of the 19 companies, we had discussions with 12, written responses from two companies and no response from the remaining five. We classified responsive companies as either front-runners, followers or laggards.

Seven of the 14 companies that responded were classified as front-runners. These companies are already actively working on circular economy initiatives such as pilot schemes using recycled materials to make garments, launching sustainable clothing lines, small scale recycling of waste at manufacturing sites, and research projects. Many companies have also launched or are piloting garment takeback schemes where consumers can bring old and unwanted garments back to the store and these are either re-sold, donated to charity, recycled or disposed of. Nevertheless, these companies are not yet in a position to clearly map-out the scalability of these initiatives. We have specifically chosen to classify these companies as "front-runners" and not "leaders", as despite being the most advanced of the companies we engaged with in developing circular economy strategies, they still have a long way to go in implementing comprehensive circular business models that would reduce their reliance on natural resources and increase control of volatile raw material prices.

Although the "front runners" showed an understanding of the need to implement circular economy models, we have seen little indication as to the eventual objectives and scope of their efforts to inject circular models into their overall business. Our engagement found that the main driver for companies to implement circular models is due to the customer demand for more sustainable products. Our conversations further revealed that many companies are aware of increasing raw material scarcity but have not developed a risk-assessment for sustainable, long-term material sourcing. Only three of the companies we engaged with have implemented leading risk management practices, including identification of key raw materials, development of a sustainable sourcing policy for these, targets and implementation programmes on sustainable sourcing.

As a result, we found that companies were satisfied with small projects such as a sustainable fashion line, as opposed to working on scalable projects to convert business models from a linear one to a circular one.

Three of the companies that responded were classified as "followers". These companies have started to work on circular economy initiatives but these are still in an early design phase.

And lastly we classified four of the companies that responded as laggards. These companies are either unwilling to engage on the topic and/or do not show any evidence on working on this through their disclosures.

Case Study – Hennes and Mauritz

Background

The Swedish clothing brand is considered an industry leader for implementing sustainable business practices, and particularly for implementing a circular economy business model.

The company has a take-back system whereby consumers have the opportunity to dispose of their old garments from any brand. Whilst the garments that are still in a good condition are either donated to charity or re-sold as vintage products, other garments are turned into scraps to be used in the manufacturing process, or used for fibre to fibre recycling. We were, however, disappointed to discover that a small percentage of these clothes along with some unsold garments are incinerated. We encouraged the company to work on initiatives in order to reduce this, such as designing clothing with a higher recyclable life to make better use of the fibres in unsold garments as well as those brought back through take-back schemes.

Despite its robust commitment on sustainability issues, the company, like most of its peers, has a long way to go to implement circular economy processes that would reduce its own supply chain waste, capitalise on its own waste to produce garments from recycled materials, and innovate its products to scale up the use of recycled content.

Continued

Conclusion and next steps

The textile sector shows a range of approaches to implementing circular economy business models. The majority of companies have started to work on and trial circular economy opportunities, however the scalability of these initiatives is still unclear. In addition, it became clear during our engagement that companies have not fully considered and understood the rate at which their businesses could begin to be affected by increasing scarcity and price volatility of raw materials, as well as scarcity of natural resources used in the manufacturing process. Developing enhanced risk mapping will be key for the industry to wake up to this eventual challenge, however the company approaches we have seen to date still fall short in making significant headway in this area.

Circular economy in the apparel industry is a concept being widely spoken about. Investor engagement on this issue is slowly ramping up. In addition, there are a number of organisations addressing circularity questions, including the Sustainable Apparel Coalition, Wrap, Circular Fashion, The Ellen McArthur Foundation, and it was a big topic on the agenda for the Copenhagen Fashion Summit in 2017. More needs to be done, however, to build momentum and encourage apparel companies to develop effective risk mapping tools in order to inform circular business models.

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The screening out of sectors or companies on ethical grounds may mean a fund is more sensitive to price swings than an equivalent unscreened fund.

ESG Viewpoint

March 2018

General Data Protection Regulation (GDPR) – What does it mean for companies?

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Summary

- The General Data Protection Regulation (GDPR) comes into effect on 25 May 2018 with the aim of strengthening cybersecurity, increasing privacy for EU citizens and unifying data legislation from across the European Union. It replaces the Data Protection Directive (1995). Unlike its predecessor, it has extra territorial reach, which effectively makes it the first global data law.
- Since that time there have been vast technological advances impacting all parts of our lives, affecting the way that personal data is collected, processed and stored. In parallel, modern day businesses have never been more reliant on using data in all aspects of what they do.
- Within this context, GDPR aims to enshrine EU citizens' right to privacy by giving them back control of who holds their personal data, how it is used and how well it is protected. This is alongside a backdrop of escalating threats of cyber-attacks, as personal information is valuable for criminals.
- Although GDPR will benefit companies through streamlining the data regulatory landscape, we foresee it capturing a broader range of global companies than present, increasing the cost of compliance and requiring widespread governance and cultural reform to ensure that data protection and privacy is a priority. Few businesses are fully prepared, but we think that an initial period of grace from regulators will reduce compliance risk.

Continued

Background

Over the past two decades there has been a dramatic gear-change in how society uses technology, with your average business now more reliant on the processing of data than ever before. This applies to not only how their business operates, but for some of today's most highly valued companies it sits at the core of their product offering. Meanwhile, consumers in both developed and emerging markets are integrating digital services into their lives at an unprecedented rate, with the resulting data being both personal and increasingly valuable in nature.

Somewhat inevitably this has led to a similar increase in cybercrime, as hackers look to take advantage of personal information being inadvertently accessible through company systems being put online without the required security provisions to keep them out. In addition to this, with companies so reliant upon technology for their day-to-day operations, there are increased disruption risks as criminals look to profit by holding companies for ransom. Finally, the use of hacking by nation states means that those companies that can be considered as part of a country's critical infrastructure or of strategic importance, such as utilities, banks and telecommunications being at particular risk.

"Cybersecurity risks are growing, both in their prevalence and in their disruptive potential. Attacks against businesses have almost doubled in five years, and incidents that would once have been considered extraordinary are becoming more and more commonplace."

The Global Risks Report 2018, World Economic Forum

Within this context, the European Union has updated its rules on data protection that were first introduced in 1995. Originally this process focused on looking to enshrine the right to privacy as a universal human right for its citizens; however during the drafting process this remit was broadened to also include the security of data as the threat level increased over that time.

Although the new data rules are much more far reaching and demanding than those that came before them, the EU has put forward GDPR as more beneficial to business than burdensome. This is primarily due to it streamlining the compliance process by putting an end to the patchwork of overlapping data protection rules that currently exist within individual member states, as well as introducing a "one stop shop" principle where companies can work with one local data authority, with the understanding that any agreements will passport to all others. Given its expanded territorial reach (detailed below), it will also offer a more balanced treatment between EU and non-EU companies on how they handle personal data.

"These new pan-European rules are good for citizens and good for businesses. Citizens and businesses will profit from clear rules that are fit for the digital age, that give strong protection and at the same time create opportunities and encourage innovation in a European Digital Single Market"

Věra Jourová, Commissioner for Justice, Consumers and Gender Equality

That being said, despite these advantages there are still substantial challenges for companies to comply with GDPR. In this viewpoint we will examine what is new under this legislation and what the implications will be for companies.

How is GDPR different from existing data regulation?

- **Potentially applies to all companies globally:** Unlike the rather ambiguous regulation that went before it, the scope of GDPR is not defined by where companies that use personal data are located, but rather where their current or potential customers are based. The new regulation will apply to any company that handles personal data of a European Union citizen, irrespective of whether this activity takes place inside the EU, making it the first global data protection law.

- **Widens the definition of personal data:** Whilst the definition of personal data is pretty broad under existing data laws, it will be further extended under GDPR to include any data that can be used to identify an individual. This includes information that might seem quite generic or mundane in isolation, but could become unique and personal when viewed in combination. New types of information will include the geographical, physiological, genetic, economic, cultural or social identity of someone. In addition to this, under certain

Continued

circumstances, personal data now includes online identifiers such as IP addresses and mobile device IDs.

- **More significant penalties:** The most severe breach of GDPR, such as having insufficient consent to process customer data or a data leak resulting from inadequate security provisions, can be fined by up to 4% of annual global turnover or €20 million (whichever is higher). This is substantially higher than what is possible under current legislation, i.e. £500,000 in the UK or €900,000 in the Netherlands. Overall, there is a tiered approach for fines, with a fine of up to 2% of annual global revenue possible for minor breaches such as not having records in order or not notifying a data subject about a breach.

- **Gives less control to companies and more rights to data subjects:** Unlike the current consent regime for companies to use customers' personal data (which is implicit and opt-out in nature), individual customers will need to explicitly opt-in for how their data will be used going forward. Companies will no longer be able to use long illegible terms and conditions full of legalese to attain consent. In addition it introduces the right to be forgotten, for data subjects to see what data is held on them in an easy and free manner, alongside an overall restriction on using personal data for anything other than what it is originally collected for.

- **Mandates the appointment of a Data Protection Officer (DPO):** Companies that either systematically "monitor data subjects on a large scale" or "process on a large scale specific categories of data" will have to appoint a DPO. The DPO must have expert knowledge of data protection laws, must report to the highest level of management and can either be a staff member or outsourced to an external service provider.

- **Introduces a common data breach notification requirement:** Companies can no longer hide data breaches and inform customers or the market when they are ready to do so, but rather will be required to notify both supervisory bodies and the individual who is the subject of the data within 72 hours of any breach that is likely to 'result in a risk for the rights and freedoms of individuals'. This is more specifically defined as where a breach could (rather than has) lead to, amongst other things, an individual being subject to discrimination, identify theft or fraud, financial loss or reputational damage.

- **Extends liability beyond companies to third-party providers:** Under current regulations the responsibility for keeping data safe and private sits with the "data controller", which is the company that wishes to use the data somehow and decides how it is processed. By comparison, "data processors" are those that actually process the data on behalf of the company, such as third-party software vendors or a cloud-computing provider. Responsibility for data protection currently sits wholly with these "data controllers", but under GDPR this liability will also be extended to all third-party organisations that touch personal data.

- **Allows any European data authority to take action:** By means of example, Ireland is currently popular with US corporations as a residence for their data controllers because it has a relatively lenient local data protection authority, but under GDPR any European authority can take action against an organisation. The benefit for companies is that they will have to deal with only one supervisory body as compliance/agreements with them passports to all others, but at the same time there is a stronger enforcement regime, as data subjects in any member state can approach their locally based regulator with any concerns.

- **Requires companies to be pro-active and intentional on data protection:** The new legislation will mandate the principle of 'privacy by design', which requires that data protection be an integrated part of how systems are designed, rather than an additional feature or afterthought. Before projects are even started, companies will also be required to conduct a privacy impact assessment (PIA), which sets out what data points will be collected, how it is maintained, how it will be protected and how this data will be shared. The DPO will be responsible for ensuring that the PIA is complied with throughout the build and use of such systems.

What are the consequences for companies?

With modern day businesses having never been more reliant on processing personal data, few will escape the implications of GDPR requirements. We think that the main consequences of this new data legislation can be summarised into three different areas:

- **Wider scope of data compliance**

At present those companies who are based outside of the EU and process data of its citizens in their home territory are not required to comply with EU data protection laws. GDPR extends its qualifying criteria to also include not just how data is processed, but who the data concerns, meaning that a wide variety of companies based outside the EU will now be subject to this new standard that is much more stringent than what is seen in some other regions. For example, a Chinese flower delivery company allowing EU citizens to make orders for fulfilment only in China is currently not in scope, but under GDPR it will be.

Scope has also been increased to include a wider range of data uses through either direct reference, such as profiling through big data algorithms, or through the broadening of the definition of personal data to include location data or online identifiers. Any business that is reliant upon profiling its customers will now be subject to further procedural checks, which will reduce the efficiency of these processes. In addition, individuals will have the right to refuse to be subject to these processes all together, meaning that companies need to have a contingency operation in place to accommodate these requests.

Finally the new data regulation extends responsibility from just data controllers (i.e. the company who uses the data for its business) to those who only process data. Given the recent move towards 'cloud computing' and the out-sourcing of technology infrastructures provided to third parties, those companies that provide such services will now be exposed to high regulatory risk across their client base. In addition, data controllers will need to ensure that everyone who interacts their customers' data on their behalf, be that transferring, storing or processing, handles the data appropriately and securely. This introduces the concept of data supply chain management, which similar to conventional supply chain management, sets in place due diligence procedures to ensure that all those involved are robust and do not expose them to undue compliance risks.

- **Increase in cost of data compliance**

The most obvious potential cost from GDPR is the substantially increased penalties for non-compliance, where companies can be fined by up to 4% of annual global turnover or €20 million (whichever is higher). Given GDPR's extended territorial reach, it is also foreseen that EU data authorities will be able to enforce penalties through local authorities, including many regions where it already has history of co-operation.

This was seen when the UK telecommunications company TalkTalk was fined just £400,000 in 2016 for a poor cybersecurity controls that allowed the leaking of personal data on 21,000 customers the year before, being near the maximum permissible under current UK data laws. By comparison, this fine could have been up to £72 million (4% of its global annual turnover for that year) under GDPR. The risk here is only made worse by the increased difficulty in complying with GDPR and the large penalties for not doing so.

