



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

Date: Tuesday, 13 September 2016

**Committee:**  
**Pensions Committee**

**Date:** Wednesday, 21 September 2016  
**Time:** 10.00 am  
**Venue:** Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire,  
SY2 6ND

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

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

**Members of the Committee:**

Thomas Biggins  
Anne Chebsey  
Andrew Davies  
Malcolm Pate

**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:**

Joyce Barrow (SC)

Roger Evans (SC)

Stuart West (SC)

Michael Wood (SC)

Lee Carter (T&W)

Adrian Lawrence (T&W)

Vacancy (Pensioner Rep)

Vacancy (Employee Rep)

Your Committee Officer is:

**Sarah Townsend** Committee Officer

Tel: 01743 257721

Email: [sarah.townsend@shropshire.gov.uk](mailto:sarah.townsend@shropshire.gov.uk)

# AGENDA

## 1 Apologies for Absence and Substitutions

## 2 Disclosable Pecuniary Interests

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

## 3 Minutes (Pages 1 - 6)

The Minutes of the meeting held on 28 June 2016 are attached for confirmation, marked 3.

Contact: Sarah Townsend (01743 257721)

## 4 Public Questions

To receive any public questions or petitions from the public, notice of which has been given in accordance with Procedure Rule 14. The deadline for this meeting is 5.00 pm on Friday, 16<sup>th</sup> September 2016.

## 5 Harris Associates (Global Equities)

Mr David Herro, Mr Euan MacLaren and Mr Jeff Vilker will give a presentation.

## 6 Internal Audit Quality Assurance Improvement Programme (Pages 7 - 10)

The report of the Head of Internal Audit is attached, marked 6.

Contact: Ceri Pilawski (01743 257739)

## 7 Internal Audit Outturn Report for Shropshire County Pension Fund 2015/16 (Pages 11 - 20)

The report of the Head of Internal Audit is attached, marked 7.

Contact: Ceri Pilawski (01743 257739)

## 8 External Audit - The Audit Findings for Shropshire County Pension Fund 2015/16 (Pages 21 - 46)

The report of Grant Thornton is attached, marked 8.

Contact: Terry Tobin (0121 232 5312)

**9 Pension Fund Annual Accounts 2015/16 (Pages 47 - 184)**

The report of the Head of Finance, Governance & Assurance (Section 151 Officer) is attached, marked 9.

Contact: James Walton (01743 258915)

**10 Pensions Administration Monitoring (Pages 185 - 192)**

The report of the Pension Administration Manager is attached, marked 10.

Contact: Debbie Sharp (01743 252192)

**11 Corporate Governance Monitoring (Pages 193 - 378)**

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

Contact: Justin Bridges (01743 252072)

**12 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 13 to 17 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.

**13 Exempt Minutes (Exempted by Categories 2 and 3) (Pages 379 - 382)**

The exempt Minutes of the meeting held on 28 June 2016 are attached for confirmation, marked 13.

Contact: Sarah Townsend (01743 257721)

**14 View Points Survey Results (Exempted by Category 3)**

Mr Louis-Paul Hill, Aon Hewitt, will present this item.

**15 Private Equity Recommendations (Exempted by Category 5) (Pages 383 - 386)**

The exempt report of Aon Hewitt is attached, marked 15.

Contact: Louis-Paul Hill (0117 900 4440)

**16 Unconstrained Equity Recap and Introduction to Harris (Exempted by Category 3)**

Mr Louis-Paull Hill, Aon Hewitt, will present this item.

**17 Investment Monitoring - Quarter to 30 June 2016 (Exempted by Category 3)**  
(Pages 387 - 440)

The exempt report of the Head of Treasury & Pensions is attached, marked 17.

Contact: Justin Bridges (01743 252072)

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Pensions Committee

21 September 2016

10.00 am

## MINUTES OF THE PENSIONS COMMITTEE MEETING HELD ON 28 JUNE 2016 10.00 - 11.25 AM

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

### **Present:**

#### Members of the Committee:

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

#### Co-Opted Members (Voting):

Councillors Malcolm Smith and David Wright

#### Co-Opted Members (Non-Voting):

Jean Smith

### **1 Election of Chairman**

It was proposed, seconded and **RESOLVED:** that Councillor Malcolm Pate be elected Chairman for the ensuing municipal year.

### **2 Apologies for Absence and Substitutions**

Apologies for absence were received from Councillor Anne Chebsey and Mr Nigel Neat.

Councillor Roger Evans substituted for Councillor Anne Chebsey.

Apologies for absence were also received from Mr Roger Bartley (Independent Advisor to the Committee).

The Chairman welcomed Councillor David Wright (Co-Opted Member – Voting) to his first meeting and it was noted that he had replaced Councillor Charles Smith as Committee Member.

### **3 Appointment of Vice-Chairman**

It was proposed, seconded and **RESOLVED:** that Councillor Malcolm Smith be appointed Vice-Chairman for the ensuing municipal year.

#### 4 **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.

#### 5 **Minutes**

**RESOLVED:**

That the Minutes of the meeting held on 18 March 2016 be approved and signed by the Chairman as a correct record.

#### 6 **Public Questions**

There were no public questions.

#### 7 **Investment Strategy - Next Steps**

Mr Louis-Paul Hill, from Aon Hewitt, was asked to provide an update to the Committee in relation to the recent referendum which determined whether the United Kingdom should leave or remain in the European Union. He explained that whilst the Brexit result had come as a surprise to financial markets with an uncertain outcome predicted, the Fund was reasonably well positioned.

In terms of the Investment Strategy, it was noted that a training day was planned for all Members of the Pensions Committee and Pensions Board on 28 July 2016. It was proposed that a Pension Regulation update, introduction to illiquid assets, Private Equity, Infrastructure and hedge funds would be looked at during this training session.

It was noted that Aon Hewitt would circulate a survey to all Members of the Pensions Committee, Pensions Board and Officers in order to gain people's opinions on the potential future direction of the Shropshire Pension Fund Investment Strategy. The results of the survey would be reported to the 21 September 2016 Pensions Committee meeting and at the 25 November 2016 meeting, a proposal would be considered regarding potential changes to the Investment Strategy.

#### 8 **Policy Update - Pensions Administration Strategy**

The Committee received the report of the Pension Administration Manager (copy attached to the signed Minutes) which outlined the requirement to produce and keep updated certain Policies under the Local Government Pension Scheme legislation and in line with the best practice principles published by the Communities and Local Government Department. The report recommended updates to the Pension Administration Strategy.

**RESOLVED:**

That the revised Pension Administration Strategy be approved (Appendix A).



## 9 Pensions Administration Monitoring

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

It was noted that Annual Benefit Statements for active members would be issued electronically via the Fund's website for the first time this year, unless a member had requested to continue to receive a paper copy instead.

### **RESOLVED:**

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

## 10 Corporate Governance Monitoring

The Committee received the report of the Head of Treasury and Pensions (copy attached to the signed Minutes) which informed Members of Corporate Governance and socially responsible investment issues arising in the quarter 01 January 2016 to 31 March 2016.

### **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.

## 11 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 12 to 17, 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.

## 12 Exempt Minutes (Exempted by Category 3)

### **RESOLVED:**

That the Exempt Minutes of the meeting held on 18 March 2016 be approved and signed by the Chairman as a correct record.

## 13 New Admission Bodies (Exempted by Category 3)

The Committee received the exempt report of the Pension Administration Manager (copy attached to the Exempt signed Minutes) which provided Members with details regarding three new employer admissions to the Fund, all under Schedule 2 Part 3 Regulation 1(d)(i) of the Local Government Pension Scheme Regulations 2013. Two of the admissions were due to services transferring from Scheme Employers, under service contracts and the other was as a result of a service contract being novated to a new Company.

Confirmation of the closure of an Admission Agreement was also detailed within the report.

**RESOLVED:**

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

**14 Appeals Under The Internal Disputes Resolution Procedure (Exempted by Category 2)**

The Committee received the exempt report of the Pension Administration Manager (copy attached to the Exempt signed Minutes) which informed Members of stage two appeals to the appointed person under the Internal Disputes Resolution Procedure.

**RESOLVED:**

That the exempt report of the Pension Administration Manager be noted.

**15 LGPS Central - Investment Pooling (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 an update on progress regarding the pooling of investments in the Local Government Pension Scheme.

**RESOLVED:**

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

**16 Brevan Howard Disinvestment (Exempted by Category 3)**

The Committee received the exempt report of Aon Hewitt (copy attached to the Exempt signed Minutes) which provided Members with information and recommendations regarding the actions Shropshire should take in respect of Brevan Howard Disinvestment.

**RESOLVED:**

That the recommendation contained within paragraph 2.2 of the Head of Treasury and Pensions Investment Monitoring – Quarter to 31 March 2016 report (Agenda Item 17), be approved.

**17 Investment Monitoring - Quarter to 31 March 2016 (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 March 2016, 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.

*(The full version of Minutes 12 to 17 constitutes exempt information under Categories 2 and 3 of Paragraph 10.4 of the Council's Access to Information Rules and has accordingly been withheld from publication).*

Signed ..... (Chairman)

Date: .....

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## **Internal Assessment**

The internal assessment involves ongoing monitoring of the performance of internal audit activity against the PSIAS, which have been incorporated into the routine policies and practices used to manage the service. These arrangements are as follows:

- Internal audit procedures (manual)
- Ongoing supervision and review of audit work
- Performance management information
- Feedback from auditees following specific audit work/ reports
- Results of quality assurance reviews, internal and external
- A self-assessment against the requirements of the PSIAS
- Any feedback from External Audit on the effectiveness of the function
- Completion of the actions within the Quality Assurance Improvement Programme Action Plan.

The following processes also help to inform and assess the performance of Internal Audit throughout the year:

- Regular meetings of the Head of Internal Audit and senior Audit staff with the Pension Scheme Administrator
- Access for the Head of Internal Audit to the Chair of the Pensions Committee and the Head of Treasury and Pensions as required
- Consideration of the business risks and processes as reported to Pensions Committee on a regular basis and through discussions with key officers and members
- The Audit Plan is approved by the Pensions Committee
- Audit plan performance is reported on and any significant changes are signed off by the Pension Scheme Administrator and reported to Pensions Committee
- At least annually the Head of Internal Audit meets with the Pension Scheme Administrator and Head of Treasury and Pensions to consider and discuss the key risks facing the Pension Fund and impact on the internal control environment. The annual plan is drafted as a result of these discussions. More frequent meetings are held on areas of high risk
- Assurances are available annually on the public agenda for Shropshire Council's Audit Committee in terms of an approved Audit Charter; self-assessment against the PSIAS and performance of the Internal Audit service

Annually a full review against the PSIAS is conducted by the Head of Internal Audit. The review is shared and commented upon by Senior Auditors and discussed at team meetings, along with the associated action plan for improvement. The Head of Internal Audit then presents the assessment to the Council's Section 151 Officer who has an understanding of the PSIAS requirements and provides a challenge to the assessment. Following this the results of the self-assessment are reported to the June Audit Committee at Shropshire Council along with details of any areas of non-conformance with the PSIAS. External clients are sign posted to the Shropshire Council website Audit Committee report for their assurances. All clients can provide challenge on the process at any time.

This self-assessment review is provided in conjunction with the Annual Internal Audit report, found on Shropshire Council's Audit Committee June agenda too. When read together the two reports demonstrate the effectiveness of the Internal Audit service and compliance against the PSIAS.

The internal assessment concludes that there are no areas where the Internal Audit function is not complying with the Code and whilst there are areas of partial compliance, these are not considered significant and do not compromise compliance with the code.

### **External Assessment**

An external assessment of the team's compliance with the PSIAS must be completed once every five years by a qualified, independent assessor or assessment team. The Head of Internal Audit has discussed this assessment with Shropshire's Audit Committee and the Section 151 Officer and agreed that the self-assessment conducted annually will be validated by external assessors. The alternative option is for a full external assessment.

Following a tendering process with other councils, coordinated by Staffordshire County Council, The Chartered Institute of Public Finance and Accountancy (CIPFA) have been awarded the contract and engaged by Shropshire Council to conduct the fieldwork for the assessment week beginning the 21st November 2016. CIPFA are well qualified to conduct such a review as the internal audit standard setter within local government and as such has a deep knowledge of the impact of the PSIAS on the public sector as a whole. CIPFA also have responsibility for setting accounting standards for a significant part of the economy and can therefore use this experience to provide pertinent feedback to the service and its clients. CIPFA is independent of the Council and Ray Gard, FCCA, CFIIA, CPFA, DMS who will be conducting the review has no conflict of interest with Shropshire Council or the Pensions Committee. Being the professional accountancy body for public sector finance, CIPFA ensures that all consultancy, including PSIAS External Quality Assurance reviews, is delivered completely independently of any other organisation.

Results of the external assessment will be reported publically to Shropshire Council's Audit Committee and shared with the Pensions Committee.

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## 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 2015/16 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.
- 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 make arrangements 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 2016, 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 2015/16.

#### **Annual Internal Audit Opinion from Internal Audit Work undertaken during 2015/16**

- 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 on the basis of the work undertaken. In assessing the level of assurance to be given, I have taken into account:
- 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 were identified and reliance can be placed upon them.

- 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.

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 ***On the basis of 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 Audit Service Manager is able to deliver a positive year end opinion on the Pension Fund's internal control environment for 2015/16.***

#### **Key Assurances provided during 2015/16**

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:

<b>Good</b>	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.
<b>Reasonable</b>	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.
<b>Limited</b>	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.
<b>Unsatisfactory</b>	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.

5.10 In 2015/16 we issued five final audit reports which are listed at **Appendix A**. All reports resulted in good assurance.

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:

<b>Best Practice (BP)</b>	Proposed improvement, rather than addressing a risk.
<b>Requires Attention (RA)</b>	Addressing a minor control weakness or housekeeping issue.
<b>Significant (S)</b>	Addressing a significant control weakness where the system may be working but errors may go undetected.
<b>Fundamental (F)</b>	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 12 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 2015/16 audits**

System	Level of Assurance Given	Number of Recommendations made				Total
		BP	RA	S	F	
Corporate Governance	<b>Good</b>	0	3	0	0	3
Pension Fund Monitoring	<b>Good</b>	0	1	0	0	1
Investment Managers Internal Control Reports	<b>Good</b>	0	0	0	0	0
*Pensions Administration	<b>Good</b>	1	5	0	0	6
**Altair Pension Application	<b>Good</b>	0	2	0	0	2
<b>Totals</b>		<b>1</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>12</b>
<b>Percentage</b>		<b>8%</b>	<b>92%</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>

\* 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 12 recommendations made, 11 are rated as requires attention. The remaining best practice recommendation is designed to add value to the high level of controls in place. This is a reflection of the experience and diligence of

the staff in the team, as there are no significant or fundamental recommendations from the audits performed.

### **Quality Assurance/Customer Feedback Survey**

- 5.18 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 a number of areas, which are shown in the table below.
- 5.19 The surveys are a key part of ensuring the work meets our client expectations and that the quality of audit work is maintained. Three survey forms were returned; the results are identified in the table below.

#### **Customer Feedback Survey Forms - percentage of excellent and good responses**

<b>Item Being Scored</b>	<b>2015/16</b>
Pre-audit arrangements	100%
Post-audit briefing	100%
Audit coverage/scope of the audit	100%
Timeliness of production of report	33%
Accuracy and clarity of report	100%
Practicality of recommendations	66%
Professionalism of approach, competence	100%
Communication skills, pleasant manner	100%
Timeliness of audit to your business process	100%
Number of forms returned	3

- 5.20 The results are pleasing, showing services generally delivered consistently at a high level. There have been two feedback forms received in respect of Pension Fund Monitoring and Pensions Administration which rated the timeliness of production of report as reasonable. Internal Audit have introduced new auditors to the Pension Fund this year to ensure that auditors can be rotated in line with the Public Sector Internal Audit Standards (PSIAS). This has meant that due to training requirements the audit process has taken longer between the start of the audit and the reports being issued. The increased availability of trained auditors with Pension Fund experience will help ensure that Internal Audit are able to continue to offer a professional high quality service going forward in line with the obligations under PSIAS. The practicality of the recommendation in respect of the Pension Fund Monitoring Audit was also rated as reasonable, as this was seen as a timing issue by Management. The recommendation has been addressed and discussions with the Head of Treasury and Pensions confirmed no further issues were identified. All the feedback forms received confirmed that the audits were considered a positive support to the service. The information 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 2015/16

## Summary of Findings from Pension Fund Audit Reports 2015/16

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

- Previous recommendations have been implemented.
- 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.

The audit concluded that there is a sound system of control and the overall level of assurance was assessed as 'good'. One minor exception was noted against which management have provided positive responses.

**Assurance Level: Good**

**2 Pensions Administration (Including Transfers In and Out)** – This area is reviewed on an annual basis. The 2015/16 audit concentrated on the following objectives:

- Recommendations made in the previous Pensions Administration Audit have been implemented.
- Fund administrators have sufficient resources and skills to effectively process transactions.
- Contributions, including employees and employers, are recorded accurately and promptly.
- New starters are identified and recorded accurately.
- 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.
- Persons leaving the pension scheme have their deferred pension recorded accurately; 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.
- Administrative costs are dealt with satisfactorily and other costs recovered accurately and promptly.
- Pension accounts are reconciled on a regular and timely basis.



- 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 generally a sound system of control in the areas examined. It is pleasing to be able to report, once again, that operations are consistently performed to a high standard.

Twelve previous recommendations were followed up; of these, progress has been made in the implementation of eight, with one superseded and one assessed as partially implemented.

Recommendations that remain outstanding have been repeated and are included within the six recommendations in the report. Of these, one is a best practice recommendation, which is not aligned to any risk. The remaining five are minor weaknesses and management have agreed to implement these.

**Assurance Level: Good**

3. **ALTAIR Pension Application (Pensions System)** – This audit was a follow up of the full application review of the ALTAIR system and a review of information governance arrangements performed in 2014/15 to ensure that the recommendations made have been implemented as per the original management responses.

The audit identified two minor weakness. Management have provided positive responses for both recommendations raised.

**Assurance Level: Good**

4. **Corporate Governance** –The audit concentrated on the following objectives:
  - Previous recommendations have been implemented as agreed.
  - The Pensions Committee has met the roles and responsibilities as defined in CIPFA's best practice guidelines (Oct 2013).
  - There is an established Pension Board as defined by the Public Services Pensions Act 2013.
  - The governance of the Pension Fund is in line with the Regulators Code of Practice issued April 2015.

The audit concluded that there is a sound system of control and the overall level of assurance was assessed as 'good'. Three minor exceptions were noted against which management have provided positive responses.

**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. These two exercises have been reviewed and incorporated into a single audit this year. 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:

- To assess the degree to which previous recommendations have been implemented.
- 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 providers 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.

The audit concluded that there is a sound system of control and the overall level of assurance was assessed as 'good'. No exceptions were noted in respect of this audit.

***Assurance Level: Good***

# The Audit Findings for Shropshire County Pension Fund

Year ended 31 March 2016

31 July 2016

Page 21

**John Gregory**

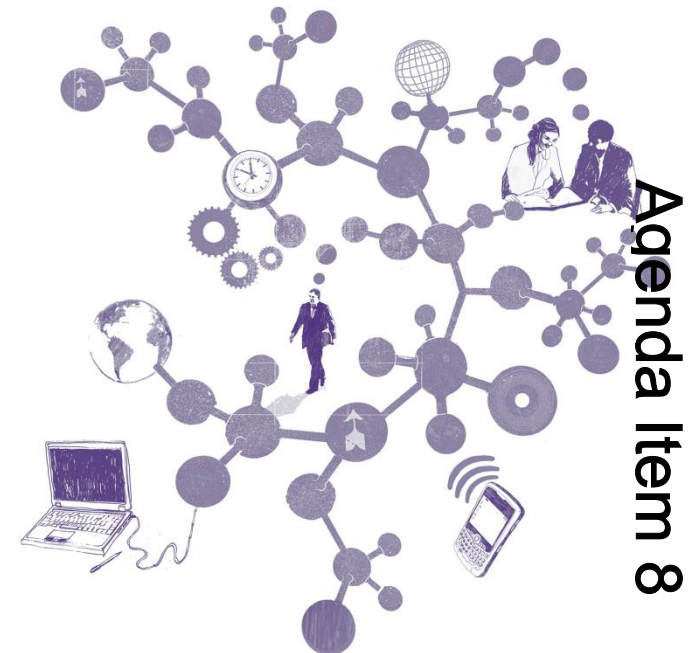
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Dear Members of the Pensions Committee

### **Audit Findings for Shropshire County Pension Fund for the year ending 31 March 2016**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Shropshire County Pension Fund, the Pensions Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

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

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 primarily 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 any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the fund accountants and administration staff during our audit.

Yours sincerely

John Gregory, Director

#### Chartered Accountants

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# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	4
2. Audit findings	7
3. Fees, non-audit services and independence	20
4. Communication of audit matters	22

## **Appendices**

A Audit opinion

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# Section 1: Executive summary

- 01. Executive summary
- 02. Audit findings
- 03. Fees, non audit services and independence
- 04. Communication of audit matters

## Purpose of this report

This report highlights the key issues affecting the results of Shropshire County Pension Fund ('the Fund') and the preparation of the fund's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the fund and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Pension Fund Annual Report.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated **3 February 2016**

Our audit is substantially complete although we are finalising our procedures in the following areas:

- completion of final specialist partner review,
- obtaining and reviewing the final management letter of representation,
- review of the Annual Report.
- review of the final version of the financial statements and
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

## Key audit and financial reporting issues

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

The key messages arising from our audit of the Fund's financial statements are:

- We have no adjusted or unadjusted misstatements to report,
- The draft accounts were presented for audit in accordance with the agreed timetable.
- During the course of our work at year end, we note that we were provided with access to all documents as required and the quality of working papers and level of knowledge and assistance provided by fund staff was of a high standard.

We have not identified any significant adjustments affecting the Fund's reported financial position. However, we have agreed with officers some minor adjustments to improve the presentation of the financial statements.

Further details are set out in section two of this report.

## Controls

### Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 any control weaknesses, we report these to the Fund.

## Findings

We have not noted any significant control weaknesses during our audit.

## The way forward

Matters arising from the financial statements audit have been discussed with the Head of Treasury and Pensions.

## Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the fund accountants and administration staff during our audit.

Grant Thornton UK LLP  
July 2016



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## Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £17,090,000 (being 1% of net assets). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £828,000. This remains the same as reported in our audit plan.

As reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Management Expenses	Due to public interest in these disclosures and the statutory requirement for them to be made.	£100,000
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	£100,000

# Audit findings against significant risks

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

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<b>Page 29</b>	<p><b>1. The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Shropshire County Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Shropshire Council as the administering authority, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>
	<p><b>2. Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p><b>We have undertaken the following work in relation to this risk</b></p> <ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management,</li> <li>• testing of journal entries, and</li> <li>• review of unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Page 30	<p><b>3. Level 3 Investments – Valuation is incorrect</b></p> <p>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.</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>gained an understanding of the transactions via discussions with the pension fund team and reviewed supporting documentation.</li> <li>carried out walkthrough tests of the controls identified in the cycle.</li> <li>tested a sample of Level 3 investments by obtaining and reviewed the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31 March 2016 with reference to known movements in the intervening period.</li> <li>reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Investment Income</b>	Investment income not accurate. (Accuracy)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We documented our understanding of processes and key controls over the transaction cycle,</li> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances,</li> </ul>	Our audit work has not identified any significant issues in relation to the risks identified.
<b>Investment values – Let 2 investments</b>	Valuation is incorrect. (Valuation net)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We documented our understanding of processes and key controls over the transaction cycle,</li> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances,</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified

Page 31

# Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Contributions</b></p>	<p>Recorded contributions not correct (Occurrence)</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>tested key controls over the contributions made to the fund,</li> <li>tested a sample of contributions to source data to gain assurance over their accuracy and occurrence, and</li> <li>analysed contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Benefits payable</b></p>	<p>Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>tested key controls for member to be enrolled on the scheme,</li> <li>tested a sample of individual pensions in payment by reference to member files, and</li> <li>rationalised pension paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>



Page 32

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Member Data</b></p>	<p>Member data not correct. (Rights and Obligations)</p>	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>• tested key controls over changes to the pension fund data set, and</li> <li>• tested a sample of changes to member data made during the year to source documentation.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

# Accounting policies, estimates and judgements



In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<p>There are two key policies in relation to revenue recognition: that for contribution income and that for investment income.</p> <p>Normal contributions are accounted for in the payroll month to which they relate.</p> <p>Investment income from equities 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.</p>	<ul style="list-style-type: none"> <li>The policies are considered appropriate under the accounting framework in place.</li> </ul>	 (Green)
<b>Judgements and estimates</b>	<p>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.</p> <p>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 chooses to rely on the valuation provided by the fund manager.</p>	<ul style="list-style-type: none"> <li>The policies are considered appropriate under the accounting framework in place.</li> <li>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. .</li> </ul>	 (Green)

**Assessment**



# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed your assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	 (Green)
<b>Other accounting policies</b>	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)

**Assessment**

# 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.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Pensions Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Fund.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no non-trivial omissions in the financial statements.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>
6.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained direct confirmations from all of the investment managers and the custodian of the fund. Positive confirmation was received from all parties, and as a result no further procedures were considered necessary.</li> </ul>
7.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.</li> </ul>


Page 36

# Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Investment Income, Contributions, Benefits Payable, and Member Data as set out on page 9 above.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1. Page 37		We noted that three fund manager organizations, Blackrock, Global Infrastructure Partners and Majedie, do not produce independently audited control reports to enable the governance of these funds to be assessed by the Pensions Committee. This is mitigated to some extent by self assessments completed in response to requests by your Pension Team and the reliance we can place on your custodian. However, best practice is for pension funds to require independently audited controls reports from organizations where funds are invested.	<ul style="list-style-type: none"> <li>The Pensions Fund Committee should consider if they wish to alter their investment policy to make the provision of an independently audited controls report part of the decision on where to place investment funds.</li> </ul>

**Assessment**

-  Significant deficiency – risk of significant misstatement (Red)
-  Deficiency – risk of inconsequential misstatement (Amber)

# Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements.

Detail	Impact on accounts	Reason for not adjusting
1 None	Nil	
<b>Overall impact</b>	<b>£Nil</b>	

## Misclassifications 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.

Adjustment type	Account balance	Impact on the financial statements
1 Disclosure	Note 23, Related Party Transactions	As in prior years, Note 23 on related party transactions notes that the details in respect of the Head of Finance, Governance and Assurance are provided within the Shropshire Council financial statements. Pension Fund financial statements must be capable of standing alone from the local authority financial statements and our view is that appropriate disclosures should be made within the pension fund accounts in line with section 3.4 of the Code of Practice.

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## Section 3: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

**03. Fees, non audit services and independence**

04. Communication of audit matters

We confirm below our final fees charged for the audit.

### Fees

	Proposed fee per Audit Plan £	Actual fees £
Pension fund scale fee	23,427	25,406
Proposed fee variation	1,979	1,979
<b>Total audit fees</b>	<b>25,406</b>	<b>25,406</b>

The proposed fee variation for IAS 19 above takes account of the work we are required to undertake for admitted bodies within the PSAA regime and is consistent with that requested in prior years.

Page 41

### Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• None	<b>Nil</b>

### Independence and ethics

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

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

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## Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters



# Communication to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

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

Page 44  
Appendices

# Appendix A: Audit opinion

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE COUNTY COUNCIL

We have audited the pension fund financial statements of Shropshire County Pension Fund (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act 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 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.

### Respective responsibilities of the Head of Finance, Governance and Assurance and auditor

As explained more fully in the Statement of the Head of Finance, Governance and Assurance's Responsibilities, the Head of Finance, Governance and Assurance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance, Governance and Assurance; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts and the Annual Report to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on the pension fund financial statements

In our opinion the pension fund financial statements: present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities as at 31 March 2016 and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts and the Annual Report is consistent with the audited pension fund financial statements.

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

The Colmore Building, Colmore Circus,  
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B4 6AT

September 2016



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<u>Committee and Date</u>
Pensions Committee
21 September 2016
10.00am

<u>Item</u>
<b>9</b>
Public

## **PENSION FUND ANNUAL ACCOUNTS 2015/16**

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### **1. Summary**

- 1.1 The report provides Members with the Shropshire County Pension Fund Annual Report 2015/16 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 2015/16.

## **REPORT**

### **3. Risk Assessment and Opportunities Appraisal**

- 3.1 Risk Management is part of the Pension Fund's structured decision-making process by ensuring that investment decisions are taken by those best qualified to take them.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.
- 3.3 There are no direct environmental, equalities or climate change consequences of this proposal.
- 3.4 The Annual Report 2015/16 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 2015/16. 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 2016 the Fund decreased in value by £19 million to £1.494 billion. During the year the Fund received £14.2 million in contributions from employees and £45.9 million in contributions from scheme employers.
- 6.2 The last financial year continued to see an increase in the total number of scheme members. Total scheme membership increased by 5.8% to 45,128 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 £4.3 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 £2.4 million in transfer payments from new employees during the financial year.
- 6.4 In 2015/16 the Fund paid pensions totalling £53.1 million, an increase of £2 million on the previous year. This is due to an increase in the number of pensioners during the year.
- 6.5 Also in 2015/16 management expenses totalled £13.1 million, a decrease of £0.7 million from the previous year. This was due to the decrease in the value of the Fund over the financial year as well as a reduction in performance related fees as a result of underperformance of benchmark targets for several Fund managers.
- 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 September 2016.
- 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.

<p><b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b></p>
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N/A
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<p><b>Cabinet Member</b></p>
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N/A
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<p><b>Local Member</b></p>
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N/A
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<p><b>Appendices</b></p>
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<p>A. Shropshire County Pension Fund Annual Report 2015/16.</p>
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SHROPSHIRE COUNTY PENSION FUND

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# ANNUAL REPORT

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# 2015/16



# INTRODUCTION

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04. WELCOME

## A MANAGEMENT AND FINANCIAL PERFORMANCE

---

07. SCHEME MANAGEMENT AND ADVISORS  
08. RISK MANAGEMENT  
10. FINANCIAL PERFORMANCE  
13. ADMINISTRATIVE MANAGEMENT PERFORMANCE

## B INVESTMENT POLICY AND PERFORMANCE

---

18. INVESTMENT OF FUNDS  
20. SPREAD OF ASSETS BETWEEN FUND MANAGERS  
21. MAJOR SHAREHOLDINGS  
22. INVESTMENT PERFORMANCE  
24. CORPORATE GOVERNANCE

## C SCHEME ADMINISTRATION

---

26. REVIEW OF THE YEAR  
29. INTERNAL DISPUTE RESOLUTION PROCEDURE

## D ACTUARIAL REPORT ON FUNDS

---

30. STATEMENT BY THE CONSULTING ACTUARY

## E GOVERNANCE ARRANGEMENTS

---

32. GOVERNANCE STRUCTURE  
33. THE PENSION BOARD  
34. COMMITTEE MEMBERS  
35. TRAINING POLICY  
67. GOVERNANCE COMPLIANCE STATEMENT

## F STATEMENT OF ACCOUNTS AND NOTES

---

36. PENSION FUND ACCOUNT  
37. NET ASSETS STATEMENT  
38. NOTES TO THE ACCOUNTS  
55. STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS  
56. AUDIT OPINION & CERTIFICATE



**G** PENSIONS  
ADMINISTRATION  
STRATEGY

---

58. ADMINISTRATION STRATEGY REPORT

**H** FUNDING  
STRATEGY  
STATEMENT

---

59. FUNDING STRATEGY STATEMENT

**I** STATEMENT  
OF INVESTMENT  
PRINCIPLES

---

59. STATEMENT OF INVESTMENT  
PRINCIPLES

**J** COMMUNICATIONS

---

60. HOW THE FUND COMMUNICATES

**K** FURTHER  
INFORMATION

---

62. FURTHER INFORMATION  
64. GLOSSARY

**APPENDICES**

---

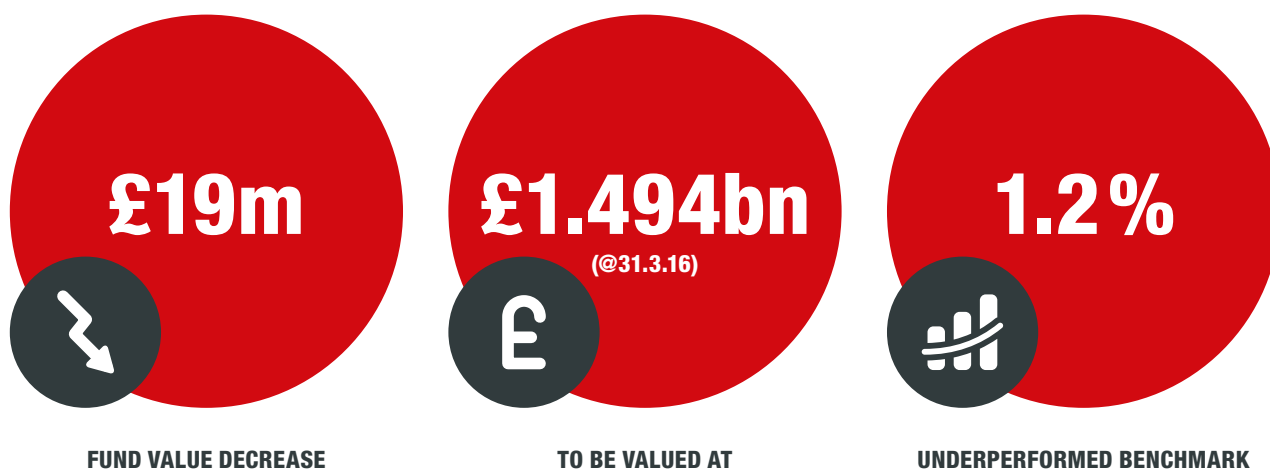
**67. APPENDIX 01**  
GOVERNANCE COMPLIANCE STATEMENT  
**79. APPENDIX 02**  
ADMINISTRATION STRATEGY STATEMENT  
**91. APPENDIX 03**  
FUNDING STRATEGY STATEMENT  
**101. APPENDIX 04**  
STATEMENT OF INVESTMENT PRINCIPLES  
**109. APPENDIX 05**  
COMMUNICATIONS POLICY STATEMENT  
**119. APPENDIX 06**  
REPORTING BREACHES POLICY STATEMENT  
**129. APPENDIX 07**  
TRAINING POLICY STATEMENT

# INTRODUCTION

## WELCOME TO THE 2015/16 ANNUAL REPORT AND ACCOUNTS OF THE SHROPSHIRE COUNTY PENSION FUND

### This years Fund information:

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During the year the Shropshire Fund decreased in value by £19 million to be valued at £1.494 billion at the end of the year. The Fund decreased in value by 0.6% over the year and underperformed its benchmark by 1.2%. This is the first year in seven years the Fund has decreased in value, this was largely due to the fall in equity markets throughout the year.

The Shropshire Fund had a variety of positive and negative investment returns in a number of asset classes during the year. The strongest returns were experienced in Private Equity where the Fund's investments increased in value by a notable 19.9% in the year. The Fund has also achieved strong returns in Property rising by 14.3% and Infrastructure increasing by 11.8%. The Fund's allocation to Index Linked Bonds also increased by 1.9% in line with the index. However, Hedge Funds delivered a negative return of 3.5% and all of the equity

managers with the exception of MFS delivered negative returns 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.

During 2015/16, the Committee together with Officers and Aon Hewitt have been reviewing the Fund's investment strategy. This included

building a greater understanding of the Fund's investment risk relative to its liabilities. A number of potential improvements to the investment strategy were reviewed and two recommendations have now been approved.

The allocation to Investment Grade Bonds (managed by PIMCO) was reviewed during 2015. Although strong returns have been generated since 2009, the future outlook for this type of instrument now appears limited by low yields, low credit spreads and declining liquidity. The entire 7.5% allocation to Investment Grade Bonds was removed in March 2016 and replaced by an equivalent increase in Unconstrained Bond Funds, providing further diversification within the fund and improving the Fund's risk adjusted returns going forward. The defining feature of unconstrained strategies is the flexibility in their approach to asset allocation and security selection within the global bond universe, which can offer better returns and more downside protection.