"If a business can't show that good data protection is a cornerstone of their practices, they're leaving themselves open to a fine or other enforcement action that could damage bank balance or business reputation."

Elizabeth Denham, UK Information Commissioner

Alongside this, there is the substantial compliance costs that will be associated with the new requirements of GDPR. The systems and procedures that companies use to process data will need to be upgraded to be able to meet new requirements, including audit procedures that prove proper consent or facilitating requests by data subjects to see what data is held or exercise their right to be forgotten. For those companies that have not already invested in good data governance or robust processing procedures, there will be a substantial amount of capital investment required to catch up with the standards now expected of them. In addition, there will be a slowing down of productivity as resource is allocated to dealing with these requests as part of business-as-usual processes.

- **Revenue impact on data-reliant products and services**

The other main cost will come in the form of loss of revenue from existing business practices either being frustrated through new provisions or prohibited together. For years, companies have used customer data in an unrestricted way through obtaining implicit consent from users on an opt-out basis.

"More than 8 in 10 firms falling under the scope of GDPR say they'll need to adapt products to comply"

IAPP-EY Annual Privacy Governance Report 2017

Continued

Some sectors, such as retail, have become dependent upon this to curate the online experience of their customers based on personal data and their purchase history. Under GDPR individuals will not only have to opt-in for their data to be collected, but also what it can specifically be used for. Given that consumers are becoming more aware of keeping their personal data private and protected, the expectation is that many will not provide the consent needed for retailers to maximise customer spend under their current established business practices. By further means of example, a 2017 survey by PageFair discovered that only a very small proportion (3%) of those asked believed that the average user would explicitly consent to "web-wide" tracking for the purposes of advertising (tracking by any party, anywhere on the web). By comparison, under current legislation this practice is permissible without consent and widely adopted.

- **Cultural/governance reform on data compliance**

An underlying principle of the new legislation is that companies should work to create a culture of privacy within their organisations. Like any successful effort to shape corporate culture, it needs to be led by those in a position of authority by 'setting the tone from the top'. However, anecdotal evidence has suggested that senior ranks getting a proper grasp of the issue has proven to be a challenge for companies, as data privacy and security has historically been viewed more of an operational issue rather than of strategic importance for consideration at board level.

"The survey of almost 900 members of the Institute of Directors... shows that nearly a third of company directors have not heard of GDPR, while four in 10 don't know if their company will be affected by the new regulations."

UK Institute of Directors, October 2017

In addition to this, there is the requirement for certain companies that are data processing intensive to appoint a Data Protection Officer (DPO) who must report to the highest level of management. For those companies that do not already have governance procedures in place for considering data privacy and security issues, work will be needed to fully establish this new role and ensure that it has the internal authority and correct reporting-line to be effective.

The same is true for having procedures in place for reporting data breaches, which under GDPR companies will need to do within 72 hours of discovery. Those companies that already have reporting lines establishing and procedures in place for doing so will be at an advantage, such as banks who go as far as playing 'cyber war games' to rehearse the process. However, recent incidents at Equifax and Uber have demonstrated that in practice some companies prefer to conduct a full investigation that can take several months before informing those outside the company. Such action will be impermissible under GDPR. For those companies for which this is a new concept will have to face a steep learning curve.

Finally, this cultural shift will need to manifest in GDPR's privacy by design principle. In practice, this will require companies to take such considerations into account early on within their strategic planning or product development process rather than as a factor to take into account after the fact.

Conclusions and next steps

Although GDPR provides an opportunity for global companies to have a simpler and more productive relationship with data regulators in Europe, in an area that is increasingly relevant for all businesses, it does pose challenges. EU lawmakers have established a high watermark for global data protection regulation, the cost of which getting to a point of full compliance and ensuring that they stay there will be substantial. At the same time, for those companies that embrace the challenge and implement the requirements effectively, we consider that they will be more secure, have a better understanding of the cyber-risk exposure and be able to leverage brand loyalty through taking customer privacy seriously giving them a competitive advantage.

Initially, the primary winners of GDPR will be consumers rather than business, but in the long-run there is an opportunity that it will incentivise increased transparency and competition in the market. Those companies that operate across several different jurisdictions will also benefit for the streamlined compliance process. By fully embracing such a high standard of practice on data governance, international companies can be confident that their compliance will passport to all of their global operations, thereby avoiding the headache of patchwork regulatory requirements that are currently in place.

It has been reported that a minority of companies will be ready for GDPR on 25 May 2018, but similarly data regulators have said that they will not be conducting a witch-hunt come "G-day", but rather giving an initial grace period

Continued

to accommodate for this. At the same time, given the scale of change that may be required for those companies that have not taken data protection seriously up until now, the time it will take to reform practices and become fully compliant may extend beyond this grace period.

Top engagement questions for companies:

- Will you be fully GDPR compliant by 25 May 2018?
- If not, where is there still work to do? When will this work be completed?

Governance/Oversight

- How does the Board monitor data privacy / cybersecurity issues?
- Is there to be sufficient Board expertise on data issues to be able to provide effective oversight?
- Have you appointed a Data Protection Officer? Who do they report to?
- Do you have a breach notification procedure established? Have you rehearsed it?

Products/Operations

- Do you foresee any product lines being adversely affected by new restrictions on data use?
- Are you able to meet potential demands to report on data use to customers or delete data altogether?
- Do you have a policy of 'privacy by design'?

Cybersecurity

- Who is responsible for cybersecurity? Is it included within your Enterprise Risk Management system?
- Have you adopted any industry standards for cyber risk management, i.e. ISO 27001?
- Do you stress-test your data security systems?

What due diligence do you undertake on third-party data processors / technology vendors?

Given the stakes involved, a key question as far as we are concerned is how companies, and in particular their boards, will effectively oversee their GDPR compliance and data protection procedures. In particular, explicit provisions regarding the introduction of a DPO role need to be tailored by each company into its existing management reporting lines. Other requirements, such as injecting data privacy into company culture and the 72 hour breach reporting requirement, also have immediate corporate governance implications on its cyber-risk management.

Cyber risk is an important and emerging consideration across all sectors, with GDPR drawing a clear line in the sand on what is expected from companies to navigate these waters. Therefore, we will continue engaging with both leading and lagging companies to help drive stronger practices across in this area.

Continued

How BMO Global Asset Management can help you

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INVESTMENT WEEK SUSTAINABLE INVESTMENT AWARDS 2016 WINNER Best Ethical Investment Fund Management Group	INVESTMENT WEEK SUSTAINABLE INVESTMENT AWARDS 2016 WINNER Best Ethical Investment Fund Management Group

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Priority Companies and Your Fund

The table below highlights the companies on BMO's annual priority engagement list with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. Priority companies are selected through a detailed analysis of client holdings, proprietary ESG risk scores, engagement history and the BMO Governance and Sustainable Investment team's judgement and expertise. Each priority company has defined engagement objectives set at the beginning of each year. Engagement activity levels for priority companies are more intensive than for companies where we engage more reactively. We provide reporting on our engagement with priority companies in the form of case studies which follows the table below. For full list of priority companies please refer to the Appendix at the end of this report. For full details of our engagements with companies please refer to the online ***reo***® client portal.

				Themes engaged						
Name	Sector	ESG Rating	Response to engagement	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Climate Change
Albemarle Corp	Materials	ORANGE	Good	●	●		●			●
Amazon.com Inc	Consumer Discretionary	RED	Poor						●	
Andritz AG	Industrials	YELLOW	Poor						●	
Anglo American PLC	Materials	YELLOW	Good		●					
AutoZone Inc	Consumer Discretionary	RED					●			
Bayer AG	Health Care	YELLOW	Adequate		●			●	●	
BP PLC	Energy	YELLOW	Good		●					
British American Tobacco PLC	Consumer Staples	YELLOW	Good	●	●		●	●	●	●
General Electric Co	Industrials	GREEN	Poor						●	
GlaxoSmithKline PLC	Health Care	YELLOW	Good		●			●	●	
HSBC Holdings PLC	Financials	ORANGE	Good		●				●	
International Consolidated Airlines Group SA	Industrials	RED	Adequate		●					
Johnson & Johnson	Health Care	YELLOW	Adequate					●	●	
Keyence Corp	Information Technology	ORANGE	Poor						●	
L Brands Inc	Consumer Discretionary	RED	Good	●			●			
Martin Marietta Materials Inc	Materials	ORANGE	Adequate	●					●	●
McDonald's Corp	Consumer Discretionary	ORANGE	Adequate		●				●	
Mylan NV	Health Care	RED	Adequate					●		
Novartis AG	Health Care	ORANGE	Good	●	●			●		
Roche Holding AG	Health Care	GREEN	Adequate		●			●	●	
Ryanair Holdings PLC	Industrials	ORANGE	Good		●		●		●	
Sage Group PLC/The	Information Technology	YELLOW	Adequate		●				●	
SAP SE	Information Technology	GREEN	Good		●				●	
Solvay SA	Materials	GREEN	Good							●
Toray Industries Inc	Materials	GREEN	Adequate		●				●	
UniCredit SpA	Financials	YELLOW	Good		●				●	
US Bancorp	Financials	ORANGE	Adequate						●	
Walmart Inc	Consumer Staples	RED	Adequate						●	
Wells Fargo & Co	Financials	RED	Adequate		●				●	
Western Union Co/The	Information Technology	YELLOW	Good		●				●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagements and Your Fund: Red rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online ***reo***® client portal.

					Themes engaged						
Name	Country	Sector	Priority company	ESG Rating	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Climate Change
Abbott Laboratories	United States	Health Care		RED						●	
Allergan PLC	United States	Health Care		RED					●		
Altria Group Inc	United States	Consumer Staples		RED						●	
Amazon.com Inc	United States	Consumer Discretionary	✔	RED						●	
Auto Trader Group PLC	United Kingdom	Information Technology		RED		●					
AutoZone Inc	United States	Consumer Discretionary	✔	RED				●			
Berkshire Hathaway Inc	United States	Financials		RED						●	
Cigna Corp	United States	Health Care		RED						●	
Comcast Corp	United States	Consumer Discretionary		RED						●	
eBay Inc	United States	Information Technology		RED		●				●	
Facebook Inc	United States	Information Technology		RED		●				●	
Fresenius SE & Co KGaA	Germany	Health Care		RED	●	●		●	●	●	
International Consolidated Airlines Group SA	United Kingdom	Industrials	✔	RED		●					
Japan Real Estate Investment Corp	Japan	Real Estate		RED						●	
Kose Corp	Japan	Consumer Staples		RED						●	
L Brands Inc	United States	Consumer Discretionary	✔	RED	●			●			
Mylan NV	United States	Health Care	✔	RED					●		
Nomura Real Estate Master Fund Inc	Japan	Real Estate		RED						●	
Pfizer Inc	United States	Health Care		RED					●	●	
Philip Morris International Inc	United States	Consumer Staples		RED						●	
Shimano Inc	Japan	Consumer Discretionary		RED						●	
Suzuki Motor Corp	Japan	Consumer Discretionary		RED						●	
Teva Pharmaceutical Industries Ltd	Israel	Health Care		RED					●		
United Urban Investment Corp	Japan	Real Estate		RED						●	
UnitedHealth Group Inc	United States	Health Care		RED						●	
Valeant Pharmaceuticals International Inc	United States	Health Care		RED					●		
Walmart Inc	United States	Consumer Staples	✔	RED						●	
Wells Fargo & Co	United States	Financials	✔	RED		●				●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagements and Your Fund: Orange rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online *reo*® client portal.

					Themes engaged						
Name	Country	Sector	Priority company	ESG Rating	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Climate Change
Albemarle Corp	United States	Materials	✓	ORANGE	●	●		●			●
AT&T Inc	United States	Telecommunication Services		ORANGE						●	
Barclays PLC	United Kingdom	Financials		ORANGE		●					
BHP Billiton PLC	Australia	Materials		ORANGE	●	●		●		●	●
Chevron Corp	United States	Energy		ORANGE						●	
Chubu Electric Power Co Inc	Japan	Utilities		ORANGE						●	
Daiichi Sankyo Co Ltd	Japan	Health Care		ORANGE					●	●	
Daiwa House REIT Investment Corp	Japan	Real Estate		ORANGE						●	
HSBC Holdings PLC	United Kingdom	Financials	✓	ORANGE		●				●	
Japan Prime Realty Investment Corp	Japan	Real Estate		ORANGE						●	
JPMorgan Chase & Co	United States	Financials		ORANGE		●				●	
Keyence Corp	Japan	Information Technology	✓	ORANGE						●	
Kinder Morgan Inc/DE	United States	Energy		ORANGE						●	
Lloyds Banking Group PLC	United Kingdom	Financials		ORANGE		●				●	
Martin Marietta Materials Inc	United States	Materials	✓	ORANGE	●					●	●
Marubeni Corp	Japan	Industrials		ORANGE						●	
Mazda Motor Corp	Japan	Consumer Discretionary		ORANGE						●	
McDonald's Corp	United States	Consumer Discretionary	✓	ORANGE		●				●	
Mitsubishi Corp	Japan	Industrials		ORANGE	●					●	●
Netflix Inc	United States	Consumer Discretionary		ORANGE						●	
Novartis AG	Switzerland	Health Care	✓	ORANGE	●	●			●		
Ono Pharmaceutical Co Ltd	Japan	Health Care		ORANGE					●		
Ryanair Holdings PLC	Ireland	Industrials	✓	ORANGE		●		●		●	
Secom Co Ltd	Japan	Industrials		ORANGE						●	
Smith & Nephew PLC	United Kingdom	Health Care		ORANGE		●				●	
Taisei Corp	Japan	Industrials		ORANGE						●	
Toppan Printing Co Ltd	Japan	Industrials		ORANGE						●	
Toyota Motor Corp	Japan	Consumer Discretionary		ORANGE	●			●		●	●
Unicharm Corp	Japan	Consumer Staples		ORANGE						●	
US Bancorp	United States	Financials	✓	ORANGE						●	
Verizon Communications Inc	United States	Telecommunication Services		ORANGE						●	
Walt Disney Co/The	United States	Consumer Discretionary		ORANGE						●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagements and Your Fund: Yellow rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online ***reo***® client portal.