The Pensions Committee also agreed to commence the appointment process for a Liability Driven Investment (LDI) manager to replace the existing holding within the Investment Strategy in Index Linked Gilts. The present value of the Fund's liabilities, as measured by the Fund's Actuary, will increase if long term gilt yields (interest rates) fall and if long term inflation rises. If this is not matched by a corresponding rise in the Fund's asset value then the overall funding level will fall. The current investment strategy has a 10% allocation to index-linked gilts which will move in a similar way to the liabilities as interest rates and inflation changes. By appointing an LDI manager it enables the Fund to more efficiently match its assets to the interest rate and inflation movements of its liabilities by either increasing the level of liability matching while maintaining the allocation to growth assets, or achieve the same level of liability matching while increasing the allocation to growth assets.

The allocation to Investment Grade Corporate Bonds was also reviewed during the year. In March 2016 the 7.5% allocation (managed by PIMCO) was redeemed and an allocation to

Absolute Return Bonds increased. In April 2016 the existing 10% allocation to Index Linked Bonds was also terminated and this was used to part fund the new allocations to Absolute Return Bonds and LDI. There were no other Fund manager changes during the financial year.

It is expected that these appointments will provide further diversification of returns, improve the efficiency of the Fund's matching assets, (specifically to match the movement of the Fund's liabilities caused by interest rates and inflation, independent of the allocation to return seeking assets) and will help maintain the high standards expected from Shropshire's investment managers.

The Fund undergoes an independent actuarial valuation every three years. The latest actuarial valuation was conducted at the end of March 2013, 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 76%. The next actuarial valuation is being undertaken in March 2016 and the results will be known in November 2016.

As a local government pension scheme the Fund is able to take a long term view to the recovery of any funding deficit and is able to phase in any changes in the employer contribution rate in a manageable way. Whilst there is a lot written in the press about gold plated public sector pensions the reality is very different. The average pension paid from the Shropshire Fund as at the 2013 Actuarial Valuation was £4,737.

The Government's investment pooling agenda has meant that the Shropshire Fund has been working extremely hard during the year with eight other Funds in the Midlands region in order to meet the tight deadlines set by Government to pool assets by 1 April 2018. The pace of change will only continue to accelerate, most notably with the introduction of LGPS investment asset pooling.

LGPS Central is a major strategic collaboration of eight LGPS funds across the Midlands region. It will be a multi-asset manager, investing

approximately £35 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, and to have in place strong governance and decision-making arrangements. It will also aim to make the best use of a blend of internal and external investment management. Working with our partners to develop and implement LGPS Central will be a major strategic focus for the Fund over the next two years.

The Pensions Administration Team have had a busy year embedding the Career Average Revalued Earnings (CARE) Scheme, introduced on 1 April 2014. The CARE Scheme brought with it increased workloads and complexities which meant that some existing processes required updating and training was required for the team as well as Fund Employers.

Throughout the year Fund employers have been supported to try and ensure the data they have to provide to the team is supplied according to the Scheme regulations. To assist with this a

middleware service called iConnect went live with two of the largest Fund employers. This enabled data to be transferred directly from the employer's payroll system into the Pensions administration system. This has helped improve the accuracy of the data received by the Fund. Members have been kept up to date throughout the year via various newsletters and updates. The website has been constantly updated with the latest Pensions news and more members are now using the on-line facilities.

A more in depth report on the work of the Pensions Administration Team can be found on pages 26-28.

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

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



**James Walton**

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



**Malcolm Pate**

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**Chair of Pensions Committee 2016/17**  
Shropshire Council

# SCHEME MANAGEMENT & ADVISORS



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

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### James Walton

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

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### Claire Green

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# 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 AND ADMINISTRATION ARE INCLUDED WITHIN THIS OVERALL STRATEGY. PLEASE SEE BELOW A SUMMARY OF THE PENSION FUND'S KEY RISKS.**

**Here is 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. Statement of Investment Principles 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. Fortnightly meetings take place between the Pool to progress work. Programme Director appointed and work stream leads to progress work and met deadlines. Advice from Deloitte and Eversheds regarding governance structure. Regular meetings with DCLG/HMT/LGA to update on progress. Meetings with s151 Officers and Chairs of Pension Committees to update on progress made. Training of Officers and Members throughout process.
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. Annual Actuarial review. Three yearly Actuarial Valuation. Statement of Investment Principles. 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 Statement of Investment Principles. The Fund has produced a Governance Compliance Statement. Audit of Governance arrangements.



**SHROPSHIRE COUNCIL  
FORMAL STRATEGY**

RISKS	CONTROLS IN PLACE
<p><b>Failure of Employers to provide accurate data leading to incorrect benefit payments</b></p>	<p>Employer Training. Communication to all employers. Administration Strategy in place. Internal controls in places. Contribution collection Audits.</p>
<p><b>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</b></p>	<p>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. Discussing alternative methodology with Actuary to calculate liability values rather than using gilt yields.</p>
<p><b>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.</b></p>	<p>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.</p>
<p><b>Late payment of contributions leading to Pension Fund reporting to the Pension Regulator.</b></p>	<p>Employer training/guidance on website. Employer newsletter. Contributions check and balance. Adhere to internal governance compliance statement. Adhere to Pension Regulator code of practice.</p>
<p><b>Not undertaking work to reconcile Guaranteed Minimum Pension (GMP) data in line with ending of contracting out legislation resulting in possible overpayments.</b></p>	<p>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.</p>

# 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 2019. IT ALSO IDENTIFIES THE 2015/16 ACTUALS AGAINST THE 2015/16 BUDGET.

## Forecast v actual report on Fund cash flows

PENSION FUND ACCOUNT	2015-16 BUDGET £M	2015-16 ACTUAL £M	2016-17 BUDGET £M	2017-18 BUDGET £M	2018-19 BUDGET £M
Contributions (employees and employers)	59.967	60.089	61.166	62.389	63.637
Transfers in	5.000	2.373	5.000	5.000	5.000
Pensions paid	(53.645)	(53.069)	(55.722)	(58.508)	(61.433)
Lump sums paid	(10.250)	(9.488)	(10.500)	(11.000)	(11.500)
Lump sum death benefits	(1.300)	(1.074)	(1.400)	(1.500)	(1.600)
Refund of contributions	(0.080)	(0.245)	(0.250)	(0.250)	(0.250)
Transfers to other Funds	(4.500)	(4.259)	(4.600)	(4.700)	(4.800)
<b>Net additions from dealings with Scheme Members</b>	<b>(4.808)</b>	<b>(5.673)</b>	<b>(6.306)</b>	<b>(8.569)</b>	<b>(10.946)</b>
<b>Management expenses</b>	<b>(14.452)</b>	<b>(13.097)</b>	<b>(13.778)</b>	<b>(14.456)</b>	<b>(15.165)</b>
Investment income	18.500	19.322	18.500	18.000	17.500
Gain/(loss) on cash and currency hedging *	0.000	12.277	0.000	0.000	0.000
Taxes on income	(0.030)	(0.020)	(0.020)	(0.025)	(0.030)
Change in market value	96.579	(31.554)	94.338	105.549	116.145
<b>Surplus/(deficit) on the Pension Fund for the year</b>	<b>95.789</b>	<b>(18.745)</b>	<b>92.734</b>	<b>100.499</b>	<b>107.504</b>
<b>OPENING NET ASSETS OF THE SCHEME</b>	<b>1512.735</b>	<b>1512.735</b>	<b>1493.990</b>	<b>1586.724</b>	<b>1687.223</b>
<b>CLOSING NET ASSETS OF THE SCHEME</b>	<b>1608.524</b>	<b>1493.990</b>	<b>1586.724</b>	<b>1687.223</b>	<b>1794.727</b>

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.

\* 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	2015-16 BUDGET £M	2015-16 ACTUAL £M	2016-17 BUDGET £M	2017-18 BUDGET £M	2018-19 BUDGET £M
UK Equities	122.849	105.961	113.696	121.996	130.902
Global Equities - Unconstrained	114.539	107.905	117.509	127.967	139.356
Global Equities - Passive	633.218	559.545	600.392	644.221	691.249
Fixed Income - UK index Linked Bonds	163.976	162.999	0.000	0.000	0.000
Fixed Income - Global Investment Grade Credit	112.023	0.000	0.000	0.000	0.000
Fixed Income - PARS IV	110.306	104.506	107.223	110.011	112.871
Unconstrained Bonds	0.000	100.096	214.672	226.909	239.842
Hedge Funds - Multi Strategy	81.876	75.029	79.756	84.781	90.122
Hedge Funds - Fund of Funds	81.253	74.022	77.427	80.989	84.714
Private Equity	70.256	65.688	71.666	78.188	85.303
Infrastructure	10.752	21.371	22.867	24.468	26.181
Property	67.441	77.525	82.176	87.107	92.333
Liability Driven Investments (LDI)	0.000	0.000	53.040	54.101	55.183
Cash	40.035	38.116	46.300	46.485	46.671
<b>Total investment assets</b>	<b>1608.524</b>	<b>1492.763</b>	<b>1586.724</b>	<b>1687.223</b>	<b>1794.727</b>

The forecast for total investment assets are based on actual allocations at 31st March 2016 figures multiplied by the forecast long term returns for each asset class as provided by the Fund's Statement of Investment Principles. These forecasts have also been adjusted for any investment decisions formally approved by the Pensions Committee prior to the date of publication of this annual report. They do not assume or take into account any other potential additions or disposals of investments within these asset classes during this three year period.

**The long term forecasts are as follows** ➤

ASSET CLASS	RETURN
UK Equities	7.30%
Global Equities - Unconstrained	8.90%
Global Equities - Passive	7.30%
Fixed Income - UK index Linked Bonds	1.90%
Fixed Income - PARS IV	2.60%
Unconstrained Bonds	5.70%
Hedge Funds - Multi Strategy	6.30%
Hedge Funds - Fund of Funds	4.60%
Private Equity	9.10%
Infrastructure	7.00%
Property	6.00%
Cash	0.40%

## Management expenses forecast

The table below is a more detailed analysis of the management expenses budget forecast, which from 2014/15 is now split into three categories; investment management expenses, administration expenses and oversight and governance. The budget forecast for 2016/17 to 2018/19 have been revised and are based on the 2015/16 actual costs which have been reanalysed to agree with the CIPFA guidance on management costs. (see note 8)

OPERATIONAL EXPENSES	2015-16 BUDGET £M	2015-16 ACTUAL £M	2016-17 BUDGET £M	2017-18 BUDGET £M	2018-19 BUDGET £M
<b>Administrative Costs</b>					
Employee costs	0.551	0.541	0.568	0.596	0.626
IT Costs	0.135	0.155	0.160	0.165	0.170
Office accommodation	0.023	0.028	0.029	0.030	0.031
Printing and postage	0.063	0.062	0.064	0.066	0.068
Subscriptions	0.023	0.014	0.016	0.017	0.018
Other costs	0.029	0.017	0.019	0.021	0.023
<b>TOTAL</b>	<b>0.824</b>	<b>0.817</b>	<b>0.856</b>	<b>0.895</b>	<b>0.936</b>
<b>Investment Management Expenses</b>					
Management Fees	7.777	7.098	7.453	7.826	8.217
Performance Fees	4.000	2.640	2.772	2.911	3.056
Other Fees	0.800	1.435	1.507	1.582	1.661
Transaction Costs	0.400	0.449	0.471	0.495	0.520
Custody Fees	0.097	0.051	0.053	0.055	0.057
<b>TOTAL</b>	<b>13.074</b>	<b>11.673</b>	<b>12.256</b>	<b>12.869</b>	<b>13.511</b>
<b>Oversight and Governance Costs</b>					
Investment advice	0.212	0.294	0.303	0.312	0.321
Employee costs (pensions investment)	0.111	0.138	0.141	0.144	0.147
Actuarial advice	0.080	0.005	0.050	0.055	0.060
Governance/Responsible Engagement	0.041	0.048	0.042	0.045	0.048
Professional fees	0.025	0.023	0.025	0.025	0.025
External audit	0.024	0.027	0.028	0.029	0.030
Performance analysis	0.024	0.023	0.025	0.027	0.029
Internal audit	0.018	0.017	0.018	0.019	0.020
Legal and Committee	0.016	0.015	0.016	0.017	0.018
Other costs	0.005	0.017	0.018	0.019	0.020
<b>TOTAL</b>	<b>0.556</b>	<b>0.607</b>	<b>0.666</b>	<b>0.692</b>	<b>0.718</b>
<b>TOTAL MANAGEMENT EXPENSES</b>	<b>14.454</b>	<b>13.097</b>	<b>13.778</b>	<b>14.456</b>	<b>15.165</b>

## 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 2015/16 a percentage of 99.61% contributions were received on time. No interest was charged to those payments that were late due to the fact that the individual amounts chargeable were so small.

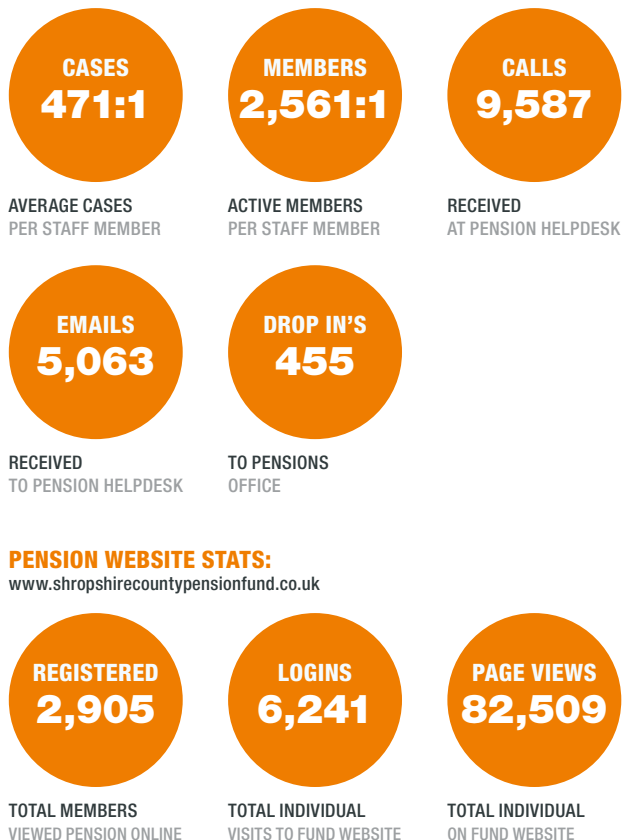
# ADMINISTRATIVE MANAGEMENT PERFORMANCE

## Top 10 Cases

CASE TYPE	TOTAL	%
Deferred Benefits (including aggregation tasks)	2499	27.09
New Starters	1823	52.44
Retirement Quotes	1437	36.67
Refunds	720	70.83
Early retirements	588	68.20
Deaths	405	75.06
GMP's	386	7.51
Transfers	327	62.39
Address Changes	320	91.56
Normal Retirements (65+)	291	71.82

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

## Key Indicators 2015/16



## Feedback

*'Would just like to thank you for your help and how pleased I was with how smoothly my retirement process has gone.'*

**Retired Member**

*'I would just like to comment on how smoothly the process of bringing my pension benefit into payment was and also how helpful the team are.'*

**Scheme Member**

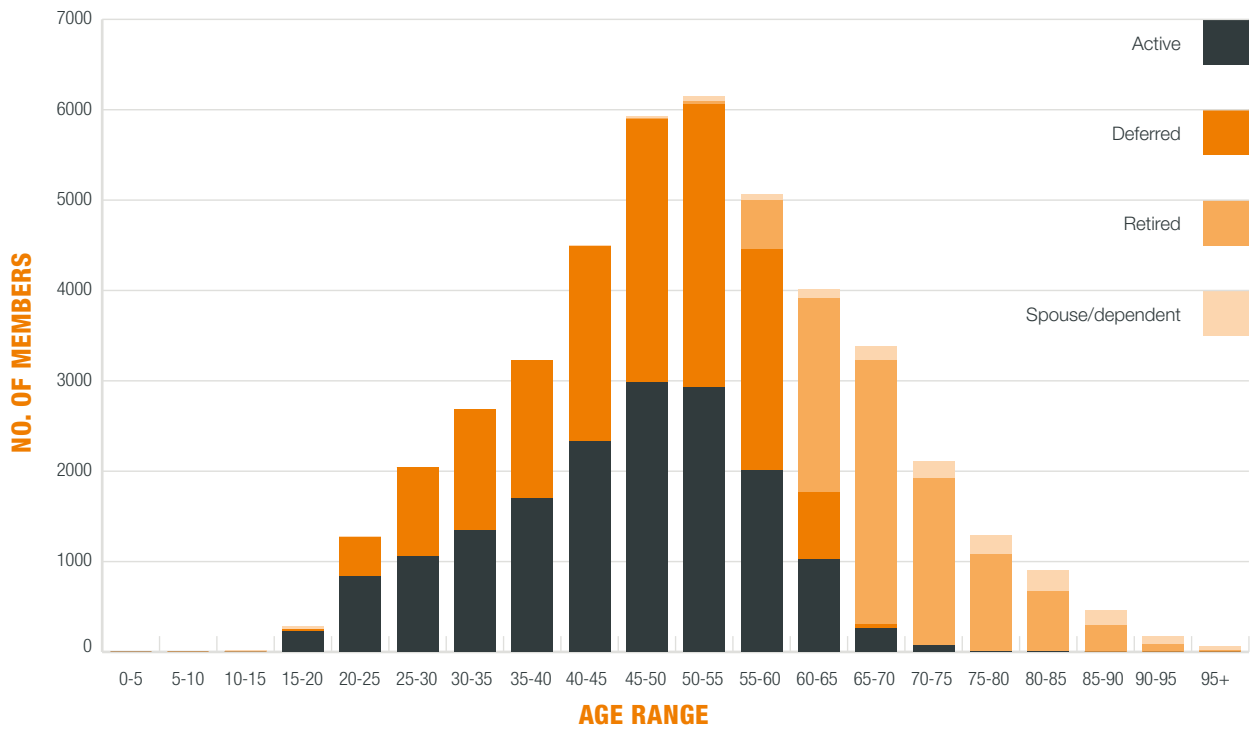
*'Hugely impressed by the speed of your response thank you.'*

**Scheme Member**

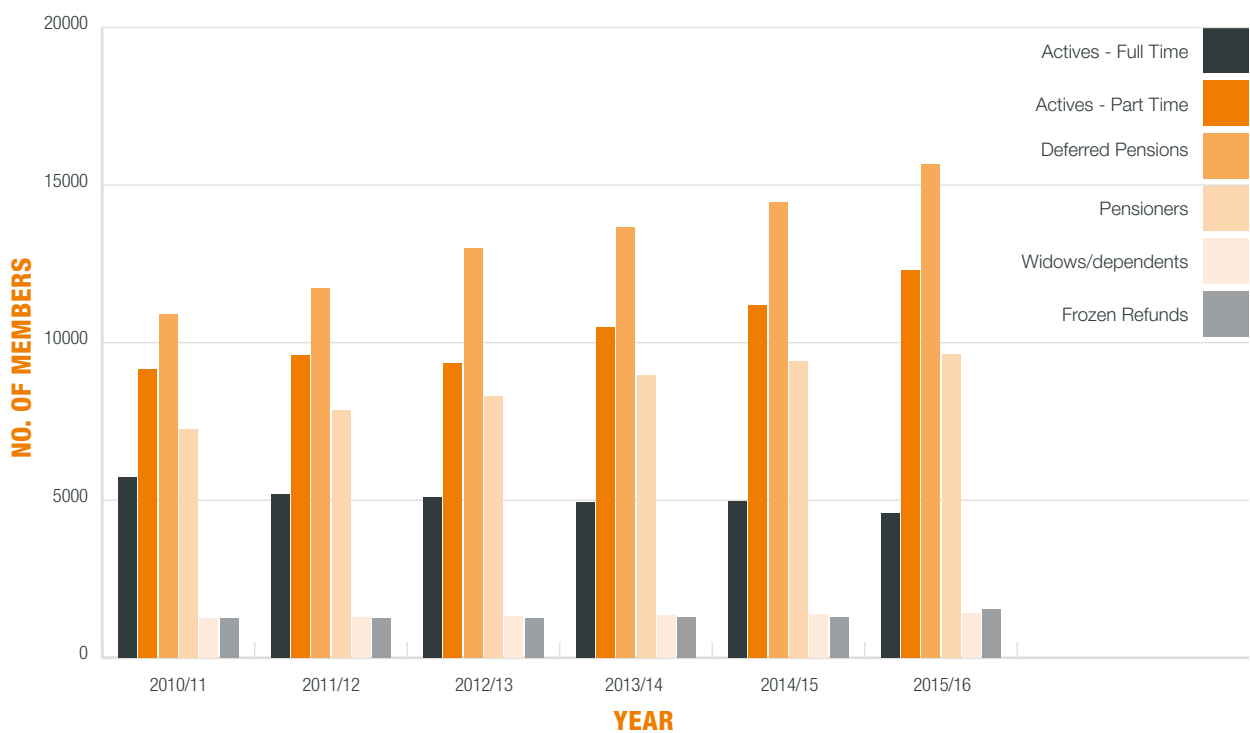
*'Just to reiterate; I think you did a great job today...brought the subject to life, covered all the right areas and above all demonstrated how well you understand and manage your areas.'*

**Pension Board Member**

## Age profile of membership



## Membership numbers and trends



## A LIST OF CONTRIBUTING EMPLOYERS AND THE AMOUNT OF CONTRIBUTIONS RECEIVED FROM EACH DURING THE YEAR (SPLIT BY EMPLOYERS AND EMPLOYEES)

EMPLOYER NAME	EMPLOYEES CONTRIBUTIONS £	EMPLOYERS CONTRIBUTIONS £
<b>Scheme Employer</b>		
Abraham Darby Academy	49,584.63	114,501.55
Abraham Darby School	No active members	
HAFt Adams Grammar School	33,765.86	109,029.12
Adams Grammar School	No active members	
Barrow 1618 Free School	4,911.39	11,949.47
Bishop Anthony Educational Trust	7,642.36	24,420.52
Bitterley C.E Primary School	5,657.56	23,664.70
Bridgnorth Endowed School	30,983.35	107,281.12
Bridgnorth District Council**	No active members	
Charlton School	49,797.01	134,299.77
Church Stretton Academy	29,418.67	116,871.94
Clee Hill Community Academy	6,096.26	21,218.78
Cleobury Mortimer Primary School	14,800.99	49,842.05
Communities Academies Trust	123,678.24	436,526.49
Corbet School***	No active members	
Corbet School Academy	30,076.85	109,309.51
Ercall Wood School	37,370.64	106,067.01
Grange Junior School	No active members	
Grange Primary School***	11,926.33	42,417.22
Holy Trinity Academy	22,591.99	64,600.39
Holy Cross CE School***	No active members	
Idsall School	41,496.87	164,191.49
Kick Start Academy	1,582.50	4,200.78
Lacon Childe Academy	24,255.36	92,597.81
Lakelands Academy	38,516.68	141,841.85
Lawley Village Academy	1,144.22	1,385.81
Ludlow College	No active members	
Madeley Academy Trust Ltd	45,178.73	125,549.22
The Marches School	77,029.74	298,698.27
Moorfield Primary School	12,827.73	37,172.74
Morville C.E Primary School	1,346.89	3,869.71
National Health Service	No active members	
New College Telford	56,157.24	143,627.39
Newport Girls High School Academy Trust	15,839.69	51,856.92
North Shropshire College	95,825.76	361,896.73
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 Academy	20,339.46	76,774.41
Priorslee Primary Academy	15,752.68	48,498.81
The Priory School	37,980.02	140,270.78
Severndale Specialist Academy	137,678.74	439,104.26
Shrewsbury & Atcham Borough Council**	No active members	
Shrewsbury Academies Trust	91,711.13	333,453.57
Shropshire Career Service Ltd	No active members	
Shrewsbury College of Arts & Technology	198,668.85	631,139.92
Shrewsbury Sixth Form College	65,317.81	163,555.93
Shropshire & Wrekin Fire Authority	142,778.29	322,653.18
Shropshire Council	5,241,370.80	17,018,236.65

EMPLOYER NAME	EMPLOYEES CONTRIBUTIONS £	EMPLOYERS CONTRIBUTIONS £
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	
Stokesay Primary School	6,316.27	23,191.33
Stottesdon C.E Primary School	2,349.55	8,741.98
Telford & Wrekin Council	4,292,264.60	11,365,571.24
Telford and Wrekin Education Action Zone	No active members	
Telford College of Arts & Technology	374,957.12	916,118.95
West Mercia Energy	26,985.49	179,810.26
Walford College Shropshire	No active members	
West Mercia Supplies	No active members	
William Brookes Academy	37,395.89	128,467.68
Woodside Primary School	31,492.94	110,267.41
Woodside Start Centre	10,897.73	29,673.93
Wrekin District Council*	No active members	
<b>Admission Bodies</b>		
Accord Housing Association	8,298.88	69,340.28
Age UK Shropshire, Telford & Wrekin	4,418.67	43,786.29
Alliance in Partnership (Oldbury Wells)	2,323.36	7,535.78
Alliance in Partnership (Ludlow School)	1,794.46	7,587.86
Alliance in Partnership (SAT)	404.04	1,572.04
Association of Local Councils	2,654.75	10,541.78
Care Quality Commission	13,972.58	70,233.85
Catering Academy Ltd (NGHS)	154.75	517.72
Catering Academy Ltd (Priory)	469.72	1,342.86
Churchill Contract Services	709.82	3,007.15
Compass (UK) Ltd	1,074.80	3,904.54
Connexions	No active members	
County Training	No active members	
Coverage Care Crowmoor House	28,452.11	77,855.14
Coverage Care Ltd	20,195.48	216,584.99
CRI	No active members	
Energize	5,150.40	13,200.36
Fastrack Maintenance Ltd	No active members	
Funeral Services Ltd	5,873.20	13,337.17
Halo Leisure Services Ltd	7,154.80	24,306.58
Harper Adams University College	481,112.04	1,181,009.38
HMM Arts Ltd (The Hive)	472.08	1,445.25
Interserve Ltd	796.61	2,837.15
IP&E	41,278.47	129,564.06
Ironbridge Gorge Museum Trust	5,816.80	63,242.82
Landau Consultants	No active members	
Mencap	No active members	
Meres & Mosses Housing Association	49,099.04	141,662.74
Midland Heart Ltd	36,635.68	124,878.90
Mouchel Ltd	16,425.13	51,826.09
RAPT	2,980.98	7,449.92
Relate	No active members	
Ringway Infrastructure Ltd	151,776.46	344,832.04
Sanctuary Group	9,125.95	30,831.77
Severn Gorge Countryside Trust	6,723.48	18,507.48
Sevenside Housing Association	248,484.58	924,018.17
Shropshire County Leisure Trust	44,926.50	101,152.54
Shropshire Disability Consortium	No active members	

EMPLOYER NAME	EMPLOYEES CONTRIBUTIONS £	EMPLOYERS CONTRIBUTIONS £
South Shropshire Housing Association	6,899.12	169,281.42
South Shropshire Leisure Ltd	18,146.61	40,455.55
Strettons Mayfair Trust	476.90	1,647.53
Taylor Shaw (Bridgnorth Endowed)	224.32	664.80
Taylor Shaw (Priory)	81,558.37	451,679.42
Telford & Wrekin Services Ltd	No active members	
Telford Development Corporation	No active members	
Telford Trust	3,131.52	9,283.91
The Boathouse Ellesmere Ltd	No active members	
Transforming Telford	402.88	1,457.60
Veolia Environmental Services (UK) Plc	109,730.06	269,539.32
Womens Royal Voluntary Service	No active members	
Wrekin Housing Trust	823,503.85	2,123,433.24
<b>Designated Bodies</b>		
Albrighton Parish Council	19.82	50.45
Alverley and Romsley Parish Council	No active members	
Bayston Hill Parish Council	952.01	4,042.45
Bishops Castle Town Council	1,213.32	3,215.40
Bridgnorth Town Council	16,553.48	53,453.90
Broseley Town Council	3,580.33	14,574.06
Church Stretton Town Council	6,608.84	28,318.65
Conover Parish Council	924.85	3,237.11
Craven Arms Town Council	No active members	
Dawley Hamlets Parish Council	624.36	2,610.92
Donnington and Muxton Parish Council	3,855.02	11,500.38
Ellesmere Town Council	3,457.29	7,676.40
Ford Parish Council	151.29	475.11
Great Dawley Parish Council	6,801.90	13,244.15
Great Hanwood Parish Council	327.39	934.57
Hadley & Leegomery Parish Council	3,676.75	11,813.11
Hollinswood & Randlay Parish Council	5,120.38	15,760.03
Ketley Parish Council	2,206.41	5,821.51
Ludlow Town Council	13,956.15	36,730.17
Madeley Town Council	9,270.31	32,039.68
Market Drayton Town Council	7,327.91	25,370.12
Much Wenlock Town Council	4,264.10	16,294.74
Newport Town Council	5,775.14	14,856.83
Oakengates Town Council	No active members	
Oswestry Town Council	27,482.47	67,896.23
Shifnal Town Council	3,686.79	13,175.34
Shrewsbury Town Council	72,035.83	173,034.99
Shropshire Towns & Rural Housing	169,961.69	327,237.72
St Georges and Priorslee Parish Council	No active members	
Stirchley & Brookside Parish Council	4,464.58	16,567.97
The Gorge Parish Council	888.59	2,803.48
Wellington Town Council	6,357.46	18,186.37
Wem Town Council	3,544.80	11,111.51
Whitchurch Town Council	2,380.11	6,581.23
Wrockwardine Parish Council	780.48	3,277.68
	<b>14,234,840.01</b>	<b>42,531,666.40</b>

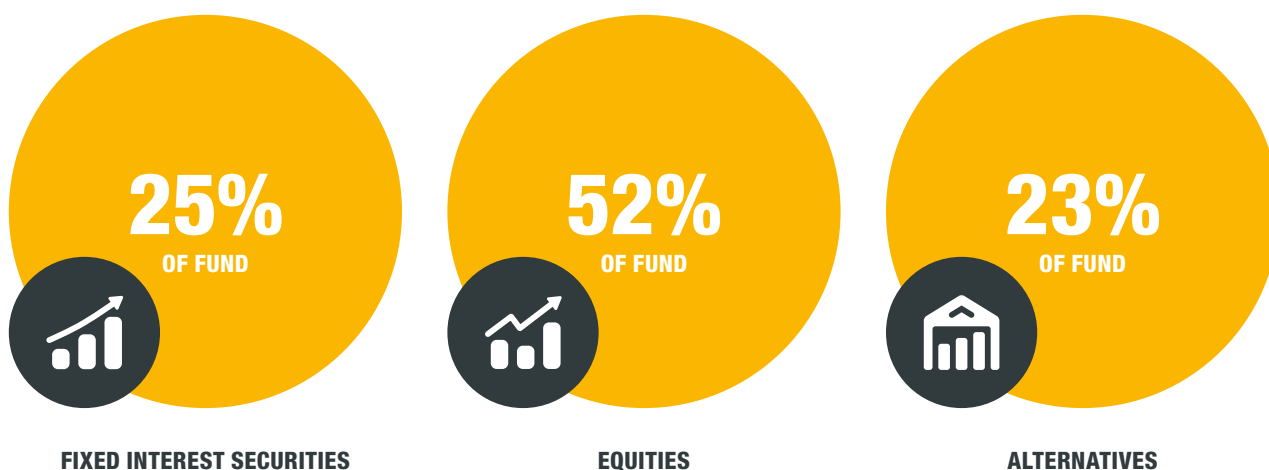
\* Formed Telford and Wrekin Council // \*\* Employers merged on 1st April 2009 to form Shropshire Council

\*\*\*Ex Shropshire Foundation School

# 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 NEXT VALUATION DUE IN 2016, THE RESULTS OF WHICH WILL BE KNOWN IN NOVEMBER 2016.**

**For 2015/16 the Fund's strategic allocation was:**



Fixed Interest Securities (also known as Bonds) are generally considered to be less risky, as returns are less volatile than Equities. Bonds are deemed to closely match liabilities as they are both valued on the same basis. Over longer periods, investment returns achieved by Bonds are expected to be lower than those achieved by Equities.

During 2015/16 the Committee, together with Officers and Aon Hewitt, have been reviewing the Fund's investment strategy. This included building a greater understanding of the Fund's investment risk relative to its liabilities. A number of potential improvements to the investment strategy were reviewed and two recommendations have now been approved.

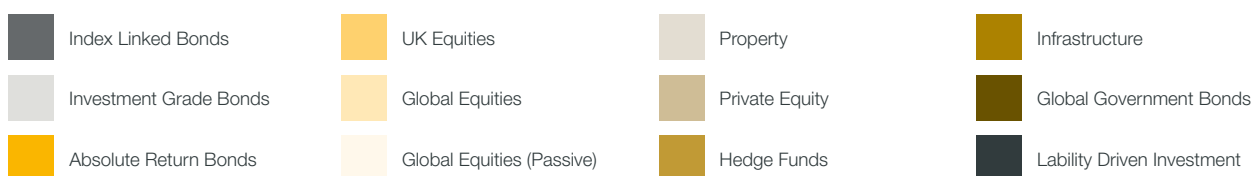
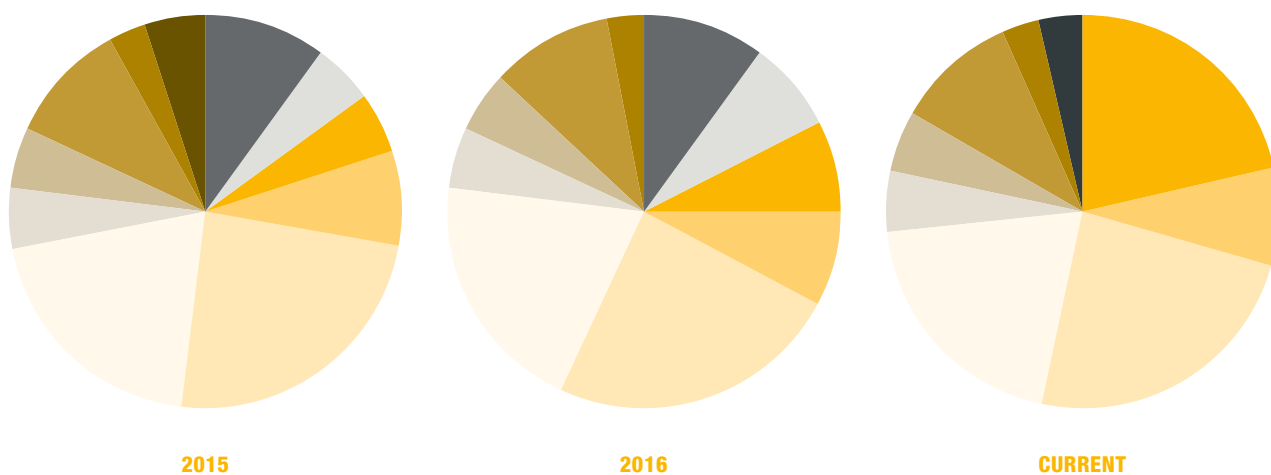
The allocation to Investment Grade Bonds (managed by PIMCO) was reviewed during 2015. Although strong returns have been generated since 2009, the future outlook for this type of instrument now appears limited by low yields, low credit spreads and declining liquidity. The entire 7.5% allocation to Investment Grade Bonds was removed in March 2016 and replaced by an equivalent increase in Unconstrained Bond Funds, providing further diversification within the fund and improving the Fund's risk adjusted returns going forward. The defining feature of unconstrained strategies is the flexibility in their approach to asset allocation and security selection within the global bond universe, which can offer better returns and more downside protection.



The Pensions Committee also agreed to commence the appointment process for a Liability Driven Investment (LDI) manager to replace the existing holding within the Investment Strategy in Index Linked Gilts. The present value of the Fund's liabilities, as measured by the Fund's Actuary, will increase if long term gilt yields (interest rates) fall and if long term inflation rises. If this is not matched by a corresponding rise in the Fund's asset value then the overall funding level will fall. The current investment strategy has a 10% allocation to index-linked gilts which will move in a similar way to the liabilities as interest rates and inflation changes. By appointing an LDI manager it enables the Fund to more efficiently

match its assets to the interest rate and inflation movements of its liabilities, by either increasing the level of liability matching while maintaining the allocation to growth assets, or achieve the same level of liability matching while increasing the allocation to growth assets. It is expected that these appointments will provide further diversification of returns, improve the efficiency of the Fund's matching assets, (specifically to match the movement of the Fund's liabilities, caused by interest rates and inflation, independently of the allocation to return seeking assets) and will help maintain the high standards expected from Shropshire's investment managers.





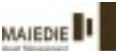








### Strategic asset allocation at the start and end of the year and current allocation:



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 fees were reduced during the year following a joint procurement exercise with six other Funds which resulted in savings of £0.033m during 2015/16.

## SPREAD OF ASSETS BETWEEN FUND MANAGERS AS AT 31 MARCH 2016

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	19.46	290.816	Global Equities
	Legal & General Investment Managers	10.91	162.999	UK Index Linked Bonds
	MFS	9.00	134.460	Global Equities
	Investec	8.25	123.194	Global Equities
	Majedie Asset Management	8.00	119.535	UK Equities
	Harris Associates	7.48	111.791	Global Equities
	PIMCO Europe Ltd	7.00	104.506	Global Aggregate Bonds
	Blackrock	6.70	100.096	Fixed Interest
	Aberdeen Property Investors	5.38	80.373	Property Unit Trusts
	Blackrock	5.02	75.029	Hedge Fund
	Brevan Howard	4.95	74.022	Multi Strategy Hedge Fund
	HarbourVest Partners Ltd	4.57	68.239	Private Equity
	Global Infrastructure Partners	1.54	22.948	Infrastructure
Other		1.66	24.755	Other
Total Assets Held by Fund Managers		99.92	<b>1,492.763</b>	
Net Current Assets		0.08	1.227	Net Current Assets
<b>TOTAL FUND</b>		<b>100.00</b>	<b>1,493.990</b>	

## MAJOR SHAREHOLDINGS AS AT 31 MARCH 2016

UK EQUITIES		SECTOR	VALUE £M	% OF FUND
	Royal Dutch Shell	Energy	8.648	0.58
	HSBC	Banks	8.360	0.56
	BP Ord	Energy	7.908	0.53
	Vodafone	Telecommunications	6.755	0.45
	Glencore	Materials	6.047	0.40
	Diageo	Consumer Staples	5.476	0.37
	Tesco	Consumer Staples	4.385	0.29
	GlaxoSmithKline	Health Care	4.348	0.29
	Rio Tinto	Materials	4.212	0.28
	Reckitt Benckiser	Consumer Staples	3.870	0.26
OVERSEAS EQUITIES		COUNTRY	VALUE £M	% OF FUND
	Alphabet	United States	8.322	0.56
	American International Group	United States	7.064	0.47
	Johnson & Johnson	United States	6.306	0.42
	Medtronic	Ireland	6.018	0.40
	BNP Paribas	France	5.819	0.39
	Wells Fargo	United States	5.715	0.38
	Daimler	Germany	5.688	0.38
	Toyota Motor Corp	Japan	5.654	0.38
	Nestle	Switzerland	5.640	0.38
	Honeywell International	United States	5.467	0.37
TOTAL FUND VALUE			1493.990	

# INVESTMENT PERFORMANCE

**DURING THE YEAR THE SHROPSHIRE FUND DECREASED IN VALUE BY £19 MILLION TO BE VALUED AT £1.494 BILLION AT THE END OF THE YEAR. THE FUND DECREASED IN VALUE BY 0.6% OVER THE YEAR AND UNDERPERFORMED ITS BENCHMARK BY 1.2%. THIS IS THE FIRST TIME IN SEVEN YEARS THE FUND VALUE HAS DECREASED.**

The Fund invests in a range of asset classes so as to diversify risk and provide more stable returns. The Shropshire Fund had a variety of positive and negative investment returns in a number of asset classes last year. The strongest performance was in Private Equity where the Fund's investments increased by a notable 19.9% during the year. The Fund has also achieved strong returns in Property which delivered an investment return of 14.3% and Infrastructure increased by 11.8%. The Fund's Index linked bonds increased by 1.9% in line with the benchmark in the year. Hedge Funds delivered a negative return of 3.5% and all of the Fund's equity managers with the exception of MFS delivered negative returns during the year.

## **GRAPH 01: WHOLE FUND PERFORMANCE**

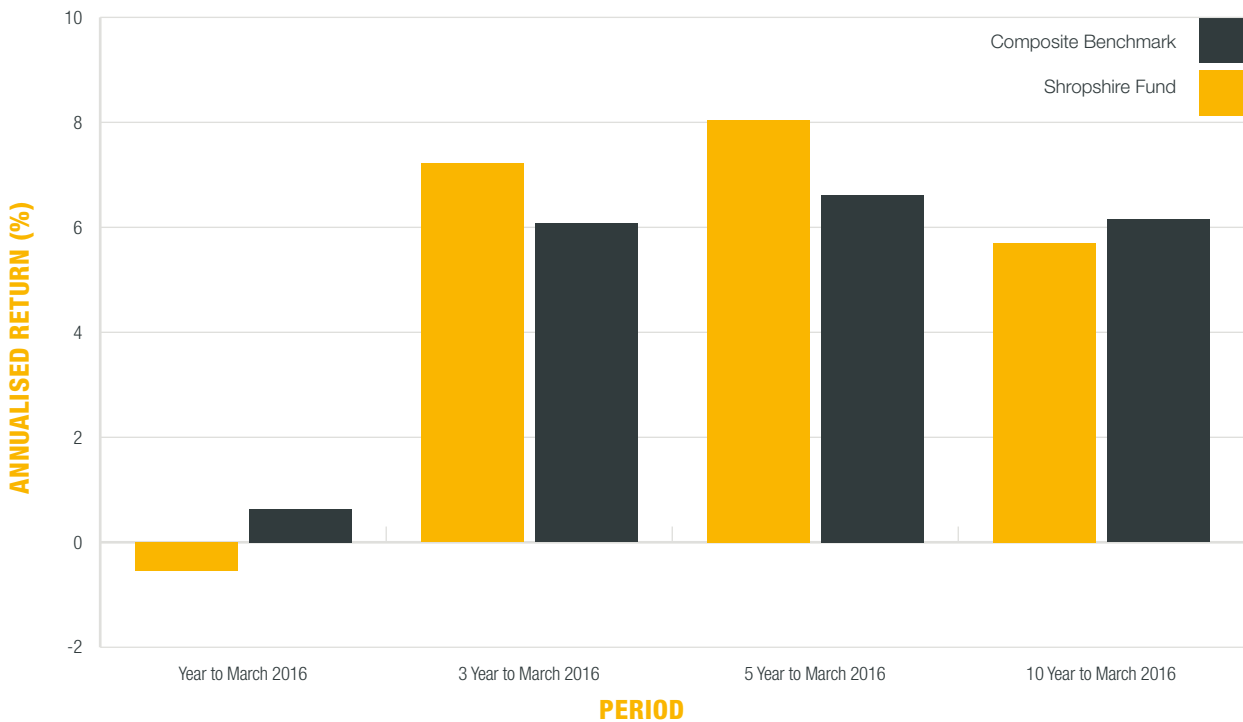
Graph 01 shows total Fund investment returns compared with the benchmark. The stock markets that make up the benchmark showed positive returns in 2015/16 of 0.6%. The Fund decreased in value by 0.6% over the year underperforming its benchmark by 1.2%. Overall the Fund has increased in value by an average of 7.2% per annum over the last 3 years which is 1.1% above benchmark, 8% per annum over the last 5 years which is 1.4% above benchmark and by 5.7% per annum over the last 10 years which is slightly below the benchmark by 0.4%.

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.

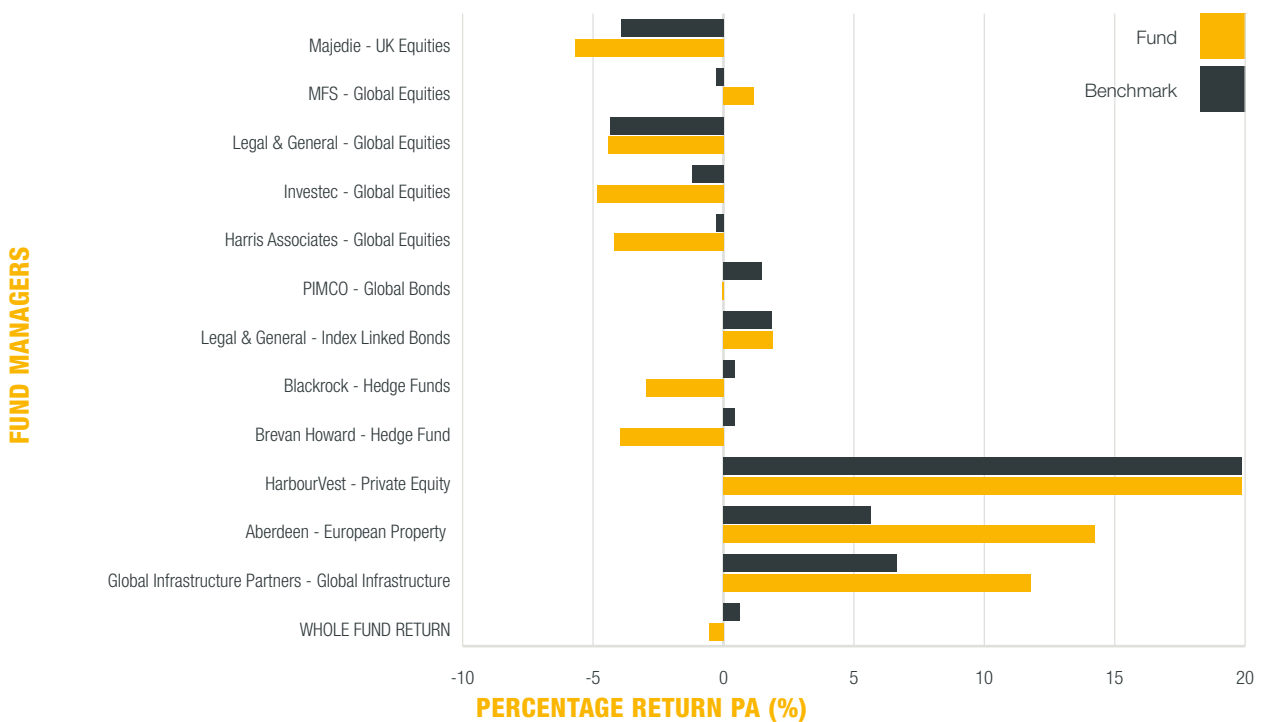
## **GRAPH 02: INDIVIDUAL FUND MANAGER PERFORMANCE**

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 fifteen 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 Combined Code of Corporate Governance.

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 at the forefront of raising concerns around potential asset stranding with a wide range of executives and boards within the oil and gas, mining and electric utility sectors. The concepts of stranded

assets and a limited carbon budget have begun to resonate within these industries. Political movement on climate change, and advances in alternative energy technologies, are turning the transition to a lower-carbon future from theory into reality. This is presenting a key challenge to fossil fuel businesses, and investors in these companies.

Much of BMO's activity occurred in the context of collaborative investor initiatives, where they took a lead role in the dialogue with many companies. BMO engaged 95 companies – 58 in oil and gas, 15 in mining and 22 utilities, including 46 meetings. In addition to targeting larger companies such as Exxon, Royal Dutch Shell, BP, Anglo American and Glencore, they have also reached out to emerging market and medium sized oil and gas companies.

BMO's main engagement objectives include ensuring companies stress-test and disclose the range of possible future energy scenarios used for their strategic planning, to provide greater disclosure on carbon risks embedded in their assets and to set clearer targets for mitigating these risks, to strengthen board expertise on climate change economics and improve oversight to ensure that business models are resilient to rapid energy transition pathways.

### **LOCAL AUTHORITY PENSION FUND FORUM**

Shropshire remains a committed and active member of the Local Authority Pension Fund Forum (LAPFF). The LAPFF brings together 70 public sector pension funds (as at 31 March 2016) 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 our work with the Forum has included the following areas:

### **Energy & Environmental Risk**

LAPFF's own engagement, and collaboratively with 'Aiming for A' partners, achieved an unprecedented number of global institutional co-filers, board support and high level of vote turnout for the strategic resilience shareholder resolutions to the BP and Shell AGMs. These resolutions included a request for an assessment of the companies' asset portfolio resilience against the range of International Energy Agency scenarios and the role exploration, disposals and cash distributions to investors play in the nearer term.

### **Social & Reputational Risks**

LAPFF members (including the Shropshire Fund) have a significant level of holdings in European pharmaceutical companies, and one issue that has come up in company dialogue is transparency of companies' clinical trials. LAPFF has signed on to an investor Clinical Trial Transparency Initiative. The initiative includes an Investor Statement that highlights the importance of clinical trials in determining the effectiveness and safety of drugs that come to market and a request that companies publish complete and accurate information on trial results so that investors can make fully informed decisions.

### **Palm Oil**

During the year, LAPFF wrote with other investors to the Roundtable on Sustainable Palm Oil (RSPO) on strengthening its standards for sourcing palm oil sustainably and to an accelerated timeline. The RSPO has recognised concerns over the development of differing sustainable sourcing initiatives and that it is working to address these. LAPFF also attended a meeting of the United Nations Principles for Responsible Investment Working Group on Palm Oil to discuss ways forward for the group and effective engagement practices with companies listing palm oil as one of their commodities.

# REVIEW OF THE YEAR

## The LGPS is one of the largest Pension Schemes

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The Local Government Pension Scheme (LGPS) is one of the largest Pension Schemes, with over 11,000 employers and 5,100,000 members in England and Wales.

Shropshire Council is required by law to administer the LGPS within the geographical area of Shropshire. The responsibilities for Scheme administration are met in-house, which includes the collection of Scheme contributions and data from all employers and the calculation of active member benefits; paying pension benefits to retired members; looking after the benefits for deferred members who have not yet taken payment and not only provides pensions for its members but also offers death benefits to spouses, civil and cohabiting partners and children.

As at 31 March 2016 the Shropshire County Pension Fund had 16,869 active members, 15,674 deferred members, 9,644 pensioners, 1,411 dependants and 152 employers, all looked after by 24 members of staff in the Pensions Administration Team.

The LGPS is a statutory scheme, and operates on a “defined benefit basis”. From the 1 April 2014 benefits for active members changed from Final Salary benefits and are now built up in the Career Average Revalued Earnings (CARE) Scheme. Benefits for members with service pre and post April 2014 have to be calculated under the provisions of the 1997, 2008 and 2013 LGPS Regulations and other applicable overriding legislation. It also pays benefits early on grounds of permanent ill-health at any age and redundancy when members are over 55. Under Part 2 regulation 57 of The Regulations 2013 all LGPS funds are required to publish an Annual Report. The aim of the Annual Report is to provide a single source of information about the status of the Shropshire County Pension Fund for its members, employers, and other stakeholders.

The Annual Reports for the other 91 Funds are collated and reported in the consolidated report issued by the LGPS Advisory Board and can be found on [www.lgpsboard.org](http://www.lgpsboard.org)



## **EMBEDDING OF THE LGPS 2014**

From 1st April 2014 the LGPS changed from a Final Salary Scheme to a Career Average Revaluation Earnings (CARE) Scheme and as this was a significant change to the Scheme, it has increased the workload of the Administration Team and Scheme employers. The CARE Scheme brought increased complexities particularly in the area of tracking member records especially when a member re-joins this Scheme, moves employers or re-joins another Fund.

Since the introduction of CARE, the Fund has undertaken a lot of work to ensure processes and work flow are up to date. Largely this was achieved, although all LGPS Funds were affected by the late publication of statutory guidance and Government Actuary Department factors to perform some calculations. This has meant in some cases work was stockpiled after the Scheme change and during 2015/16 time has been spent working on the backlog of work that had been created.

## **MEMBER DATA TRANSFER**

During 2015/16 a middleware service called iConnect was fully implemented. Data is now transferred directly from an employer's payroll system, on a monthly basis, into the Pension Administration system for both of the Funds largest employers, Shropshire Council and Telford and Wrekin Council.

This has meant more timely notification of starters, leavers and changes. As a result there has been an increase in the number of changes identified on a monthly basis, thus reducing the amount of time and resource required to identify missing data during the year-end process.

The two largest Fund employers as well as going live with iConnect for their own payrolls are also processing their external client's payrolls, who are Fund employers, this way too. This means that the Fund is receiving clean data on a monthly basis for 88% of the membership. The Fund employers who are not using iConnect have provided the data required by the regulations by submitting monthly returns.

## **KEY ICONNECT DATA FACTS FOR 2015/16**

- 2,086 address changes
- 80,215 contribution postings
- 156,341 pay data postings
- 2,347 notifications of starters
- 1,678 notifications of leavers

## **2016 ACTUARIAL VALUATION**

The Fund's Valuation plan was put in place during 2015/16 and was constantly monitored to ensure the deadline of July 2016 for submitting the data to the Actuary is met. All member records at 31 March 2016 must be at the correct status at the date of submission to the Actuary to ensure an accurate assessment of Fund employer funding levels and contribution rates.

The data supplied by Scheme employers forms a major part of the Valuation the Scheme Actuary undertakes. Therefore, it is important that the information submitted is correct and compliant with the LGPS regulations 2013. By moving to a more streamlined process of submitting data throughout 2015/16 using iConnect and monthly returns should mean that data has been received more timely and less errors will be identified during year end balancing.

## **REPORTING BREACHES**

In line with guidance issued by the Pensions Regulator, the Fund has developed a policy and procedure for ensuring those responsible for reporting breaches and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Fund. The breaches policy was approved by the Pensions Committee in November 2015 and is available to view on the Fund's website. The Pensions Administration team received training on the reporting breaches procedure and a record of breaches is being kept. If the breach of the Scheme regulations is deemed to be 'materially significant' then the breach will be reported to the Pensions Regulator in line with the Policy.

## EMPLOYERS IN THE FUND

### Academies

The number of Academies within the Fund continues to grow and during 2015/16 six schools converted to Academy status. As the number of Academies grow, so has the number of multi academy trusts which Academies can join during or after conversion.

### Outsourcings

To be an employer in the Fund a body must be listed in Part 1 of Schedule 2 of the Local Government Pension Scheme Regulations 2013. Shropshire Council as the administering authority can admit organisations that are not automatically Scheme employers but who satisfy certain other conditions laid down by the regulations. These are called 'admission bodies' and employees of an admission body can join the LGPS if the admission agreement allows it. The full list of the Fund's admission bodies can be found on pages 15-17.

The Best Value Authority Staff Transfers (Pensions) Direction 2007 issued on 1st October 2007 provides that where an authority enters into a contract with a person for the provision of services the contract requires the contractor to secure pension protection for each transferring employee.

The Fund has seen a steady growth in the number of admission bodies as the number of service contracts being let by Scheme Employers increase.

### ANNUAL BENEFIT STATEMENTS

To comply with the timescale set out in section 14(5) of the Public Service Pensions Act 2013, regulation 89 of the LGPS Regulations 2013 an administering authority must issue an annual benefit statement to all members by the end of 31st August. In 2015/16, Annual benefit statements to deferred members of the Fund were issued on the 26 June 2015 and to active members on the 26 August 2015, which means the Fund adhered to the 31 August deadline set by the Regulations.

## GMP RECONCILIATION EXERCISE

Following the end of contracting out in April 2016, HMRC will be sending a statement to all individuals affected stating the amount of Guaranteed Minimum Pension (GMP) they will receive and who is responsible for paying for it. Ahead of this, HMRC have advised that Schemes should reconcile the GMP values they hold for members with those calculated by HMRC or face making overpayments to existing members and even individuals for whom they believe they have no liability.

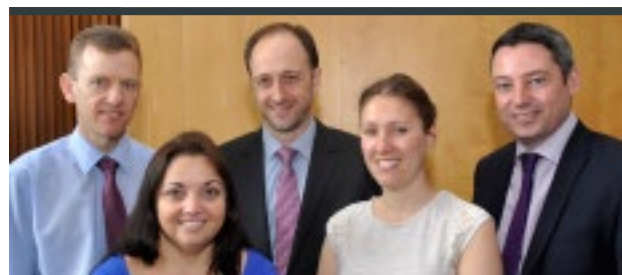
During 2015/16 the project for the reconciliation exercise was set up and investigations were made into the solutions available to perform the GMP reconciliation efficiently. The initial match-up exercise was awarded externally to a company called ITM and initial results showed that there are approximately 3,500 records that need extensive investigative work.

## EFFECTIVE ADMINISTRATION

The administration team ensures the operation of its functions is effective and efficient by taking part in both internal and external audits. The teams internal audit has received a good rating, which is the highest rank awarded in both its administration and system areas. The team also is audited externally, please refer to pages 56-57 in this report for information. Quarterly reports are also provided to the Pensions Committee on administration performance.



**PENSIONS ADMINISTRATION TEAM**



**SCHEME ADMINISTRATOR, HEAD OF TREASURY AND PENSIONS AND 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.

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 received directly, or have been made aware, of that went to an employer.

### IDRP cases reported in 2015/16

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

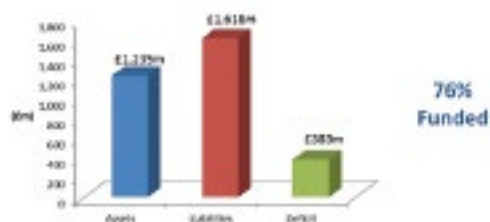
# STATEMENT BY THE CONSULTING ACTUARY

## ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

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 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,235 million represented 76% of the Fund's past service liabilities of £1,618 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £383 million.



The valuation also showed that a common rate of contribution of 14.0% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 82% with a resulting deficit of £274 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £17 million per annum increasing at 4.1% per annum (equivalent to approximately 8.2% of projected pensionable pay at the valuation date) for 19 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

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 common contribution rate were as follows:

	FOR PAST SERVICE LIABILITIES (FUNDING TARGET)	FOR FUTURE SERVICE LIABILITIES (COMMON CONTRIBUTION RATE)
Rate of return on investments (discount rate)	4.95% per annum	5.6% per annum
Rate of pay increases (long term)*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

\* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

### 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 2016 (the 31 March 2015 assumptions are included for comparison):

	31 MARCH 2014	31 MARCH 2015
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases (long term)*	3.5% per annum*	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% per annum

\* includes a corresponding allowance to that made in the 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 2014.

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year end than at the beginning of the year (2.0% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £2,181 million.

The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by c£118 million. Adding interest over the year increases the liabilities by c£72 million, and allowing for net benefits accrued/paid over the period increases the liabilities by a further c£9 million (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £2,144 million.

**John Livesey**  
Fellow of the Institute and Faculty of Actuaries  
Mercer Limited  
June 2016

# GOVERNANCE STRUCTURE

## SHROPSHIRE COUNCIL, AS 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

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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 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.

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

## The Governance Structure of the Fund from 1 April 2015:



## The Pensions Board members 2015/16



**Pat Hockley**  
Member Representative



**Mike Morris (Chair)**  
Member Representative



**Stuart Wheeler**  
Employer Representative  
Savernside Housing



**Liz Furey**  
Employer Representative  
Harper Adams University College

# COMMITTEE MEMBERS 2015/16

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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 Pension Committee meetings can be found on the Shropshire Council website which can be accessed here:

[www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)



**Malcolm Pate  
(Chairman)**  
Shropshire Council  
VOTING



**Malcolm Smith  
(Vice Chairman)**  
Telford & Wrekin Council  
VOTING



**Anne Chebsey**  
Shropshire Council  
VOTING



**Andrew B Davies**  
Shropshire Council  
VOTING



**Thomas Biggins**  
Shropshire Council  
VOTING



**Charles Smith**  
Employee Representative  
VOTING



**Jean Smith**  
Pensioner Representative  
NON-VOTING



**Nigel Neat**  
Employee Representative  
NON-VOTING



# TRAINING POLICY (MEMBERS AND OFFICERS)

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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. Reference within the policy is made to the Chartered Institute of Public Finance and Accountancy (CIPFA) knowledge and skills framework which identifies eight core areas of technical knowledge and skills for those working in public sector pension's finance. They are:

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

The Fund's Training Policy has a knowledge matrix based on the eight core areas shown above. The matrix identifies the level of knowledge required for Officers, Pension Committee Members and Pension Board Members and will assist the Fund when organising future training required.

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

- Liability driven investments (LDI)
- Diversification and economic scenarios
- Alternative Indexation
- Update on Government consultation

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 2015/16 received training. The training was either provided by the Local Government Association, Aon Hewitt or was provided by officers in-house. Each Pension Board member and senior officers have completed the The Pensions Regulators' eLearning programme.

**Pensions Training day:** Presentations on Liability Driven Investments, unconstrained bond strategies, investment governance frameworks and also interest rate and inflation hedging.

**Pensions AGM:** Presentations were given on Hedge Funds by Blackrock, Collaboration work and Investment Performance and a Fund administration update.

**Officer Attendance at conferences, seminars and networking groups:** LGC Investment Symposium, LGC Investment Summit, PLSA conference, CIPFA Pensions network seminars, North West and Wales Pension & Accounting 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)

*21 September 2016*

# PENSION FUND ACCOUNT

## Pension Fund Account for the year ended 31 March 2016

2014/15 £M		NOTES (PGS 38-54)	2015/16 £M	
	<b>CONTRIBUTIONS &amp; BENEFITS</b>			
	<b>Contributions</b>			
44.657	Employers	7	45.854	
14.134	Employees	7	14.235	
4.339	Transfers In from other pension funds	3,7	2.373	
<b>63.130</b>	<b>TOTAL INCOME</b>			<b>62.462</b>
	<b>Benefits Payable</b>			
51.090	Pensions	7	53.069	
10.842	Commutation of pensions and lump sum retirement benefits	7	9.488	
1.202	Lump sum death benefits	7	1.074	63.631
	<b>Payment to &amp; account of leavers</b>			
0.081	Refund of contributions	7	0.245	
4.312	Transfer to other Funds	3,7	4.259	4.504
<b>67.527</b>	<b>TOTAL EXPENDITURE</b>			<b>68.135</b>
<b>(4.397)</b>	<b>Net additions from dealings with scheme members</b>			<b>(5.673)</b>
<b>(13.764)</b>	<b>Management Expenses</b>	8		<b>(13.097)</b>
	<b>Returns on Investments</b>			
19.248	Investment Income	3,9,14	19.322	
16.767	Gain/(loss) on cash and currency hedging		12.277	
(0.020)	Taxes on Income	10	(0.020)	
155.698	Profits and losses on disposal of investments and changes in value of investments	11	(31.554)	
<b>191.693</b>	<b>Net increase (decrease) in the net assets available for benefits during the year</b>			<b>0.025</b>
<b>173.532</b>	<b>Surplus / (deficit) on the pension fund for the year</b>			<b>(18.745)</b>
<b>1339.203</b>	<b>OPENING NET ASSETS OF THE SCHEME</b>			<b>1512.735</b>
<b>1512.735</b>	<b>CLOSING NET ASSETS OF THE SCHEME</b>			<b>1493.990</b>

# NET ASSETS STATEMENT

## Net Assets Statement as at 31 March 2016

31/03/2015 £M		NOTES (PGS 38-54)	31/03/2016 £M	%
	<b>Investment Assets</b>			
228.604	<b>Equities</b>		213.865	14.32
	<b>Pooled Investment Vehicles</b>			
159.821	Unitised Investment Vehicles		162.999	10.91
1082.132	Other Managed Funds		1077.783	72.14
	<b>Cash Deposits</b>			
39.915	Deposits		38.116	2.55
3.380	Temporary Investments	27	0.860	0.06
1513.852	<b>TOTAL INVESTMENT ASSETS</b>		<b>1493.623</b>	<b>99.98</b>
	<b>CURRENT ASSETS</b>			
2.044	Contributions due from Employers	18	2.262	0.15
1.288	Other Current Assets	18	1.835	0.12
0.020	Cash Balances	27	0.005	0.00
	<b>CURRENT LIABILITIES</b>			
(0.505)	Unpaid Benefits	19	(0.380)	(0.03)
(3.964)	Other Current Liabilities	19	(3.355)	(0.22)
1512.735	<b>Net Assets of the Scheme - Available to Fund Benefits as at 31 March</b>		<b>1493.990</b>	<b>100.00</b>

# NOTES

## TO THE SHROPSHIRE COUNTY PENSION FUND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2016

### 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 2009 (as amended)

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 152 employers within the Shropshire County Pension Fund including Shropshire Council itself, as detailed below.

SHROPSHIRE COUNTY PENSION FUND	31 MARCH 2016	31 MARCH 2015
No of employers with active members	114	99
<b>Number of employees in the scheme</b>		
Shropshire Council	7,605	7,166
Other employers	9,264	8,980
<b>Total</b>	<b>16,869</b>	<b>16,146</b>
<b>Number of pensioners in the scheme</b>		
Shropshire Council	4,806	4,686
Other employers	4,838	4,723
<b>Total</b>	<b>9,644</b>	<b>9,409</b>
<b>Number of deferred pensioners in the scheme</b>		
Shropshire Council	7,755	7,265
Other employers	7,919	7,184
<b>Total</b>	<b>15,674</b>	<b>14,449</b>

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 2016. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation was as at 31 March 2013. Currently, employer contribution rates range from 5.4% 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 overleaf:

	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 updated 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 2015/16 financial year and its position at year-end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 out 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 (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 is therefore exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a Fund expense as it arises and in 2015/16 this figure is £19,575.

## Management expenses

The Code does not require any breakdown of Pension Fund administrative expenses. However, in the interests of greater transparency, the Council discloses its Pension Fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Costs.

All administrative expenses are accounted for on an accruals basis. All staff costs of the pensions 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  
MFS Investment Management - Global Equities  
Blackrock - Hedge Fund  
Investec Asset Management - Global Equities  
Harris Associates - Global Equities  
Brevan Howard - Multi Strategy Hedge Fund  
Performance related fees in 2015/16 £2.640m (2014/15 £3.928m).

Where an investment manager's fee note has not been received by the balance sheet 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 2015/16, £0.007m of fees is based on such estimates (2014/15 £0.013m).

## Net Assets Statement

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 as follows:

- Market quoted investments are valued by the bid market price ruling on the final day of the accounting period.
- Fixed interest securities are recorded at net market value based on their current yields.
- Investments in private equity funds are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund manager in accordance with the International Private Equity and Venture Capital Valuation guidelines 2012.
- Investments in infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.
- Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published. If single priced they are valued at the closing single price. In the case

of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of withholding tax.

- 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 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.
- 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.
- Shropshire County Pension Fund provides an additional voluntary contributions (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**

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines 2012.

The Pension Fund liability is calculated every three years by the Fund Actuary. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in note 17. This estimate is

subject to significant variances based on changes to the underlying assumptions.

#### **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 balance sheet 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 2016 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 £65.7 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 £149.1 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 2016 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	ADMISSION BODIES	DESIGNATION BODIES / SCHEME EMPLOYERS	TOTAL
	£M	£M	£M	£M
<b>2015/16</b>				
<b>Contributions Received</b>				
Employees	5.289	2.234	6.712	14.235
Employers	18.687	6.997	20.170	45.854
Transfers In	1.375	0.076	0.922	2.373
<b>TOTAL INCOME</b>	<b>25.351</b>	<b>9.307</b>	<b>27.804</b>	<b>62.462</b>
<b>Payments Made</b>				
Pensions	32.484	6.261	14.324	53.069
Lump Sums	3.928	1.982	3.578	9.488
Death Benefits	0.405	0.058	0.611	1.074
Refunds	0.080	0.021	0.144	0.245
Transfers Out	0.351	0.374	3.534	4.259
<b>TOTAL EXPENDITURE</b>	<b>37.248</b>	<b>8.696</b>	<b>22.191</b>	<b>68.135</b>
<b>2014/15</b>				
<b>Contributions Received</b>				
Employees	5.306	2.269	6.559	14.134
Employers	18.732	7.154	18.771	44.657
Transfers In	1.142	2.012	1.185	4.339
<b>TOTAL INCOME</b>	<b>25.180</b>	<b>11.435</b>	<b>26.515</b>	<b>63.130</b>
<b>Payments Made</b>				
Pensions	31.725	5.806	13.559	51.090
Lump Sums	5.643	1.796	3.403	10.842
Death Benefits	0.454	0.129	0.619	1.202
Refunds	0.045	0.003	0.033	0.081
Transfers Out	1.730	0.762	1.820	4.312
<b>TOTAL EXPENDITURE</b>	<b>39.597</b>	<b>8.496</b>	<b>19.434</b>	<b>67.527</b>

THE TABLE BELOW SHOWS A BREAK DOWN OF THE EMPLOYERS CONTRIBUTIONS ABOVE:

2014/15 £M	EMPLOYERS CONTRIBUTION BREAKDOWN	2015/16 £M
30.860	Employers normal contributions	31.199
10.639	Employers deficit contributions	11.333
3.158	Employers augmentation contributions	3.322
<b>44.657</b>		<b>45.854</b>

## 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 guidance.

2014/15 £M	MANAGEMENT EXPENSES	2015/16 £M
0.785	Administrative costs	0.817
12.451	Investment management expenses	11.673
0.528	Oversight and governance costs	0.607
<b>13.764</b>		<b>13.097</b>



Each external Investment Manager receives a fee for their services based on the market value of the assets they manage on the Fund's 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 £2.640m (2014/15 £3.928m) in respect of performance related fees paid/payable to the Fund's investment managers.

It also includes £0.449m in respect of transaction costs (2014/15 £0.404m).

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).

2014/15 £M	INVESTMENT EXPENSES	2015/16 £M
7.186	Management Fees	7.098
3.928	Performance Fees	2.640
0.841	Other Fees	1.435
0.404	Transaction Costs	0.449
0.092	Custody Fees	0.051
<b>12.451</b>		<b>11.673</b>

The costs incurred by the Council in administering the Fund totalled £0.817m for the year ended 31 March 2016 (2014/15 £0.785m).

2014/15 £M	ADMINISTRATIVE COSTS	2015/16 £M
0.525	Employee costs	0.541
0.129	IT	0.155
0.060	Printing & Postage	0.062
0.022	Office Accommodation	0.028
0.022	Subscriptions	0.014
0.027	Other Costs	0.017
<b>0.785</b>		<b>0.817</b>

The costs incurred by the Council in Oversight and Governance totalled £0.607m for the year ended 31 March 2016 (2014/15 £0.528m)

2014/15 £M	OVERSIGHT & GOVERNANCE COSTS	2015/16 £M
0.202	Investment advice	0.294
0.108	Employee costs (pensions investment)	0.138
0.075	Actuarial advice	0.005
0.040	Responsible engagement overlay	0.048
0.023	Professional fees	0.023
0.023	External audit	0.027
0.022	Performance analysis	0.023
0.017	Internal audit	0.017
0.015	Legal and Committee	0.015
0.003	Other costs	0.017
<b>0.528</b>		<b>0.607</b>

## 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.

2014/15 £M	INVESTMENT INCOME	2015/16 £M
0.421	Interest from Fixed Interest Securities	0.000
6.229	Dividends from equities	6.508
0.000	Income from index-linked securities	0.000
3.097	Income from pooled investment vehicles	3.649
0.025	Interest on cash deposits	0.022
9.476	Other	9.143
<b>19.248</b>		<b>19.322</b>

## NOTE 10: TAXES ON INCOME

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

2014/15 £M	TAXES ON INCOME	2015/16 £M
0.000	Withholding tax - Fixed interest securities	0.000
0.008	Withholding tax - equities	0.020
0.012	Withholding tax - pooled	0.000
<b>0.020</b>		<b>0.020</b>

## NOTE 11A: RECONCILIATION OF MOVEMENTS IN INVESTMENTS

### 2015/16

INVESTMENT TYPE	VALUE AS AT 1ST APRIL 2015	PURCHASES AT COST AND DERIVATIVE PAYMENTS	SALE PROCEEDS AND DERIVATIVE RECEIPTS	OTHER CASH TRANSACTIONS	CHANGE IN MARKET VALUE	VALUE AS AT 31ST MARCH 2016
	£M	£M	£M	£M	£M	£M
Equities	228.604	84.236	(79.570)		(19.405)	213.865
Pooled Investment Vehicles - Unitised Investment Vehicles	159.821	0.000	0.000		3.178	162.999
Pooled Investment Vehicles - Other managed Funds	1082.132	156.834	(143.357)	(2.460)	(15.366)	1077.783*
	<b>1470.557</b>	<b>241.070</b>	<b>(222.927)</b>	<b>(2.460)</b>	<b>(31.593)</b>	<b>1454.647</b>
Cash deposits - with Managers	39.915	8.468	(8.517)	(1.789)	0.039	38.116
Temporary Investments	3.380			(2.520)		0.860
	<b>1513.852</b>	<b>249.538</b>	<b>(231.444)</b>	<b>(6.769)</b>	<b>(31.554)**</b>	<b>1493.623</b>

### 2014/15

INVESTMENT TYPE	VALUE AS AT 1ST APRIL 2014	PURCHASES AT COST AND DERIVATIVE PAYMENTS	SALE PROCEEDS AND DERIVATIVE RECEIPTS	OTHER CASH TRANSACTIONS	CHANGE IN MARKET VALUE	VALUE AS AT 31ST MARCH 2015
	£M	£M	£M	£M	£M	£M
Fixed Interest Securities - Public Sector	61.798	3.643	(65.380)		(0.061)	0.000
Equities	207.853	89.382	(87.992)		19.361	228.604
Pooled Investment Vehicles - Unitised Investment Vehicles	131.773	0.000	0.000		28.048	159.821
Pooled Investment Vehicles - Other managed Funds	912.315	116.035	(55.181)		108.963	1082.132*
Derivative contracts	0.638	0.000	(0.021)		(0.617)	0.000
	<b>1314.377</b>	<b>209.060</b>	<b>(208.574)</b>	<b>0.000</b>	<b>155.694</b>	<b>1470.557</b>
Cash deposits - with Managers	22.241			17.670	0.004	39.915
Cash deposits - margin balances	(0.043)			0.043		0.000
Temporary Investments	2.650			0.730		3.380
	<b>1339.225</b>	<b>209.060</b>	<b>(208.574)</b>	<b>18.443</b>	<b>155.698**</b>	<b>1513.852</b>

\* Within the Pooled Investment Vehicles - other managed funds total of £1077.783m are £214.739m of level 3 investments as at 31 March 2016. The value of the level 3 investments were £218.741m as at 1st April 2015 which increased to £214.739m as at 31 March 2016. The decrease in value is due to purchases of £23.896m, sales of £22.247m and change in market value of -£5.651m.