					Themes engaged						
Name	Country	Sector	Priority company	ESG Rating	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Climate Change
ABN AMRO Group NV	Netherlands	Financials		YELLOW	●						●
AIA Group Ltd	Hong Kong	Financials		YELLOW		●				●	
Aisin Seiki Co Ltd	Japan	Consumer Discretionary		YELLOW						●	
Andritz AG	Austria	Industrials	✔	YELLOW						●	
Anglo American PLC	United Kingdom	Materials	✔	YELLOW		●					
AP Moller - Maersk A/S	Denmark	Industrials		YELLOW		●					
Bank of America Corp	United States	Financials		YELLOW		●				●	
Bayer AG	Germany	Health Care	✔	YELLOW		●			●	●	
BB&T Corp	United States	Financials		YELLOW						●	
Booking Holdings Inc	United States	Consumer Discretionary		YELLOW		●				●	
BP PLC	United Kingdom	Energy	✔	YELLOW		●					
British American Tobacco PLC	United Kingdom	Consumer Staples	✔	YELLOW	●	●		●	●	●	●
Charles Schwab Corp/The	United States	Financials		YELLOW						●	
Citigroup Inc	United States	Financials		YELLOW						●	
Coca-Cola Co/The	United States	Consumer Staples		YELLOW						●	
Deutsche Bank AG	Germany	Financials		YELLOW		●					
Disco Corp	Japan	Information Technology		YELLOW						●	
DNB ASA	Norway	Financials		YELLOW		●				●	
DowDuPont Inc	United States	Materials		YELLOW						●	
Eni SpA	Italy	Energy		YELLOW							●
Experian PLC	United Kingdom	Industrials		YELLOW		●				●	
Exxon Mobil Corp	United States	Energy		YELLOW						●	
GlaxoSmithKline PLC	United Kingdom	Health Care	✔	YELLOW		●			●	●	
ITOCHU Corp	Japan	Industrials		YELLOW						●	
Japan Retail Fund Investment Corp	Japan	Real Estate		YELLOW						●	
Johnson & Johnson	United States	Health Care	✔	YELLOW					●	●	
Kajima Corp	Japan	Industrials		YELLOW						●	
Mastercard Inc	United States	Information Technology		YELLOW		●				●	
Mitsubishi Chemical Holdings Corp	Japan	Materials		YELLOW						●	
Mitsubishi UFJ Lease & Finance Co Ltd	Japan	Financials		YELLOW						●	
Nikon Corp	Japan	Consumer Discretionary		YELLOW						●	
Nordea Bank AB	Sweden	Financials		YELLOW	●	●		●		●	●
Resona Holdings Inc	Japan	Financials		YELLOW						●	
Royal Bank of Scotland Group PLC	United Kingdom	Financials		YELLOW		●					

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagements and Your Fund: Yellow rated

Name	Country	Sector	Priority company	ESG Rating	Themes engaged: Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Climate Change
Royal Mail PLC	United Kingdom	Industrials		YELLOW		●					
Sage Group PLC/The	United Kingdom	Information Technology	✔	YELLOW		●				●	
Shire PLC	United States	Health Care		YELLOW					●		
Societe Generale SA	France	Financials		YELLOW		●					
Sumitomo Corp	Japan	Industrials		YELLOW						●	
UniCredit SpA	Italy	Financials	✔	YELLOW		●				●	
Western Union Co/The	United States	Information Technology	✔	YELLOW		●				●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagements and Your Fund: Green rated

The table below highlights the companies with which we have engaged on your behalf in the past quarter and which you currently hold within your portfolio. The table is split by ESG risk rating. For full details of our engagements with companies please refer to the online ***reo***® client portal.

					Themes engaged						
Name	Country	Sector	Priority company	ESG Rating	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Climate Change
3M Co	United States	Industrials		GREEN						●	
AbbVie Inc	United States	Health Care		GREEN					●	●	
Aeon Co Ltd	Japan	Consumer Staples		GREEN						●	
Allianz SE	Germany	Financials		GREEN		●				●	
Alphabet Inc	United States	Information Technology		GREEN						●	
Amadeus IT Group SA	Spain	Information Technology		GREEN		●				●	
American Express Co	United States	Financials		GREEN		●					
Amgen Inc	United States	Health Care		GREEN					●	●	
Apple Inc	United States	Information Technology		GREEN	●	●				●	
Assicurazioni Generali SpA	Italy	Financials		GREEN	●	●		●		●	●
Astellas Pharma Inc	Japan	Health Care		GREEN					●	●	
AstraZeneca PLC	United Kingdom	Health Care		GREEN		●			●	●	
AXA SA	France	Financials		GREEN		●					
Banco Santander SA	Spain	Financials		GREEN		●					
Bayerische Motoren Werke AG	Germany	Consumer Discretionary		GREEN							●
Berkeley Group Holdings PLC	United Kingdom	Consumer Discretionary		GREEN		●					
BlackRock Inc	United States	Financials		GREEN		●					
BNP Paribas SA	France	Financials		GREEN		●				●	
Boeing Co/The	United States	Industrials		GREEN						●	
Brambles Ltd	Australia	Industrials		GREEN		●					
Bristol-Myers Squibb Co	United States	Health Care		GREEN					●	●	
Burberry Group PLC	United Kingdom	Consumer Discretionary		GREEN		●					
Canadian Imperial Bank of Commerce	Canada	Financials		GREEN		●				●	
Capita PLC	United Kingdom	Industrials		GREEN		●					
CBRE Group Inc	United States	Real Estate		GREEN		●					
Cisco Systems Inc	United States	Information Technology		GREEN						●	
Commonwealth Bank of Australia	Australia	Financials		GREEN		●					
Compass Group PLC	United Kingdom	Consumer Discretionary		GREEN						●	
Credit Suisse Group AG	Switzerland	Financials		GREEN	●	●					●
Daifuku Co Ltd	Japan	Industrials		GREEN						●	
Daiwa House Industry Co Ltd	Japan	Real Estate		GREEN						●	
Direct Line Insurance Group PLC	United Kingdom	Financials		GREEN		●					
easyJet PLC	United Kingdom	Industrials		GREEN		●		●		●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagements and Your Fund: Green rated

Name	Country	Sector	Priority company	ESG Rating	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Climate Change
					Themes engaged						
Eisai Co Ltd	Japan	Health Care		GREEN					●		
Eli Lilly & Co	United States	Health Care		GREEN					●		
Enagas SA	Spain	Energy		GREEN	●	●				●	●
Ferguson PLC	Switzerland	Industrials		GREEN		●				●	
Ferrovial SA	Spain	Industrials		GREEN			●				
Fujitsu Ltd	Japan	Information Technology		GREEN						●	
General Electric Co	United States	Industrials	✔	GREEN						●	
Gilead Sciences Inc	United States	Health Care		GREEN					●		
Henkel AG & Co KGaA	Germany	Consumer Staples		GREEN		●				●	
Home Depot Inc/The	United States	Consumer Discretionary		GREEN						●	
Honeywell International Inc	United States	Industrials		GREEN						●	
ING Groep NV	Netherlands	Financials		GREEN		●				●	
Intel Corp	United States	Information Technology		GREEN						●	
InterContinental Hotels Group PLC	United Kingdom	Consumer Discretionary		GREEN	●						
International Business Machines Corp	United States	Information Technology		GREEN						●	
ITV PLC	United Kingdom	Consumer Discretionary		GREEN		●					
J Sainsbury PLC	United Kingdom	Consumer Staples		GREEN		●		●		●	
Julius Baer Group Ltd	Switzerland	Financials		GREEN		●				●	
JXTG Holdings Inc	Japan	Energy		GREEN						●	
Kansai Paint Co Ltd	Japan	Materials		GREEN						●	
Land Securities Group PLC	United Kingdom	Real Estate		GREEN		●					
Legal & General Group PLC	United Kingdom	Financials		GREEN		●				●	
Merck & Co Inc	United States	Health Care		GREEN					●	●	
Merck KGaA	Germany	Health Care		GREEN		●			●	●	
Microsoft Corp	United States	Information Technology		GREEN		●				●	
National Grid PLC	United Kingdom	Utilities		GREEN		●				●	
Nokia OYJ	Finland	Information Technology		GREEN		●				●	
Nomura Real Estate Holdings Inc	Japan	Real Estate		GREEN						●	
Novo Nordisk A/S	Denmark	Health Care		GREEN		●			●	●	
NVIDIA Corp	United States	Information Technology		GREEN						●	
Oracle Corp	United States	Information Technology		GREEN						●	
Osaka Gas Co Ltd	Japan	Utilities		GREEN						●	
Otsuka Holdings Co Ltd	Japan	Health Care		GREEN					●		
PepsiCo Inc	United States	Consumer Staples		GREEN						●	
Procter & Gamble Co/The	United States	Consumer Staples		GREEN						●	
Prudential PLC	United Kingdom	Financials		GREEN		●				●	
QIAGEN NV	Netherlands	Health Care		GREEN		●				●	

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Engagements and Your Fund: Green rated

Name	Country	Sector	Priority company	ESG Rating	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Climate Change
					Themes engaged						
RELX PLC	United Kingdom	Industrials		GREEN		●				●	
Roche Holding AG	Switzerland	Health Care	✓	GREEN		●			●	●	
Royal Bank of Canada	Canada	Financials		GREEN						●	
Salesforce.com Inc	United States	Information Technology		GREEN						●	
Sanofi	France	Health Care		GREEN					●		
SAP SE	Germany	Information Technology	✓	GREEN		●				●	
Schroders PLC	United Kingdom	Financials		GREEN		●					
SGS SA	Switzerland	Industrials		GREEN						●	
Solvay SA	Belgium	Materials	✓	GREEN							●
Swire Properties Ltd	Hong Kong	Real Estate		GREEN	●					●	●
Swiss Re AG	Switzerland	Financials		GREEN		●				●	●
Takeda Pharmaceutical Co Ltd	Japan	Health Care		GREEN					●		
Teijin Ltd	Japan	Materials		GREEN						●	
Telefonica SA	Spain	Telecommunication Services		GREEN		●					
Tesco PLC	United Kingdom	Consumer Staples		GREEN		●				●	
Texas Instruments Inc	United States	Information Technology		GREEN						●	
Toray Industries Inc	Japan	Materials	✓	GREEN		●				●	
Toronto-Dominion Bank/The	Canada	Financials		GREEN						●	●
TOTAL SA	France	Energy		GREEN		●				●	●
Travelers Cos Inc/The	United States	Financials		GREEN	●	●		●		●	●
Travis Perkins PLC	United Kingdom	Industrials		GREEN		●					
UBS Group AG	Switzerland	Financials		GREEN		●				●	
Vertex Pharmaceuticals Inc	United States	Health Care		GREEN						●	
Visa Inc	United States	Information Technology		GREEN						●	
Vodafone Group PLC	United Kingdom	Telecommunication Services		GREEN		●				●	
Waters Corp	United States	Health Care		GREEN						●	
Whitbread PLC	United Kingdom	Consumer Discretionary		GREEN		●					
WPP PLC	United Kingdom	Consumer Discretionary		GREEN		●					
Zurich Insurance Group AG	Switzerland	Financials		GREEN		●					

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Milestones and Your Fund

The table below highlights the companies with which we have recorded milestones on your behalf in the past quarter and which you currently hold within your portfolio. Milestones are engagement outcomes which we have identified and is rated on the extent to which it protects investor value. For full details of our engagements which led to these milestones please refer to the online ***reo***® client portal.

Name	Country	Sector	Priority company	ESG Rating	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Climate Change
					Themes engaged						
★★★											
Duke Energy Corp	United States	Utilities		ORANGE							●
Kobe Steel Ltd	Japan	Materials		GREEN		●					
Ryanair Holdings PLC	Ireland	Industrials	✔	ORANGE				●			
SAP SE	Germany	Information Technology	✔	GREEN						●	
★★											
ABN AMRO Group NV	Netherlands	Financials		YELLOW							●
AGL Energy Ltd	Australia	Utilities		ORANGE							●
Akzo Nobel NV	Netherlands	Materials		GREEN							●
Apple Inc	United States	Information Technology		GREEN		●				●	
AXA SA	France	Financials		GREEN							●
Bank of America Corp	United States	Financials		YELLOW							●
Barclays PLC	United Kingdom	Financials		ORANGE							●
BNP Paribas SA	France	Financials		GREEN							●
Cigna Corp	United States	Health Care		RED						●	
Credit Agricole SA	France	Financials		YELLOW							●
Credit Suisse Group AG	Switzerland	Financials		GREEN							●
Daimler AG	Germany	Consumer Discretionary		YELLOW							●
DBS Group Holdings Ltd	Singapore	Financials		GREEN							●
Diageo PLC	United Kingdom	Consumer Staples		GREEN							●
Enagas SA	Spain	Energy		GREEN							●
Fresenius SE & Co KGaA	Germany	Health Care		RED						●	
Gas Natural SDG SA	Spain	Utilities		GREEN							●
Hermes International	France	Consumer Discretionary		ORANGE							●
Iberdrola SA	Spain	Utilities		GREEN							●
Kinder Morgan Inc/DE	United States	Energy		ORANGE						●	
Kobe Steel Ltd	Japan	Materials		GREEN						●	
LafargeHolcim Ltd	Switzerland	Materials		YELLOW							●
Lloyds Banking Group PLC	United Kingdom	Financials		ORANGE							●
Mitsubishi Corp	Japan	Industrials		ORANGE	●						
National Australia Bank Ltd	Australia	Financials		GREEN							●
National Grid PLC	United Kingdom	Utilities		GREEN							●
Newmont Mining Corp	United States	Materials		GREEN			●				

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.

Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Milestones and Your Fund

Name	Country	Sector	Priority company	ESG Rating	Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Climate Change
					Themes engaged						
Nordea Bank AB	Sweden	Financials		YELLOW							●
Novartis AG	Switzerland	Health Care	✔	ORANGE						●	
Societe Generale SA	France	Financials		YELLOW							●
Solvay SA	Belgium	Materials	✔	GREEN							●
Statoil ASA	Norway	Energy		GREEN							●
Sumitomo Mitsui Financial Group Inc	Japan	Financials		GREEN							●
Swiss Re AG	Switzerland	Financials		GREEN							●
Tesco PLC	United Kingdom	Consumer Staples		GREEN							●
Textron Inc	United States	Industrials		ORANGE			●				
Toray Industries Inc	Japan	Materials	✔	GREEN		●					
TOTAL SA	France	Energy		GREEN							●
UniCredit SpA	Italy	Financials	✔	YELLOW						●	
Waters Corp	United States	Health Care		GREEN						●	
Westpac Banking Corp	Australia	Financials		GREEN							●
✪											
Kroger Co/The	United States	Consumer Staples		ORANGE	●						
Roche Holding AG	Switzerland	Health Care	✔	GREEN					●		

ESG Risk Rating: Rating of a company's ESG risk exposure and risk management compared to industry peers. Source: MSCI ESG Research Inc.
Top quartile: GREEN Second quartile: YELLOW Third quartile: ORANGE Bottom quartile: RED

Committee and Date	Item
Pensions Committee 27 July 2018 10 am	**14** Public

INVESTMENT STRATEGY STATEMENT

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

1. Summary

1.1 Members have previously approved the Investment Strategy Statement in March 2017 and September 2017. The statement has been updated to include details of the new allocations to Insurance Linked Securities and Property Debt agreed at the last Pension Committee in March 2018.

2. Recommendations

2.1 Members are asked approve the updated Investment Strategy Statement at Appendix A.

REPORT

3. Risk Assessment and Opportunities Appraisal

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

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

3.3 Regular monitoring against the published Investment Strategy Statement will give early warning of areas of difficulty.

4. Financial Implications

4.1 There are no financial implications to consider in this report.

5. Background

5.1 For many years Local Government Pension Funds have been required to maintain a Statement of Investment Principles (SIPs). In broad terms this document laid out the things that were considered by the Fund when making investment decisions and included the types of investments that could be held, how the various risks were taken into account and what the Fund's objectives were.

5.2 The requirement for LGPS administering authorities to prepare an Investment Strategy Statement was brought in under the new Local Government Pension Scheme (LGPS) Investment Regulations which became effective on 1 November 2016. These Regulations removed the restrictions on investments that were formerly in place for the LGPS and, in effect, allowed individual Funds complete discretion about where and how to invest.

5.3 The Regulations also introduced a requirement for administering authorities to formulate, publish and maintain an Investment Strategy Statement. The Investment Strategy Statement has been prepared in accordance with Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

6. Statutory Background

6.1 The Investment Strategy Statement (ISS) must include;-

- A requirement to invest money in a wide variety of investments;
- The authority's assessment of the suitability of particular investments and types of investments;
- The authority's approach to risk, including the ways in which risks are to be measured and managed;
- The authority's approach to pooling investments, including the use of collective investment vehicles and shared services;
- The authority's policy on how social, environmental or corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments; and
- The authority's policy on the exercise of rights (including voting rights) attaching to investments.

6.2 The pension fund should have flexibility to be able to take into account changes in the market in order to be able to enhance or protect returns. Within Shropshire there is clearly defined governance around the setting of the strategic asset allocation for the Fund by the Pension Committee, with this strategy being implemented based on decisions agreed at Pension Committee.

6.3 Members previously approved the Investment Strategy Statement in March 2017 and September 2017. Appendix A to this report is the updated Investment Strategy Statement which has been amended following the decision at the last Pension Committee in March to appoint an Insurance Linked Securities Manager and Property Debt Manager. The Statement has also been updated to reflect the decision to extend the equity protection options which expired in June. Members are asked to approve the updated Investment Strategy Statement.

7. Monitoring and Review

7.1 The ISS is subject to review if there are any material changes to any aspects of the Fund.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pensions Committee, March 2017 & September 2017, Investment Strategy Statement.
Cabinet Member N/A
Local Member N/A
Appendices A – Investment Strategy Statement

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1. Introduction

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

All LGPS funds in England and Wales are required to have an Investment Strategy Statement ("ISS" or "Statement"). Regulation 7 of The LGPS (Management and Investment of Funds) Regulations 2016 governs the requirements of this Statement. The Shropshire County Pension Fund (the "Fund") has complied with these requirements.

Under the regulations the Secretary of State has the power to intervene in the investment function of an administering authority if the administering authority does not have regard to the Regulations, guidance or if other concerns are raised. This may include changing the ISS and, in the extreme, the transfer of investment powers to the Secretary of State or another nominated person.

Shropshire Council (the "Authority") is the Administrating Authority for the Fund.

This ISS has been prepared by the Fund's Pension Committee (the "Committee"), following advice received from the Fund's consultant, Aon Hewitt.

The document takes account of the Fund's:

<u>Approach to pooling</u>

- the Authority's approach to the pooling of investments, including the use of collective investment vehicles and shared services.

<u>Asset allocation and risk</u>

- to ensure that asset allocation strategies are sufficiently diversified;
- to include the Authority's assessment of the suitability of asset classes;
- set out the maximum percentage of the total value of all investments that it will invest in in particular asset classes;
- to include the Authority's approach to risk, the assessment of risks and how they are to be managed.

<u>Policies regarding investments</u>

- the Authority's policy on how social, environmental and corporate governance considerations are taken into account in the selection, non-selection, retention and realisation of investments;
- the Authority's policy on the exercise of the rights (including voting rights) attaching to investments.

The ISS will be reviewed every three years after the investment strategy has been reviewed and is confirmed as fit for purpose. In addition the ISS will be reviewed following changes to the investment strategy.

A copy of this ISS will be made available on request to any interested party.

2. Governance

Shropshire Council has delegated responsibility for the management of the Fund to the Pension Committee. The Pension Committee has responsibility for establishing investment policy and ongoing implementation.

The Pension Committee is made up of nine members comprising both elected councillors and a non-voting employee and pensioner representative.

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

Decisions affecting the Fund's investment strategy are taken with appropriate advice from the Fund's advisers. Only persons or organisations with the necessary skills, information and resources take decisions affecting the Fund. The Members of the Pension Committee will ensure they receive training as and when deemed appropriate, to enable them to critically evaluate any advice they receive.

The Committee receives independent investment advice from the following sources:

- Roger Bartley - strategic and overall investment approach advice.
- Aon Hewitt (the Investment Consultant) - analysis and advice of a technical nature in relation to all investment related aspects of the Fund.

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

Local Pensions Board

The role of the Local Pensions Board is to assist in the good governance of the scheme through the monitoring of adherence to statutory duties.

The Board consists of 2 employer and 2 member representatives.

The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with scheme rules.

Investment Principles

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

3. Approach to Pooling

The Fund is a participating member of the LGPS Central Pool. The proposed structure and basis on which the LGPS Central Pool (the "Pool") will operate was set out in the July 2016 submission to Government.

Assets to be Invested in the Pool

The Fund's intention is to invest its assets through the LGPS Central Pool as and when suitable Pool investment solutions become available. An indicative timetable for investing through the Pool was set out in the July 2016 submission to Government.

It is expected that the majority of the Fund's liquid assets will be transferred to the Pool on 1st April 2018, although it will take some time for the Pool to restructure the assets into appropriate sub-funds within the Pool. These sub-funds are likely to be set-up over a period of 2 – 3 years, with the timing being dependent on market conditions and operational circumstances, and until such time as the appropriate sub-fund is set up the assets transferred into the Pool will be overseen by LGPS Central on behalf of the Fund. It is not expected that any significant decisions (e.g. replacement of a manager) will be taken on the assets transferred over to the Pool without prior consultation with the Fund, unless it is part of the process that leads to the setting up of a sub-fund.

At present it is expected that any transitory cash will be held outside the Pool (but not strategic cash holdings), and it is possible that currency management will continue to be carried out at an individual fund level.

Structure and Governance of the LGPS Central Pool

The eight administering authorities of LGPS Central will all be equal shareholders of the company. A Shareholders' Forum, comprising of one elected member from each administering authority, will fulfil the shareholders' role in ensuring that the company is managed efficiently and effectively and in the best interests of the funds.

A Joint Committee, also comprising one elected member from each administering authority, will be formed that will hold the company to account on all investment-related issues. The Joint Committee will have no decision making powers and all actions that are felt to be appropriate will ultimately require approval at an individual fund level.

A Practitioners' Advisory Forum, comprising of Officers of the administering authorities, will also be set up. The intention of this forum is to provide support and guidance to elected members on some of the practical issues, and to act as a conduit between the Joint Committee and the Committees of individual funds.

4. Asset allocation and risk

Strategic Asset Allocation

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

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

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

The Committee formulates the investment strategy with a view to:

- the advisability of investing money in a wide variety of investments;
- the suitability of particular investments and types of investment;
- ensuring that asset allocation strategies are sufficiently diversified.

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

- quoted and unquoted equity;
- government and non-government bonds;
- Liability Driven Investment ("LDI");
- property and infrastructure;
- hedge funds and other alternative investments;
- derivatives, including equity options

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

<u>Investment Beliefs</u>

The following investment beliefs are taken into account when agreeing an asset allocation policy:

- A long term approach to investment will deliver better returns.
- The long term nature of the Fund's liabilities is well suited to a long term approach to investment.
- Asset allocation policy is the most important driver of long term return.

- Risk premiums exist for certain types of asset and taking advantage of these can help to improve investment returns.

- Markets can be inefficient, and sometimes 'mispriced' for long periods of time, and there is a place for both active and passive investment management.

- Diversification across investments with low correlation improves the risk/return profile, but over-diversification is both costly and adds little value.

- The Fund should be flexible enough in its asset allocation policy to take advantage of opportunities that arise as a result of market inefficiencies, and also flexible enough to protect against identifiable short-term risks when this is both practical and cost-effective.

- Responsible investment can enhance long term investment performance and investment managers will only be appointed if they integrate responsible investment into their decision-making processes.

- Investment management fees are important and should be minimised wherever possible, but it is ultimately the net return to investors (i.e. the return after all fees and costs) that is the most important factor.

Asset-liability Study and Expected Returns

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

The asset-liability study takes into account the particular liabilities of the Fund.

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

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

Expected annualised returns are formulated for each asset class based on long term capital market assumptions, using ten year expected returns and volatilities. The returns and volatilities used for each asset class are shown in the table below, and represent the 10 year annualised nominal return assumptions from Aon Hewitt at 31 March 2018. Note these differ from the 31 December 2016 assumptions used at the last Asset-Liability Modelling study.

Asset Class	31 March 2018 Expected Return %	Volatility %
UK Equities	6.7%	19.0%
Global Unconstrained Equities	8.4%	20.7%
Global Passive Equities	7.1%	20.0%
European Property	5.6%	17.0%
UK Index-Linked Gilts (20 year duration)	0.7%	10.5%
Unconstrained Bonds	3.8%	6.0%
Global Fund of Hedge Funds	4.2%	9.5%
Global Private Equity	8.1%	27.5%
Infrastructure	6.5%	19.0%
Inflation (CPI)	2.0%	1.0%
Whole Loans Property Debt	5.0%	8.0%
Insurance-Linked Securities	4.5%	3.7%

As part of the de-risking strategy, in the first half of 2018, the Fund committed c.£66m in Property Debt and c. £32m in Insurance-Linked Securities.