\*\* The total change in market value for 2015/16 as per the table above is -£31.554m. This figure is made up of profit on sales of £28.599m and also the difference between book cost and market value for the whole Fund which for 2015/16 was -£60.153m.

## NOTE 11B: ANALYSIS OF INVESTMENTS (EXCLUDING DERIVATIVE CONTRACTS)

2014/15 £M		2015/16 £M
<b>FIXED INTEREST SECURITIES</b>		
<b>UK</b>		
0.000	Corporate quoted	0.000
<b>Overseas</b>		
0.000	Public sector quoted	0.000
<b>0.000</b>		<b>0.000</b>
<b>EQUITIES</b>		
<b>UK</b>		
103.656	Quoted	103.007
<b>Overseas</b>		
124.948	Quoted	110.858
<b>228.604</b>		<b>213.865</b>
<b>POOLED FUNDS - ADDITIONAL ANALYSIS</b>		
<b>UK</b>		
159.821	Index Linked Bonds	162.999
10.410	Unit Trusts	11.075
<b>Overseas</b>		
780.065	Unit Trusts	753.072
154.404	Hedge Fund of Funds	149.051
62.970	Pooled property investments	77.526
64.337	Private Equity	65.688
9.946	Infrastructure	21.371
<b>1241.953</b>		<b>1240.782</b>
<b>1470.557</b>		<b>1454.647</b>

## NOTE 12: 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 13: CASH EQUITISATION

During 2013/14, following a review of the Fund structure, a decision was taken to terminate the Fund cash equitisation programme. This was

designed to reduce risk by maintaining the Fund close to its strategic asset allocation and minimise the drag on investment performance caused by holding cash. This was completed using futures.

Following on from the restructure cash equitisation is no longer required as this is now managed within the Pension Fund team.

## NOTE 14: 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 £0.079m in 2015/16 and this is included within investment income in the Pension Fund Account. At 31 March 2016 £7.971m worth of stock (via the Custodian) was on loan, for which the Fund was in receipt (via the Custodian) of £8.604m worth of collateral representing 108% of stock lent.

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 15A: CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

31-MAR-15			31-MAR-16		
FAIR VALUE THROUGH PROFIT & LOSS	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES AT AMORTISED COST	FAIR VALUE THROUGH PROFIT & LOSS	LOANS AND RECEIVABLES	FINANCIAL LIABILITIES AT AMORTISED COST
£M	£M	£M	£M	£M	£M
<b>Financial Assets</b>					
228.593			Equities	213.865	
159.821			Pooled Investment Vehicles - Unitised Investment Vehicles	162.999	
1082.132			Pooled Investment Vehicles - Other managed Funds	1077.783	
	43.325		Cash		38.981
	3.332		Debtors		4.097
<b>1470.546</b>	<b>46.657</b>	<b>0.000</b>		<b>1454.647</b>	<b>43.078</b>
<b>Financial Liabilities</b>					
		(4.468)	Creditors		(3.735)
<b>0.000</b>	<b>0.000</b>	<b>(4.468)</b>		<b>0.000</b>	<b>(3.735)</b>
<b>1470.546</b>	<b>46.657</b>	<b>(4.468)</b>		<b>1454.647</b>	<b>(3.735)</b>

## NOTE 15B: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

2014/15 £M	FINANCIAL INSTRUMENTS	2015/16 £M
<b>Financial Assets</b>		
155.698	Fair value through profit and loss	(31.554)
0.000	Loans and receivables	0.000
0.000	Financial liabilities measured at amortised cost	0.000
<b>Financial Liabilities</b>		
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
<b>155.698</b>		<b>(31.554)</b>

## NOTE 15C: VALUATION OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

### Level 1:

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

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

### Level 2:

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

### Level 3:

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

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Shropshire County Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are undertaken quarterly, however, lag a quarter behind so the valuation in the accounts is as at 31st December 2015. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

The 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	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
<b>2015/16</b>						
<b>Equities</b>	Majedie Asset Management	UK Equities	105.961	105.961		
	Harris Associates	Global Equities	107.897	107.897		
<b>Pooled Investment Vehicles</b>	Legal & General	UK Index Linked Bonds	162.999	162.999		
	Majedie Asset Management	UK Pooled Fund	11.075	11.075		
	Pimco Europe Ltd	Global Aggregate Bonds	104.506	104.506		
	MFS	Global Equities	134.460	134.460		
	HarbourVest Partners Ltd	Private Equity	65.688			65.688
	Aberdeen Property Investors	Property Unit Trusts	77.525		77.525	
	Blackrock	Hedge Fund	75.029			75.029
	Global Infrastructure Partners	Infrastructure	21.371		21.371	
	Legal & General	Global Equities	290.816	290.816		
	Investec	Global Equities	123.194	123.194		
	Brevan Howard	Hedge Fund	74.022			74.022
	Blackrock	Fixed Interest	100.096	100.096		
<b>Net Current Assets (including cash)</b>			39.351	39.351		
			<b>1493.990</b>	<b>1180.355</b>	<b>98.896</b>	<b>214.739</b>
<b>2014/15</b>						
<b>Equities</b>	Majedie Asset Management	UK Equities	114.245	114.245		
	Harris Associates	Global Equities	114.348	114.348		
<b>Pooled Investment Vehicles</b>	Legal & General	UK Index Linked Bonds	159.821	159.821		
	Majedie Asset Management	UK Pooled Fund	10.410	10.410		
	Pimco Europe Ltd	Global Aggregate Bonds	213.878	213.878		
	MFS	Global Equities	132.423	132.423		
	HarbourVest Partners Ltd	Private Equity	64.337			64.337
	Aberdeen Property Investors	Property Unit Trusts	62.971		62.971	
	Blackrock	Hedge Fund	77.314			77.314
	Global Infrastructure Partners	Infrastructure	9.946		9.946	
	Legal & General	Global Equities	304.277	304.277		
	Investec	Global Equities	129.486	129.486		
	Brevan Howard	Hedge Fund	77.090			77.090
<b>Net Current Assets (including cash)</b>			42.189	42.189		
			<b>1512.735</b>	<b>1221.077</b>	<b>72.917</b>	<b>218.741</b>

## NOTE 16: NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored by Fund Officers to ensure it is within limits specified in the Fund investment strategy.

### Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year the Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period:

ASSET TYPE	POTENTIAL MARKET MOVEMENTS (+/-)
UK Equities	10.7%
Global Equities	9.8%
Property	2.4%
Private Equity	4.6%
Hedge Funds	4.6%
Absolute Return Bonds	2.8%
UK ILG over 5 years	9.6%
Infrastructure	4.6%

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

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

ASSET TYPE	VALUE AS AT 31 MARCH 2016 £M	POTENTIAL MARKET MOVEMENT £M	VALUE ON INCREASE £M	VALUE ON DECREASE £M
<b>Net Assets including Cash</b>	39.343	0.000	39.343	39.343
<b>Investment Portfolio Assets</b>				
UK Equities	114.082	12.207	126.289	101.875
Global Equities	659.329	64.614	723.943	594.715
Absolute Return Bonds	204.602	5.729	210.331	198.873
Property	77.525	1.861	79.386	75.664
Private Equity	65.688	3.022	68.710	62.666
Hedge Funds	149.051	6.856	155.907	142.195
UK Index linked Gilts over 5 years	162.999	15.648	178.647	147.351
Infrastructure	21.371	0.983	22.354	20.388
<b>TOTAL ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>1,493.990</b>	<b>110.920</b>	<b>1,604.910</b>	<b>1,383.070</b>

ASSET TYPE	VALUE AS AT 31 MARCH 2015 £M	PERCENTAGE CHANGE %	VALUE ON INCREASE £M	VALUE ON DECREASE £M
<b>Net Assets including Cash</b>	42.189	0.000	42.189	42.189
<b>Investment Portfolio Assets</b>				
UK Equities	114.066	11.749	125.815	102.317
Global Equities	691.124	61.925	753.049	629.199
Corporate Bonds	213.878	5.497	219.375	208.381
Property	62.970	2.286	65.256	60.684
Private Equity	64.337	3.120	67.457	61.217
Hedge Funds	154.404	7.056	161.460	147.348
UK Index linked Gilts over 5 years	159.821	15.327	175.148	144.494
Infrastructure	9.946	0.433	10.379	9.513
<b>TOTAL ASSETS AVAILABLE TO PAY BENEFITS</b>	<b>1,512.735</b>	<b>107.393</b>	<b>1,620.128</b>	<b>1,405.342</b>

## Interest rate risk

The Fund invests in financial assets e.g. corporate and index linked bonds 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 Fund 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 movements as at 31 March 2016 and 31 March 2015 is set out in the following table. These disclosures present interest rate risk based on the underlying financial assets at fair value.

ASSET TYPE	AS AT 31 MARCH 2016 £	AS AT 31 MARCH 2015 £
Cash and cash equivalents	35,656,426	39,914,769
Cash balances	5,000	20,122
Index Linked Bonds	162,998,633	159,821,466
Corporate Bonds	204,602,099	213,878,386
<b>TOTAL CHANGE IN ASSETS AVAILABLE</b>	<b>403,262,158</b>	<b>413,634,743</b>

The Fund 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 100 basis point (BPS) 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 +/- 100 BPS change in interest rates assuming all variables, in particular exchange rates, remain constant.

ASSET TYPE	CARRYING AMOUNT £	EFFECT ON ASSET VALUES	
		+100 BPS £	-100 BPS £
<b>As at 31 March 2016</b>			
Cash and cash equivalents	35,656,426		
Cash balances	5,000		
Index Linked Bonds (average 25 years)	162,998,633	(40,749,658)	40,749,658
Absolute Return strategy IV Fund (-3.84 years)	104,505,945	4,013,028	(4,013,028)
Blackrock Global Opportunities Fund (1.69 years)	100,096,154	(1,691,625)	1,691,625
<b>TOTAL CHANGE IN ASSETS AVAILABLE</b>	<b>403,262,158</b>	<b>(38,428,255)</b>	<b>38,428,255</b>
<b>As at 31 March 2015</b>			
Cash and cash equivalents	39,914,769		
Cash balances	20,122		
Index Linked Bonds (average 25 years)	159,821,466	(39,955,367)	39,955,367
Absolute Return strategy IV Fund (-1.87 years)	106,473,083	1,991,047	(1,991,047)
Global Investment Grade Credit Fund (5.67 years)	107,405,303	(6,089,881)	6,089,881
<b>TOTAL CHANGE IN ASSETS AVAILABLE</b>	<b>413,634,743</b>	<b>(44,054,201)</b>	<b>44,054,201</b>

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 2015/16 the Fund received £0.022m 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 £0.055m. The

impact of a 1% fall in interest rates would be a £0.022m reduction in interest received as this would imply negative interest rates. It is therefore 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 £ sterling. The following table summarises the Fund's currency exposure as at 31 March 2016 and as at the previous year end:

CURRENCY EXPOSURE - ASSET TYPE	AS AT 31 MARCH 2016 £M	AS AT 31 MARCH 2015 £M
Overseas Equities	354.361	368.515
Overseas Pooled Fixed Interest	100.096	0.000
Overseas Private Equity	68.239	67.925
Overseas Pooled Property	24.320	15.043
Overseas Government Bonds	22.948	0.000
Overseas Infrastructure		16.067
<b>TOTAL OVERSEAS ASSETS</b>	<b>569.964</b>	<b>467.550</b>

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6% (as measured by one standard deviation). A 6% fluctuation in the currency is considered reasonable based on historical movements in the month end exchange rates over a rolling 36 month period assuming all other variables, in particular, interest rates, remain constant. A 6% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

CURRENCY EXPOSURE - ASSET TYPE	ASSET VALUE AS AT 31 MARCH 2016	CHANGE TO NET ASSETS AVAILABLE TO PAY BENEFITS +6%	-6%
Overseas Equities	354.361	375.425	333.296
Overseas Fixed Interest	100.096	106.046	94.146
Overseas Private Equity	68.239	72.296	64.183
Overseas Pooled Property	24.320	25.766	22.874
Overseas Infrastructure	22.948	24.312	21.584
<b>Total change in assets available</b>	<b>569.964</b>	<b>603.845</b>	<b>536.083</b>



CURRENCY EXPOSURE - ASSET TYPE	ASSET VALUE AS AT 31 MARCH 2015	CHANGE TO NET ASSETS AVAILABLE TO PAY BENEFITS	
		+5%	-5%
Overseas Equities	368.515	386.941	350.089
Overseas Private Equity	67.925	71.321	64.529
Overseas Pooled Property	15.043	15.795	14.291
Overseas Infrastructure	16.067	16.870	15.264
<b>TOTAL CHANGE IN ASSETS AVAILABLE</b>	<b>467.550</b>	<b>490.927</b>	<b>444.173</b>

### Credit Risk

Credit risk is 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 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 high credit rated institutions, part nationalised institutions and other Local Authorities. In addition to credit ratings the Administering Authority continually monitors the financial press and removes institutions from its approved lending list immediately if appropriate.

	RATING	AS AT 31 MARCH 2016 £M	AS AT 31 MARCH 2015 £M
NatWest Instant Access Account	BBB+	-	1,380,000
Handelsbanken Instant Access Account	AA	860,000	2,000,000
<b>TOTAL</b>		<b>860,000</b>	<b>3,380,000</b>

### Liquidity risk

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

The Fund has immediate access to cash through 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 2016 was £24.747m. The Fund does not have access to an overdraft facility. All financial liabilities at 31 March 2016 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 valuation was undertaken as at 31 March 2013. The next valuation will take place as at 31 March 2016.

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 the administering authority 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 funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. The Funding Strategy Statement specifies a target period for achieving full funding of 19 years (19 years as at the 2010 valuation). For each individual employer, the funding objective, method and assumptions depend on a particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the Funding Strategy Statement.

At the 2013 actuarial valuation, the Fund was assessed as 76% funded (81% at the March 2010 valuation). This corresponded to a deficit of £383 million (2010 valuation was £226 million) at that time. Revised contributions set by the 2013 valuation were introduced in 2014/15 and the common contribution rate (i.e. the average employer contribution rate in respect of future service only) is 14.0% of pensionable pay.

The valuation of the Fund has been undertaken by the projected unit method under which the salary increase assumed 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 2013	31 MARCH 2010
Discount rate	4.95% p.a.	6.25% p.a.
Assumed long term CPI inflation	2.6% p.a.	3.0% p.a.
Salary increases – long term	4.1% p.a.	4.5% p.a.
Salary increases – short term	1% p.a. for 3 years	In line with Government proposals
Pension increases in payment	2.6% p.a.	3.0% p.a.

MORTALITY ASSUMPTIONS	MALE	FEMALE
Current pensioners (at age 65)	23.7	26.0
Future pensioners (assumed current age 45)	25.9	28.8

## NOTE 18: ANALYSIS OF DEBTORS

Provision has been made for debtors known to be outstanding as at 31 March 2016. An analysis of debtors is shown below:

2014/15 £M	DEBTORS	2015/16 £M
0.009	Central Government bodies	0.005
1.679	Other Local Authorities	1.949
0.001	NHS Bodies	0.000
0.000	Public corporations	0.000
1.643	Other entities and individuals	2.143
<b>3.332</b>		<b>4.097</b>

## NOTE 19: ANALYSIS OF CREDITORS

Provision has also been made for creditors known to be outstanding as at 31 March 2016. An analysis of creditors is shown below:

2014/15 £M	CREDITORS	2015/16 £M
0.000	Central Government bodies	0.000
1.239	Other Local Authorities	1.852
0.000	NHS Bodies	0.000
0.000	Public corporations	0.000
3.230	Other entities and individuals	1.883
<b>4.469</b>		<b>3.735</b>

## **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 (2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093).

Contributions are invested in with-profit, unit linked or deposit funds of the Scheme member. At present there are around 497 scheme members with AVC policies. These policies are held either by Equitable Life or Prudential.

During 2015/16 contributions to the schemes amounted to £0.474m. The combined value of the AVC funds as at 31 March 2016 was £4.276m.

## **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 £0.977m (2014/15 £0.906m) in relation to the administration of the Fund and was subsequently reimbursed by the Fund for these expenses.

Shropshire Council is also the single largest employer of members of the pension fund and contributed £18.523m (2014/15 £18.686m). All monies owing to the Fund were paid across in the year. The Scheme Administrator of the Shropshire County Pension Fund is also the Head of Finance, Governance & Assurance for Shropshire Council.

Several employees of Shropshire Council hold key positions in the financial management of the Shropshire County Pension Fund. The Head of Finance, Governance & Assurance (s151 Officer & Scheme Administrator), the Head of Treasury

and Pensions, the Treasury Accountant, the Investment Officer and the Pensions Administration Manager are all active members of the Fund.

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

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

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

Jean Smith, pensioner representative, and Nigel Neat, Unison representative, are also members of the Fund.

Legislation which came into force on 1 April 2014 means the LGPS is 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 has been removed. Current members can continue in the LGPS until the end of their individual office.

## **NOTE 22: CONTRACTUAL COMMITMENTS**

The Fund has a 5% (£75 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 2016 £129m 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 2016 the Funds Private Equity investments totalled £65.688m.

#### **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**

In March 2010 a separate bank account was opened for the Shropshire County Pension Fund and from the 1 April 2010 all income received is being paid into this account. The balance on this account is monitored daily and surplus cash balances invested and as at 31 March 2016 £0.860 million was invested. The cash balance in the Pension Fund account as at the same date was £0.005 million. During 2015/16 all expenditure was still being paid by Shropshire Council on behalf of the Fund and this was reimbursed to Shropshire Council on a monthly basis.

In April 2016 a second bank account was opened and from 27th April 2016 the Fund will have the capacity to make all payments direct from this account including the monthly pensioner payroll. The Fund will no longer require Shropshire Council to make payments on its behalf and therefore the monthly transfer to Shropshire Council will no longer be necessary.

#### **NOTE 28: FUND STRUCTURE UPDATE**

At the March 2015 Pensions Committee, members, (under guidance from the Fund Advisers), decided to undertake a manager selection exercise to appoint a Liability Driven Investment (LDI) Manager and two unconstrained bond managers. This would be achieved by replacing the L&G index linked gilt allocation as well as the Pimco Investment grade corporate bond investment.

At the June 2015 Committee Blackrock and Global Asset Management (GAM) were appointed as unconstrained bond managers and BMO Global Asset Management (BMO) as the LDI Manager. The process to transfer funds from Pimco to Blackrock took place in March 2016, whereas the L&G to BMO and GAM transfers were not completed until April and May 2016 respectively.

# STATEMENT OF RESPONSIBILITIES

## For the statement of accounts

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### **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 21 September 2016.

**Malcolm Pate**

**Chair of Pensions Committee**

*21 September 2016*

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

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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 2016 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)

*21 September 2016*

# INDEPENDENT AUDIT OPINION AND CERTIFICATE

## Independent Auditor's Report

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### **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**

The accompanying pension fund financial statements of Shropshire Council (the "Authority") for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in the Authority's Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 21 September 2016. 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 is not a substitute for reading the audited Statement of Accounts of the Authority.

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 Head of Finance, Governance and Assurance (s151 Officer and Scheme Administrator) 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 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 Authority 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 2015/16.

## **Auditor's responsibility**

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the: Introduction, Management and Financial Performance, Investment Policy and Performance, Scheme Administration, Actuarial Report on Funds, Governance Arrangements, Pensions Administration Strategy, Funding Strategy Statement, Statement of Investment Principles, Communications, Further Information, Governance Compliance Statement, Administration Strategy Statement. Funding Strategy Statement, Statement of Investment Principles, and the Communications Policy Statement.

## **Opinion**

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

## **For and on behalf of Grant Thornton UK LLP, Appointed Auditor**

Colmore Plaza  
20 Colmore Circus  
Birmingham  
West Midlands  
B4 6AT  
*21 September 2016*

# OTHER FUND POLICIES



## **E: Governance Compliance Statement**

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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**



## **G: Pensions Administration Strategy Report**

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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**





## H: Funding Strategy Statement

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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.

This document provides the basis for the actuarial valuation which occurs every three years. The Funding Strategy Statement formed the basis of the 2013 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 91 for the latest copy of this document.**



## I: Statement of Investment Principles

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Pension Fund administering authorities are also required to prepare, maintain and publish a Statement of Investment Principles (SIP) under Regulation 12 of the LGPS (Management and Investment of Funds) Regulations 2009.

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 101 for the latest copy of this document.**

# COMMUNICATIONS

## How we keep in touch with our members and employers

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### **01: COMMUNICATIONS POLICY**

Part 2 (61) of the LGPS regulations 2013, state 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 was last updated in June 2015 to take account of changes in legislation from the introduction of the new LGPS on 1 April 2014 and other relevant legislation. The statement in place from this date can be found in Appendix 5.

The 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 the Pensions Committee and is published on the Fund website.

### **02: PARTICIPATION AT A NATIONAL LEVEL**

The Fund participates in the Communications Working Group (CWG) set up by the Local Government Association (LGA). It is a meeting of communication professionals from LGPS Funds in England and Wales in a collaborative forum, who meet on a quarterly basis to develop items of communication, primarily for Scheme members in the LGPS.

A communications plan is developed and agreed on an annual basis to detail the areas of work the group will be focusing on each year. This is to ensure that all administering authorities, Pension Funds and employers are aware of the items of communication the group is aiming to produce.

Details on the work being carried out by the Communications Working Group for 2016/17 are available on the website [www.lgpsregs.org](http://www.lgpsregs.org)

### **03: NEWSLETTERS ISSUE TO ACTIVE MEMBERS**

During 2015/16, newsletters have been issued to all contributing members, some of these have been collaboration projects with other Funds. The main purpose of the newsletters is to satisfy disclosure requirements, by informing contributing members about changes in the regulations of the LGPS. These publications were not produced at fixed times, but rather in response to changes in the regulations such as the removal of contracted out status of the LGPS. Two out of the three newsletters were issued to the member's home address and all newsletters issued can be found on the Fund's website.

The Fund's newsletters were used to communicate to members that the Fund will be reducing the amount of paper it uses and will be moving to electronic communication through the website, email and member self-service, unless a request is received to continue with paper copies. Further communication exercises are planned later in 2016/17 to reinforce this message and to encourage members to sign up to the online area.

### **04: PRESENTATIONS IN THE WORKPLACE**

Throughout 2015/16 the communications officer attended various work places at the request of Scheme employers in order to provide pensions' information to Scheme members.

Pre-retirement courses were also held throughout the year which were ran by a company called Affinity Connect.

### **05: RETIRED MEMBER COMMUNICATION**

The InTouch newsletter is sent to all retired members twice a year in October and April. The April edition accompanied the P60, payslip and pension increase notification document. The annual Retired Members' Meeting was held in July 2015 in the Council Chamber, Shrewsbury. The Scheme Administrator,



James Walton provided an update along with a presentation from Debbie Sharp on the work of the administration team. Guest speakers from Connecting Shropshire, Men in Sheds and Richard Hayes were also provided. Over seventy Retired Members attended the event.

### **06: EMPLOYER TRAINING**

Various employer training events were held throughout 2015/16 for Scheme employers to attend. At the start of the year a specific event was held for staff involved in outsourcing and the issues when contracting a service an employer needs to be aware of. The Actuary provided the training which was well attended by a number of employers.

In October 2015 the annual employers meeting took place covering a range of topics. The meeting was held over a day and the agenda featured updates from the Scheme Administrator, the Fund Actuary and from pensions administration officers. 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.

### **07: FUND WEBSITE**

The Funds website is the main source of information for both current and prospective members, and employers. The website address is [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk).

In July 2015 the Fund launched a new look website. The design has been improved to make using the website easier to navigate following feedback from our members.

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 'View your Pension Online' and is the most popular page on the website.

The busiest day of the period was Thursday 27th August 2015 (day after the active annual benefit statement was sent out) as there were 174 sessions on this day alone.

The website also holds information for Scheme employers and provides links to the forms and guidance made available for employers to use when supplying employee data.

### **08: ANNUAL BENEFIT STATEMENTS**

To comply with the timescale set out in section 14(5) of the Public Service Pensions Act 2013, regulation 89 of the LGPS Regulations 2013 an administering authority must issue an annual benefit statement to members by the 31st August.

Annual benefit statements for deferred members of the Fund were issued on the 26 June 2015 and to active members on the 26 August 2015, which means the Fund adhered to the 31 August deadline set by the Regulations.

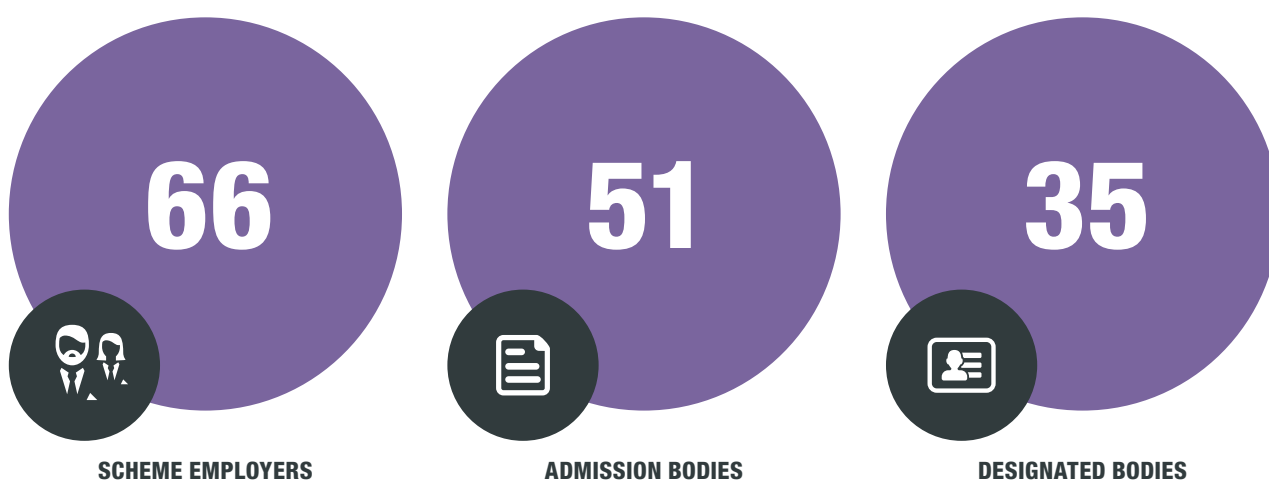
Benefit statements were calculated as at the 31 March 2015 and is the first statement since the Scheme changed to Career Average Revalued Earnings (CARE) benefits.

The Fund led on a collaboration with 7 other Funds on the statement design and significant work was undertaken to ensure the statement met the requirements for the CARE Scheme. The other Funds included in the collaboration were Staffordshire, Cheshire, Warwickshire, Cambridgeshire, Northamptonshire and Worcestershire. By working together the Fund received reduced postage and benefited by sharing the design costs and knowledge.

# FURTHER INFORMATION

## Employer Summary as at 31st March 2016

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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 31st March 2016.

EMPLOYERS	ACTIVE	CEASED	TOTAL
Scheme Employers	44	22	66
Admission Bodies	39	12	51
Designated Bodies	31	4	35
<b>Total</b>	<b>114</b>	<b>38</b>	<b>152</b>

## Analysis of fund assets as at 31st March 2016

ASSET TYPE	UK £M	NON-UK £M	GLOBAL £M	TOTAL £M
<b>As at 31 March 2016</b>				
Equities	103.007	110.858	559.545	773.410
Bonds	162.999	0.000	204.602	367.601
Alternatives	55.162	109.423	149.051	313.636
Cash and cash equivalents	28.609	7.047	2.460	38.116
Other	0.000	0.000	0.000	0.000
<b>Total</b>	<b>349.777</b>	<b>227.328</b>	<b>915.658</b>	<b>1492.763</b>
<b>As at 31 March 2015</b>				
Equities	114.066	124.948	566.175	805.189
Bonds	159.821	0.000	213.879	373.700
Alternatives	40.882	95.266	155.509	291.657
Cash and cash equivalents	27.762	12.153	0.000	39.915
Other	0.000	0.000	0.011	0.011
<b>Total</b>	<b>342.531</b>	<b>232.367</b>	<b>935.574</b>	<b>1510.472</b>

## Analysis of investment income accrued during the reporting period

ASSET TYPE	UK £M	NON-UK £M	GLOBAL £M	TOTAL £M
<b>As at 31 March 2016</b>				
Equities	4.126	0.000	2.381	6.507
Bonds	0.000	0.000	0.000	0.000
Alternatives	2.750	0.899	0.000	3.649
Cash and cash equivalents	0.090	0.004	0.453	0.547
Other	1.136	4.349	3.134	8.619
<b>Total</b>	<b>8.102</b>	<b>5.252</b>	<b>5.968</b>	<b>19.322</b>
<b>As at 31 March 2015</b>				
Equities	3.961	0.465	1.803	6.229
Bonds	0.000	0.000	0.422	0.422
Alternatives	2.163	0.934	0.000	3.097
Cash and cash equivalents	0.061	0.622	0.028	0.711
Other	1.173	1.657	5.959	8.789
<b>Total</b>	<b>7.358</b>	<b>3.678</b>	<b>8.212</b>	<b>19.248</b>

# 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.

## **FIXED INTEREST SECURITIES**

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

## **FUND OF FUNDS**

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

## **FUTURES**

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

## **HEDGE FUNDS**

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

## **INFRASTRUCTURE**

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

## **INDEX LINKED SECURITIES**

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

## **MARKET VALUE**

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

## **MYNERS PRINCIPLES**

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

## **POOLED INVESTMENT VEHICLES**

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

## **PRIVATE EQUITY**

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

## **RETURN**

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

## **SCHEME EMPLOYERS**

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

## **STAKEHOLDERS**

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

## **TRANSFER VALUE**

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

## **UNIT TRUST (MANAGED FUNDS)**

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





# 01: GOVERNANCE COMPLIANCE STATEMENT



AGREED BY PENSIONS COMMITTEE ON 26 JUNE 2015

## APPENDICES

- 67. APPENDIX 01**  
GOVERNANCE COMPLIANCE STATEMENT
- 79. APPENDIX 02**  
ADMINISTRATION STRATEGY STATEMENT
- 91. APPENDIX 03**  
FUNDING STRATEGY STATEMENT
- 101. APPENDIX 04**  
STATEMENT OF INVESTMENT PRINCIPLES
- 109. APPENDIX 05**  
COMMUNICATIONS POLICY STATEMENT
- 119. APPENDIX 06**  
REPORTING BREACHES POLICY STATEMENT
- 129. APPENDIX 07**  
TRAINING POLICY STATEMENT

## 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;

## REPRESENTATION

- 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
<b>TOTAL</b>	<b>100</b>

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.**

**28.** 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.

**29.** 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

**30.** 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.

**31.** 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.

**32.** 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

**33.** 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.

**34.** 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

**35.** 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 DISCRETIONS

- 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 addition 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
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



REGULATION	DISCRETION	GUIDELINE	DELEGATED TO
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 IDRPs functions	Full procedure can be found on: <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a>	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
<b>B25 RSch1 TP17 (9)(b)</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
<b>TSch 1 &amp; L23 (9) B42 (1) (c) R49 (1) (c)</b>	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
<b>31 (2)</b>	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
<b>R36 (3)</b>	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
<b>TPSch 2, para 2 (3)</b>	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
<b>R16 (1)</b>	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 COMPLIANCE STATEMENT

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

### 1. STRUCTURE

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

#### Fully compliant

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

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

#### Fully compliant

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

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

#### Not applicable.

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

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

#### Not applicable

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

## 2. REPRESENTATION

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

### Fully compliant

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

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

### Fully compliant

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

## 3. SELECTION AND ROLE OF LAY MEMBERS

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

### Fully compliant

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

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

### Fully compliant

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

## 4. VOTING

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

### Fully compliant

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

## 5. TRAINING/ FACILITY TIME/ EXPENSES

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

### Fully compliant

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

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

### **Fully Compliant**

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

## **6. MEETINGS (FREQUENCY/QUORUM)**

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

### **Fully compliant**

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

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

### **Not applicable**

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

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

### **Fully compliant**

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

## **7. ACCESS TO INFORMATION, DOCUMENTS AND ADVICE**

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

### **Fully compliant**

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

## **8. SCOPE**

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

### **Fully compliant**

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

## **9. PUBLICITY**

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

### **Fully compliant**

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

# 02: ADMINISTRATION STRATEGY STATEMENT



AGREED BY PENSIONS COMMITTEE ON 26 JUNE 2016

## APPENDICES

- 67. APPENDIX 01**  
GOVERNANCE COMPLIANCE STATEMENT
- 79. APPENDIX 02**  
ADMINISTRATION STRATEGY STATEMENT
- 91. APPENDIX 03**  
FUNDING STRATEGY STATEMENT
- 101. APPENDIX 04**  
STATEMENT OF INVESTMENT PRINCIPLES
- 109. APPENDIX 05**  
COMMUNICATIONS POLICY STATEMENT
- 119. APPENDIX 06**  
REPORTING BREACHES POLICY STATEMENT
- 129. APPENDIX 07**  
TRAINING POLICY 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 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](http://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
<p>To ensure that pensions information is included as part of any induction process including in contracts of employment and appointment letters.</p> <p>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.</p> <p>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.</p>	<p>To support employers request to attend inductions.</p> <p>To update pension information in accordance with regulatory changes and to keep PDF versions up to date on the Fund website <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p>

NEW STARTERS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To ensure that all employees subject to automatic/contractual admission are brought into the Scheme from the relevant date, and provide the Pension Administration Team, with accurate details within 4 weeks of their start date by the agreed monthly return format.</p> <p>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.</p> <p>Where there is more than one contract of employment with the same employer, each membership shall be maintained separately and the Fund notified as above.</p> <p>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.</p>	<p>To accurately record and update associated member records on the pension administration system.</p> <p>To apply for any Transfer Value details within two weeks of receipt of all the relevant information from the member and to produce Membership Certificates and forward them to member's home address, within thirteen weeks of joining the Scheme or as stated within the Regulations.</p> <p>To accurately create member records on the pension administration system within four weeks of receipt of the notification.</p> <p>To accurately record and update member records on the pension administration system within four weeks of receipt of the documents.</p>