Investment Strategy and Control Ranges

The Fund's strategic asset allocation was agreed by the Pensions Committee in March 2018 as follows:

Asset Class	Allocation	Control Ranges
Total Equities	**47.0**	**42.0 – 52.0**
Unconstrained Global Equities	24.0	20.0 – 28.0
UK Equities	8.0	5.5 – 10.5
Passive Equities (100% Hedged to GBP)*	15.0	11.0 – 19.0
Total Alternatives	**25.5**	**20.5 – 30.5**
European (Incl UK) Property	5.0	n/a
Private Equity	5.0	n/a
Infrastructure	3.0	n/a
Fund of Hedge Funds**	7.5	n/a
Insurance-Linked Securities	1.5	n/a
Property Debt	3.5	n/a
Total Bonds	**27.5**	**22.5 – 32.5**
Liability Driven Investment (LDI)	3.5	2.0-5.0
Unconstrained Bonds **	24.0	20.0-28.0

* The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term. The strategy protects £280m of equities with £140m of protection expiring in December 2018 and another £140m expiring in June 2019. The protection targeted is such that when expected dividend income is allowed for, total losses over the terms of the protection will be no greater than 3%, unless the extent of price losses are sufficiently large to result in total returns losses exceeding 23%, in which case the protection structure reduces the total return losses by 20%. The strategy was funded by selling upside returns on the equity protected with the amount retained varying by region.
**The Fund has recently disinvested from a multi-strategy hedge fund and increased the allocation to fund of hedge funds and unconstrained bonds.

Rebalancing Policy

Officers will review the position of the Fund quarterly to ensure the assets are within the control ranges listed above, and will rebalance as appropriate.

Risk

The Committee regards 'risk' as the likelihood that it fails to achieve the objectives set out above and has taken several measures, to minimise this risk so far as is possible. The Fund's Risk Register has more information.

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

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

Asset Allocation Mismatch

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

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

- the rate of return on assets;
- salary escalation and price inflation for active members;
- price inflation for deferred members;
- price inflation for pensioners.

In terms of magnitude, the Committee considers asset-liability mismatch risk to be one of the most important to control. Therefore, following each actuarial valuation, the Committee conducts an asset-liability review, which focuses on the impact of asset allocation on expected future funding levels. The Committee considers the results using advanced modelling techniques and, with the assistance of expert advisers, are able to measure and quantify them in terms of their definitions of risk. This allows the Committee to assess the probabilities of critical funding points associated with different investment strategies. Consideration is given to the volatility of a number of parameters (e.g. items associated with accounting measures, contributions etc.), to further assess the potential risks associated with a particular investment strategy.

Cash-flow Risk

The Fund remains open to new members and new accruals. Contributions are received from both active members and employers within the Fund. Active members contribute on a tiered system. Contributions from employers within the Fund are determined based on advice from the Fund Actuary based on the triennial valuation.

The majority of investments held within the Fund are quoted on major markets and may be realised quickly, if required. Certain asset classes, Hedge Funds, Private Equity, Insurance-Linked Securities, Property and Infrastructure are relatively illiquid and may take longer to realise, if required.

Investment Risk

The Committee believe the use of active management within the Fund will increase the likelihood that the Fund will meet its objectives. The decision as to whether to pursue active management is evaluated separately for each asset class, with regard to the potential reward within that asset class for taking on active manager risk.

Active manager risk is then diversified through the use of different investment managers and pooled funds.

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

The Fund's assets are invested in portfolios managed by external investment managers shown in appendix B. They are benchmarked against the indicated indices. Based on expert advice (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool), investment managers may be replaced at any time and this list may not always be current.

The performance targets for the investment manager(s) are shown in appendix B. Shropshire Council recognises that these targets will not be met in all periods under consideration, but expects that they will be met in the vast majority of long-term periods under consideration. In addition, the return generated on the passive equities is constrained by the equity protection strategy the Fund has in place with Legal & General.

Each investment manager appointed by the Committee (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool) is bound by the terms and conditions of an Investment Management Agreement where restrictions and targets are clearly documented, including a measure of risk. The pooled fund investments and direct investments are governed by the terms and conditions of the fund and or policy documents.

Frequent monitoring of portfolio performance and exposure characteristics also aids in the ongoing risk management for the Fund (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool).

Concentration Risk

The split between asset classes has been set to ensure there isn't excessive exposure to any particular asset class or specific risk such as equities or credit risk.

To ensure that asset allocation is sufficiently diversified the Committee considers a full range of investment opportunities including those available through the LGPS Central Pool. In addition investment opportunities outside the pooling arrangements will be considered if they are not already or likely to be available through the Pool, and there are suitable resources to invest in and monitor the investment. These can include contracts related to financial futures or insurance.

Appropriate advice will be sought on alternative asset classes when setting the strategy and as opportunities arise.

Currency and Counterparty Risk

Passive equity investments are fully currency hedged by the investment manager.

Some investment managers may take active currency positions based on their mandates.

The Committee has delegated responsibility for the counterparty risk to the investment manager(s) (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

Legal & General shall manage the Fund's margin or payment requirements arising in respect of the equity protection strategy.

Custody Risk

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

Stock Lending

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

The manager(s) of pooled funds may undertake a certain amount of stock lending on behalf of unit-holders. Where a pooled fund engages in this activity the extent is fully disclosed by the manager (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool).

Monitoring

The Committee monitors the strategy and its implementation as follows:

- The Committee receives, on a quarterly basis, a written report on the returns of the Fund and asset classes together with supporting analysis.
- The performance of the total Fund is also measured against the strategic benchmark, which is comprised of the asset class benchmarks weighted by the strategic allocations, and against agreed outperformance targets.

- The performance of the Fund in each asset class is measured against the relevant benchmark. A comparison against a universe of portfolios with similar mandates will also be made from time to time.

The Officers, in conjunction with the Investment Consultant, will regularly review the allocation of assets between the different asset classes.

Service Provider Monitoring

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

Investment Manager Fees

Investment management fees comprise an ad valorem or fixed base fee element and in some cases a performance based element. The ad valorem fee is calculated as a percentage of assets under management. Where applicable, the performance based element is calculated as a percentage of outperformance. The assessment period ranges from one to three years depending on the investment manager and the mandate. The exact details of the fee arrangements are specific to the investment manager and are as agreed in the respective Investment Manager Agreements or pooled fund documentation (unless the assets are invested in the LGPS Central Pool in which case this will be delegated to the Pool).

5. Policies regarding investments

Social, Environmental and Corporate Governance Considerations

Shropshire Council is aware of the UK Stewardship Code and is working towards becoming signatories to the Stewardship Code (the "Code"). Although it has not yet formally signed up to the Code it aims to abide by the principles of the Code where appropriate.

The principles of the UK Stewardship Code are included in Appendix C for information.

BMO (formerly F&C) provides a responsible engagement overlay on the Fund's UK equity portfolios. BMO enters into constructive discussions with companies on the Fund's behalf to put to them the case for improved financial returns through better management of the negative impacts they might have on the environment and society in general.
In addition the Fund is a member of the Local Authority Pension Fund Forum which helps ensure governance is in line with current best practice.

The Exercise of the Rights Attaching to Investments

The Committee has delegated responsibility for the selection, retention and realisation of investments to the investment manager(s) (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

The Committee expects the investment managers to take steps to ensure that environmental, social and governance factors are adequately addressed in the selection, retention and realisation of investments as far as such factors may affect investment performance (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool who may further delegate to investment managers).

The Committee supports the principle of good corporate governance. It has reviewed and accepted the corporate governance policies of its investment manager(s) who exercise its voting rights. Votes are cast by proxy. Investment manager(s) provide reports when any voting rights are exercised (unless the assets are invested in LGPS pooled arrangements in which case this will be delegated to the Pool). Only direct investments in traded equity shares carry such voting rights.

Appendix A

Myners Principles for Institutional Investment Decision Making

Principle	Comply or explain	Comment/Examples
1. Effective decision making ▪ Administrating authorities should ensure that: ▪ decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation ▪ Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest	Comply	Pension Committee takes decisions relating to setting investment objectives and strategic asset allocation, appointment of investment managers. Pension Committee members, substitute members and Officers participate in an annual training day, attend educational seminars and receive occasional papers and presentations at committee meetings. The training requirements of new Pensions Committee members are addressed and appropriate training programmes made available, with a formal Training Programme being submitted to the Committee for consideration on an annual basis.
2. Clear Objectives ▪ An overall investment objective should be set out for the fund that takes account of the scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers and the attitude to risk of both the administrating authority and scheme employers, and these should be clearly communicated to advisors and investment managers	Comply	A Fund specific investment objective is set to maintain a funding level at, or close to 100% and within this, to endeavour to maintain low and stable employers contribution rates. As set out in the Funding Strategy Statement, the actuary takes account of a range of factors on the Fund's liabilities in setting contribution rates as part of the valuation process. Performance and risk parameters are specified in relation to relevant indices and appropriate time periods and are set out in investment mandates.
3. Risk and liabilities ▪ In setting and reviewing their investment strategy administrating authorities should take account of the form and structure of liabilities. ▪ These include the implications for local tax payers, the strength	Comply	Asset/Liability review is carried out every three years and the actuary takes account of a range of factors on the Fund's liabilities as set out in the Fund's Funding Strategy Statement which addresses the issues of financial assumptions, longevity and strength of covenant. If required, the actuarial funding position can be reported to the Pensions Committee on a quarterly

of the covenant for participating employers, the risk of their default and longevity risk		basis, using information provided by Aon Hewitt.
4. Performance assessment ▪ Arrangements should be in place for formal measurement of performance of the investments, investment managers and advisors ▪ Administrating authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members	Comply	The Officers have an independent performance measurer in place. They also receive regular updates from Aon Hewitt regarding managers and the Officers meet regularly with their managers and advisors to review their performance. The Fund has recently assessed its effectiveness as a decision-making body and aims to spend more time on strategic level and asset allocation decisions compared to meeting managers going forwards.
5. Responsible ownership ▪ Administrating authorities should ▪ Adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents ▪ Include a statement of their policy on responsible ownership in the statement of investment principles ▪ Report periodically to scheme members on the discharge of such responsibilities	Comply	The Investment Strategy Statement includes a statement on responsible ownership. An independent advisor is appointed to engage with companies on socially responsible issues and voting at company meetings is effected through the Fund's investment managers.
6. Transparency and reporting ▪ Administrating authorities should ▪ Act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives ▪ Provide regular communication to scheme members in the form they consider most appropriate	Comply	A range of documents are published relating to the Fund's investment management and governance including the Governance Compliance Statement, Funding Strategy Statement, Investment Strategy Statement, Communication Policy Statement and Annual report and accounts. These documents are available in full on the Fund's website and any amendments are published. Stakeholders are also invited to attend the annual meeting of the Fund.

Appendix B

Investment manager mandates

Investment Manager	Asset class	Benchmark	Target
		Active portfolios	
PIMCO Europe Ltd	Unconstrained bonds	1 month Sterling LIBOR	+4% p.a.
BlackRock	Unconstrained bonds	3 month USD LIBOR	+ 4-6% p.a.
GAM	Unconstrained bonds	3 month Sterling LIBOR	+ 3-5% p.a.
BMO	Liability Driven Investment (LDI)	Hedge Benchmark (based on typical pension fund's liability profile)	Outperform the benchmark
Majedie Asset Management	UK Equities	FTSE All Share	+2% p.a. over rolling 3 year periods
MFS Investment Management	Global Equities	MSCI World	+1% p.a. over rolling 3 year periods
Investec Asset Management	Global Equities	MSCI All Country World NDR	+ 3-5% p.a. over rolling 3 year periods
Harris Associates	Global Equities	MSCI World	+ 2-3% p.a. over 3 to 5 years
Harbour Vest Partners Limited	Private Equity Fund of Funds	Broad public equities index	+ 3-5% p.a.
Global Infrastructure Management	Infrastructure	n/a	RPI +5% p.a.
Aberdeen Property Investors	European (incl UK) Property	Composite of INREV VA Europe Index, vintage 2005 – 2008 and IPD UK All Balanced Funds Index	RPI +4% p.a.
BlackRock	Fund of Hedge Funds	3 month Sterling LIBOR	+5.0% p.a.
DRC Capital	Property Debt	n/a	Absolute 6.0% p.a.
Securis	Insurance-Linked Securities	US Government 3-month treasury bill	+5.0% p.a.
		Indexed (Passive) Portfolios	
Legal & General Investment Management	Global Equity	FTSE Developed World – GBP Currency Hedged	Match benchmark*

* The Fund has implemented an equity derivatives programme with Legal & General Investment Management in order to manage the SCPF's exposure to equity markets over the short to medium term.

Appendix C

Principles of the UK Stewardship Code

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities.
2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed.
3. Monitor their investee companies.
4. Establish clear guidelines on when and how they will escalate their stewardship activities.
5. Be willing to act collectively with other investors where appropriate.
6. Have a clear policy on voting and disclosure of voting activity.
7. Report periodically on their stewardship and voting activities.

Shropshire Council

Committee and date	Item
Pensions Committee 27 July 2018 10.00am	**15** Public

PENSIONS ADMINISTRATION MONITORING REPORT

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

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.

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 introduced by the Public Services Pension Act 2013 has increased 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. Further compliance with TPR code has highlighted areas where further costs could be incurred.

4. Performance and Team Update

4.1 The team's output and performance level to the end of June **2018** is attached at **Appendix A**. The chart shows that tasks that became due and procedures outstanding both have reduced over the past quarter. This was mainly due to targeting workload clearance and filling vacancies. The team is again fully staffed and training is underway.

5. Help Desk Statistics

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

	Feb 2018	March 2018	April 2018
Telephone calls received	771	671	684
Queries dealt with by helpdesk at first point of contact %*	87.55%	85.69%	89.48%
Users visiting the Website	Data unavailable due to an IT error	2125	4830

* 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.