### CHANGES IN CIRCUMSTANCES FOR ACTIVE MEMBERS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To ensure that the Fund is informed of any changes in the circumstances of employees on the agreed monthly return or on the appropriate form within four weeks of the change. Guidance can be found in the Employers Guide at: <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> <p><b>CHANGES INCLUDE:</b>  <b>Personal Information:</b></p> <ul style="list-style-type: none"> <li>• Change of Name</li> <li>• Marital Status</li> <li>• National Insurance Number</li> </ul> <p><b>Conditions of employment affecting pensions:</b></p> <ul style="list-style-type: none"> <li>• Contractual Hours (mandatory for members who meet the underpin requirements only)</li> <li>• Any remuneration changes due to promotion and down grading - pre April 2014 members only</li> <li>• Full-time equivalent pensionable pay according to the Pre 2014 definition</li> <li>• Actual pensionable pay (including overtime/additional hours) in 100/100 and 50/50 Schemes according to the Post 2014 definition (CARE).</li> <li>• Employees Contribution Rate</li> <li>• Employee Number and/or Post Number</li> <li>• Date Joined Scheme (if adjusted)</li> <li>• Confirmation of 50/50 or 100/100 scheme entry</li> </ul> <p>NB. An Employee can easily exceed HMRC Annual Allowance if their pay increases. You therefore are asked to inform the Fund of:</p> <ul style="list-style-type: none"> <li>• Augmentation,</li> <li>• Honorariums</li> <li>• AVC contributions</li> </ul> <p>Further information is available from the fund on this issue or visit the page on 'Monthly returns' on the website <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> <p><b>Absence</b>            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.</p> <p>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.</p> <p>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 <a href="http://www.lgpsmember.org">www.lgpsmember.org</a> so they can calculate the cost to buy back the 'lost' pension.</p> <p><b>Types of absences include:</b></p> <ul style="list-style-type: none"> <li>• Maternity, Paternity and Adoption</li> <li>• Paid &amp; Unpaid leave of absence</li> <li>• Industrial Action (SCAPC not available)</li> <li>• Any other material/authorised period of absence</li> </ul> <p><b>See section 'ADDITIONAL PENSION CONTRIBUTIONS (APCs) and SHARED COST APC's' for further information.</b></p>	<p>To provide template forms and spreadsheets for recording any key changes in circumstance and to provide advice on the secure submission of data electronically.</p> <p>To accurately record and update member records on pension administration systems within four weeks of notification or any shorter period as requested by the employer with regard to specific requirements.</p> <p>To highlight annually if an individual has exceeded their Annual Allowance.</p>

### ANNUAL RETURN, VALUATION & ANNUAL BENEFIT STATEMENTS

EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To provide the Fund with year-end information to 31 March each year in an approved format no later than 30 April or the next working day.</p> <p>The information should be accompanied by a final statement; 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.</p> <p>To provide any additional information that may be requested for the production of Annual Benefit Statements for service up until the 31st March in each particular year by the 30 April each year.</p> <p>To provide the Fund with up to date and correct information as requested in accordance with agreed timescales and the regulations.</p> <p>To ensure that all errors highlighted from the annual contribution and pensionable pay posting exercise are responded to and corrective action taken promptly.</p>	<p>To process employer year end contribution returns within three months of receipt i.e. 30th April, or within three months of receipt of the information if later.</p> <p>To produce annual benefit statements for all active members by 31st August and to provide Annual Allowance information by the 5th October each year.</p> <p>Statements will also be produced for deferred members, but no information from employers will be required. Employers must ensure that all leavers are notified to the pension's team.</p> <p>To provide data to the Fund Actuary and Government Actuary's Department to enable employer contribution rates to be accurately determined.</p> <p>To provide an electronic copy of the valuation report and contributions certificate to each employer.</p>

RETIREMENT, TRANSFER, DIVORCE ESTIMATES / OUT SOURCINGS ETC	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To submit a request using forms PEN010 by post or attaching it to an e-mail.</p> <p>For larger bulk estimates, requests can be made in alternative agreed formats.</p> <p>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;</p> <ul style="list-style-type: none"> <li>• Employee requests e.g. Transfer requests, divorce requests, retirement.</li> <li>• Actuary Requests e.g. Triennial Valuation, FRS17/IAS 19</li> <li>• Staff transfers e.g. Outsourcings etc.</li> </ul>	<p>To issue the individual quotations within seven working days of receiving the request or by separate agreed timescales for bulk requests.</p> <p>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).</p>

ACTUAL RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>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.</p> <p>Further information can be found in the Employers Guide via <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p>	<p>To issue the member with a letter and benefits information within seven days of employer's notification.</p> <p>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.</p> <p>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.</p>

ILL HEALTH RETIREMENTS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>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.</p> <p>Arrange for completion of the PEN007 and then submit to the Fund with all related paperwork.</p> <p>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.</p> <p>To review all Tier 3 ill health retirement cases prior to discontinuance at three years. Further information on Ill health retirements can be found on the employers pages on our website <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p>	<p>To calculate and pay required benefits in line with actual retirement timescales.</p> <p>To assist the employer in performing their legislative responsibility to review Tier 3 ill health cases at eighteen months.</p>

MEMBERS LEAVING EMPLOYMENT BEFORE RETIREMENT	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>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.</p>	<p>To accurately record and update member records on the pension administration system.</p> <p>To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement within one month of receiving all relevant information.</p>

FORMER MEMBERS WITH DEFERRED BENEFITS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required:</p> <ul style="list-style-type: none"> <li>• Name &amp; Last known address</li> <li>• National Insurance Number</li> <li>• Payroll Number</li> <li>• Date of Birth</li> <li>• Last job including job description</li> <li>• Salary details</li> <li>• Date and reason for leaving</li> </ul> <p>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 waived on compassionate grounds.</p>	<p>To record and update member records on pension administration system.</p> <p>To provide former members, where possible, an annual benefit statement of their deferred benefits updated by accrued annual pensions increase awards.</p> <p>To provide estimates of benefits that may be payable and any resulting employer costs within seven days of request.</p>

DEATH IN SERVICE & TERMINAL ILLNESS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>To inform the Fund immediately on the death of an employee, or when a member is suffering from a potentially terminal illness and provide details of next of kin.</p> <p>Further information can be found on the employers pages of our website <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p>	<p>To assist employers, employees and their next of kin in ensuring the pension options are made available and that the payment of benefits are expedited in an appropriate and caring manner.</p>

FINANCIAL OBLIGATIONS	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>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 <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p> <p>Each payment must be accompanied by the agreed monthly statement providing:</p> <ul style="list-style-type: none"> <li>• the breakdown of the payment, at employee level (if not using iConnect).</li> <li>• Employee 100/100 (main scheme) contributions</li> <li>• Employee 50/50 scheme contributions</li> <li>• Employee additional contributions</li> <li>• Employer contributions</li> <li>• Employer SCAPC contributions</li> <li>• Deficit payment</li> </ul> <p>To pay all rechargeable items to the Fund on receipt of the invoice. Benefits will not commence until the invoice is paid.</p>	<p>To allocate the received contributions to each employers record.</p> <p>Interest may be charged for late payment in the following circumstances;</p> <ul style="list-style-type: none"> <li>• Employer contributions (including deficit payment) are overdue if they are received a month later than the due date specified.</li> <li>• All other payments are overdue if they are not received by the due date specified.</li> </ul> <p>Inform each employer of any new contribution bandings tables.</p> <p>Inform employers of any rechargeable items as they become due.</p>

ADDITIONAL PENSION CONTRIBUTIONS (APCS) AND SHARED COST APC'S (SCAPCS)	
EMPLOYERS' RESPONSIBILITY	FUND'S RESPONSIBILITY
<p>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.</p> <p>To calculate and collect from the employee payroll contributions and to arrange the prompt payment to the Fund, according to the published schedule and to be no later than the 19th of the month following deduction. More information can be found in the Employers Guide on <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a></p>	<p>To provide information on APCs to members/employers through <a href="http://www.shropshirecountypensionfund.co.uk">www.shropshirecountypensionfund.co.uk</a> where a modeller can be found.</p>

## Standards of data

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

- the Occupational Pensions Schemes
- (Disclosure of Information) Regulations 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](mailto:governance@shropshire.gov.uk)

**Visit the website:** [www.shropshire.gov.uk](http://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, Governance<sup>3</sup> 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](http://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.



# 03: FUNDING STRATEGY STATEMENT



AGREED BY PENSIONS COMMITTEE ON 20 MARCH 2014

## APPENDICES

- 67. APPENDIX 01**  
GOVERNANCE COMPLIANCE STATEMENT
- 79. APPENDIX 02**  
ADMINISTRATION STRATEGY STATEMENT
- 91. APPENDIX 03**  
FUNDING STRATEGY STATEMENT
- 101. APPENDIX 04**  
STATEMENT OF INVESTMENT PRINCIPLES
- 109. APPENDIX 05**  
COMMUNICATIONS POLICY STATEMENT
- 119. APPENDIX 06**  
REPORTING BREACHES POLICY STATEMENT
- 129. APPENDIX 07**  
TRAINING POLICY STATEMENT

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

## **1. INTRODUCTION**

The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (“the Administration Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a FSS. The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with 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 Statement of Investment Principles (SIP) for the SCPF published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

Benefits payable under the SCPF are guaranteed by statute and thereby the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

The Scheme is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”)

benefits earned thereafter. There is also the introduction of a “50:50 Scheme Option”, where members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution.

The benefits provided by the SCPF are specified in the governing legislation (the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) (“the BMC Regulations”) and the Administration Regulations referred to above). New legislation contained in the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”) governs the SCPF from 1 April 2014. The required levels of employee contributions from 1 April 2014 are also specified in the 2013 Regulations.

Employer contributions are determined in accordance with the Administration Regulations which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the SCPF should be set so as to “secure its solvency”, whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

## **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 purpose of this Funding Strategy Statement is:**

- to establish a clear and transparent fund-specific strategy which will identify how employers’ pension liabilities are best met going forward;
- to support the regulatory requirement to maintain as nearly constant employer

- contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the SCPF 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 SCPF

#### The aims of the Fund are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- maximise the returns from investments within reasonable risk parameters.

#### 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 scheme benefits, transfer values, costs, charges and expenses as defined in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended), the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended), the 2013 Regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

### 4. RESPONSIBILITIES OF THE KEY PARTIES

#### The Administering Authority should:

- collect employer and employee contributions
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the SCPF's actuary
- prepare and maintain an FSS and a SIP,

both after due consultation with interested parties, and

- monitor all aspects of the SCPF's performance and funding and amend FSS/SIP.

#### 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
- exercise discretions within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

#### The Fund actuary should:

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

### 5. SOLVENCY ISSUES AND TARGET FUNDING LEVELS

#### Funding Objective

To meet the requirements of the Administration Regulations 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. In the long term, the employer rate would ultimately revert to the Future Service Contribution Rate.

## Determination of the Funding Target and Recovery Period

The principal method and assumptions to be used in the calculation of the funding target are set out in Appendix 1.

Underlying these assumptions are the following two tenets:

- that the Scheme is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Administering Authority to take a longer term view when assessing the contribution requirements for certain employers. As part of this valuation, when looking to potentially stabilise contribution requirements, the Administering Authority will consider whether the following can be built into the funding plan:

- some allowance for changes in market conditions that have occurred since the valuation date;
- some further allowance for interest rates and bond yields to revert to higher levels over the medium to long term.

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.

As part of each valuation separate employer contribution rates are assessed by the 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 in the Scheme.

In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole (except where an employer adopts a bespoke investment strategy – see below).

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2013 actuarial valuation:

- A default recovery period of 19 years will apply.
- In addition, at the discretion of the Administering authority, a maximum deficit recovery period of 25 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).
- In current circumstances, as a general rule, the Fund does not believe it appropriate for contribution reductions to apply. As a result, employers' contributions will be subject to a "floor", such that total contributions are not reduced relative to the 2010 valuation contribution plan, unless this can be achieved using a deficit recovery period lower than the default.
- The employer contributions will be expressed and certified as two separate elements:
  - a percentage of pensionable payroll in respect of the future accrual of benefit
  - a schedule of lump sum amounts over 2014/17 in respect of the past service deficit, subject to review from April 2017 based on the results of the 2016 actuarial valuation.
- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. The full termination policy can be found on our website:

[www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

However, the Administering Authority has ultimate discretion where the particular circumstances of any given Employer warrant a variation from these objectives.

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

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

### **Deficit Recovery Plan**

If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

Additional contributions will be expressed as annual monetary lump sums, subject to review based on the results of each actuarial valuation. In determining the actual recovery period to apply for any particular employer to 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 the 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.
- length of expected period of participation in the Fund.

The assumptions to be used in these Recovery Plan calculations are set out in Appendix 2.

### **The Normal Cost of the Scheme (Future Service Contribution Rate)**

In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the "normal cost"). The method and assumptions for assessing these contributions are also set out in Appendix 1.

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

The results of the 2013 valuation show the liabilities at 31 March 2013 to be 76% covered by the current assets, with the funding deficit of 24% being covered by future deficit contributions.

In assessing the value of the SCPF's liabilities in the valuation, allowance has been made for asset out-performance as described in Appendix 1, taking into account the investment strategy adopted by the SCPF, as set out in the SIP.

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 closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts. Investment of the SCPF's assets in line with the least risk portfolio would minimise fluctuations in the SCPF's ongoing funding level between successive actuarial valuations.

Departure from a least risk investment strategy, in particular to include equity type investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

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

ASSET CLASS (SUMMARY)	%
Unconstrained Global Equity	24.0
UK Equity	8.0
Passive Equity	20.0
European (Incl UK) Property	5.0
Private Equity	5.0
Infrastructure	3.0
Fund of Hedge Funds	5.0
Multi-Strategy Hedge Funds	5.0
UK Index Linked Bonds	10.0
Global Aggregate Bonds	5.0
Global Credit	5.0
Absolute Return Bonds	5.0

The funding strategy adopted for the 2013 valuation is based on an overall assumed asset out-performance of 1.75% per annum over and above the returns on long-dated gilts.

**7. IDENTIFICATION OF RISKS AND COUNTER MEASURES**

The funding of defined benefits is by its nature uncertain. Funding of the SCPF is based on both financial and demographic assumptions. These assumptions are specified in the Appendices and 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 actuary that the greatest risk to the SCPF's funding is the investment risk inherent in the predominantly equity (or return seeking) based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the overall out-performance assumed in the long term.

**What are the Risks?**

**Financial**

- Investment markets fail to perform in line with expectations
- Market yields move 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
- Effect of possible increase in employer's contribution rate on service delivery and admitted/scheduled bodies

**Demographic**

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)

**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**

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

**Governance**

- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements)
- Administering Authority not advised of an employer closing to new entrants

An employer ceasing to exist with insufficient funding or adequacy of a bond.

- Changes in Committee membership.

## 8. MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with employing organisations.

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 then 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
- if there have been significant changes to the SCPF membership, or LGPS benefits
- if there 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 e.g. closure to new entrants
- if there have been any significant special contributions paid into the SCPF

### **Shropshire Council as Administering Authority for the Shropshire County Pension Fund**

## APPENDIX 1: ACTUARIAL VALUATION AS AT 31 MARCH 2013

### METHOD AND ASSUMPTIONS USED IN CALCULATING THE FUNDING TARGET

#### **Method**

The actuarial method to be used in the calculation of the 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 scheme 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 (the Attained Age method), which makes advance allowance for the anticipated future ageing and decline of the current closed membership group.

#### **Financial assumptions**

##### **Investment return (discount rate)**

A yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the Scheme's accrued liabilities, plus an Asset Out-performance Assumption ("AOA") 1.75% per annum.

The asset out-performance assumptions represent the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date.

##### **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 Scheme's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- 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 implied by the market at the valuation date is 1.0% per annum.

### **Salary increases**

The assumption for real salary increases (salary increases in excess of price inflation) in the long term will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. However, allowance has been made for expected short term pay restraint for all employers in the fund. The resultant salary increase assumption for the first three years is 1% per annum.

### **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 RPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

### **Demographic assumptions**

#### **Mortality**

The mortality in retirement assumptions will be based on 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 scheme. The mortality tables used are set out below, which include adjustments reflecting the SCPF characteristics. 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. Existing ill health retirees are assumed to be 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 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 assumption 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 retirement in normal health and in ill health and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, allowing for take-up of the 50:50 option will be made up to a maximum of 10% of current and future members for certain employers (who have sufficient size of current contributing members). Other assumptions are as per the last valuation.

### **Expenses**

Expenses are met out the Fund, in accordance with the Regulations. Administration expenses are allowed for by adding 0.5% 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

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target except that the financial assumptions adopted will be as described below.

The financial assumptions for assessing the future service contribution rate should take account of the following points:

- contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date; and
- the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities.

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 return (i.e. return in excess of price inflation)

of 3.0% per annum, with a long term average assumption for consumer price inflation of 2.6% per annum. These two assumptions give rise to an overall discount rate of 5.6% p.a (i.e. 3.0% plus 2.6%).

Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the “Common Rate” of contributions. In market conditions at the effective date of the 2013 valuation this approach gives rise to a slightly more optimistic stance (i.e. allows for a higher AOA) in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target.

At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position.

## Summary of key whole Fund assumptions used for calculating funding target and cost of future accrual (the “normal cost”) for the 2013 actuarial valuation

LONG-TERM GILT YIELDS	
Fixed interest	3.2% p.a.
Index linked	-0.4% p.a.
PAST SERVICE FUNDING TARGET FINANCIAL ASSUMPTIONS	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.
FUTURE SERVICE ACCRUAL FINANCIAL ASSUMPTIONS	
Investment return	5.6% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.*
Pension increases/indexation of CARE benefits	2.6% p.a.

\*For past service liability calculations only, in the short term salaries are assumed to increase at 1% per annum for three years.

## Demographic assumptions

The post retirement mortality tables adopted for this valuation are as follows:

LIFE EXPECTANCY AT 65 IN 2013		BASE TABLE	ADJUSTMENT	IMPROVEMENT MODEL	LONG TERM RATE
CURRENT ANNUITANTS	Normal Health	S1PxA	89% / 89%	CMI_2012	1.5%
	Ill Health	S1PxA	Normal health + 3 years	CMI_2012	1.5%
	Dependants	S1PMA / S1DFA	139% / 104%	CMI_2012	1.5%
	Future Dependants	S1PMA / S1DFA	104% / 94%	CMI_2012	1.5%
CURRENT ACTIVES / DEFERREDS	Actives normal health	S1PxA	89% / 84%	CMI_2012	1.5%
	Actives ill health	S1PxA	Normal health + 4 years	CMI_2012	1.5%
	Deferreds	S1PxA	106% / 96%	CMI_2012	1.5%
	Future dependants	S1PMA / S1DFA	101% / 94%	CMI_2012	1.5%

Other demographic assumptions are noted below:

Withdrawal	As for 2010 valuation
Other demographics	Based on LG scheme specific experience.
50:50 Option	Up to 10% take-up for certain employers

## APPENDIX 2: ASSUMPTIONS USED IN CALCULATING CONTRIBUTIONS PAYABLE UNDER THE RECOVERY PLAN

The contributions payable under the recovery plan are calculated using the same assumptions as those used to calculate the funding target, with the two exceptions.

### Changes in Financial Conditions after the Valuation Date

Subsequent to the valuation date, market conditions moved such that the funding position improved, most notably due to an increase in long-dated real yields. It has been agreed that these funding level improvements, as measured approximately up to the end of August 2013, will be taken into account in determining the recovery plans for employers.

### Further Future Yield Reversion

In addition to the above, for certain employers which are considered by the Administering Authority to provide a high level of financial covenant and are required to increase contributions (compared to the 2014/15 levels that would have been payable under the previous funding plan), an allowance may be

made as part of the recovery plan for interest rates and bond yields to revert to higher levels over a period of 10 years.

In isolation, the effect of this increase in yields is to reduce the funding deficit by primarily lowering the value of the fund's liabilities over time, thus reducing the level of deficit contributions required by the employer during the recovery period. The effective further increase in fixed and index linked gilt yields, as measured as at 31 August 2013, is 0.4% p.a. reflecting assumed increases in gilt yields over a 10 year period.

As indicated above, this variation to the assumptions in relation to the recovery plan can only be applied for those employers which the Administering Authority deems to be of sufficiently high financial covenant to support the anticipation of increased gilt yields over the entire duration of the recovery period. No such variation in the assumptions will apply in any case to any employer which does not have a funding deficit at the valuation (and therefore for which no recovery plan is applicable). Where a funding deficit exists the impact of the anticipated increases in gilt yields will be limited so that the total employer contributions emerging from the valuation will be no less the 2014/15 levels that would have been payable under the previous funding plan.

# 04: STATEMENT OF INVESTMENT PRINCIPLES

AGREED BY PENSIONS COMMITTEE ON NOVEMBER 2015

## APPENDICES

- 67. APPENDIX 01**  
GOVERNANCE COMPLIANCE STATEMENT
- 79. APPENDIX 02**  
ADMINISTRATION STRATEGY STATEMENT
- 91. APPENDIX 03**  
FUNDING STRATEGY STATEMENT
- 101. APPENDIX 04**  
STATEMENT OF INVESTMENT PRINCIPLES
- 109. APPENDIX 05**  
COMMUNICATIONS POLICY STATEMENT
- 119. APPENDIX 06**  
REPORTING BREACHES POLICY STATEMENT
- 129. APPENDIX 07**  
TRAINING POLICY STATEMENT

## 1. INTRODUCTION

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

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

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

Shropshire Council is the Administrating Authority for the Fund

The Pensions Committee consulted with employing bodies and received written advice from the Fund's investment consultant, Aon Hewitt, on this statement.

There are close links between this statement and two other statements. The Funding Strategy Statement ("FSS") sets out the main aims of the fund and explains how employers' contribution rates are set to achieve those aims. The Governance Compliance Statement sets out the structure of delegations of responsibilities for the Fund.

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

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

## 2. GOVERNANCE

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

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

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

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

### 2.1 ADVICE AND CONSULTATION

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

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

The Fund'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.

## 2.2 LIABILITIES

The LGPS 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 for active members;
- price inflation for pensioners; and
- long-term interest rates.

## 2.2 MATURITY AND CASHFLOW

The Fund remains open to new members and new accruals. Contributions are received from both active members and Employing authorities. Active members contribute on a tiered system. Employing authorities contributions are determined based on advice from the Fund's actuary based on the triennial valuation.

## 3. OBJECTIVES

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

## 4. RISKS

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

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

- asset-liability mismatch risk (asset allocation risk)
- the need to pay benefits when due (cash-flow risk)

- actions by the investment managers (investment risk)
- the failure of some investments (concentration risk)
- currency and counterparty risk
- custody risk

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

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

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

## 5. STRATEGIC ASSET ALLOCATION

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

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

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

- the advisability of investing money in a wide variety of investments
- the suitability of particular investment and types of investment
- The Committee will consider a full range of investment opportunities including:
  - quoted and unquoted equity
  - government and non-government bonds
  - Liability Driven Investment (LDI)
  - property and infrastructure
  - hedge funds and other alternative investments

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

## 5.1 EXPECTED RETURN ON INVESTMENTS

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

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

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

Expected annualised returns are formulated for each asset class based on long term capital market assumptions, using ten year expected returns and volatilities. The returns and volatilities used for each asset class are shown in the table below, and represent the current 10 year annualised nominal return assumptions from Aon Hewitt at 31 December 2013 (as used in the Asset-Liability Modelling study carried out in May 2014) and at 30 September 2015.

ASSET CLASS	31 DECEMBER 2013		30 SEPTEMBER 2015	
	EXPECTED RETURN %	VOLATILITY %	EXPECTED RETURN %	VOLATILITY %
UK Equities	7.7	20.0	7.3	19.0
Global Unconstrained Equities	10.1	21.8	8.9	21.4
Global Passive Equities	7.7	19.8	7.3	20.5
UK Property	7.1	14.5	6.0	12.5
UK Gilts (15 year duration)	3.6	11.0	2.6	11.0
UK Investment Grade Corporate Bonds (10 year duration)	4.3	9.0	3.5	9.0
UK Index-Linked Gilts (15 year duration)	2.6	9.0	1.9	9.0
Unconstrained Bonds	-	-	5.7	10.0
Global Fund of Hedge Funds	5.4	8.0	4.6	9.0
Multi-Strategy Hedge Funds	5.9	8.3	6.3	12.0
Global Private Equity	9.2	26.0	9.1	27.5
Infrastructure (USD)	8.1	20.4	7.0	19.0
Inflation (CPI)	2.3	-	2.0	-

## 5.2 INVESTMENT STRATEGY

The Fund's strategic asset allocation was agreed by Pensions Committee in September 2015 and following implementation, will be as follows:

ASSET CLASS	ALLOCATION	CONTROL RANGES
<b>TOTAL EQUITY</b>	<b>52.0</b>	<b>47.0 – 57.0</b>
Unconstrained Global Equity	24.0	20.0 – 28.0
UK Equity	8.0	5.5 – 10.5
Passive Equity (100% Hedged to GBP)	20.0	16.0 – 24.0
<b>TOTAL ALTERNATIVES</b>	<b>23.0</b>	<b>18.0 – 28.0</b>
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
<b>TOTAL BONDS</b>	<b>25.0</b>	<b>20.0 – 30.0</b>
Liability Driven Investment (LDI)	3.5	2.0-5.0
Unconstrained Bonds	21.5	17.5-25.5

## 5.3 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.

## 5.4 CURRENCY HEDGING POLICY

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

## 6. IMPLEMENTATION

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

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

The Committee also avails of passive management where they believe the extra risk and costs of active management would not benefit the Fund and to manage overall risk. The activities of each manager are governed by their Investment Management Agreement. This includes details on the portfolio performance objectives and risk limits as well as information on permissible investments.

## 6.1 SELECTION & REALISATION OF INVESTMENT

Each investment manager has full discretion in terms of stock selection within the constraints of the investment management agreement signed

with each manager. The majority of investments held within the Fund are quoted on major markets and may be realised quickly, if required. Certain asset classes, Hedge funds, Private Equity, Property and Infrastructure are relatively illiquid and may take longer to realise, if required.

The current list of investment managers and pooled funds used with a view to implementing the above strategy is set out in the Appendix A to this document. The Appendix is included for information only, and does not form part of the Statement of Investment Principles.

### 6.3 SECURITY LENDING

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

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

### 6.2 CUSTODY

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

## 7. REVIEW AND CONTROL

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

### 7.1 PERFORMANCE MEASUREMENT

The Committee monitors the strategy and its implementation as follows.

- The Committee receives, on a quarterly basis, a written report on the returns of the fund and asset classes together with supporting analysis.
- The performance of the total fund is also measured against the strategic benchmark, which is comprised of the

asset class benchmarks weighted by the strategic allocations, and against agreed 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.

### 7.2 SERVICE PROVIDER MONITORING

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

## 8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND EXERCISE OF RIGHTS

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

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.

The Fund is also a member of the Local Authorities Pension Fund Forum (LAPFF), which seeks to combine like-minded bodies to promote the above issues. At present 64 Local Authorities are members of this forum with a combined asset value of 75% of local government pension fund assets.



## 8.1 MYNERS INVESTMENT PRINCIPLES

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

## 9. INVESTMENT MANAGER AND ADVISER FEES

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

## APPENDIX A: CURRENT INVESTMENT MANAGERS

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

This appendix shows the position at September 2015 and has been appended to the Statement of Investment Principles for information only, and does not form part of the Statement.

INVESTMENT MANAGER	ASSET CLASS	BENCHMARK	TARGET
<b>ACTIVE PORTFOLIOS</b>			
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	+2% 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.
<b>INDEXED (PASSIVE ) PORTFOLIOS</b>			
Legal & General Investment Management	Global Equity	FTSE Developed World – GBP Currency Hedged	Match benchmark

# APPENDIX B: MYNERS PRINCIPLES COMPLIANCE STATEMENT

PRINCIPLE	COMPLY OR EXPLAIN	COMMENT/EXAMPLES	DEVELOPMENT NEEDS
<b>1. Effective decision making</b> <ul style="list-style-type: none"> <li>Administrating authorities should ensure that: <ul style="list-style-type: none"> <li>decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation</li> <li>Those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive and manage conflicts of interest</li> </ul> </li> </ul>	Comply	Pensions Committee takes decisions relating to setting investment objectives and strategic asset allocation, appointment of investment managers. Pensions Committee members, substitute members and officers participate in an annual training day, attend educational seminary and receive occasional papers and presentations at committee meetings. The training requirements of new Pensions Committee members are addressed and appropriate training programmes made available, with a formal Training Programme being submitted to the Committee for consideration on an annual basis. The Pension Board provide assurance and good governance around the Pension Committee and the process.	
<b>2. Clear Objectives</b> <ul style="list-style-type: none"> <li>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</li> </ul>	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.	
<b>3. Risk and liabilities</b> <ul style="list-style-type: none"> <li>In setting and reviewing their investment strategy administrating authorities should take account of the form and structure of liabilities.</li> <li>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk</li> </ul>	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.	
<b>4. Performance assessment</b> <ul style="list-style-type: none"> <li>Arrangements should be in place for formal measurement of performance of the investments, investment managers and advisors</li> <li>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</li> </ul>	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.	
<b>5. Responsible ownership</b> <ul style="list-style-type: none"> <li>Administrating authorities should</li> <li>Adopt or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents</li> <li>Include a statement of their policy on responsible ownership in the statement of investment principles</li> <li>Report periodically to scheme members on the discharge of such responsibilities</li> </ul>	Comply	The SIP includes a statement on responsible ownership. An independent advisor is appointed to engage with companies on socially responsible issues and voting at company meetings is effected through the Fund's investment managers.	
<b>6. Transparency and reporting</b> <ul style="list-style-type: none"> <li>Administrating authorities should</li> <li>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</li> <li>Provide regular communication to scheme members in the form they consider most appropriate</li> </ul>	Comply	A range of documents are published relating to the Fund's investment management and governance including the Governance Compliance Statement, Funding Strategy Statement, Statement of Investment Principles, Communication Policy Statement and Annual report and accounts. These documents are available in full on the Fund's website and any amendments are published.  Stakeholders are also invited to attend the annual meeting of the scheme.	

# 05: COMMUNICATIONS POLICY STATEMENT



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AGREED BY PENSIONS COMMITTEE ON 26 JUNE 2015

## APPENDICES

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- 67. APPENDIX 01**  
GOVERNANCE COMPLIANCE STATEMENT
- 79. APPENDIX 02**  
ADMINISTRATION STRATEGY STATEMENT
- 91. APPENDIX 03**  
FUNDING STRATEGY STATEMENT
- 101. APPENDIX 04**  
STATEMENT OF INVESTMENT PRINCIPLES
- 109. APPENDIX 05**  
COMMUNICATIONS POLICY STATEMENT
- 119. APPENDIX 06**  
REPORTING BREACHES POLICY STATEMENT
- 129. APPENDIX 07**  
TRAINING POLICY STATEMENT

**This statement has been prepared by Shropshire Council (the Administering Authority) to set out the communications strategy for the Shropshire County Pension Fund (the scheme), in accordance with Regulation 61 of the Local Government Pension Scheme (Administration) Regulations 2013.**

Shropshire Council, in its capacity as 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 of 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](http://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](http://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](http://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](http://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](http://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](http://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 an 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](mailto:information;governance@shropshire.gov.uk)  
**Or visit the website at:**  
[www.shropshire.gov.uk/access-to-information/](http://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](mailto:information.request@shropshire.gov.uk)

## 7. FURTHER INFORMATION

### Further information can be obtained from:

**Pensions Helpline:** (01743) 252130

**Email:** [pensions@shropshire.gov.uk](mailto:pensions@shropshire.gov.uk)

**Web:** [www.shropshirecountypensionfund.co.uk](http://www.shropshirecountypensionfund.co.uk)

FUND PUBLICATIONS AND COMMUNICATIONS				
COMMUNICATION DOCUMENT	WHEN ISSUED	AVAILABLE TO	FORMAT	WHEN REVIEWED
<b>Brief Scheme Guide</b>	Upon commencing employment/ when requested	Prospective/Active/Deferred/ Retired Members/Dependents	Paper/ PDF on Website	As regulations change
<b>Topical Booklets</b>	When required	Active/Deferred/ Retired Members/ Dependents	Paper/ PDF on Website	As regulations change/ new leaflets introduced regularly
<b>Benefit Statements</b>	Annually by 31st August (rolling programme)	Active/Deferred Members/ Pension Credit	Paper /online via Member	Annually
<b>Encouraging New Members Campaign</b>	When Required	Prospective Members	Paper-Flyer	When required
<b>Members Newsletter</b>	As Required	Active/Deferred Members	Paper/PDF	As regulations change/as required
<b>Pension Consultations</b>	As Required	Active Members	Face to face	As required
<b>Retirement Process Booklet</b>	To Retiring Members	Prospective/Active/Deferred/ Retired Members on website	Paper/PDF on website	As regulations change/as required
<b>Service Quality Survey</b>	Continually	Active/Deferred/ Retired Members	Paper/email	As required
<b>Presentations</b>	As Required	Prospective/Active Members	Presentation/ Face to face	As required
<b>Induction Presentations</b>	When requested by employer	Prospective/Active Members	Face to face	As required
<b>Statutory notification</b>	When member record changed	Active Members	Paper	As regulations change/as required
<b>Website</b>	Continually	All Members/ Employers/Fund Managers/ Non Scheme Members	Website	Monthly
<b>Annual Meeting</b>	Annually (November)	All Members/ Employers/Fund Managers	Presentation/ Face to face/ film	Annually
<b>Annual Report</b>	Annually	All Members/ Employers/Fund Managers	Paper/ Website/ Intranet	Annually
<b>Helpdesk</b>	Continually (within Office Hours)	All Members/ Employers/Fund Managers	Face to face/ Telephone/ Paper/E-mail	As required
<b>Correspondence</b>	Continually (within Office Hours)	All Members/ Employers/Fund Managers	Face to face/ Telephone/ Paper/E-mail	As required
<b>Payslip</b>	Monthly	Pensioner Members/ Dependents	Paper/ MyView	Paper copy issued when £5 variation in net pay
<b>P60</b>	Annually (April)	Pensioner Members	Paper/ MyView	Annually
<b>Pensions Increase Notification</b>	Annually (April)	Pensioner Members	Paper	Annually
<b>InTouch- Pensioner Newsletter</b>	Biannually (April/ October)	Pensioner Members	Paper/ Website	Biannually
<b>Retired Members Meeting</b>	Annually (June)	Pensioner Members	Invites by Paper/Face to face/ Website	Annually
<b>Age 100 Pensioners</b>	As Required	Pensioner Members	Paper/Gift	As required
<b>Pensioners Living Abroad</b>	Annually	Pensioner Members	Paper	Annually
<b>Employers Guide including PEN forms</b>	As Required	Employers	Held on Pensions Website	As regulations change/as required
<b>Employers Bulletin</b>	As Required	Employing Authorities	Email alerts	As regulations change/as required
<b>Employer Meetings and Training</b>	As Required	Employing Authorities	Face to face/ Training videos on website	As regulations change/as required
<b>Pension Administration Strategy</b>	Annually and as required	Employing Authorities	PDF on website	Annually
<b>Employer Satisfaction Survey</b>	As Required	Employing Authorities	Paper/ Online survey	Annually

FUND PUBLICATIONS AND COMMUNICATIONS				
COMMUNICATION DOCUMENT	WHEN ISSUED	AVAILABLE TO	FORMAT	WHEN REVIEWED
<b>iconnect</b>	As Required	Employing Authorities	Electronic	As required
<b>Data Transmission</b>	As Required	Employing Authorities	Electronic	As required
<b>Annual Report and Accounts</b>	Annually (October)	All Members	Paper/Website/Intranet/Email	Annually
<b>Valuation Report</b>	Every three years	Employing Authorities/ all Stakeholders	Paper/	Website (Overview)/ AGM Every three years
<b>Statement of Investment Principles (SIP)</b>	Annually	All Members/ Stakeholders	Website	As required
<b>Governance &amp; Compliance Statement</b>	Quarterly	All Members	Website	Quarterly
<b>Pension Committee Training Day</b>	Annually	Committee Members/Fund Staff	Face to face	Annually
<b>Other body Communications inc. SPOG, NIF, Media/ Press, Trade Unions, Joint Communication meeting</b>	As Required	All Relevant Bodies	Paper/ Website/ Face to face	As required
<b>Fund Staff Training and Meetings</b>	Monthly/ as required	Fund Staff	Face to face/ Paper	As regulations change/as required
<b>Email alerts</b>	As required when there is a significant website update /event/ regulation change	All members	Email	As required

# 06: REPORTING BREACHES POLICY STATEMENT

AGREED BY PENSIONS COMMITTEE ON 27 NOVEMBER 2015

## APPENDICES

- 67. APPENDIX 01**  
GOVERNANCE COMPLIANCE STATEMENT
- 79. APPENDIX 02**  
ADMINISTRATION STRATEGY STATEMENT
- 91. APPENDIX 03**  
FUNDING STRATEGY STATEMENT
- 101. APPENDIX 04**  
STATEMENT OF INVESTMENT PRINCIPLES
- 109. APPENDIX 05**  
COMMUNICATIONS POLICY STATEMENT
- 119. APPENDIX 06**  
REPORTING BREACHES POLICY STATEMENT
- 129. APPENDIX 07**  
TRAINING POLICY STATEMENT

## 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, Governance<sup>3</sup> 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:
  - i. a legal duty relating to the administration of the scheme has not been or is not being complied with, and
  - ii. 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](http://www.legislation.gov.uk/ukpga/2004/35/contents)
- Employment Rights Act 1996: [www.legislation.gov.uk/ukpga/1996/18/contents](http://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](http://www.legislation.gov.uk/uksi/2013/2734/contents/made)
- Public Service Pension Schemes Act 2013: [www.legislation.gov.uk/ukpga/2013/25/contents](http://www.legislation.gov.uk/ukpga/2013/25/contents)
- Local Government Pension Scheme Regulations (various): [www.lgpsregs.org/timelineregs/Default.html](http://www.lgpsregs.org/timelineregs/Default.html) (pre 2014 schemes)  
[www.lgpsregs.org/index.php/regs-legislation](http://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](http://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 below 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](http://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:

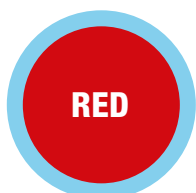
- do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- are not pursuing corrective action to a proper conclusion; or
- fail to notify affected scheme members where it would have been appropriate to do so.