5.2 The average number of calls taken by the helpdesk per day is 22 for the quarter to 30 April 2018. The Helpdesk also responds to a number of emails on a daily basis the following table shows these numbers:

	Feb 2018	March 2018	April 2018
Emails Received	411	445	477
% of emails responded to within 3 working days	100%	100%	100%
Average number per day	20.55	21.19	22.71

6 Communications and Governance

6.1 The Fund monitors member take up of its online area Member Self Service (MSS), known by members as 'My Pension Online'. The

Annual Benefit Statements for both active and deferred members are now only available to view on 'My Pension Online' unless a member has requested a paper copy. As at April 2018 a total of 37.3% active members and 29.7% of deferred members were registered to view their records on 'My Pension Online'.

6.2 A project is currently underway to update the system used to provide 'My Pension Online'. The upgrade will provide; an improved system for pensions staff updating content, better responsiveness for members logging on using a phone or tablet and will modernise the design of the current system. The expected go live date of the upgrade is autumn 2018.

6.3 For a number of years Shropshire has led on a collaboration with other LGPS Funds to create standard templates for Annual Benefits Statements and newsletters as part of a Communications Working Group which is chaired by a Team Leader within the Shropshire Fund.

This year has seen an increase in Funds requesting to join the group and use the templates. Recently a total of 13 Funds, representing 513,766 members collaborated to produce a newsletter for deferred members. 11 Funds, representing 488,354 members are collaborating to create a newsletter for active members due to be sent with Annual Benefit Statements in August. Both newsletters were reviewed by the Plain English Campaign and the collaboration by all Funds means that all design costs are minimised and shared.

6.4 In April 2018, Pat Hockley a Member Representative on the Pensions Board for three years stepped down and the Fund is currently recruiting for a replacement.

7. Data Improvement Plan

7.1 The Pensions Regulator originally published guidance on record keeping in June 2010, aimed at ensuring improvements in the accuracy and completeness of pension scheme data. For the public sector, data quality requirements were eventually enshrined in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014. The Regulator now seems to be focussing attention on the LGPS. In particular is their concern at what is seen as a lack of progress across all Funds in the LGPS in tackling issues around the accuracy and completeness of member data.

7.2 As part of the 2018 Pension Regulator scheme Funds are required to provide a "data score" in respect of common and scheme specific data. In the private sector, the Regulator included a 95% target in respect of legacy members (i.e. those who have not had data changes since June 2010). Unless this is confirmed for the public sector it appears that the statutory requirement to hold accurate and complete data will be absolute (i.e. 100% in respect of all member data). By adding these new measures to the scheme return the Regulator believes it will be able to target its interventions more specifically at those schemes, or LGPS funds, failing in their duties.

7.3 There are 11 key data items used to identify the scheme membership that are common to all pension schemes. They are surname and initials, NI number, date of birth, gender, date joined scheme, target retirement date, membership status, date of last status change and address and postcode.

7.4 Scheme specific data consists of all the types of data used to accurately calculate benefits which are conditional to the make-up of each pension scheme. To ensure consistency across all LGPS administering authorities a standard set of scheme specific data for administering authorities to report on is being developed by the Scheme Advisory Board (SAB) and they have recently issued a draft scheme specific data specification for consultation, which it states represents the most comprehensive content based on the Regulator's guidance and other relevant documents. The Fund has engaged with the consultation and provided feedback to the data specification suggested by SAB.

7.5 As a result, it may be the case that the tests already undertaken by the Fund may be more comprehensive than recommended by SAB. As the Fund has contracted with its software supplier to run data quality reports for the next 3 years it is expected that two data scores can be provided; one for the test against SAB scheme specific data and one against the Funds more comprehensive list. Tests will be rerun in July ready for the Pension Regulators scheme return to be submitted in September. Both common and scheme specific data scores will be reported to committee later in the year.

7.6 In June 2018 the Communications and Governance Team Leader presented at two national conferences on the data quality work the Fund has undertaken.

8. Equitable Life

8.1 Equitable Life, as part of its gradual wind up, has agreed to transfer its polices to Reliance Life. The proceeds are to be invested into the With Profits Fund, which will then close, increasing the expected capital distribution on non-guaranteed With-Profits values from 35% to around 70%. The transfer, and increase in the capital distribution, are expected to take place in late 2019. This is a significant change and is yet another, in a growing list, taking place among the providers that have traditionally offered AVCs to the LGPS.

9. GDPR

9.1 Like many organisations in the UK the Fund took steps to ensure it was compliant with the new General Data Protection Regulations (GDPR) which came into force on the 25 May 2018. The Fund is a data controller under GDPR, most of the information the Fund receives is provided by employers, who are data controllers in their own right. There is no requirement under GDPR for data controllers to enter into formal contractual relationships with other data controllers with whom they share and from whom they receive personal data. To explain the relationship between the Fund and participating employers a Memorandum of Understanding (MOU) was provided by the LGA which sets out the Fund's rights and obligations in relation to the member data held and shared. The MOU was shared with all employers participating in the Fund.

9.2 Full and summary privacy notices are available on the Fund's website. The notices explain how and why member data is held, and what rights a member has in relation to this data and all Fund correspondence has been updated with a data protection notice.

10. LGPS Amendment Regulations

10.1 Local Government Pension Scheme (Amendment) Regulations 2018 were updated on 19 April 2018.

10.2 Summary of Changes;

- With effect from 1st April 2014 the survivor of any Tier 1 or Tier 2 ill-health retirement that occurred on or after 1st April 2014 will now be entitled to additional pension as the enhancement granted also counts toward survivor benefits (the original Regulation wording was flawed and resulted in survivor's only being entitled to accrued pension);
- With effect from 1st April 2014 members who aggregated previous LGPS benefits after 31st March 2014, where they had left service before 1st October 2006 and their Normal Pension Age was between age 60 and 65, now have a normal pension age of 65 for those aggregated benefits (the rule of 85 may still mean that they can be taken unreduced from an earlier age);
- With effect from 1st April 2014 where the pay the member received was materially lower than the level of pensionable pay that member normally received during the period used for determining APP, the employer is given the right to increase that pay to reflect the level of pensionable pay that the member would normally have received.
- With effect from 1st April 2014 slight changes in the definitions for eligibility to LGPS:
- With effect from 14th May 2018 members with deferred benefits under the earlier regulations may now take voluntary early retirement from age 55 (rather than previously having to wait until age 60). With this is the extension of the regulations already there for Post 2014 members, whereby the employer (or the authority if that employer no longer exists) can decide whether or not to allow the full rule of 85 to apply, where the member satisfies the rule of 85 before age 60. This change will see a rise in the workload of the team which will be closely monitored.

- However, an unintended transitional issue has now arisen, due to the wording used. Members who left service before 1st April 1998 can elect for early retirement at age 55 but members over the age of 55 on 14th May 2018 are precluded from taking voluntary early retirement. MHCLG have confirmed that a further set of amending regulations will be needed and further changes by way of guidance or a correction slip are not possible.
- An amendment has been made to confirm that a member only has to take benefits from their active pension account when employment is terminated at or after age 55 due to redundancy or business efficiency. This will help stop issues on strain cost exceeding the Cost Cap when Exit Payment reform is fully enacted.
- An amendment has been introduced to allow for the possibility of an exit credit to be paid where an employer ceases in the scheme and their liabilities are fully funded and there is a surplus. Action is required by the Fund to revisit any Admission Agreements that may be affected by this change.
- An amendment has been made to cater for the possibility of an exit credit to be paid where an employer may be required to make additional (strain cost) payments to include an employer's waiver of actuarial reductions if a deferred member takes early retirement before age 60 and any of the early retirement penalty is waived.
- An amendment has been made to confirm that where a Club Transfer occurs the administering authority must comply with the Public Sector Transfer Club memorandum.
- An amendment has been made to mean, that individuals who have transferred-in from other Public Service schemes, who would have met the criteria for the statutory underpin if they had been in LGPS, are granted underpin protection.
- An amendment has been made to limit members with deferred benefits, who were not active members immediately before and on 1st April 2014 of the 2014 Scheme, to having 12 months from date of joining or such longer period as the employer permits, to elect to aggregate benefits.
- A standalone provision has been made to make clear that existing admission agreements are to be treated as if they were the subject of a determination under section 2(5) of PSPA 2013. Additionally, each administering authority has 12 months to publish a list of their current admission agreements

11 Pensioner Payroll Implementation

11.1 The scope of this project has been agreed between Shropshire Council and the Software provider. Both the PID and Payroll survey documents have been signed off.

11.2 Project is on schedule to go live in September 2018 and is currently within budget.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) Pensions Committee Meeting 16 March 2018 Pensions Administration Report Pensions Committee Meeting 24 November 2017 Pensions Administration Report
Cabinet Member (Portfolio Holder) NA
Local Member NA
Appendices Appendix A – Performance Chart

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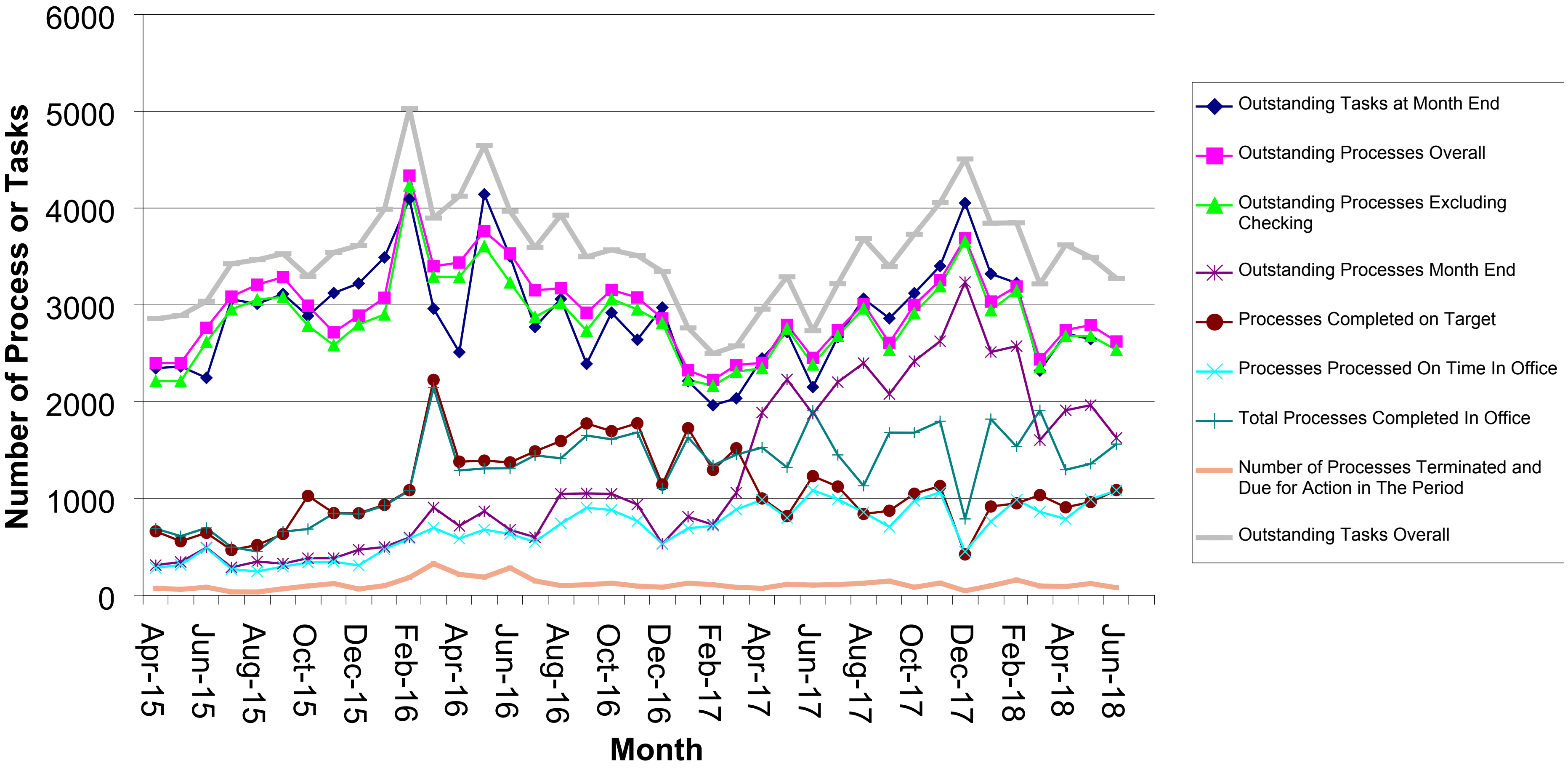
Process and Task Statistics



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Committee and Date	Item
Pensions Committee 27 July 2018 10.00 am	16 Public

UPDATED PENSIONS ADMINISTRATION STRATEGY STATEMENT

Responsible Officer Debbie Sharp
e-mail: debbie.sharp@shropshire.gov.uk Tel: (01743) 252192

1. Summary

1.1 This report provides Members with information on a recent review of the Pensions Administration Strategy Statement and asks Members to approve the updated policy. Regulation 59 of the Local Government Pension Scheme Regulations (LGPS) allows Funds to prepare a written statement of policy in relation to administration matters between the Fund and participating employers.

2. Recommendations

2.1 The Committee is asked to approve, with or without comment, the revised Pension Administration Strategy at **Appendix A**.