### 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.

## APPENDIX B: TRAFFIC LIGHT FRAMEWORK FOR DECIDING WHETHER OR NOT TO REPORT

**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 below:**



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.



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. 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](http://www.thepensionsregulator.gov.uk/codes/code-related-notifiable-events.aspx)





# 07: TRAINING POLICY STATEMENT



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AGREED BY PENSIONS COMMITTEE ON 18 MARCH 2016

## APPENDICES

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- 67. APPENDIX 01**  
GOVERNANCE COMPLIANCE STATEMENT
- 79. APPENDIX 02**  
ADMINISTRATION STRATEGY STATEMENT
- 91. APPENDIX 03**  
FUNDING STRATEGY STATEMENT
- 101. APPENDIX 04**  
STATEMENT OF INVESTMENT PRINCIPLES
- 109. APPENDIX 05**  
COMMUNICATIONS POLICY STATEMENT
- 119. APPENDIX 06**  
REPORTING BREACHES POLICY STATEMENT
- 129. APPENDIX 07**  
TRAINING POLICY STATEMENT

## 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](http://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

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**SHROPSHIRE COUNTY PENSION FUND**  
ANNUAL REPORT 2015/16

**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](mailto:pensions@shropshire.gov.uk)



<u>Committee and date</u> Pensions Committee	<u>Item</u>
21 September 2016	<b>10</b>
10.00am	Public

## PENSIONS ADMINISTRATION MONITORING REPORT

**Responsible Officer** Debbie Sharp

Email: Debbie.sharp@shropshire.gov.uk

Tel: 01743 252192

Fax: N/A

### 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.

#### 4. Performance and Team Update

- 4.1 The team's output and performance level to the end of July 2016 is attached at **Appendix A**.
- 4.2 Tasks which became due during the last few months have started to decrease sharply since May 2016 and procedures processed has risen to just under 1500. This is as a result of the amount of work undertaken to ensure the accuracy of the data which was sent to the Scheme Actuary for the 2016 Fund Valuation.
- 4.3 All records held had to be at the correct member status for the valuation to be processed. This meant processing all leavers, transfers and aggregation of records for changes up to 31 March 2016. Valuation Extracts and all supplementary data was sent to Mercer, the Fund Actuaries, on time. A small number of queries were received back from them and these were all responded to promptly.
- 4.4 Data also had to be sent to the Government Actuaries Department for the cost cap Valuation by 1 September 2016. This was completed on time.
- 4.5 As well as the LGPS Fund Valuation, the team have had to provide data to GAD for the Firefighters Pension Scheme, as they are third party Administrators for the Shropshire and Wrekin Fire Authority. A new Fire Fighters Pension Scheme came into force on 1 April 2015, this has meant more data needed to be input onto individual records. The team successfully met GAD's deadline for this submission deadline of 12 August 2016.
- 4.6 Data was also sent by the deadline to CIPFA for the Benchmarking exercise. Results from this will be reported later in the year.

#### 5. Help Desk Statistics

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

	May 2016	June 2016	July 2016
Telephone calls received	702	684	703
Queries dealt with by helpdesk at first point of contact %*	89.32%	89.33%	89.47%



Users visiting the Website	2120	1922	5112
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\* 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.

## 6 Communications

### 6.1 Annual Benefit Statements 2016

Annual Benefit Statements for deferred members were issued at the end of July 2016. The statement artwork, along with the accompanying newsletter, was produced as a joint project with 7 other Funds. Deferred members were informed that next year's statements will be issued electronically via the Fund website, unless individual members opt to continue to receive a paper statement. Members who left during 2015/16 were not able to be issued with a statement due to the software providers not being able to implement the negative revaluation (tapered according to their leave date) in time. This was as a result of the delayed instruction from the government on how the negative revaluation was to be implemented. This will be fixed in a later software release. In the meantime the individuals have been written to so that they are aware of the delay.

6.2 Annual Benefit Statements for the majority of active members have been issued securely via the Fund's website with only a small number requesting a paper copy. Members can view their statement and print a copy via Member Self Service. An email was sent to all users of Member Self Service once the statements were available. Members who have yet to register for this service will be sent an activation key during September.

6.3 The notes that accompanied this year's statement were assessed by the Plain English Campaign and were awarded their Crystal Mark. These notes will be uploaded to Member Self Service for members to view.

### 6.4 Employers Discretions Policy

As reported in June Regulation 60 of the Local Government Pension Scheme regulations 2013 state that a Scheme employer must prepare a written statement of its policy in relation to the exercise of its functions under the regulations and share a copy with the administering authority before 1st July 2014. Employers were asked to provide their policy by the 30 June 2016. 27 are still outstanding and these will be recorded on the Fund's breaches log.

## 7. Further Education and Sixth Form College insolvency consultation

7.1 It has been drawn to the Fund's attention that earlier this year, the Skills Funding Agency (which funds further education in England) began to publish a list of colleges for which it had issued a notice of

concern. The list is updated on the first working day of every month and, when a college no longer has a notice of concern against it, the college is removed from the next published list. There are two colleges on the current list that are in the Shropshire Fund; North Shropshire College and Telford College of Arts and Technology.

- 7.2 The Government have consulted on the development of an insolvency regime for further education (FE) and sixth form (SF) colleges in England. It is understood that DfE received a good response to the consultation and that the Government will shortly be issuing their formal response, which will touch on some of the main issues that affect LGPS Funds in particular:
- The risk of colleges becoming insolvent and being unable to meet their pension liabilities.
  - The lack of engagement by colleges with LGPS funds in the area review process
- 7.3 It should be noted that the responsible department for this area of work has now changed to the Department for Education (DfE) following changes in departmental responsibilities made at the time of the Government re-shuffle in mid-July.

## **8 Update on exit payment reforms**

- 8.1 The introduction of the Government's policy which will require high earners (earning £80,000 or more) who leave employment in the public sector with an exit payment to repay the exit payment, or a proportion of it, if they return to public sector employment within 12 months, has been delayed.
- 8.2 The intention had been to implement the legislation in July 2016 to take effect in autumn this year. However, Parliament has gone into recess without the appropriate legislation being made. It remains the goal of the Government to implement the proposals in autumn. However, this will depend on how quickly the legislation can be made following the return of Parliament on 5 September. Parliamentary time in September appears to be limited given that there will be a further recess during the party conference season.
- 8.3 The Government has also stated that it intends to implement the public sector £95,000 exit payments cap legislation in autumn.

## **9 Distress and Inconvenience (D&I) payments**

- 9.1 The Pensions Ombudsman has been in touch with the LGPC Secretariat regarding the payment of distress and inconvenience sums by LGPS pension funds.
- 9.2 The Ombudsman and TPAS occasionally come across a view from local authorities that they can only make D&I payments if the Ombudsman issues a determination instructing them to do so. With the

general increase in pension complaints over the past couple of years, the Ombudsman is trying to resolve more cases at an early stage, either when the enquiries get to them or beforehand if possible. The Ombudsman have asked if funds can give greater consideration to making early D&I payments in the future in order to prevent complaints requiring a formal determination from the Ombudsman.

9.3 In the view of the LGPC Secretariat, local authorities in England have the power to make compensation payments under the Localism Act 2011. Whether a compensation payment made by an administering authority can be charged to the pension fund is debateable.

9.4 The Pensions Ombudsman Service has guidance regarding ‘putting things right’ on their website, which includes a link to a factsheet that they have published on non-financial injustice and potential means of redress.

## 10 Consultation on Amendment Regulations

10.1 A previously reported, DCLG commenced a consultation on draft amendment regulations for the LGPS in England and Wales. Amongst other amendments, the consultation covers Fair Deal and changes to AVC provisions in light of the recent Freedom and Choice reforms. A response was sent by officers before the consultation closed on 20th August 2016.

## 11 New pensions minister

11.1 In the Government reshuffle that took place after Theresa May became Prime Minister, the Pensions Minister Ros Altmann left her post. The Conservative MP for Watford, Richard Harrington, has been appointed Parliamentary Under Secretary of State with responsibility for the pensions brief in Baroness Altmann’s place. The Minister for Local Government, Marcus Jones MP, remains in post at DCLG and retains responsibility for the LGPS in England and Wales.

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

Pensions Committee Meeting 28 June 2016 Pensions Administration Report

#### Cabinet Member (Portfolio Holder)

NA

#### Local Member

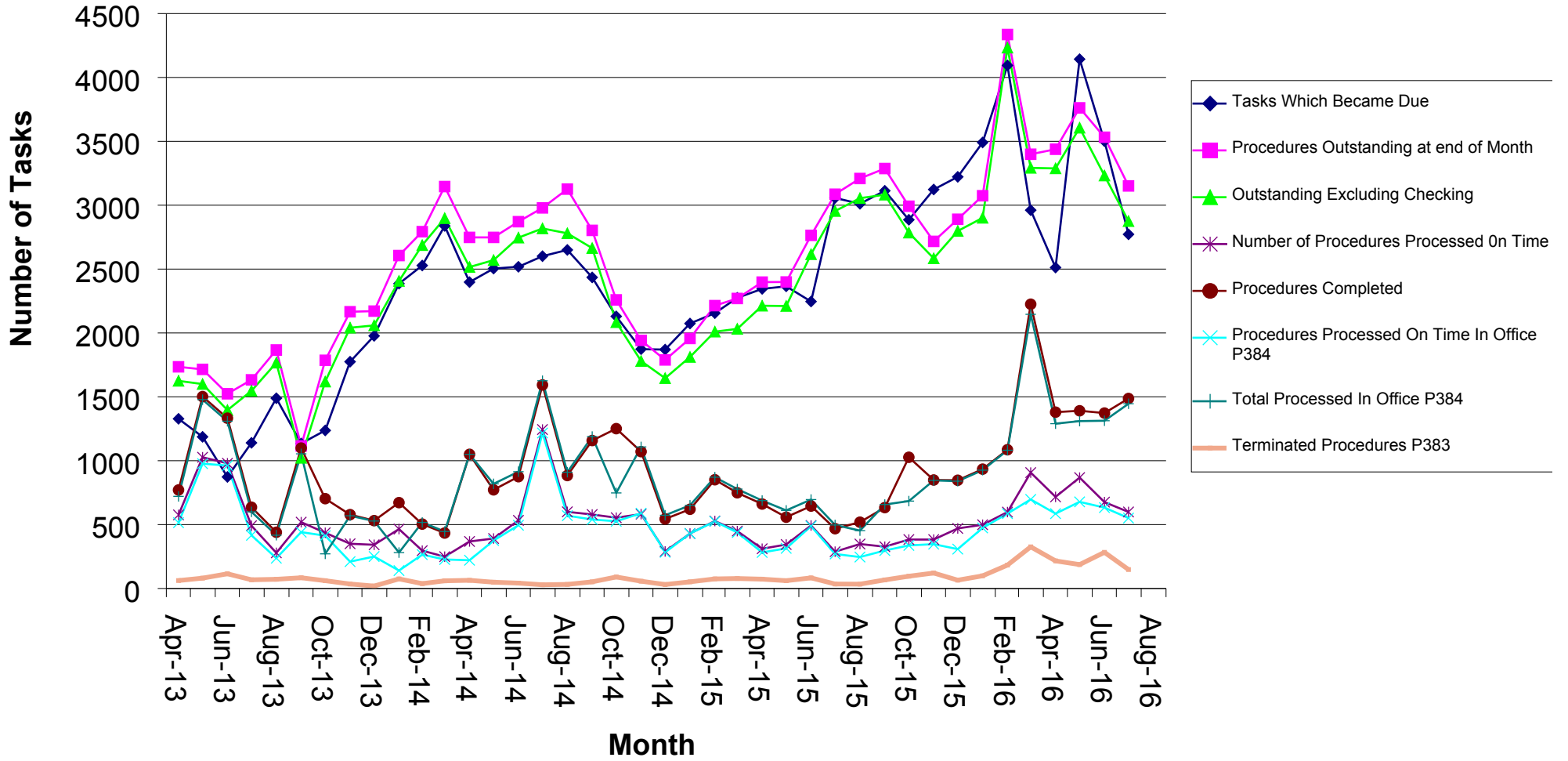
NA

#### Appendices

Appendix A – Performance Monitoring

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### Task Statistics



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<u>Committee and Date</u>
Pensions Committee
21 September 2016
10.00am

<u>Item</u>
<b>11</b>
Public

## CORPORATE GOVERNANCE MONITORING

**Responsible Officer** Ed Roberts

e-mail: [ed.roberts@shropshire.gov.uk](mailto:ed.roberts@shropshire.gov.uk)

Tel: (01743) 252078 Fax (01743) 255901

### 1. Summary

- 1.1 The report is to inform members of Corporate Governance and socially responsible investment issues arising in the quarter 1<sup>st</sup> April 2016 to 30<sup>th</sup> June 2016.

### 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 Opportunities Appraisal

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

### 4. Financial Implications

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

### 5. Background

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

5.2 The Fund is also addressing its social responsibility through a strategy of responsible engagement with companies. 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 28 June 2016

#### Cabinet Member

N/A

#### Local Member

N/A

#### Appendices

A. Manager Voting Activity Reports.

B. BMO Global Asset Management Responsible Engagement Overlay Reports.



# VOTING POLICY



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

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

Below are the specifics of the policy:

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

# VOTING SUMMARY

Over the quarter, Majedie Asset Management voted at a total of 216 meetings on 3,144 resolutions.

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

Number of meetings we voted at this quarter	128	
Number of resolutions	1,878	
Where we voted in line with Management	1,824	(97.1%)
Where we have not voted in line with Management	54	(2.9%)
Where we voted against ISS's recommendation	87	(4.6%)

Source: Majedie, ISS (Institutional Shareholder Services)

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

RESOLUTION	AGAINST MANAGEMENT	AGAINST ISS
Routine/Business	32	37
Remuneration	14	12
Board election & related proposals	8	34
Capitalisation	0	3
Miscellaneous	0	1
Reorg. and Mergers	0	0
Shareholder proposals	0	0
Total	54	87

Sources: Majedie, ISS (Institutional Shareholder Services)

# VOTING BREAKDOWN

SECURITY	MEETING DATE	MEETING TYPE	MAJEDIE VOTE	IN LINE WITH ISS
3i Group (1)	30 Jun 2016	AGM	Against Resolution 14	No
888 Holdings (2)	09 May 2016	AGM	Voted for all	No
Air France KLM (3)	19 May 2016	AGM	Against Resolution 5	Yes
Amerisur Resources	04 May 2016	AGM	Voted for all	Yes
Aminex (4)	18 May 2016	AGM	Voted for all	No
Anglo American (5)	21 Apr 2016	AGM	Abstention on Resolution 16	No
ARM Holdings	28 Apr 2016	AGM	Voted for all	Yes
AstraZeneca (6)	29 Apr 2016	AGM	Against Resolution 7	No
Aviva (7)	04 May 2016	AGM	Against Resolution 19	No
BAE Systems (8)	04 May 2016	AGM	Against Resolution 16	No
Banco Popular Espanol (9)	10 Apr 2016	AGM	Voted for all	No
Barclays	28 Apr 2016	EGM	Voted for all	Yes
Barclays (10)	28 Apr 2016	AGM	Against Resolution 17	No
Barrick Gold	26 Apr 2016	AGM	Voted for all	Yes
blur (11)	16 Jun 2016	AGM	Voted for all	No
BP Group (12)	14 Apr 2016	AGM	Against Resolutions 2, 17	No
Braemar Shipping	30 Jun 2016	AGM	Voted for all	Yes
Cairn Energy	12 May 2016	AGM	Voted for all	Yes
Card Factory (13)	24 May 2016	AGM	Voted for all	No
Carnival	14 Apr 2016	AGM	Voted for all	Yes
Centamin	11 May 2016	AGM	Voted for all	Yes
Central Asia Metals (14)	08 Jun 2016	AGM	Voted for all	No
Centrica (15)	18 Apr 2016	AGM	Against Resolution 17	No
Charlemagne Capital (16)	17 Jun 2016	AGM	Voted for all	No
Charles Taylor (17)	17 May 2016	AGM	Against Resolution 13	No
Citizens Financial	28 Apr 2016	AGM	Voted for all	Yes
CNH Industrial (18)	15 Apr 2016	AGM	Voted for all	No
Coats	18 May 2016	AGM	Voted for all	Yes
Communis	12 May 2016	AGM	Voted for all	Yes
Conviviality	19 May 2016	EGM	Voted for all	Yes
DiamondCorp (19)	15 Jun 2016	AGM	Voted for all	No
Dignity (20)	09 Jun 2016	AGM	Against Resolution 17	No
EMIS	26 Apr 2016	AGM	Voted for all	Yes
Equiniti (21)	26 Apr 2016	AGM	Against Resolution 18	No
FastJet (22)	28 Jun 2016	AGM	Voted for all	No
FastJet (23)	28 Jun 2016	EGM	Against Resolution 1	Yes
FDM Group	28 Apr 2016	AGM	Voted for all	Yes
Fidessa	27 Apr 2016	AGM	Voted for all	Yes
First Republic Bank (24)	10 May 2016	AGM	Abstention on Resolution 2.3, 4	No
Fox Marble	01 Jun 2016	EGM	Voted for all	Yes
Gem Diamonds	07 Jun 2016	AGM	Voted for all	Yes
Genel Energy (25)	27 Apr 2016	AGM	Against Resolution 13	No
GlaxoSmithKline (26)	05 May 2016	AGM	Abstention on Resolution 2. Against	No

SECURITY	MEETING DATE	MEETING TYPE	MAJEDIE VOTE	IN LINE WITH ISS
			Resolution 16	
Goals Soccer Centres	22 Jun 2016	EGM	Voted for all	Yes
Goals Soccer Centres (27)	05 May 2016	AGM	Against Resolution 7	No
Greggs	10 May 2016	AGM	Voted for all	Yes
Gresham Computing (28)	28 Apr 2016	AGM	Voted for all	No
Gresham House	15 Jun 2016	AGM	Voted for all	Yes
GVC Holdings	24 May 2016	AGM	Voted for all	Yes
GVC Holdings	29 Jun 2016	EGM	Voted for all	Yes
Home Retail (29)	29 Jun 2016	AGM	Against Resolution 12	No
HSBC	22 Apr 2016	AGM	Voted for all	Yes
International Consolidated Airlines (30)	15 Jun 2016	AGM	Against Resolution 5.e	Yes
International Personal Finance	04 May 2016	AGM	Voted for all	Yes
Jardine Lloyd Thompson (31)	26 Apr 2016	AGM	Against Resolution 5	No
Johnson Service	05 May 2016	AGM	Voted for all	Yes
Johnston Press	18 May 2016	AGM	Voted for all	Yes
KAZ Minerals	05 May 2016	AGM	Voted for all	Yes
Keller (32)	24 May 2016	AGM	Against Resolution 17	No
Kingfisher (33)	15 Jun 2016	AGM	Against Resolution 17	No
Koninklijke KPN (34)	13 Apr 2016	AGM	Voted for all	No
Lamprell	15 May 2016	AGM	Voted for all	Yes
LivaNova	15 Jun 2016	AGM	Voted for all	Yes
Lloyds Banking (35)	12 May 2016	AGM	Against Resolution 22	No
LMS Capital	19 May 2016	AGM	Voted for all	Yes
London Stock Exchange (36)	27 Apr 2016	AGM	Against Resolution 18	No
M.P. Evans (37)	10 Jun 2016	AGM	Voted for all	No
M3 (38)	29 Jun 2016	AGM	Voted for all	No
Marshalls	18 May 2016	AGM	Voted for all	Yes
Mears	01 Jun 2016	AGM	Voted for all	Yes
Mediaset (39)	27 Apr 2016	AGM	Against Resolutions 3 and shareholder Resolution A	No
Melrose Industries	11 May 2016	AGM	Voted for all	Yes
Mondi	12 May 2016	AGM	Voted for all	Yes
Morgan Sindall (40)	05 May 2016	AGM	Against Resolution 13	No
Mortgage Advice Bureau	26 May 2016	AGM	Voted for all	Yes
Nintendo (41)	29 Jun 2016	AGM	Voted for all	No
Novae (42)	11 May 2016	AGM	Against Resolution 2	Yes
Ophir Energy (43)	10 May 2016	AGM	Against Resolutions 2, 3, 18	No
P2P Global Investments	09 Jun 2016	AGM	Voted for all	Yes
Pearson (44)	29 Apr 2016	AGM	Against Shareholder Resolution 19	Yes
Pendragon	28 Apr 2016	AGM	Voted for all	Yes
Powerflute Oyj	26 May 2016	AGM	Voted for all	Yes
Premier Farnell (45)	14 Jun 2016	AGM	Against Resolution 15	No
Rambler Metals and Mining	27 May 2016	EGM	Voted for all	Yes

SECURITY	MEETING DATE	MEETING TYPE	MAJEDIE VOTE	IN LINE WITH ISS
Real Estate Investors	06 Apr 2016	EGM	Voted for all	Yes
Real Estate Investors	05 May 2016	AGM	Voted for all	Yes
Rentokil Initial (46)	11 May 2016	AGM	Against Resolution 19	No
Restore	23 May 2016	AGM	Voted for all	Yes
Rio Tinto	14 Apr 2016	AGM	Voted for all	Yes
Rockhopper Exploration	17 May 2016	AGM	Voted for all	Yes
Royal Bank of Scotland (47)	04 May 2016	AGM	Against Resolution 21	No
Royal Dutch Shell (48)	24 May 2016	AGM	Against Shareholder Resolution 19	Yes
RPS Group (49)	26 Apr 2016	AGM	Against Resolution 6	No
Safestyle UK	19 May 2016	AGM	Voted for all	Yes
Saga (50)	21 Jun 2016	AGM	Against Resolution 14	No
SDL (51)	28 Apr 2016	AGM	Voted for all	No
Secure Trust Bank (52)	04 May 2016	AGM	Against Resolution 2	Yes
Serco (53)	12 May 2016	AGM	Against Resolution 18	No
Shanta Gold (54)	02 Jun 2016	AGM	Against Resolution 9	Yes
Shawbrook (55)	09 Jun 2016	AGM	Against Resolution 12	Yes
SkyePharma	05 May 2016	EGM	Voted for all	Yes
SkyePharma	18 May 2016	AGM	Voted for all	Yes
Smith & Nephew (56)	14 Apr 2016	AGM	Voted for all	No
Staffline (57)	19 May 2016	AGM	Abstention on Resolution 5	Yes
Standard Chartered (58)	04 May 2016	AGM	Against Resolution 20	No
Standard Life (59)	17 May 2016	AGM	Against Resolution 14	No
STV Group (60)	26 Apr 2016	AGM	Voted for all	No
Synairgen (61)	14 Jun 2016	AGM	Voted for all	No
Tarsus (62)	20 Jun 2016	AGM	Against Resolutions 2, 16	No
Telecom Italia (63)	25 May 2016	AGM	Against Resolutions 3, 4	Yes
Tesco (64)	23 Jun 2016	AGM	Against Resolution 20	No
Travis Perkins	25 May 2016	AGM	Voted for all	Yes
Tribal (65)	01 Apr 2016	EGM	Voted for all	No
Tribal (66)	13 May 2016	AGM	Against Resolution 6	No
Trinity Mirror (67)	05 May 2016	AGM	Against Resolution 17	No
Tullett Prebon (68)	12 May 2016	AGM	Against Resolution 15	No
Tullow Oil	28 Apr 2016	AGM	Voted for all	Yes
Unilever (69)	20 Apr 2016	AGM	Against Resolution 19	No
Vectura	05 May 2016	EGM	Voted for all	Yes
Vernalis	12 May 2016	EGM	Voted for all	Yes
Vesuvius (70)	12 May 2016	AGM	Against Resolution 14	No
Victoria Oil & Gas (71)	29 Jun 2016	AGM	Voted for all	No

Source : ISS (Institutional Shareholder Services)

# VOTING NOTES

- 1) 3i Group: We voted in line with Majedie policy with regard to political donations.
- 2) 888 Holdings: On Resolution 3, ISS recommended a vote against the Remuneration Report and the Remuneration Policy due to performance hurdles, the long-term incentive award for the chairman and termination payments. Each of these items were studied in detail and we consider the policy to be acceptable. The pay and awards granted reflects the on-going contribution to the company. On Resolution 4, ISS recommended a vote against the re-election of Brian Mattingley due to a lack of independence. We consider him to be the best individual for this role: he has an intimate knowledge of the company and a clear history of shareholder focus. We therefore voted in favour. On Resolution 8, ISS recommended a vote against the re-election of Amos Pickel as he is not independent, which is against best practice. He is however a large shareholder, we therefore trust that he will act in the best interests of shareholders. We therefore voted for the re-election of Amos Pickel. On Resolution 10, Amos Pickel serves on the Audit Committee, Remuneration Committee and the Nomination Committee. Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour. On Resolution 15, ISS recommended a vote against authorising the issue of equity as the amount proposed exceeds the recommended limit. Authorising the issue of equity provides the company with increased flexibility should they be involved in transformational M&A. We therefore voted in favour.
- 3) Air France KLM: ISS recommended a vote against the election of Hans N.J. Smits due to the lack of independence at a board level. We agreed and voted in line with ISS.
- 4) Aminex: On Resolution 3, Keith Phair serves on the Audit Committee, Remuneration Committee and Nomination Committee. Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour. On Resolution 6, the board sought approval of a share issuance with pre-emptive rights of 51.8%, which is greater than the 33% of issued share capital permitted under best practice guidelines. As shareholders, we will be given the opportunity to take part and so we will support the proposal.
- 5) Anglo American: ISS recommended a vote against the Remuneration Report as the FY2016, Long Term Incentive Plan (LTIP) grant levels have remained at the same level as a percentage of salary, despite the significant share price fall over the year. While we appreciate their view we feel the quantum is appropriate in view of the results management are achieving and we are supportive of the management strategy which is bringing about major changes to the company. Executive Directors' share awards align their interests closely with shareholders. We therefore voted in favour.
- 6) AstraZeneca: We voted in line with Majedie policy with regard to political donations.
- 7) Aviva: We voted in line with Majedie policy with regard to political donations.
- 8) BAE Systems: We voted in line with Majedie policy with regard to political donations.
- 9) Banco Popular Espanol: On Resolution 2.1, we voted with the company and against ISS as we considered that the representatives from Credit Mutuel, the French bank provided welcome expertise on the board. On Resolution 2.6 to 2.8, ISS recommended a vote against the appointment and election of Banque Federative du Credit Mutuel nominees as directors due to lack of Board independence. We are supportive of management as they continue to push through large changes in the bank's balance sheet and although some of the directors are not classified as independent where they are representatives of small minority

shareholders, our objectives are relatively closely aligned. We also note that the percentage of independent Non-Executive Directors (as defined by the company) has been slowly increasing over time. With evidence of progress in the right direction, and after working through the explanation of non-independent directors, who are not independent because they retain a small, minority stake in the company, we decided to vote in favour of the election of all the directors. We engaged with management and emphasised that we would like to see the existing progression towards more independent directors on the board continuing over future years.

- 10) Barclays: We voted in line with Majedie policy with regard to political donations.
- 11) blur: The Finance Director's options are underwater so it was agreed on his hiring that he would receive company shares in lieu of cash. This also aligns his interests more closely with those of shareholders.
- 12) BP Group: On Resolution 2, ISS recommended a vote against the Remuneration Report as despite reporting a record annual loss, the Executive Directors received maximum bonuses for the year and the highest bonus payout since 2008. ISS also highlighted a flaw in the mechanics of the bonus scorecard, which makes directors eligible to receive the maximum bonus without hitting all their targets, while senior management cannot. We think that the quantum of remuneration seems out of kilter with what we see elsewhere in resources, combined with the fact that the pension payments awarded were 100% up on the previous year. Before we voted we had a lengthy conversation with the company but we did not identify any new factors to change our view. We therefore voted against the remuneration report. On Resolution 17, we voted in line with Majedie policy with regard to political donations.
- 13) Card Factory: We voted in favour of this director as we consider his experience to be an asset to the business and we also believe that smaller companies should be afforded greater flexibility in the composition of their boards.
- 14) Central Asia Metals: While we would not expect to see similar increases in base salary in future years, we consider these rises to be supported by the progress made by the company. The LTIP is vesting due to meeting performance targets so we consider them to be acceptable.
- 15) Centrica: On Resolution 11, we voted in favour of the re-election of this director as we consider his other directorships are complementary and his experience can be utilised for the benefit of the company. On Resolution 17, we voted in line with Majedie policy with regard to political donations.
- 16) Charlemagne Capital: On Resolutions 5, 6 and 7 whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be allowed more leeway in the composition of their boards. We therefore chose to vote in favour.
- 17) Charles Taylor: We voted in line with Majedie policy with regard to political donations.
- 18) CNH Industrial: On Resolution 3a, ISS recommended a vote against the re-election of Sergio Marchionne as Executive Director. While we understand their rationale, we consider he adds skill and value to the CNH Board; he has also proven his ability to perform for the company while serving on several boards. We therefore voted in favour of his re-election.
- 19) DiamondCorp: On Resolution 3, Jonathan Willis-Richards serves on the Audit Committee, Remuneration Committee and the Nomination Committee. Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour. On Resolution 4, Euan Worthington serves on the

Audit Committee, Remuneration Committee and the Nomination Committee. Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour.

- 20) Dignity: We voted in line with Majedie policy with regard to political donations.
- 21) Equiniti: We voted in line with Majedie policy with regard to political donations.
- 22) FastJet (AGM): We were aware of the auditors' reservations but since the decision to close the business subject to a lengthy process typical of procedures in Africa, we were prepared to accept the directors' view.
- 23) FastJet (EGM): On Resolution 1, ISS recommended a vote against the re-election Colin Child as he sits on more than one internal committee which does not adhere to best practice. We thought that smaller companies should be afforded greater flexibility in the composition of their boards, so in line with our UK Smaller Companies voting policy, we voted in favour of his appointment. On Resolution 4, ISS recommended a vote against the re-election Robert Burnham as he sits on more than one internal committee which does not adhere to best practice. We feel that smaller companies should be afforded greater flexibility in the composition of their boards, so in line with our UK Smaller Companies voting policy, we voted in favour of his appointment.
- 24) First Republic Bank: On Resolution 2.3, ISS recommended a vote against the election of Thomas J. Barrack Jr due to his attendance being less than 75%, which is against best practice. Whilst we agreed with ISS, there was no information provided on how often he attended or the reason behind his absence, we therefore abstained and will monitor this in future. On Resolution 4, ISS recommended a vote against ratifying officers' compensation due to the Compensation Committee's insufficient response to shareholder concerns following last year's low say-on-pay support. Last year we voted against the resolution as the CEO's bonus was based upon a percentage of pre-tax profit, with no maximum dollar cap on payouts. While we normally prefer to vote for or against remuneration issues, in this case we noted management had added a cap and the shares have done well, we therefore decided to abstain. We had met with the company and raised their concerns at that meeting.
- 25) Genel Energy: On Resolution 2, Tony Hayward chose to forgo his previous bonus. We recognise, therefore, that the management have shown an awareness of the sensitivity of remuneration for the board. Overall we consider this award to be proportionate to his contribution to the company. On Resolution 3, Tony Hayward brings important industry experience and continuity to the company. We consider his presence on the board is an asset to the company and the Fund Manager has discussed the rationale at length with management.
- 26) GlaxoSmithKline: On Resolution 2, ISS recommended a vote to abstain on the Remuneration Report due to the lack of disclosure on the LTIP awards and the annual bonus. While we do not like to abstain on remuneration issues, we feel strongly that we cannot support the report, however, disclosure elsewhere is good, we therefore abstained. On Resolution 16, we voted in line with Majedie policy with regard to political donations.
- 27) Goals Soccer Centres: On Resolutions 2 and 11, ISS recommended a vote against the Remuneration Report and the approval of the 2016 LTIP as Nick Basing (Executive Chair) will receive an award in the forthcoming year which is significantly above the individual limits proposed in the LTIP. We consider Nick's appointment to be critical to the turnaround of Goals Soccer Centres. The company engaged with Shareholders and we are supportive of what they are trying to achieve, we therefore voted in favour. On Resolution 3 and 4, Nicolas Basing serves on the Audit Committee, Remuneration Committee and Nomination Committee.



Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour. On Resolution 7, ISS recommended a vote in favour of the re-election of William Gow as Finance Director; there has been consistently poor execution, we therefore voted against his re-election.

- 28) Gresham Computing: ISS recommended an abstention on fixing the remuneration of auditors, as the non-audit fees have exceeded the audit fees for the second consecutive year. Whilst we acknowledged that this was against best practice we trusted that the auditing firm involved (PwC) could be relied upon to act independently.
- 29) Home Retail: We voted in line with Majedie policy with regard to political donations.
- 30) International Consolidated Airlines: ISS recommended voting against as re-electing Baroness Kingsmill. We reviewed this director's portfolio of board positions and considered that her time was too thinly spread. We also agreed with ISS that she did not appear to be independent and therefore voted against her election.
- 31) Jardine Lloyd Thompson. ISS recommended a vote against Lord Leach and Lord Sassoon due to their lack of independence. In reaching our decision we reviewed a wide range of advice on best practice for board composition and duration of service on a board. After writing to the company we decided to vote against the election of Lord Leach due to his extended service but voted in favour in the case of Lord Sassoon.
- 32) Keller: We voted in line with Majedie policy with regard to political donations.
- 33) Kingfisher: We voted in line with Majedie policy with regard to political donations.
- 34) Koninklijke KPN: After careful consideration of the case made by the management, we lean towards supporting management and voting in favour of the re-election of Mr Van Bommel. His other appointments are actually complementary to his role at this company so the default response in this case does not fully recognise the nature of his work.
- 35) Lloyds Banking: We voted in line with Majedie policy with regard to political donations.
- 36) London Stock Exchange: We voted in line with Majedie policy with regard to political donations.
- 37) M.P. Evans: On Resolution 4, Richard Robinow serves on both the Audit Committee and the Remuneration Committee. Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour. On Resolution 5, Derek Shaw serves on both the Audit Committee and the Remuneration Committee. Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour.
- 38) M3: On Resolution 3.1, ISS recommended a vote against the election of Nobuto Horino as five years ago he was connected to the company but we consider that sufficient time has passed to vote in favour. However, we will raise the issue of governance with the company at our next meeting. On Resolution 6, for Technology companies the absolute percentage increase in remuneration is actually quite low in a global context. We will nonetheless talk to management at our next meeting. In the meantime we are prepared to support the management

- 39) Mediaset: On Resolution 3, we voted in line with ISS and against management on this item as we considered the lack of performance criteria disclosure by the company and the bonus to a board member were not in the best interests of shareholders. On Shareholder Resolution A, in the absence of a recommendation from the management we voted in line with ISS as there was no disclosure on which to base any judgement.
- 40) Morgan Sindall: We voted in line with Majedie policy with regard to political donations.
- 41) Nintendo: The director against whom ISS raised a flag is actually a new appointment, so it is unreasonable to hold him responsible for historic results. Therefore we voted in favour.
- 42) Novae: ISS recommended a vote against the Remuneration Report as the CFO was granted an exceptional LTIP award in March 2016 following several controversial decisions regarding his remuneration package since his appointment in 2013. One off payments are not generally supported by ISS, we agreed and voted against.
- 43) Ophir Energy: On Resolution 2: ISS recommended a vote against the Remuneration Report, as despite the Remuneration Committee introducing a new incentive scheme at the AGM which will apply for the year to 2016, an award under the previous LTIP will also be made. This could result in directors benefiting from two plans in the same time period. We agreed that was against best practice and therefore voted against. We also voted against the Remuneration policy that allows for this value creation plan with large reward opportunities for directors. On Resolution 3, ISS recommended a vote against the Remuneration Report. We agreed and voted against the Remuneration policy that allows for a value creation plan with large reward opportunities for directors. On Resolution 18, we voted in line with Majedie policy with regard to political donations.
- 44) Pearson: We voted in line with both management and ISS on Shareholder Resolution 19.
- 45) Premier Farnell: We voted in line with Majedie policy with regard to political donations.
- 46) Rentokil Initial: We voted in line with Majedie policy with regard to political donations.
- 47) Royal Bank of Scotland: We voted in line with Majedie policy with regard to political donations.
- 48) Royal Dutch Shell: We voted in line with both management and ISS on Shareholder Resolution 19.
- 49) RPS Group: We supported the re-election of the director as we were aware of the changes planned by the company which were in the interests of shareholders. We therefore voted against ISS.
- 50) Saga: We voted in line with Majedie policy with regard to political donations.
- 51) SDL: ISS recommended a vote against the Remuneration Report due to a bonus payment made to the former CEO and the CFO despite the performance targets not being met. We have had extensive engagement with management, sympathised with their situation and were supportive of what they were trying to achieve. We therefore voted in favour.
- 52) Secure Trust Bank: ISS recommended a vote against the remuneration report. The Executive Directors received a significant increase in their base salary during the financial year under review without any explanation and awards were granted based on certain performance conditions, which were not disclosed. We agreed and therefore we voted in line with ISS and voted against the Remuneration Report.
- 53) Serco: We voted in line with Majedie policy with regard to political donations.

- 54) Shanta Gold: We voted against the management on Resolution 9 (Other Business – Voting) as we were not prepared to give the company carte blanche. We believe better practice requires an explanation of what may be planned.
- 55) Shawbrook: We voted against the management on approving the Remuneration Report as we considered that the proposed increase in remuneration was exceptionally high.
- 56) Smith & Nephew: ISS recommended a vote against the Remuneration Report as the Remuneration Committee used their discretion to exercise the LTIP awards which would not have otherwise vested. Management explained that the industry is fast-paced and highly-evolving and during the performance period this was reflected in further consolidation, with three of their peer companies delisting due to merger and acquisition activity. The company returned strong absolute performance and returns to shareholders, therefore after engagement with shareholders the committee determined that the default outcome under the plan did not reflect the corporate performance delivered over the three-year period. We are supportive of management and understand their rationale, we therefore voted in favour.
- 57) Staffline: John Crabtree serves on both the Remuneration Committee and the Nomination Committee. Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour.
- 58) Standard Chartered: We voted in line with Majedie policy with regard to political donations.
- 59) Standard Life: On Resolution 5, we chose to support the new management in this case as we approve of their strategy to turn around the business. On Resolution 14, we voted in line with Majedie policy with regard to political donations.
- 60) STV Group: On Resolution 8, David Shearer serves on both the Audit Committee and the Nomination Committee. Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour. On Resolution 10, ISS recommended a vote against fixing the remuneration of auditors, as the non-audit fees have consistently exceeded the audit fees. Whilst we acknowledged that this was against best practice we trusted that the auditing firm involved (PwC) could be relied upon to act independently.
- 61) Synairgen: ISS recommended we vote against Ian Buchanan and Bruce Campbell as they serve on more than one committee. Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be allowed more leeway in the composition of their boards. We therefore chose to vote in favour.
- 62) Tarsus: On Resolution 2, we examined the Remuneration Policy and concluded that the new plan had limited justification and was inadequately linked to performance. We therefore voted with ISS and against management. On Resolution 9, Robert Ware serves on the Audit Committee, Remuneration Committee and Nomination Committee. Whilst we would prefer to see directors serve on only one committee, we acknowledge that smaller companies need to be permitted greater leeway in the composition of their boards, so we chose to vote in favour. On Resolution 16, we examined the retention plan and concluded that the potential payments were too high and inadequately linked to performance. We therefore voted with ISS and against management.

- 63) Telecom Italia: On Resolution 3, we voted with ISS and against management as we agreed with the ISS assessment of the performance measures. On Resolution 4, we voted with ISS and against management as we agreed with the ISS assessment of the performance measures.
- 64) Tesco: We voted in line with Majedie policy with regard to political donations.
- 65) Tribal (EGM): On Resolution 7, a vote against this resolution is warranted: the incentivisation of non-executive directors through substantial awards of free shares is not considered best practice in the UK; and The development of large individual equity stakes can have an impact on Non-Executive Directors' independence.
- 66) Tribal (AGM): on Resolution 6, ISS and management recommended a vote for the re-election of Steve Breach as Director, due to concerns about his performance, we therefore voted against his re-election. While the voting process was underway, he tendered his resignation.
- 67) Trinity Mirror: We voted in line with Majedie policy with regard to political donations.
- 68) Tullett Prebon: We voted in line with Majedie policy with regard to political donations.
- 69) Unilever: We voted in line with Majedie policy with regard to political donations.
- 70) Vesuvius: We voted in line with Majedie policy with regard to political donations.
- 71) Victoria Oil & Gas: We supported the management as we were aware of changes to the board which would help to improve the leadership of the company. We also considered that smaller companies should be afforded greater flexibility in the composition of their boards.



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Schlumberger Limited

<b>Meeting Date:</b> 04/06/2016	<b>Country:</b> Curacao	<b>Primary Security ID:</b> 806857108	<b>Meeting ID:</b> 1026734
<b>Record Date:</b> 02/17/2016	<b>Meeting Type:</b> Annual	<b>Ticker:</b> SLB	
<b>Primary CUSIP:</b> 806857108	<b>Primary ISIN:</b> AN8068571086	<b>Primary SEDOL:</b> 2779201	

**Voting Policy:** MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Peter L.S. Currie	Mgmt	For	For
1b	Elect Director V. Maureen Kempston Darkes	Mgmt	For	For
1c	Elect Director Paal Kibsgaard	Mgmt	For	For
1d	Elect Director Nikolay Kudryavtsev	Mgmt	For	For
1e	Elect Director Michael E. Marks	Mgmt	For	For
1f	Elect Director Indra K. Nooyi	Mgmt	For	For
1g	Elect Director Lubna S. Olayan	Mgmt	For	For
1h	Elect Director Leo Rafael Reif	Mgmt	For	For
1i	Elect Director Tore I. Sandvold	Mgmt	For	For
1j	Elect Director Henri Seydoux	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against
3	Adopt and Approve Financials and Dividends	Mgmt	For	For
4	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
5	Amend Articles	Mgmt	For	For
6	Fix Number of Directors at Twelve	Mgmt	For	For
7	Amend 2010 Omnibus Stock Incentive Plan	Mgmt	For	For

## Nestle SA

<b>Meeting Date:</b> 04/07/2016	<b>Country:</b> Switzerland	<b>Primary Security ID:</b> H57312649	<b>Meeting ID:</b> 1024563
<b>Record Date:</b>	<b>Meeting Type:</b> Annual	<b>Ticker:</b> NESN	
<b>Primary CUSIP:</b> H57312649	<b>Primary ISIN:</b> CH0038863350	<b>Primary SEDOL:</b> 7123870	

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Nestle SA

### Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
1.2	Approve Remuneration Report (Non-binding)	Mgmt	For	For
2	Approve Discharge of Board and Senior Management	Mgmt	For	For
3	Approve Allocation of Income and Dividends of CHF 2.25 per Share	Mgmt	For	For
4.1a	Reelect Peter Brabeck-Letmathe as Director	Mgmt	For	For
4.1b	Reelect Paul Bulcke as Director	Mgmt	For	For
4.1c	Reelect Andreas Koopmann as Director	Mgmt	For	For
4.1d	Reelect Beat Hess as Director	Mgmt	For	For
4.1e	Reelect Renato Fassbind as Director	Mgmt	For	For
4.1f	Reelect Steven G. Hoch as Director	Mgmt	For	For
4.1g	Reelect Naina Lal Kidwai as Director	Mgmt	For	For
4.1h	Reelect Jean-Pierre Roth as Director	Mgmt	For	For
4.1i	Reelect Ann Veneman as Director	Mgmt	For	For
4.1j	Reelect Henri de Castries as Director	Mgmt	For	For
4.1k	Reelect Eva Cheng as Director	Mgmt	For	For
4.1l	Reelect Ruth K. Oniang'o as Director	Mgmt	For	For
4.1m	Reelect Patrick Aebischer as Director	Mgmt	For	For
4.2	Reelect Peter Brabeck-Letmathe as Board Chairman	Mgmt	For	For
4.3.1	Appoint Beat Hess as Member of the Compensation Committee	Mgmt	For	For
4.3.2	Appoint Andreas Koopmann as Member of the Compensation Committee	Mgmt	For	For
4.3.3	Appoint Jean-Pierre Roth as Member of the Compensation Committee	Mgmt	For	For
4.3.4	Appoint Patrick Aebischer as Member of the Compensation Committee	Mgmt	For	For
4.4	Ratify KPMG AG as Auditors	Mgmt	For	For
4.5	Designate Hartmann Dreyer as Independent Proxy	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Nestle SA

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
5.1	Approve Remuneration of Board of Directors in the Amount of CHF 10.5 Million	Mgmt	For	For
5.2	Approve Remuneration of Executive Committee in the Amount of CHF 60 Million	Mgmt	For	For
6	Approve CHF 7.6 Million Reduction in Share Capital via Cancellation of Repurchased Shares	Mgmt	For	For
7	Transact Other Business (Voting)	Mgmt	Against	Against

## The Bank of New York Mellon Corporation

Meeting Date: 04/12/2016

Country: USA

Primary Security ID: 064058100

Meeting ID: 1037934

Record Date: 02/12/2016

Meeting Type: Annual

Ticker: BK

Primary CUSIP: 064058100

Primary ISIN: US0640581007

Primary SEDOL: B1Z77F6

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Nicholas M. Donofrio	Mgmt	For	For
1.2	Elect Director Joseph J. Echevarria	Mgmt	For	For
1.3	Elect Director Edward P. Garden	Mgmt	For	For
1.4	Elect Director Jeffrey A. Goldstein	Mgmt	For	For
1.5	Elect Director Gerald L. Hassell	Mgmt	For	For
1.6	Elect Director John M. Hinshaw	Mgmt	For	For
1.7	Elect Director Edmund F. 'Ted' Kelly	Mgmt	For	For
1.8	Elect Director John A. Luke, Jr.	Mgmt	For	For
1.9	Elect Director Mark A. Nordenberg	Mgmt	For	For
1.10	Elect Director Catherine A. Rein	Mgmt	For	For
1.11	Elect Director Samuel C. Scott, III	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Approve Executive Incentive Bonus Plan	Mgmt	For	For
4	Ratify KPMG LLP as Auditors	Mgmt	For	For
5	Require Independent Board Chairman	SH	Against	Against

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Julius Baer Gruppe AG

<b>Meeting Date:</b> 04/13/2016	<b>Country:</b> Switzerland	<b>Primary Security ID:</b> H4414N103	<b>Meeting ID:</b> 1023211
<b>Record Date:</b>	<b>Meeting Type:</b> Annual	<b>Ticker:</b> BAER	
<b>Primary CUSIP:</b> H4414N103	<b>Primary ISIN:</b> CH0102484968	<b>Primary SEDOL:</b> B4R2R50	

**Voting Policy:** MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
1.2	Approve Remuneration Report	Mgmt	For	For
2	Approve Allocation of Income and Dividends of CHF 1.10 per Share	Mgmt	For	For
3	Approve Discharge of Board and Senior Management	Mgmt	For	For
4.1	Approve Maximum Remuneration of Board of Directors in the Amount of CHF 3.16 Million	Mgmt	For	For
4.2.1	Approve Variable Cash-Based Remuneration of Executive Committee for Fiscal 2015 in the Amount of CHF 6.2 Million	Mgmt	For	For
4.2.2	Approve Variable Share-Based Remuneration of Executive Committee for Fiscal 2016 in the Amount of CHF 5.52 Million	Mgmt	For	For
4.2.3	Approve Maximum Fixed Remuneration of Executive Committee for Fiscal 2017 in the Amount of CHF 6.63 Million	Mgmt	For	For
5.1.1	Reelect Daniel Sauter as Director	Mgmt	For	For
5.1.2	Reelect Gilbert Achermann as Director	Mgmt	For	For
5.1.3	Reelect Andreas Amschwand as Director	Mgmt	For	For
5.1.4	Reelect Heinrich Baumann as Director	Mgmt	For	For
5.1.5	Reelect Paul Chow as Director	Mgmt	For	For
5.1.6	Reelect Claire Giraut as Director	Mgmt	For	For
5.1.7	Reelect Gareth Penny as Director	Mgmt	For	For
5.1.8	Reelect Charles Stonehill as Director	Mgmt	For	For
5.2	Elect Ann Almeida as Director	Mgmt	For	For
5.3	Elect Daniel Sauter as Board Chairman	Mgmt	For	For
5.4.1	Appoint Ann Almeida as Member of the Compensation Committee	Mgmt	For	For
5.4.2	Appoint Gilbert Achermann as Member of the Compensation Committee	Mgmt	For	For



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Julius Baer Gruppe AG

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
5.4.3	Appoint Heinrich Baumann as Member of the Compensation Committee	Mgmt	For	For
5.4.4	Appoint Gareth Penny as Member of the Compensation Committee	Mgmt	For	For
6	Ratify KPMG AG as Auditors	Mgmt	For	For
7	Designate Marc Nater as Independent Proxy	Mgmt	For	For
8	Transact Other Business (Voting)	Mgmt	For	Against

## LVMH Moët Hennessy Louis Vuitton

Meeting Date: 04/14/2016

Country: France

Primary Security ID: F58485115

Meeting ID: 1035247

Record Date: 04/11/2016

Meeting Type: Annual/Special

Ticker: MC

Primary CUSIP: F58485115

Primary ISIN: FR0000121014

Primary SEDOL: 4061412

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Ordinary Business	Mgmt		
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For
3	Approve Auditors' Special Report on Related-Party Transactions	Mgmt	For	For
4	Approve Allocation of Income and Dividends of EUR 3.55 per Share	Mgmt	For	For
5	Reelect Bernard Arnault as Director	Mgmt	For	For
6	Reelect Bernadette Chirac as Director	Mgmt	For	For
7	Reelect Charles de Crolsset as Director	Mgmt	For	For
8	Reelect Hubert Vedrine as Director	Mgmt	For	For
9	Elect Clara Gaymard as Director	Mgmt	For	For
10	Elect Natacha Valla as Director	Mgmt	For	For
11	Appoint Ernst and Young Audit as Auditor	Mgmt	For	For
12	Appoint Mazars as Auditor	Mgmt	For	For
13	Appoint Philippe Castagnac as Alternate Auditor	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## LVMH Moet Hennessy Louis Vuitton

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
14	Renew Appointment of Auditex as Alternate Auditor	Mgmt	For	For
15	Advisory Vote on Compensation of Bernard Arnault, CEO and Chairman	Mgmt	For	Against
16	Advisory Vote on Compensation of Antonio Belloni, Vice-CEO	Mgmt	For	Against
17	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For
	Extraordinary Business	Mgmt		
18	Authorize Decrease In Share Capital via Cancellation of Repurchased Shares	Mgmt	For	For
19	Authorize up to 1 Percent of Issued Capital for Use In Restricted Stock Plans	Mgmt	For	Against
20	Amend Article 5 of Bylaws Re: Company Duration	Mgmt	For	For

## MTU Aero Engines AG

Meeting Date: 04/14/2016

Country: Germany

Primary Security ID: D5565H104

Meeting ID: 1031498

Record Date:

Meeting Type: Annual

Ticker: MIX

Primary CUSIP: D5565H104

Primary ISIN: DE000A0D9PT0

Primary SEDOL: B09DHL9

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Receive Financial Statements and Statutory Reports for Fiscal 2015 (Non-Voting)	Mgmt		
2	Approve Allocation of Income and Dividends of EUR 1.70 per Share	Mgmt	For	For
3	Approve Discharge of Management Board for Fiscal 2015	Mgmt	For	For
4	Approve Discharge of Supervisory Board for Fiscal 2015	Mgmt	For	For
5	Ratify Ernst & Young as Auditors for Fiscal 2016	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Svenska Cellulosa Ab (Sca)

<b>Meeting Date:</b> 04/14/2016	<b>Country:</b> Sweden	<b>Primary Security ID:</b> W90152120	<b>Meeting ID:</b> 1023775
<b>Record Date:</b> 04/08/2016	<b>Meeting Type:</b> Annual	<b>Ticker:</b> SCA B	
<b>Primary CUSIP:</b> W90152120	<b>Primary ISIN:</b> SE0000112724	<b>Primary SEDOL:</b> B1WVG25	

**Voting Policy:** MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Open Meeting; Elect Chairman of Meeting	Mgmt	For	For
2	Prepare and Approve List of Shareholders	Mgmt	For	For
3	Designate Inspector(s) of Minutes of Meeting	Mgmt	For	For
4	Acknowledge Proper Convening of Meeting	Mgmt	For	For
5	Approve Agenda of Meeting	Mgmt	For	For
6	Receive Financial Statements and Statutory Reports	Mgmt		
7	Receive President's Report	Mgmt		
8a	Accept Financial Statements and Statutory Reports	Mgmt	For	For
8b	Approve Allocation of Income and Dividends of SEK 5.75 Per Share	Mgmt	For	For
8c	Approve Discharge of Board and President	Mgmt	For	For
9	Determine Number of Directors (9) and Deputy Directors (0) of Board	Mgmt	For	For
10	Determine Number of Auditors (1) and Deputy Auditors (0)	Mgmt	For	For
11	Approve Remuneration of Directors in the Amount of SEK 2.1 Million for Chairman and SEK 700,000 for Other Directors; Approve Remuneration for Committee Work; Approve Remuneration of Auditors	Mgmt	For	For
12a	Reelect Par Boman as Director	Mgmt	For	For
12b	Reelect Annemarie Gardshol as Director	Mgmt	For	For
12c	Reelect Magnus Groth as Director	Mgmt	For	For
12d	Reelect Louise Svanberg as Director	Mgmt	For	For
12e	Reelect Bert Nordberg as Director	Mgmt	For	For
12f	Reelect Barbara Thoralfsson as Director	Mgmt	For	For
12g	Elect Ewa Bjorling as New Director	Mgmt	For	For
12h	Elect Malja-Lisa Friman as New Director	Mgmt	For	For
12i	Elect Johan Malmquist as New Director	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

### Svenska Cellulosa Ab (Sca)

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
13	Elect Par Boman as Board Chairman	Mgmt	For	For
14	Ratify Ernst & Young as Auditors	Mgmt	For	For
15	Authorize Chairman of Board and Representatives of Four of Company's Largest Shareholders to Serve on Nominating Committee	Mgmt	For	For
16	Approve Remuneration Policy And Other Terms of Employment For Executive Management	Mgmt	For	Against
17	Close Meeting	Mgmt		

### Wynn Resorts, Limited

Meeting Date: 04/14/2016

Country: USA

Primary Security ID: 983134107

Meeting ID: 1034983

Record Date: 02/18/2016

Meeting Type: Annual

Ticker: WYNN

Primary CUSIP: 983134107

Primary ISIN: US9831341071

Primary SEDOL: 2963811

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Ray R. Irani	Mgmt	For	Withhold
1.2	Elect Director Alvin V. Shoemaker	Mgmt	For	Withhold
1.3	Elect Director Stephen A. Wynn	Mgmt	For	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For
3	Report on Political Contributions	SH	Against	For

### Akzo Nobel NV

Meeting Date: 04/20/2016

Country: Netherlands

Primary Security ID: N01803100

Meeting ID: 1009767

Record Date: 03/23/2016

Meeting Type: Annual

Ticker: AKZA

Primary CUSIP: N01803100

Primary ISIN: NL0000009132

Primary SEDOL: 5458314

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Annual Meeting Agenda	Mgmt		

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Akzo Nobel NV

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Open Meeting	Mgmt		
2	Receive Report of Management Board (Non-Voting)	Mgmt		
3.a	Discuss Remuneration Report Containing Remuneration Policy for Management Board Members	Mgmt		
3.b	Adopt Financial Statements and Statutory Reports	Mgmt	For	For
3.c	Discuss on the Company's Dividend Policy	Mgmt		
3.d	Approve Dividends of EUR 1.55 Per Share	Mgmt	For	For
4.a	Approve Discharge of Management Board	Mgmt	For	For
4.b	Approve Discharge of Supervisory Board	Mgmt	For	For
5.a	Reappoint A.C.M.A. B�chner to Management Board	Mgmt	For	For
6.a	Amend Executive Incentive Bonus Plan	Mgmt	For	For
7.a	Elect P.J. Kirby to Supervisory Board	Mgmt	For	For
7.b	Reelect S.M. Baldauf to Supervisory Board	Mgmt	For	For
7.c	Reelect B.J.M. Verwaayen to Supervisory Board	Mgmt	For	For
8.a	Grant Board Authority to Issue Shares Up To 10 Percent of Issued Capital Plus Additional 10 Percent in Case of Takeover/Merger and Restricting/Excluding Preemptive Rights	Mgmt	For	For
8.b	Authorize Board to Exclude Preemptive Rights from Share Issuances	Mgmt	For	For
9	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For
10	Allow Questions and Close Meeting	Mgmt		

## Adecco SA

Meeting Date: 04/21/2016

Country: Switzerland

Primary Security ID: H00392318

Meeting ID: 1028628

Record Date:

Meeting Type: Annual

Ticker: ADEN

Primary CUSIP: H00392318

Primary ISIN: CH0012138605

Primary SEDOL: 7110720

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Adecco SA

### Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
1.2	Approve Remuneration Report	Mgmt	For	For
2.1	Approve Allocation of Income	Mgmt	For	For
2.2	Approve Dividends of CHF 0.90 per Share from Capital Contribution Reserves	Mgmt	For	For
3	Approve Discharge of Board and Senior Management	Mgmt	For	For
4.1	Approve Remuneration of Directors in the Amount of CHF 4.9 Million	Mgmt	For	For
4.2	Approve Remuneration of Executive Committee in the Amount of CHF 34.5 Million	Mgmt	For	For
5.1.1	Reelect Rolf Doerig as Director and Board Chairman	Mgmt	For	For
5.1.2	Reelect Dominique-Jean Chertier as Director	Mgmt	For	For
5.1.3	Reelect Jean-Christophe Deslarzes as Director	Mgmt	For	For
5.1.4	Reelect Alexander Gut as Director	Mgmt	For	For
5.1.5	Reelect Didier Lamouche as Director	Mgmt	For	For
5.1.6	Reelect Thomas O'Neill as Director	Mgmt	For	For
5.1.7	Reelect David Prince as Director	Mgmt	For	For
5.1.8	Reelect Wanda Rapaczynski as Director	Mgmt	For	For
5.1.9	Reelect Kathleen P. Taylor as Director	Mgmt	For	For
5.2.1	Appoint Alexander Gut as Member of the Compensation Committee	Mgmt	For	For
5.2.2	Appoint Thomas O'Neill as Member of the Compensation Committee	Mgmt	For	For
5.2.3	Appoint Wanda Rapaczynski as Member of the Compensation Committee	Mgmt	For	For
5.2.4	Appoint Jean-Christophe Deslarzes as Member of the Compensation Committee	Mgmt	For	For
5.3	Designate Andreas Keller as Independent Proxy	Mgmt	For	For
5.4	Ratify Ernst & Young as Auditors	Mgmt	For	For
6	Approve CHF 3.3 Million Reduction In Share Capital via Cancellation of Repurchased Shares	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

### Adecco SA

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
7.1	Change Location of Registered Office/Headquarters to Opfikon/Zurich, Switzerland	Mgmt	For	For
7.2	Change Company Name to Adecco Group AG	Mgmt	For	For
8	Transact Other Business (Voting)	Mgmt	For	Against

### Heineken NV

Meeting Date: 04/21/2016

Country: Netherlands

Primary Security ID: N39427211

Meeting ID: 1023450

Record Date: 03/24/2016

Meeting Type: Annual

Ticker: HEIA

Primary CUSIP: N39427211

Primary ISIN: NL0000009165

Primary SEDOL: 7792559

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Annual Meeting	Mgmt		
1a	Receive Report of Management Board (Non-Voting)	Mgmt		
1b	Discuss Remuneration Report Containing Remuneration Policy for Management Board Members	Mgmt		
1c	Adopt Financial Statements and Statutory Reports	Mgmt	For	For
1d	Receive Explanation on Dividend Policy	Mgmt		
1e	Approve Dividends of EUR 1.30 Per Share	Mgmt	For	For
1f	Approve Discharge of Management Board	Mgmt	For	For
1g	Approve Discharge of Supervisory Board	Mgmt	For	For
2a	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For
2b	Grant Board Authority to Issue Shares Up To 10 Percent of Issued Capital	Mgmt	For	For
2c	Authorize Board to Exclude Preemptive Rights from Issuance under Item 2b	Mgmt	For	For
3a	Elect G.J. Wijers to Supervisory Board	Mgmt	For	For
3b	Elect P. Mars-Wright to Supervisory Board	Mgmt	For	For
3c	Elect Y. Brunini to Supervisory Board	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

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

Meeting Date: 04/22/2016

Country: Mexico

Primary Security ID: P49501201

Meeting ID: 1042029

Record Date: 04/11/2016

Meeting Type: Annual

Ticker: GFNORTE O

Primary CUSIP: P49501201

Primary ISIN: MXP370711014

Primary SEDOL: 2421041

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Allocation of Income	Mgmt	For	For
3.a1	Elect Carlos Hank González as Board Chairman	Mgmt	For	Against
3.a2	Elect Juan Antonio González Moreno as Director	Mgmt	For	For
3.a3	Elect David Juan Villarreal Montemayor as Director	Mgmt	For	For
3.a4	Elect José Marcos Ramírez Miguel as Director	Mgmt	For	For
3.a5	Elect Everardo Elizondo Almaguer as Director	Mgmt	For	For
3.a6	Elect Carmen Patricia Armendáriz Guerra as Director	Mgmt	For	For
3.a7	Elect Héctor Federico Reyes-Retana y Dahí as Director	Mgmt	For	For
3.a8	Elect Eduardo Livas Cantu as Director	Mgmt	For	For
3.a9	Elect Thomas Stanley Heather Rodríguez as Director	Mgmt	For	For
3.a10	Elect Alfredo Elías Ayub as Director	Mgmt	For	For
3.a11	Elect Adrián Sada Cueva as Director	Mgmt	For	For
3.a12	Elect Olga María del Carmen Sánchez Cordero Dávila as Director	Mgmt	For	For
3.a13	Elect Alejandro Burillo Azcarraga as Director	Mgmt	For	For
3.a14	Elect José Antonio Chedraui Egulá as Director	Mgmt	For	For
3.a15	Elect Alfonso de Angoitia Noriega as Director	Mgmt	For	For
3.a16	Elect Graciela González Moreno as Alternate Director	Mgmt	For	For
3.a17	Elect Juan Antonio González Marcos as Alternate Director	Mgmt	For	For
3.a18	Elect Carlos de la Isla Corry as Alternate Director	Mgmt	For	For
3.a19	Elect Juan Carlos Braniff Hierro as Alternate Director	Mgmt	For	For



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

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

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
3.a20	Elect Alberto Halabe Hamui as Alternate Director	Mgmt	For	For
3.a21	Elect Roberto Kelleher Vales as Alternate Director	Mgmt	For	For
3.a22	Elect Manuel Aznar Nicolín as Alternate Director	Mgmt	For	For
3.a23	Elect Robert William Chandler Edwards as Alternate Director	Mgmt	For	For
3.a24	Elect Ricardo Maldonado Yañez as Alternate Director	Mgmt	For	For
3.a25	Elect Isaac Becker Kabacnik as Alternate Director	Mgmt	For	For
3.a26	Elect José Maria Garza Treviño as Alternate Director	Mgmt	For	For
3.a27	Elect Eduardo Alejandro Francisco Garcia Villegas as Alternate Director	Mgmt	For	For
3.a28	Elect Javier Braun Burillo as Alternate Director	Mgmt	For	For
3.a29	Elect Rafael Contreras Grosskelwing as Alternate Director	Mgmt	For	For
3.a30	Elect Guadalupe Phillips Margain as Alternate Director	Mgmt	For	For
3.b	Elect Hector Avila Flores as Board Secretary Who Will Not Be Part of Board	Mgmt	For	For
3.c	Approve Directors Liability and Indemnification	Mgmt	For	For
4	Approve Remuneration of Directors	Mgmt	For	For
5	Elect Hector Federico Reyes-Retana y Dahl as Chairman of Audit and Corporate Practices Committee	Mgmt	For	For
6	Approve Report on Share Repurchase; Set Aggregate Nominal Amount of Share Repurchase Reserve	Mgmt	For	For
7	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	For

## Komerční Banka A.S.

Meeting Date: 04/22/2016

Country: Czech Republic

Primary Security ID: X45471111

Meeting ID: 1041797

Record Date: 04/15/2016

Meeting Type: Annual

Ticker: KOMB

Primary CUSIP: X45471111

Primary ISIN: CZ0008019106

Primary SEDOL: 4519449

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Komerčni Banka A.S.

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Approve Management Board Report on Company's Operations and State of Its Assets in Fiscal 2015	Mgmt	For	For
2	Receive Report on Act Providing for Business Undertaking in the Capital Market	Mgmt		
3	Receive Management Board Report on Related Entities	Mgmt		
4	Receive Financial Statements, Consolidated Financial Statements, and Management Board Proposal on Allocation of Income for Fiscal 2015	Mgmt		
5	Receive Supervisory Board Report on Financial Statements, Management Board Proposal on Allocation of Income, Consolidated Financial Statements, Board's Work, and Company's Standing in Fiscal 2015	Mgmt		
6	Receive Audit Committee Report for Fiscal 2015	Mgmt		
7	Approve Financial Statements for Fiscal 2015	Mgmt	For	For
8	Approve Allocation of Income and Dividends of CZK 310 for Fiscal 2015	Mgmt	For	For
9	Approve Consolidated Financial Statements for Fiscal 2015	Mgmt	For	For
10	Elect Borivoj Kacena as Supervisory Board Member	Mgmt	For	For
11	Elect Borivoj Kacena as Audit Committee Member	Mgmt	For	For
12	Approve Share Repurchase Program	Mgmt	For	For
13	Ratify Deloitte Audit s.r.o. as Auditor for Fiscal 2016	Mgmt	For	For
14	Amend Articles of Association	Mgmt	For	For
15	Fix Maximum Variable Compensation Ratio	Mgmt	For	For

## Swiss Reinsurance (Schweizerische Ruckversicherungs)

Meeting Date: 04/22/2016

Country: Switzerland

Primary Security ID: H8431B109

Meeting ID: 1022712

Record Date:

Meeting Type: Annual

Ticker: SREN

Primary CUSIP: H84046137

Primary ISIN: CH0126881561

Primary SEDOL: B545MG5

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Swiss Reinsurance (Schweizerische Rueckversicherungs)

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Approve Remuneration Report	Mgmt	For	For
1.2	Accept Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Allocation of Income and Dividends of CHF 4.60 per Share	Mgmt	For	For
3	Approve Variable Short-Term Remuneration of Executive Committee in the Amount of CHF 20.3 Million	Mgmt	For	For
4	Approve Discharge of Board and Senior Management	Mgmt	For	For
5.1a	Reelect Walter Kielholz as Director and Board Chairman	Mgmt	For	For
5.1b	Reelect Raymond Ch'ien as Director	Mgmt	For	For
5.1c	Reelect Renato Fassbind as Director	Mgmt	For	For
5.1d	Reelect Mary Francis as Director	Mgmt	For	For
5.1e	Reelect Rajna Gibson Brandon as Director	Mgmt	For	For
5.1f	Reelect Robert Henrikson as Director	Mgmt	For	For
5.1g	Reelect Trevor Manuel as Director	Mgmt	For	For
5.1h	Reelect Carlos Represas as Director	Mgmt	For	For
5.1i	Reelect Philip Ryan as Director	Mgmt	For	For
5.1j	Reelect Susan Wagner as Director	Mgmt	For	For
5.1k	Elect Paul Tucker as Director	Mgmt	For	For
5.2a	Appoint Renato Fassbind as Member of the Compensation Committee	Mgmt	For	For
5.2b	Appoint Robert Henrikson as Member of the Compensation Committee	Mgmt	For	For
5.2c	Appoint Carlos Represas as Member of the Compensation Committee	Mgmt	For	For
5.2d	Appoint Raymond Ch'ien as Member of the Compensation Committee	Mgmt	For	For
5.3	Designate Proxy Voting Services GmbH as Independent Proxy	Mgmt	For	For
5.4	Ratify PricewaterhouseCoopers AG as Auditors	Mgmt	For	For
6.1	Approve Maximum Remuneration of Directors in the Amount of CHF 10.1 Million	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Swiss Reinsurance (Schweizerische Rueckversicherungs)

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
6.2	Approve Maximum Fixed and Variable Long-Term Remuneration of Executive Committee in the Amount of CHF 34 Million	Mgmt	For	For
7	Approve CHF 1.1 Million Reduction in Share Capital via Cancellation of Repurchased Shares	Mgmt	For	For
8	Authorize Repurchase of up to CHF 1 Billion of Issued Share Capital	Mgmt	For	For
9	Amend Articles Re: Financial Markets Infrastructure Act	Mgmt	For	For
10	Transact Other Business (Voting)	Mgmt	For	Against

## Honeywell International Inc.

Meeting Date: 04/25/2016

Country: USA

Primary Security ID: 438516106

Meeting ID: 1036957

Record Date: 02/26/2016

Meeting Type: Annual

Ticker: HON

Primary CUSIP: 438516106

Primary ISIN: US4385161066

Primary SEDOL: 2020459

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1A	Elect Director William S. Ayer	Mgmt	For	For
1B	Elect Director Kevin Burke	Mgmt	For	For
1C	Elect Director Jaime Chico Pardo	Mgmt	For	For
1D	Elect Director David M. Cote	Mgmt	For	For
1E	Elect Director D. Scott Davis	Mgmt	For	For
1F	Elect Director Linnet F. Deily	Mgmt	For	For
1G	Elect Director Judd Gregg	Mgmt	For	For
1H	Elect Director Clive Hollick	Mgmt	For	For
1I	Elect Director Grace D. Lieblein	Mgmt	For	For
1J	Elect Director George Paz	Mgmt	For	For
1K	Elect Director Bradley T. Sheares	Mgmt	For	For
1L	Elect Director Robin L. Washington	Mgmt	For	For
2	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Honeywell International Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
4	Approve Omnibus Stock Plan	Mgmt	For	For
5	Approve Non-Employee Director Omnibus Stock Plan	Mgmt	For	For
6	Require Independent Board Chairman	SH	Against	For
7	Provide Right to Act by Written Consent	SH	Against	For
8	Report on Lobbying Payments and Policy	SH	Against	Against

## Schneider Electric SE

Meeting Date: 04/25/2016

Country: France

Primary Security ID: F86921107

Meeting ID: 1023461

Record Date: 04/20/2016

Meeting Type: Annual/Special

Ticker: SU

Primary CUSIP: F86921107

Primary ISIN: FR0000121972

Primary SEDOL: 4834108

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Ordinary Business	Mgmt		
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For
3	Approve Treatment of Losses and Dividends of EUR 2.00 per Share	Mgmt	For	For
4	Receive Auditors' Special Report on Related-Party Transactions	Mgmt	For	For
5	Advisory Vote on Compensation of Jean Pascal Tricoire	Mgmt	For	Against
6	Advisory Vote on Compensation of Emmanuel Babeau	Mgmt	For	For
7	Elect Cecile Cabanis as Director	Mgmt	For	For
8	Elect Fred Kindle as Director	Mgmt	For	For
9	Reelect Leo Apotheker as Director	Mgmt	For	For
10	Reelect Xavier Fontanet as Director	Mgmt	For	For
11	Reelect Antoine Gosset Grainville as Director	Mgmt	For	For
12	Reelect Willy Kissling as Director	Mgmt	For	For
13	Approve Remuneration of Directors in the Aggregate Amount of EUR 1,500,000	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Schneider Electric SE

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
14	Renew Appointment of Ernst and Young et Autres as Auditor	Mgmt	For	For
15	Renew Appointment of Auditex as Alternate Auditor	Mgmt	For	For
16	Renew Appointment of Mazars as Auditor	Mgmt	For	For
17	Renew Appointment of Thierry Blanchetier as Alternate Auditor	Mgmt	For	For
18	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For
	Extraordinary Business	Mgmt		
19	Authorize up to 2 Percent of Issued Capital for Use In Restricted Stock Plans	Mgmt	For	For
20	Authorize up to 0.5 Percent of Issued Capital for Use in Stock Option Plans	Mgmt	For	For
21	Authorize Capital Issuances for Use in Employee Stock Purchase Plans	Mgmt	For	For
22	Authorize Capital Issuances for Use in Employee Stock Purchase Plans Reserved for Employees of International Subsidiaries	Mgmt	For	For
	Ordinary Business	Mgmt		
23	Authorize Filing of Required Documents/Other Formalities	Mgmt	For	For

## United Technologies Corporation

Meeting Date: 04/25/2016

Country: USA

Primary Security ID: 913017109

Meeting ID: 1039076

Record Date: 02/29/2016

Meeting Type: Annual

Ticker: UTX

Primary CUSIP: 913017109

Primary ISIN: US9130171096

Primary SEDOL: 2915500

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director John V. Faraci	Mgmt	For	For
1b	Elect Director Jean-Pierre Garnier	Mgmt	For	For
1c	Elect Director Gregory J. Hayes	Mgmt	For	For
1d	Elect Director Edward A. Kangas	Mgmt	For	For
1e	Elect Director Ellen J. Kullman	Mgmt	For	For
1f	Elect Director Marshall O. Larsen	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## United Technologies Corporation

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1g	Elect Director Harold McGraw, III	Mgmt	For	For
1h	Elect Director Richard B. Myers	Mgmt	For	For
1i	Elect Director Fredric G. Reynolds	Mgmt	For	For
1j	Elect Director Brian C. Rogers	Mgmt	For	For
1k	Elect Director H. Patrick Swygert	Mgmt	For	For
1l	Elect Director Andre Villeneuve	Mgmt	For	For
1m	Elect Director Christine Todd Whitman	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Eliminate Cumulative Voting	Mgmt	For	For
4	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For

## Canadian National Railway Company

Meeting Date: 04/26/2016

Country: Canada

Primary Security ID: 136375102

Meeting ID: 1025853

Record Date: 03/03/2016

Meeting Type: Annual

Ticker: CNR

Primary CUSIP: 136375102

Primary ISIN: CA1363751027

Primary SEDOL: 2180632

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Donald J. Carty	Mgmt	For	For
1.2	Elect Director Gordon D. Giffin	Mgmt	For	For
1.3	Elect Director Edith E. Holiday	Mgmt	For	For
1.4	Elect Director V. Maureen Kempston Darkes	Mgmt	For	For
1.5	Elect Director Denis Losier	Mgmt	For	For
1.6	Elect Director Kevin G. Lynch	Mgmt	For	For
1.7	Elect Director Claude Mongeau	Mgmt	For	For
1.8	Elect Director James E. O'Connor	Mgmt	For	For
1.9	Elect Director Robert Pace	Mgmt	For	For
1.10	Elect Director Robert L. Phillips	Mgmt	For	For
1.11	Elect Director Laura Stein	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Canadian National Railway Company

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
2	Ratify KPMG LLP as Auditors	Mgmt	For	For
3	Advisory Vote on Executive Compensation Approach	Mgmt	For	For
	Shareholder Proposal	Mgmt		
4	Require Audit Committee to Request Proposals For The Audit Engagement No Less Than Every 8 Years	SH	Against	Against

## Praxair, Inc.

Meeting Date: 04/26/2016

Country: USA

Primary Security ID: 74005P104

Meeting ID: 1040665

Record Date: 03/01/2016

Meeting Type: Annual

Ticker: PX

Primary CUSIP: 74005P104

Primary ISIN: US74005P1049

Primary SEDOL: 2699291

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Stephen F. Angel	Mgmt	For	For
1.2	Elect Director Oscar Bernardes	Mgmt	For	For
1.3	Elect Director Nance K. Diccianni	Mgmt	For	For
1.4	Elect Director Edward G. Galante	Mgmt	For	For
1.5	Elect Director Ira D. Hall	Mgmt	For	For
1.6	Elect Director Raymond W. LeBoeuf	Mgmt	For	For
1.7	Elect Director Larry D. McVay	Mgmt	For	For
1.8	Elect Director Denise L. Ramos	Mgmt	For	For
1.9	Elect Director Martin H. Richenhagen	Mgmt	For	For
1.10	Elect Director Wayne T. Smith	Mgmt	For	For
1.11	Elect Director Robert L. Wood	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
4	Approve Executive Incentive Bonus Plan	Mgmt	For	For
5	Adopt a Payout Policy Giving Preference to Share Buybacks Over Dividends	SH	Against	Against



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## eBay Inc.