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 **Risk Management**
The Pensions Administration Strategy has been reviewed in line with the current regulations and the Charter Institute of Public Finance & Accountancy (CIPFA) key performance measures. All current participating employers have been consulted.

3.2 **Human Rights Act Appraisal**
The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 **Environmental Appraisal**
There is no direct environmental, equalities or climate change consequence of this report.

3.4 **Financial Implications**
There are no direct financial implications arising from this report.

4. Background Pension Administration Strategy

4.1 The Local Government Pension Scheme Regulations enables the Pension Fund Administering Authorities to publish a strategy for the sole purpose of documenting the administrative processes with their Fund. Regulation 59 (2) states the matters the policy can cover are:

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority
(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by:
(i) the setting of performance targets,
(ii) the making of agreements about levels of performance and associated matters, or
(iii) such other means as the administering authority considers appropriate;
(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;
(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);
(f) the publication by the administering authority of annual reports dealing with-
(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
(i) such other matters arising from its pension administration strategy as it considers appropriate; and
(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

5.1 The Shropshire County Pension Fund introduced its Pension Administration Strategy in June 2012 and was version updated and approved by committee in June 2015.

5. Recent Review

6.1 The Administration Strategy Statement has been updated to take into account of new practices introduced as a result of now receiving monthly data from all employers via IConnect. It has also been reviewed alongside the most recent legislation and best practice guidance. The revised Statement is attached at **Appendix A.** A consultation has been undertaken with all Fund employers and following approval these documents will be issued to all employers and published on the Funds website.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information
Cabinet Member N/A
Local Member N/A
Appendices A – Pension Administration Strategy Statement

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SHROPSHIRE COUNTY
PENSION FUND

PENSIONS ADMINISTRATION STRATEGY STATEMENT

1. Introduction

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

This document is the Pensions Administration Strategy Statement which outlines the policies and performance standards towards providing a cost-effective, inclusive and high quality pensions administration service.

Delivery of such an administration service is not the responsibility of one person or one organisation, but rather the joint working of a number of different stakeholders, who between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership and the regulatory requirements.

2. Compliance

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

In no circumstances does this strategy override any provision or requirement of the regulations, nor is it intended to replace the more extensive commentary provided by the employer information on the Shropshire County Pension Fund website and administration guides provided by the Local Government Association (LGA).

3. Review

The undertakings set out within this Pensions Administration Strategy Statement will be reviewed annually by the Fund. Additionally, the Fund will review this policy statement and make revisions as appropriate, following a material change to the Fund policies in relation to any of the matters contained in the strategy. Employers will be consulted and informed of any changes.

4. Regulatory Framework

Regulation 59-(1) of the LGPS Regulations 2013 enables an LGPS administering authority to prepare a document ("the pension administration strategy") detailing administrative standards, performance measures, data flows and communication with employers.

In addition, Regulation 70.-(1) of the LGPS Regulations 2013 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority's level of performance in carrying out its functions under these Regulations. See section on Poor Performance.

This document has been presented, considered and ratified by the Pensions Committee on 27 July 2018 and, as such, the contents of which apply to all existing and future employers of Shropshire County Pension Fund from this date.

5. Scheme Employer Duties and Responsibilities

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

Monthly/annual data transfer
The Fund's method of data collection is by way of electronic data transfer using the i-Connect service. All employers will be provided with the training and guidance on how to use i-Connect.

Response to queries
There are times when the Pensions Team may need to contact employers with queries on the data provided, or to request additional information in order to provide Scheme members with details of their pension entitlement. From time to time, employers may also require information from the Pensions Team regarding the Scheme. Timescales for dealing with specific requests are listed in this document and where a timeframe is not provided, either party should be responded to within 10 working days of receipt of the request. Timescales for dealing with bulk queries from either party should be agreed separately.

Appointing a main contact
Each employing authority must designate a named individual to act as the main point of contact with regard to any aspect of administering the LGPS, and to be responsible for ensuring the requirements set out in this strategy are met.

Their key responsibilities are:

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

Authorised signatories
Each employer must nominate individuals to act as authorised signatories, whose names and specimen signatures will be held by the Fund, and who must sign all employer documents or instructions. In signing a document, an authorised officer is not merely certifying that the form comes from the employer stated, but also that the information being provided is correct.

Consequently, if an authorised signatory is certifying information that someone else has compiled, for example leaving information including a final salary pay, career average pay, assumed pay they are authorising to confirm that the information is correct.

It is the employer's responsibility to ensure that details of the authorised signatures are up-to-date, and to notify the Fund of any changes.

Employer Training
The Fund holds annual training for employers where officers of the Fund provide information on finances, investment performance, regulatory changes and also administration performance. Attendance by each employer's nominated contacts is actively encouraged. In most instances the training is filmed and hosted on the Pension Fund website, to enable individuals unable to attend on the day to watch afterwards.

Discretions Policy
Each employer is required by statute to prepare and publish a written statement as to how they wish to exercise the discretionary powers available to them as a Scheme employer under the LGPS regulations. The policy statement must be kept under review and, where revisions are made, the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date. The LGA has produced a list of all the discretions participating employers have in relation to the LGPS. This document can be found on the website: www.lgpsregs.org.

Notification of employee's rights
Internal Disputes Resolution Procedure (IDRP)
Under Regulation 72 of the LGPS 2013 regulations, any decisions made by an employing authority affecting an employee's rights to membership, or entitlement to benefits must be made as soon as is reasonably practicable and notified to the employee in writing including a reference to their right of appeal in line with Regulation 73 of the LGPS regulations. Every notification must;

- Specify the rights under stage 1 and stage 2 of the appeals procedure quoting the appropriate regulations;
- Specify the time limits within an appeal, under either stage, which apply and;
- Specify to whom an application for appeal must be made to.
    - For first stage appeals this must be the nominated person of the employer who made the decision. For 2nd stage appeals this will be the appointed person at the administering authority

The Fund has guidance for employers to provide to individuals who raise an issue under the IDRP procedure.

Nominated person
Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the IDRP should be made. Employers must also notify the Fund of any first stage appeals they receive.

Computer links
The Fund can provide the links to the Pensions Administration System, where appropriate, to large employers for employing authority staff to view certain areas of their employees' records of membership. There is a charge for this access. The most current data protection legalisation will be considered when providing this access.

The Fund will ensure that the pensions administration system is available for use during normal office hours except for any necessary scheduled maintenance of the system. Employers must notify the Fund when registered users leave the organisation, or no longer require access.

6. Service Standards to Scheme Members

Overriding legislation dictates the standards that pension schemes and employers should meet in providing certain pieces of information to various associated parties – not least of which includes the scheme member. The LGPS Regulations also identifies a number of requirements for the Fund and employers, which may not have all been covered in this document. It is important that employers make themselves familiar of the HR and Payroll guides available on www.lgpsregs.org.uk

An online employers guide is available on the Fund's website www.shropshirecountypensionfund.co.uk which includes template forms and guidance for all Scheme employers.

The levels of performance and procedures which the Fund and employers are expected to achieve to ensure compliance with the overriding legislation are outlined in the below tables:

NEW STARTERS	
EMPLOYER'S RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To ensure that pensions information is included as part of any new employment induction process, including in contracts of employment and appointment letters. To ensure that all employees subject to contractual admission are brought into the Scheme from their relevant start date, and provide the Pensions Team with accurate member data, using the monthly data submission i-Connect, within four weeks of the members start date. To provide each new employee with a Brief Scheme Guide and New Member Form with their contract of employment. This may be in the form of issuing a paper copy or by directing all new members to the Fund's website where the information can be viewed or downloaded. The most up to date versions of forms and guides can always be found on the Fund website. To determine the appropriate contribution rate (whether individually or by an automated process on payroll) and (as soon as is reasonably practicable), notify the employee of this contribution rate which is to be deducted from the employee's pensionable pay and the date from which the rate will become payable. It is for the employer to determine the method by which the notification is given to the employee, but the notification must contain a statement giving the address from which further information about the decision may be obtained. The notification must also notify the employee of the right to appeal, including the processes and timescales involved. Furthermore, the correct employee contribution rate according to the scheme the member is in – either the 50/50 or 100/100 scheme should be applied and (if appropriate) adjusted throughout the year according to the employer's discretionary policy on rebanding. To send the Fund notification through i-Connect of any eligible employees subject to automatic enrolment, who opt out of the scheme within six weeks of joining.	To accurately create member records on the pensions administration system following notification from an employer of a new entrant to the Scheme. To support employer requests to attend inductions. To update pension information in accordance with regulatory changes, and to keep PDF versions of forms and guides up to date on the Fund website. www.shropshirecountypensionfund.co.uk The Fund will contact all new starters, providing them with an activation key for 'My Pension Online' and reissuing a New Member Form if one has not been received, within two months of notification of a new starter. To accurately record and update member records on the pension administration system within following the receipt of a completed New Member Form.

Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified as above.	

CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To ensure that the Fund is informed of any changes in the circumstances of employees through i-Connect within four weeks of the change. Forms and guidance can be found in the employers' area of the Fund website at: www.shropshirecountypensionfund.co.uk Changes may include: **Personal information:** • Change of name • Marital status • National insurance number **Conditions of employment affecting pension such as:** • Contractual hours (mandatory for members who meet the underpin requirements only) • Any remuneration changes due to promotion and down grading • Full-time equivalent pensionable pay according to the pre 2014 definition • Actual pensionable pay (including overtime/additional hours) in 100/100 and 50/50 schemes according to the post 2014 definition (CARE). • Employees contribution rate • Employee number and/or post number • Date joined scheme (if adjusted) • Confirmation of 50/50 or 100/100 scheme entry NB. An Employee can easily exceed HMRC annual allowance if their pay increases. You therefore are asked to inform the Fund of:	To provide forms and spreadsheets for recording key changes in circumstance and to provide guidance on the secure submission of data through i-Connect. To accurately record and update member records on the pensions administration systems within four weeks of notification, or any shorter period as requested by the employer with regards to specific requirements.

- Significant pay awards/pay increases
- Honorariums
- Additional Voluntary Contributions (AVC) contributions
- Shared Cost AVC contributions (if applicable)
- Shared Cost Additional Pension Contributions

For a full list of data items required, see the section FINANCIAL AND DATA OBLIGATIONS, or further information is available from the Fund directly. Employers can also visit the webpage on 'monthly data reports and end of year procedure' on the Fund website www.shropshirecountypensionfund.co.uk

Absence

During periods of reduced or nil pay as a result of sickness, injury or relevant child related leave (i.e. ordinary maternity, paternity or adoption leave or paid shared parental leave and any paid additional maternity or adoption leave) assumed pensionable pay (APP) should be applied for pension purposes.

Employer contributions should be deducted from pay and any APP. If the employee receives no pay the employer contributions should still be deducted from APP.

Should an employee wish to purchase Additional Pension Contributions (APC) or a Shared Cost Additional Pension Contributions (SCAPC) contract to buy back the pension 'lost' during the absence, the APP amount will need to be calculated and provided to the member's employer. Employers must bring to the attention of the member, before a period of absence, that they can buy back the 'lost' pension. Employers should also direct members to the website www.lgpsmember.org where they can calculate the cost to buy back this 'lost' pension. As employees have a thirty day timeframe with which to buy back the lost pension, employers should be sure to mention this to the employee early on in the 30 day period.

Types of absences include:

- Maternity, paternity and adoption

• Paid & unpaid leave of absence • Industrial action (SCAPC not available) • Any other material/authorised period of absence See section '**ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's' for further information.**	

ANNUAL RETURN, VALUATION & ANNUAL BENEFIT STATEMENTS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To ensure the Fund receives accurate year to date information to 31 March through the month twelve i-Connect data submission. The information should be accompanied by a final statement (lgs121a); balancing the amounts paid during the year with the total amounts submitted via i-Connect for the year and to include leavers. A compliance statement (lgs121b) must also be submitted and both duly signed by an appropriate officer. Should there be any under/over payment discovered whilst reconciling, accompanying paperwork detailing this must be submitted together with payment or a formal request for a refund. Year end reconciliation must be completed and forms sent by 30 April each year. To provide any additional information that may be requested to produce annual benefit statements for service up until the 31 March in each particular year by the 30 April each year. To provide the Fund with up to date and correct information as and when requested in accordance with agreed timescales and the regulations. To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.	To process employer year end contribution returns within three months of receipt i.e. 30 April, or within three months of receipt of the information if later. To produce annual benefit statements for all active members by 31 August. To highlight annually if an individual has exceeded their annual allowance and issue a pensions saving statement by 5 October. Annual benefit statements will also be produced for deferred members, but no information from employers will be required. To provide data to the Fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined. To provide an electronic copy of the actuarial valuation report and contributions certificate to each employer.

RETIREMENT AND TRANSFER IN/OUT ESTIMATES	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To submit a request using form PEN010 by post, or attaching it to an email. Each form must be signed by an authorising officer. For larger bulk estimates, requests should be made via the spreadsheet template provided by the Pensions Team, and notice should be given in advance when any redundancy exercises are planned. To provide pay and other relevant information requested by the Pensions Team either on an individual basis within ten working days of the request, or for bulk/group requests by an agreed timescale with the Pensions Team. To help the Fund promote the 'My Pension Online' area for members when requested.	To issue the individual quotations/information within ten working days after all information required to process a quotation has been received. To provide information to the scheme member on any potential transfer in of benefits once all information required to process the quotation has been received (transfer estimate from other pension provider, contracting out, salary details etc) within ten working days. However, legally we do have up to two months to provide the transfer information following receipt of all information required to process the quotation. Separate agreed timescales and any additional cost will be put in place for bulk requests. To provide large employers with links to the appropriate software in order for employing authority staff to view certain areas of their employees' records of membership. (Employers should note there is a charge for this access). To maintain and promote the 'My Pension Online' area on the website for members to login and view their pension information.

DIVORCE AND OUTSOURCINGS ESTIMATES	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To provide pay and other relevant information requested by the Pensions Team either on an individual basis within ten working days of the request, or for bulk/group requests by an agreed timescale with the Pensions Team. **Staff transfers e.g. outsourcings** To ensure early notification/liaison with the Pensions Team when considering an outsourcing exercise which affects	Where a request for divorce information including a CETV is received from the member, or the Court, this will be issued three months from the date of receipt of the signed form request from the member, or receipt of the Court order. When a shorter timescale is requested/imposed the Pensions Team will provide the member with the schedule of charges.

members/eligible members of the LGPS. See guidance on ‘Becoming an employer or existing employer letting a contract’ on the Fund’s website.	To provide guidance to current employers participating in the Fund who are considering outsourcing.

ACTUAL RETIREMENTS	
EMPLOYERS’ RESPONSIBILITY	**FUND’S RESPONSIBILITY**
To submit the appropriate PEN007 leavers form to the Fund as soon as the information is available. The PEN007 form must be completed fully, and signed by an authorised signatory, as it confirms the information required to enable the benefits to be calculated and the employer’s decision as to the type of benefit that is to be paid to the member. Evidence of the calculation of final pensionable pay may be requested so the Pensions Team can check the accuracy of the pay provided. The PEN007 form will be returned if it appears to be incorrect. Further information can be found in the Employers area of the Fund website via www.shropshirecountypensionfund.co.uk	To issue the member with a letter and benefits information within five working days of correctly completed employer’s notification via the PEN007 leavers form. However, from receipt of all information required to process, the regulations state that we do have up to one month following the date benefits become payable or two months if retirement is early. To issue the member with a letter notifying them of actual retirement benefits within five days following receipt of all documentation from the member To make payment of any lump sum within five working days of receipt of all relevant fully completed forms and certificates from the member, or retirement date if later. To pay any pension payment on the 29th of each month following retirement, unless this falls on a weekend or bank holiday when the payment will be made on the last working day before. Payment will also be made earlier in the month of December to take account of the Christmas period.

ILL HEALTH RETIREMENTS	
EMPLOYERS’ RESPONSIBILITY	**FUND’S RESPONSIBILITY**
To determine whether an ill health benefit award is to be made, based on medical evidence and the criteria set in the current LGPS regulations, and after obtaining an opinion from a Fund approved Independent Registered Medical Practitioner (IMRP) on the appropriate certificate. If an award is made, to then determine which tier 1, 2 or 3 is to be awarded.	To calculate and pay the required benefits in line with actual retirement timescales. To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.

Arrange for completion of the PEN007 form and then submit to the Fund with all related paperwork including IMRP certificate and a copy of the notice letter issued to the member confirming the level of ill health benefits awarded and the appeal information under IDPR To keep a record of all Tier 3 ill health retirements, particularly in regards to arranging the eighteen-month review. Arranging if necessary with an (IMRP) approved by the administration authority for a further medical certificate. To recover any overpayment of pension benefits following a discovery of gainful employment and notify the Fund, where appropriate. To review all Tier 3 ill health retirement cases at eighteen months. Further information on ill health retirements can be found on the employers' pages on our website www.shropshirecountypensionfund.co.uk	

MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To notify the Fund using the PEN007 form, ensuring all relevant information is included on the form, within four weeks of the members leave date.	To accurately record and update member records on the pension administration system. The regulatory target to inform members the options available to them upon leaving the Scheme is two months following receipt of all the correct information from the employer via the PEN007 form. The Fund's best practice target to calculate notify a member of their deferred benefit entitlement is ten days following receipt of correct information from the employer via the PEN007 form. To process and pay a refund within five days to an eligible member following receipt of all relevant documentation from the member/employer.

FORMER MEMBERS WITH DEFERRED BENEFITS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To keep adequate records of the following for members who leave the Scheme with deferred benefits, as early payment of benefits may be required: • Name & last known address • National Insurance number • Payroll number • Date of birth • Last job information including job description • Salary details • Date and reason for leaving To determine, following an application from the former employee to have their deferred benefits paid early, as to whether or not they are eligible for early payment on ill health grounds in line with the criteria set in the relevant regulations and after seeking a suitable medical opinion from an (IRMP) approved by the administering authority, or to determine whether benefits should to be released early and in some cases any actuarial reduction waivered on compassionate grounds.	To record and update member records on the pensions administration system. To provide former members with an annual benefit statement of their deferred benefits, updated by the annual pensions increase award when applicable. To provide estimates of benefits that may be payable and any resulting employer costs within ten working days of request upon request.

DEATH IN SERVICE & TERMINAL ILLNESS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To inform the Fund immediately on the death of an employee via the PEN007 leavers form, or when a member is suffering from a potentially terminal illness and to provide details of the next of kin. Further information can be found on the employer pages of our website www.shropshirecountypensionfund.co.uk	To provide an initial letter of acknowledgement to the next of kin/informant when a notification of death has been received. To provide a letter notifying dependents of benefits within five days following receipt of identification/certificates and relevant documentation. To assist employer's, employees and their next of kin in ensuring the pension options are made available and that payment of benefits are expedited in an appropriate and caring manner. The Fund's policy regarding payment of benefits in such situations, can be viewed

	in the Governance Compliance Statement.

FINANCIAL AND DATA OBLIGATIONS	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To pay the Fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions and any deficit lump sum payments due on a monthly basis, no later than the 19th day of the month following the period of deductions. Further information can be found in the Employer Guide via www.shropshirecountypensionfund.co.uk Each payment must be accompanied by an i-Connect data extract providing the following data for each member; • National Insurance number • Payroll reference 1 • Member address and postcode • Date of leaving • Payroll period end date • Additional contributions 1 • Additional contributions 2 • Surname • Forenames • Gender • Date of birth • Marital status • Title • Taxable earnings • Annual pensionable salary (only required at month 12) • Pensionable pay • Date joined LGPS • Job title • Part-time hours effective date • Part-time hours • Part-time indicator • Whole-time equivalent hours • Employee's main section contributions • Employer's contributions • Scheme contribution rate • Opt out date • Opt in date • Main section cumulative pensionable pay	To allocate correctly the contributions received to each employee record and to keep a log of contributions received from each employer. To charge interest for late payment in the following circumstances; • Employer contributions (including deficit payment) are overdue if they are received a month later than the due date specified. • All other payments are overdue if they are not received by the due date specified. Inform each employer of any new contribution bandings tables in place from each April. Inform employers of any rechargeable items as they become due. To keep the Fund's Privacy Notice up to date on the website for all members. To keep a Memorandum of Understanding which explains the relationship between the administering authority and participating employers when sharing personal data.

• 50/50 section cumulative pensionable pay • Full-time equivalent final pay • Cumulative employee's main section contributions • Cumulative employer's contributions • Reason for leaving • Cumulative employer Shared Cost APC's • Cumulative employee APC's • Employee's 50/50 section contributions • Cumulative employees 50/50 section contributions • Pay period Shared Cost APC's • Pay period employee APC's To pay all rechargeable items to the Fund on receipt of the invoice. Benefits will not commence until the invoice is paid.	

ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's (SCAPCs)	
EMPLOYERS' RESPONSIBILITY	**FUND'S RESPONSIBILITY**
To communicate to employees regarding the option of SCAPC's to cover periods of 'lost pension' and the timeframe they must elect to purchase a SCAPC. Members must elect within thirty days of returning to work following the absence, but employers have the discretion to extend this period. This should be laid out in the employer's Discretions Policy. To calculate and collect from the employee, payroll contributions and to arrange the prompt payment to the Fund, according to the published schedule and to be no later than the 19th of the month following the deduction. More information can be found in the employer area on www.shropshirecountypensionfund.co.uk	To provide information on APCs to members/employers through www.shropshirecountypensionfund.co.uk, and direct employees to the national LGPS member website where a modeller can be found.

7. Standards of Data

Overriding Legislation in performing the role of administering the LGPS

The Fund and employers will comply with the overriding legislation, including:

- the Occupational Pensions Schemes
- (Disclosure of Information) Regulations 2015;
- The Local Government Pension Scheme (Amendment) (Governance) Regulations 2015;
- the Pensions Act 1995, 2004 and 2014;
- any Transitional Regulations currently in place;
- the Discretionary and Compensation Regulations 2006;
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Disability Discrimination Act 1995;
- the Age Discrimination Act 2006;
- the Finance Act 2004;
- Health and Safety legislation;
- Employment Rights Act 2010;
- HMRC Legislation and Current GAD Guidance;
- Public Service Pensions Act 2013;

and any future amendments to the above legislation.

Data Protection Act 2018
The Shropshire County Pension Fund is a Data Controller as part of the Data Protection Act 2018 which incorporates the General Data Protection Regulation (GDPR). This means we store, hold and manage personal data in line with statutory requirements to enable us to provide pension administration services. To enable us to carry out our statutory duty, we are required to share information with certain bodies, but will only do so in limited circumstances. More information about how we hold data and who we share it can be found in the Fund's Privacy Notice on www.shropshirecountypensionfund.co.uk.

The Fund has introduced a Memorandum of Understanding (MOU). The aim of the MOU is to set out that participating employers in the Local Government Pension Scheme (LGPS) can share data with the LG administering authority without a data sharing agreement being in place. (There is no legal requirement for employers to have a data sharing agreement with LGPS administering authorities as they are both data controllers.) A copy of the MOU can be found on the employers' area of the website www.shropshirecountypensionfund.co.uk.

Secure Data Transfer
The Fund will follow Shropshire Council's as Administering Authority data security guidelines when sending any personal data, including its published data sharing policy. This means that members' personal data will only be transferred from one party to the other via an acceptable method specified by the Administering Authority which may include any of the following:

(a) i-Connect data transfer service (Internet based application)
(b) Secure email
(c) Paper forms signed by an authorising officer from the employer
(d) Password protected excel spreadsheet

All these measures start from the date of receipt of all relevant information. The annual performance of the Fund is reported each year in the Annual Report.

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

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

8. Employer Performance Reporting

As part of this Pensions Administration Strategy the Fund will develop arrangements for reporting on key performance measures.

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

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

In the event of continued poor performance, or additional work imposed on the Fund as a result of employer poor performance and a lack of any evidence of any measures being taken to achieve improvement by an employing authority, the Fund will seek to recover any additional costs arising.

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

In dealing with poor performance the Fund will:
- write to the main contact at the employer setting out the area(s) of poor performance;

- meet with the employing authority, where possible, to discuss area(s) of poor performance and how these can be addressed;
- contact the individual/body with overall authority for the Scheme employer (i.e. CEO/Chair of Trustee Board/Parish or Town Council)
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- Make a claim for cost recovery, taking account of time and resources in resolving the specific area(s) of poor performance.
- Will report any claim for the cost of recovery to the Pension Committee/Pensions Board at the next available meeting and may form part of the administration report in the Fund's published Annual Report.

Reporting breaches
The Fund has a procedure to be followed by certain persons in relation to reporting breaches of the law to the Pensions Regulator. The breaches procedure applies, in the main to;

- all members of the Shropshire Pension Board and Committee;
- all officers involved in the management of the Pension Fund including members of the Treasury Team, Pensions Administration Team, and the Head of Finance, Governance and Assurance (Section 151 Officer);
- any professional advisers including auditors, actuaries, legal advisers and fund managers; and
- officers of employers participating in the Shropshire County Pension Fund who are responsible for LGPS matters.

Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

If a breach occurs the breaches policy must be followed. The most up to date breaches policy can be found on the Fund's website. If a breach occurs by an employer, the Fund will notify the employer to ensure improvements are made and will record and monitor the breach. If this failure to comply with the regulations is likely to be material, it will be reported to the Pensions Regulator.

9. Associated Policy Statements and Documents

Participating employers are advised to familiarise themselves with the other policies issued by the Fund.

Employer Events Policy
The purpose of this document is to describe the various "life stages" of an employer participating in the Fund. It summarises the events and possible outcomes from those events right through until it withdraws from the Fund.

Communications Strategy Statement
The statement outlines the Fund's policy on:

- information to members, representatives and employers;
- the format, frequency and method of distributing such information;

- the promotion of the Scheme to prospective members and their employing authorities

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

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation. It also includes information on how it will exercise certain discretions provided by the Scheme.

Employer Discretions Policy
Since 1997, the LGPS regulations have required every employing authority to**:**
- issue a written policy statement on how it will exercise the various discretions provided by the Scheme;
- keep it under review;
- revise as necessary.

A full list of employer discretions can be found on www.lgpsregs.org.

The Fund has purchased a template to assist employers when making their policy. A copy of the template can requested from the Pensions Team.

10. Fund Contact Information

Write/visit: Shropshire County Pension Fund, The Shirehall, Abbey Foregate, Shrewsbury, SY2 6ND

Call: 01743 252130

Email: pensions@shropshire.gov.uk

Website: www.shropshirecountypensionfund.co.uk

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