Meeting Date: 04/27/2016

Country: USA

Primary Security ID: 278642103

Meeting ID: 1042798

Record Date: 03/18/2016

Meeting Type: Annual

Ticker: EBAY

Primary CUSIP: 278642103

Primary ISIN: US2786421030

Primary SEDOL: 2293819

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Fred D. Anderson, Jr.	Mgmt	For	For
1b	Elect Director Edward W. Barnholt	Mgmt	For	For
1c	Elect Director Anthony J. Bates	Mgmt	For	For
1d	Elect Director Bonnie S. Hammer	Mgmt	For	For
1e	Elect Director Kathleen C. Mitic	Mgmt	For	For
1f	Elect Director Pierre M. Omidyar	Mgmt	For	For
1g	Elect Director Paul S. Pressler	Mgmt	For	For
1h	Elect Director Robert H. Swan	Mgmt	For	For
1i	Elect Director Thomas J. Tierney	Mgmt	For	For
1j	Elect Director Perry M. Traquina	Mgmt	For	For
1k	Elect Director Devin N. Wenig	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Amend Omnibus Stock Plan	Mgmt	For	Against
4	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
5	Report on Gender Pay Gap	SH	Against	For

## Stryker Corporation

Meeting Date: 04/27/2016

Country: USA

Primary Security ID: 863667101

Meeting ID: 1039698

Record Date: 03/01/2016

Meeting Type: Annual

Ticker: SYK

Primary CUSIP: 863667101

Primary ISIN: US8636671013

Primary SEDOL: 2853688

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Howard E. Cox, Jr.	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Stryker Corporation

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1b	Elect Director Srikant M. Datar	Mgmt	For	For
1c	Elect Director Roch Doliveux	Mgmt	For	For
1d	Elect Director Louise L. Francesconi	Mgmt	For	For
1e	Elect Director Allan C. Golston	Mgmt	For	For
1f	Elect Director Kevin A. Lobo	Mgmt	For	For
1g	Elect Director William U. Parfet	Mgmt	For	For
1h	Elect Director Andrew K. Silvernail	Mgmt	For	For
1i	Elect Director Ronda E. Stryker	Mgmt	For	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For
3	Amend Omnibus Stock Plan	Mgmt	For	For
4	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For

## W.W. Grainger, Inc.

Meeting Date: 04/27/2016

Country: USA

Primary Security ID: 384802104

Meeting ID: 1039918

Record Date: 03/07/2016

Meeting Type: Annual

Ticker: GWW

Primary CUSIP: 384802104

Primary ISIN: US3848021040

Primary SEDOL: 2380863

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Rodney C. Adkins	Mgmt	For	For
1.2	Elect Director Brian P. Anderson	Mgmt	For	For
1.3	Elect Director V. Ann Hailey	Mgmt	For	For
1.4	Elect Director Stuart L. Levenick	Mgmt	For	For
1.5	Elect Director Neil S. Novich	Mgmt	For	For
1.6	Elect Director Michael J. Roberts	Mgmt	For	For
1.7	Elect Director Gary L. Rogers	Mgmt	For	For
1.8	Elect Director James T. Ryan	Mgmt	For	For
1.9	Elect Director E. Scott Santi	Mgmt	For	For
1.10	Elect Director James D. Slavik	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## W.W. Grainger, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For

## Danone

Meeting Date: 04/28/2016	Country: France	Primary Security ID: F12033134	Meeting ID: 1023480
Record Date: 04/25/2016	Meeting Type: Annual/Special	Ticker: BN	
Primary CUSIP: F12033134	Primary ISIN: FR0000120644	Primary SEDOL: B1Y9TB3	

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Ordinary Business	Mgmt		
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For
3	Approve Allocation of Income and Dividends of EUR 1.60 per Share	Mgmt	For	For
4	Reelect Franck Riboud as Director	Mgmt	For	For
5	Reelect Emmanuel Faber as Director	Mgmt	For	For
6	Elect Clara Gaymard as Director	Mgmt	For	For
7	Renew Appointment of PricewaterhouseCoopers as Auditor	Mgmt	For	For
8	Appoint Ernst and Young Audit as Auditor	Mgmt	For	For
9	Appoint Jean-Christophe Georghiou as Alternate Auditor	Mgmt	For	For
10	Renew Appointment of Auditex as Alternate Auditor	Mgmt	For	For
11	Approve Transaction with Danone.communities	Mgmt	For	For
12	Approve Severance Payment Agreement with Emmanuel Faber	Mgmt	For	For
13	Approve Additional Pension Scheme Agreement with Emmanuel Faber	Mgmt	For	For
14	Advisory Vote on Compensation of Franck Riboud, Chairman	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

### Danone

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
15	Advisory Vote on Compensation of Emmanuel Faber, CEO	Mgmt	For	For
16	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For
	Extraordinary Business	Mgmt		
17	Authorize up to 0.2 Percent of Issued Capital for Use in Restricted Stock Plans	Mgmt	For	For
18	Authorize Filing of Required Documents/Other Formalities	Mgmt	For	For

### Delphi Automotive plc

Meeting Date: 04/28/2016

Country: Jersey

Primary Security ID: G27823106

Meeting ID: 1036473

Record Date: 02/26/2016

Meeting Type: Annual

Ticker: DLPH

Primary CUSIP: N/A

Primary ISIN: JE00B783TY65

Primary SEDOL: B783TY6

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Re-elect Joseph S. Cantie as Director	Mgmt	For	For
2	Re-elect Kevin P. Clark as Director	Mgmt	For	For
3	Re-elect Gary L. Cowger as Director	Mgmt	For	For
4	Re-elect Nicholas M. Donofrio as Director	Mgmt	For	For
5	Re-elect Mark P. Frissora as Director	Mgmt	For	For
6	Re-elect Rajiv L. Gupta as Director	Mgmt	For	For
7	Re-elect J. Randall MacDonald as Director	Mgmt	For	For
8	Re-elect Sean O. Mahoney as Director	Mgmt	For	For
9	Re-elect Timothy M. Manganello as Director	Mgmt	For	For
10	Re-elect Bethany J. Mayer as Director	Mgmt	For	For
11	Re-elect Thomas W. Sidlik as Director	Mgmt	For	For
12	Re-elect Bernd Wiedemann as Director	Mgmt	For	For
13	Re-elect Lawrence A. Zimmerman as Director	Mgmt	For	For
14	Ratify Ernst & Young LLP as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Delphi Automotive plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
15	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For

## Johnson & Johnson

Meeting Date: 04/28/2016

Country: USA

Primary Security ID: 478160104

Meeting ID: 1039535

Record Date: 03/01/2016

Meeting Type: Annual

Ticker: JNJ

Primary CUSIP: 478160104

Primary ISIN: US4781601046

Primary SEDOL: 2475833

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Mary C. Beckerle	Mgmt	For	For
1b	Elect Director D. Scott Davis	Mgmt	For	For
1c	Elect Director Ian E. L. Davis	Mgmt	For	For
1d	Elect Director Alex Gorsky	Mgmt	For	For
1e	Elect Director Susan L. Lindquist	Mgmt	For	For
1f	Elect Director Mark B. McClellan	Mgmt	For	For
1g	Elect Director Anne M. Mukahy	Mgmt	For	Against
1h	Elect Director William D. Perez	Mgmt	For	For
1i	Elect Director Charles Prince	Mgmt	For	For
1j	Elect Director A. Eugene Washington	Mgmt	For	For
1k	Elect Director Ronald A. Williams	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
4	Adopt a Payout Policy Giving Preference to Share Buybacks Over Dividends	SH	Against	Against
5	Require Independent Board Chairman	SH	Against	For
6	Report on Lobbying Payments and Policy	SH	Against	Against
7	Report on Policies for Safe Disposal of Prescription Drugs by Users	SH	Against	Against

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

### Ambev S.A.

<b>Meeting Date:</b> 04/29/2016	<b>Country:</b> Brazil	<b>Primary Security ID:</b> P0273U106	<b>Meeting ID:</b> 994367
<b>Record Date:</b>	<b>Meeting Type:</b> Special	<b>Ticker:</b> ABEV3	
<b>Primary CUSIP:</b> P02735127	<b>Primary ISIN:</b> BRABEVACNOR1	<b>Primary SEDOL:</b> BG7ZWY7	

**Voting Policy:** MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Approve Agreement to Absorb Cervejarias Reunidas Skol Caracu SA and Eagle Distribuidora de Bebidas SA	Mgmt	For	For
2	Appoint APSIS Consultoria Empresarial Ltda. as the Independent Firm to Appraise Proposed Transaction	Mgmt	For	For
3	Approve Independent Firm's Appraisal	Mgmt	For	For
4	Approve Absorption of Cervejarias Reunidas Skol Caracu SA and Eagle Distribuidora de Bebidas SA	Mgmt	For	For
5	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	For
6	Approve Restricted Stock Plan	Mgmt	For	Against

### Ambev S.A.

<b>Meeting Date:</b> 04/29/2016	<b>Country:</b> Brazil	<b>Primary Security ID:</b> P0273U106	<b>Meeting ID:</b> 1045865
<b>Record Date:</b>	<b>Meeting Type:</b> Annual	<b>Ticker:</b> ABEV3	
<b>Primary CUSIP:</b> P02735127	<b>Primary ISIN:</b> BRABEVACNOR1	<b>Primary SEDOL:</b> BG7ZWY7	

**Voting Policy:** MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports for Fiscal Year Ended Dec. 31, 2015	Mgmt	For	For
2	Approve Allocation of Income and Dividends	Mgmt	For	For
3	Elect Fiscal Council Members and Alternates	Mgmt	For	Do Not Vote
3.1	Elect Fiscal Council Member Appointed by Minority Shareholder	SH	None	For
4	Ratify Remuneration for Fiscal Year 2015 and Approve Remuneration of Company's Management and Fiscal Council Members for Fiscal Year 2016	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Bayer AG

Meeting Date: 04/29/2016

Country: Germany

Primary Security ID: D0712D163

Meeting ID: 999999

Record Date:

Meeting Type: Annual

Ticker: BAYN

Primary CUSIP: D0712D163

Primary ISIN: DE000BAY0017

Primary SEDOL: 5069211

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Receive Financial Statements and Statutory Reports; Approve Allocation of Income and Dividends of EUR 2.50 per Share for Fiscal 2015	Mgmt	For	For
2	Approve Discharge of Management Board for Fiscal 2015	Mgmt	For	For
3	Approve Discharge of Supervisory Board for Fiscal 2015	Mgmt	For	For
4.1	Elect Johanna Faber to the Supervisory Board	Mgmt	For	For
4.2	Elect Wolfgang Plischke to the Supervisory Board	Mgmt	For	For
5	Approve Remuneration System for Management Board Members	Mgmt	For	For
6	Ratify PricewaterhouseCoopers as Auditors for Fiscal 2016	Mgmt	For	For
7	Ratify Deloitte & Touche GmbH as Auditors for the First Quarter of Fiscal 2017	Mgmt	For	For

## Kellogg Company

Meeting Date: 04/29/2016

Country: USA

Primary Security ID: 487836108

Meeting ID: 1036981

Record Date: 03/01/2016

Meeting Type: Annual

Ticker: K

Primary CUSIP: 487836108

Primary ISIN: US4878361082

Primary SEDOL: 2486813

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Mary Laschinger	Mgmt	For	For
1.2	Elect Director Cynthia Hardin Milligan	Mgmt	For	For
1.3	Elect Director Carolyn Tastad	Mgmt	For	For
1.4	Elect Director Noel Wallace	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Kellogg Company

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
4	Express Support for Animal Welfare Improvements in the Company's Supply Chain	SH	For	For
5	Adopt Simple Majority Vote	SH	Against	For

## Merck KGaA

Meeting Date: 04/29/2016 Country: Germany Primary Security ID: D5357W103 Meeting ID: 1029711

Record Date: 04/07/2016 Meeting Type: Annual Ticker: MRK

Primary CUSIP: D5357W103 Primary ISIN: DE0006599905 Primary SEDOL: 4741844

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Receive Financial Statements and Statutory Reports for Fiscal 2015 (Non-Voting)	Mgmt		
2	Accept Financial Statements and Statutory Reports for Fiscal 2015	Mgmt	For	For
3	Approve Allocation of Income and Dividends of EUR 1.05 per Share	Mgmt	For	For
4	Approve Discharge of Management Board for Fiscal 2015	Mgmt	For	For
5	Approve Discharge of Supervisory Board for Fiscal 2015	Mgmt	For	For
6	Ratify KPMG AG as Auditors for Fiscal 2016	Mgmt	For	For
7	Amend Articles Re: Changes in German Commercial Code and German Stock Corporation Act	Mgmt	For	For

## Harley-Davidson, Inc.

Meeting Date: 04/30/2016 Country: USA Primary Security ID: 412822108 Meeting ID: 1041519

Record Date: 02/25/2016 Meeting Type: Annual Ticker: HOG

Primary CUSIP: 412822108 Primary ISIN: US4128221086 Primary SEDOL: 2411053



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Harley-Davidson, Inc.

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director R. John Anderson	Mgmt	For	For
1.2	Elect Director Michael J. Cave	Mgmt	For	For
1.3	Elect Director Donald A. James	Mgmt	For	For
1.4	Elect Director Matthew S. Levatich	Mgmt	For	For
1.5	Elect Director Sara L. Levinson	Mgmt	For	For
1.6	Elect Director N. Thomas Linebarger	Mgmt	For	For
1.7	Elect Director George L. Miles, Jr.	Mgmt	For	For
1.8	Elect Director James A. Norling	Mgmt	For	For
1.9	Elect Director Jochen Zeitz	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For

## American Express Company

Meeting Date: 05/02/2016

Country: USA

Primary Security ID: 025816109

Meeting ID: 1041626

Record Date: 03/04/2016

Meeting Type: Annual

Ticker: AXP

Primary CUSIP: 025816109

Primary ISIN: US0258161092

Primary SEDOL: 2026082

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Charlene Barshefsky	Mgmt	For	For
1b	Elect Director Ursula M. Burns	Mgmt	For	For
1c	Elect Director Kenneth I. Chenault	Mgmt	For	For
1d	Elect Director Peter Chernin	Mgmt	For	For
1e	Elect Director Ralph de la Vega	Mgmt	For	For
1f	Elect Director Anne L. Lauvergeon	Mgmt	For	For
1g	Elect Director Michael O. Leavitt	Mgmt	For	For
1h	Elect Director Theodore J. Leonsis	Mgmt	For	For
1i	Elect Director Richard C. Levin	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## American Express Company

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1j	Elect Director Samuel J. Palmisano	Mgmt	For	For
1k	Elect Director Daniel L. Vasella	Mgmt	For	For
1l	Elect Director Robert D. Walter	Mgmt	For	For
1m	Elect Director Ronald A. Williams	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
4	Approve Omnibus Stock Plan	Mgmt	For	For
5	Prepare Employment Diversity Report	SH	Against	For
6	Report on Board Oversight of Privacy and Data Security and Requests for Customer Information	SH	Against	For
7	Provide Right to Act by Written Consent	SH	Against	For
8	Report on Lobbying Payments and Policy	SH	Against	Against
9	Require Independent Board Chairman	SH	Against	For

## International Flavors & Fragrances Inc.

Meeting Date: 05/02/2016

Country: USA

Primary Security ID: 459506101

Meeting ID: 1040043

Record Date: 03/08/2016

Meeting Type: Annual

Ticker: IFF

Primary CUSIP: 459506101

Primary ISIN: US4595061015

Primary SEDOL: 2464165

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Marcello V. Bottoli	Mgmt	For	For
1b	Elect Director Linda Buck	Mgmt	For	For
1c	Elect Director Michael L. Ducker	Mgmt	For	For
1d	Elect Director David R. Epstein	Mgmt	For	For
1e	Elect Director Roger W. Ferguson, Jr.	Mgmt	For	For
1f	Elect Director John F. Ferraro	Mgmt	For	For
1g	Elect Director Andreas Fibig	Mgmt	For	For
1h	Elect Director Christina Gold	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## International Flavors & Fragrances Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1i	Elect Director Henry W. Howell, Jr.	Mgmt	For	For
1j	Elect Director Katherine M. Hudson	Mgmt	For	For
1k	Elect Director Dale F. Morrison	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For

## Linde AG

Meeting Date: 05/03/2016

Country: Germany

Primary Security ID: D50348107

Meeting ID: 1029692

Record Date: 04/11/2016

Meeting Type: Annual

Ticker: LIN

Primary CUSIP: D50348107

Primary ISIN: DE0006483001

Primary SEDOL: 5740817

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Receive Financial Statements and Statutory Reports for Fiscal 2015 (Non-Voting)	Mgmt		
2	Approve Allocation of Income and Dividends of EUR 3.45 per Share	Mgmt	For	For
3	Approve Discharge of Management Board for Fiscal 2015	Mgmt	For	For
4	Approve Discharge of Supervisory Board for Fiscal 2015	Mgmt	For	For
5.1	Ratify KPMG AG as Auditors for Fiscal 2016	Mgmt	For	For
5.2	Ratify KPMG AG as Auditors for the First Quarter of Fiscal 2017	Mgmt	For	For
6	Approve Creation of EUR 47 Million Pool of Capital without Preemptive Rights	Mgmt	For	For
7	Authorize Share Repurchase Program and Reissuance or Cancellation of Repurchased Shares	Mgmt	For	For
8	Authorize Use of Financial Derivatives when Repurchasing Shares	Mgmt	For	For
9.1	Elect Victoria Ossadnik to the Supervisory Board	Mgmt	For	For
9.2	Elect Wolfgang Reitzle to the Supervisory Board	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Zimmer Biomet Holdings, Inc.

<b>Meeting Date:</b> 05/03/2016	<b>Country:</b> USA	<b>Primary Security ID:</b> 98956P102	<b>Meeting ID:</b> 1041621
<b>Record Date:</b> 03/04/2016	<b>Meeting Type:</b> Annual	<b>Ticker:</b> ZBH	
<b>Primary CUSIP:</b> 98956P102	<b>Primary ISIN:</b> US98956P1021	<b>Primary SEDOL:</b> 2783815	

**Voting Policy:** MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Christopher B. Begley	Mgmt	For	For
1b	Elect Director Betsy J. Bernard	Mgmt	For	For
1c	Elect Director Paul M. Bisaro	Mgmt	For	For
1d	Elect Director Gail K. Boudreaux	Mgmt	For	For
1e	Elect Director David C. Dvorak	Mgmt	For	For
1f	Elect Director Michael J. Farrell	Mgmt	For	For
1g	Elect Director Larry C. Glasscock	Mgmt	For	For
1h	Elect Director Robert A. Hagemann	Mgmt	For	For
1i	Elect Director Arthur J. Higgins	Mgmt	For	For
1j	Elect Director Michael W. Michelson	Mgmt	For	For
1k	Elect Director Cecil B. Pickett	Mgmt	For	For
1l	Elect Director Jeffrey K. Rhodes	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
4	Amend Omnibus Stock Plan	Mgmt	For	For

## Standard Chartered plc

<b>Meeting Date:</b> 05/04/2016	<b>Country:</b> United Kingdom	<b>Primary Security ID:</b> G84228157	<b>Meeting ID:</b> 1030100
<b>Record Date:</b> 04/29/2016	<b>Meeting Type:</b> Annual	<b>Ticker:</b> STAN	
<b>Primary CUSIP:</b> G84228157	<b>Primary ISIN:</b> G80004082847	<b>Primary SEDOL:</b> 0408284	

**Voting Policy:** MFS

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

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Standard Chartered plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
2	Approve Remuneration Report	Mgmt	For	For
3	Approve Remuneration Policy	Mgmt	For	For
4	Elect David Conner as Director	Mgmt	For	For
5	Elect Bill Winters as Director	Mgmt	For	For
6	Re-elect Om Bhatt as Director	Mgmt	For	For
7	Re-elect Dr Kurt Campbell as Director	Mgmt	For	For
8	Re-elect Dr Louis Cheung as Director	Mgmt	For	For
9	Re-elect Dr Byron Grote as Director	Mgmt	For	For
10	Re-elect Andy Halford as Director	Mgmt	For	For
11	Re-elect Dr Han Seung-soo as Director	Mgmt	For	For
12	Re-elect Christine Hodgson as Director	Mgmt	For	For
13	Re-elect Gay Huey Evans as Director	Mgmt	For	For
14	Re-elect Naguib Kheraj as Director	Mgmt	For	For
15	Re-elect Simon Lowth as Director	Mgmt	For	For
16	Re-elect Sir John Peace as Director	Mgmt	For	For
17	Re-elect Jasmine Whitbread as Director	Mgmt	For	For
18	Reappoint KPMG LLP as Auditors	Mgmt	For	For
19	Authorise Board to Fix Remuneration of Auditors	Mgmt	For	For
20	Authorise EU Political Donations and Expenditure	Mgmt	For	For
21	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For
22	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For
23	Authorise Issue of Equity In Relation to Equity Convertible Additional Tier 1 Securities	Mgmt	For	For
24	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For
25	Authorise Issue of Equity without Pre-emptive Rights in Relation to Equity Convertible Additional Tier 1 Securities	Mgmt	For	For
26	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For
27	Authorise Market Purchase of Preference Shares	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Standard Chartered plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
28	Authorise the Company to Call General Meeting with Two Weeks' Notice	Mgmt	For	For

## Reckitt Benckiser Group plc

Meeting Date: 05/05/2016

Country: United Kingdom

Primary Security ID: G74079107

Meeting ID: 1047847

Record Date: 05/03/2016

Meeting Type: Annual

Ticker: RB.

Primary CUSIP: G74079107

Primary ISIN: GB00B24CGK77

Primary SEDOL: B24CGK7

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 Adrian Bellamy as Director	Mgmt	For	For
6	Re-elect Nicandro Durante as Director	Mgmt	For	For
7	Re-elect Mary Harris as Director	Mgmt	For	For
8	Re-elect Adrian Hennah as Director	Mgmt	For	For
9	Re-elect Pam Kirby as Director	Mgmt	For	For
10	Re-elect Kenneth Hydon as Director	Mgmt	For	For
11	Re-elect Rakesh Kapoor as Director	Mgmt	For	For
12	Re-elect Andre Lacroix as Director	Mgmt	For	For
13	Re-elect Chris Sinclair as Director	Mgmt	For	For
14	Re-elect Judith Sprieser as Director	Mgmt	For	For
15	Re-elect Warren Tucker as Director	Mgmt	For	For
16	Reappoint PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
17	Authorise Board to Fix Remuneration of Auditors	Mgmt	For	For
18	Authorise EU Political Donations and Expenditure	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Reckitt Benckiser Group plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
19	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For
20	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For
21	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For
22	Authorise the Company to Call General Meeting with Two Weeks' Notice	Mgmt	For	For

## United Parcel Service, Inc.

Meeting Date: 05/05/2016

Country: USA

Primary Security ID: 911312106

Meeting ID: 1038553

Record Date: 03/07/2016

Meeting Type: Annual

Ticker: UPS

Primary CUSIP: 911312106

Primary ISIN: US9113121068

Primary SEDOL: 2517382

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director David P. Abney	Mgmt	For	For
1b	Elect Director Rodney C. Adkins	Mgmt	For	For
1c	Elect Director Michael J. Burns	Mgmt	For	For
1d	Elect Director William R. Johnson	Mgmt	For	For
1e	Elect Director Candace Kendle	Mgmt	For	For
1f	Elect Director Ann M. Livermore	Mgmt	For	For
1g	Elect Director Rudy H.P. Markham	Mgmt	For	For
1h	Elect Director Clark 'Sandy' T. Randt, Jr.	Mgmt	For	For
1i	Elect Director John T. Stankey	Mgmt	For	For
1j	Elect Director Carol B. Tome	Mgmt	For	For
1k	Elect Director Kevin M. Warsh	Mgmt	For	For
2	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For
3	Report on Lobbying Payments and Policy	SH	Against	For
4	Approve Recapitalization Plan for all Stock to Have One-vote per Share	SH	Against	For
5	Adopt Holy Land Principles	SH	Against	Against

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Colgate-Palmolive Company

Meeting Date: 05/06/2016      Country: USA      Primary Security ID: 194162103      Meeting ID: 1042758  
Record Date: 03/08/2016      Meeting Type: Annual      Ticker: CL  
Primary CUSIP: 194162103      Primary ISIN: US1941621039      Primary SEDOL: 2209106

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director John P. Bilbrey	Mgmt	For	For
1b	Elect Director John T. Cahill	Mgmt	For	For
1c	Elect Director Ian Cook	Mgmt	For	For
1d	Elect Director Helene D. Gayle	Mgmt	For	For
1e	Elect Director Ellen M. Hancock	Mgmt	For	For
1f	Elect Director C. Martin Harris	Mgmt	For	For
1g	Elect Director Richard J. Kogan	Mgmt	For	For
1h	Elect Director Lorrie M. Norrington	Mgmt	For	For
1i	Elect Director Michael B. Polk	Mgmt	For	For
1j	Elect Director Stephen I. Sadove	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
4	Reduce Ownership Threshold for Shareholders to Call Special Meeting	SH	Against	For

## 3M Company

Meeting Date: 05/10/2016      Country: USA      Primary Security ID: 88579Y101      Meeting ID: 1042828  
Record Date: 03/11/2016      Meeting Type: Annual      Ticker: MMM  
Primary CUSIP: 88579Y101      Primary ISIN: US88579Y1010      Primary SEDOL: 2595708

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Sondra L. Barbour	Mgmt	For	For
1b	Elect Director Thomas 'Tony' K. Brown	Mgmt	For	For
1c	Elect Director Vance D. Coffman	Mgmt	For	For



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

### 3M Company

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1d	Elect Director David B. Dillon	Mgmt	For	For
1e	Elect Director Michael L. Eskew	Mgmt	For	For
1f	Elect Director Herbert L. Henkel	Mgmt	For	For
1g	Elect Director Muhtar Kent	Mgmt	For	For
1h	Elect Director Edward M. Liddy	Mgmt	For	For
1i	Elect Director Gregory R. Page	Mgmt	For	For
1j	Elect Director Inge G. Thulin	Mgmt	For	For
1k	Elect Director Robert J. Ulrich	Mgmt	For	For
1l	Elect Director Patricia A. Woertz	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
4	Approve Omnibus Stock Plan	Mgmt	For	Against
5	Reduce Ownership Threshold for Shareholders to Call Special Meetings	SH	Against	For
6	Exclude the Impact of Stock Buyback Programs on the Financial Metrics on which CEO Pay is Based	SH	Against	Against

### UBS GROUP AG

Meeting Date: 05/10/2016

Country: Switzerland

Primary Security ID: H42097107

Meeting ID: 1024822

Record Date:

Meeting Type: Annual

Ticker: UBSG

Primary CUSIP: N/A

Primary ISIN: CH0244767585

Primary SEDOL: BRJL176

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
1.2	Approve Remuneration Report	Mgmt	For	For
2.1	Approve Allocation of Income and Dividends of 0.60 per Share from Capital Contribution Reserves	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## UBS GROUP AG

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
2.2	Approve Supplementary Dividends of CHF 0.25 per Share from Capital Contribution Reserves	Mgmt	For	For
3	Approve Discharge of Board and Senior Management	Mgmt	For	For
4	Approve Variable Remuneration of Executive Committee in the Amount of CHF 71.25 Million	Mgmt	For	For
5	Approve Fixed Remuneration of Executive Committee in the Amount of CHF 28.5 Million	Mgmt	For	For
6.1.1	Reelect Axel Weber as Director and Board Chairman	Mgmt	For	For
6.1.2	Reelect Michel Demare as Director	Mgmt	For	For
6.1.3	Reelect David Sidwell as Director	Mgmt	For	For
6.1.4	Reelect Reto Francioni as Director	Mgmt	For	For
6.1.5	Reelect Ann Godbehere as Director	Mgmt	For	For
6.1.6	Reelect William Parrett as Director	Mgmt	For	For
6.1.7	Reelect Isabelle Romy as Director	Mgmt	For	For
6.1.8	Reelect Beatrice Weder di Mauro as Director	Mgmt	For	For
6.1.9	Reelect Joseph Yam as Director	Mgmt	For	For
6.2.1	Elect Robert Scully as Director	Mgmt	For	For
6.2.2	Elect Dieter Wemmer as Director	Mgmt	For	For
6.3.1	Appoint Ann Godbehere as Member of the Compensation Committee	Mgmt	For	For
6.3.2	Appoint Michel Demare as Member of the Compensation Committee	Mgmt	For	For
6.3.3	Appoint Reto Francioni as Member of the Compensation Committee	Mgmt	For	For
6.3.4	Appoint William Parrett as Member of the Compensation Committee	Mgmt	For	For
7	Approve Maximum Remuneration of Directors in the Amount of CHF 14 Million	Mgmt	For	For
8.1	Designate ADB Altorfer Duss & Bellstein AG as Independent Proxy	Mgmt	For	For
8.2	Ratify Ernst & Young AG as Auditors	Mgmt	For	For
9	Transact Other Business (Voting)	Mgmt	For	Against

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Deutsche Boerse AG

<b>Meeting Date:</b> 05/11/2016	<b>Country:</b> Germany	<b>Primary Security ID:</b> D1882G119	<b>Meeting ID:</b> 1029709
<b>Record Date:</b>	<b>Meeting Type:</b> Annual	<b>Ticker:</b> DB1	
<b>Primary CUSIP:</b> D1882G119	<b>Primary ISIN:</b> DE0005810055	<b>Primary SEDOL:</b> 7021963	

**Voting Policy:** MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Receive Financial Statements and Statutory Reports for Fiscal 2015 (Non-Voting)	Mgmt		
2	Approve Allocation of Income and Dividends of EUR 2.25 per Share	Mgmt	For	For
3	Approve Discharge of Management Board for Fiscal 2015	Mgmt	For	For
4	Approve Discharge of Supervisory Board for Fiscal 2015	Mgmt	For	For
5	Elect Ann-Kristin Achleitner to the Supervisory Board	Mgmt	For	For
6	Approve Creation of EUR 13.3 Million Pool of Capital with Preemptive Rights	Mgmt	For	For
7	Approve Remuneration System for Management Board Members	Mgmt	For	For
8	Amend Articles Re: Attendance Fee for Supervisory Board Members	Mgmt	For	For
9	Ratify KPMG as Auditors for Fiscal 2016	Mgmt	For	For

## Erste Group Bank AG

<b>Meeting Date:</b> 05/11/2016	<b>Country:</b> Austria	<b>Primary Security ID:</b> A19494102	<b>Meeting ID:</b> 1028334
<b>Record Date:</b> 05/01/2016	<b>Meeting Type:</b> Annual	<b>Ticker:</b> EBS	
<b>Primary CUSIP:</b> A19494102	<b>Primary ISIN:</b> AT0000652011	<b>Primary SEDOL:</b> 5289837	

**Voting Policy:** MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Receive Financial Statements and Statutory Reports (Non-Voting)	Mgmt		
2	Approve Allocation of Income and Dividends of EUR 0.50 per Share	Mgmt	For	For
3	Approve Discharge of Management Board	Mgmt	For	For
4	Approve Discharge of Supervisory Board	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Erste Group Bank AG

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
5	Approve Remuneration of Supervisory Board Members	Mgmt	For	For
6	Ratify PwC Wirtschaftspruefung GmbH Auditors	Mgmt	For	For
7	Amend Articles Re: Introduction of Age Limit for Board Members	Mgmt	For	Against

## Waters Corporation

Meeting Date: 05/11/2016

Country: USA

Primary Security ID: 941848103

Meeting ID: 1047484

Record Date: 03/17/2016

Meeting Type: Annual

Ticker: WAT

Primary CUSIP: 941848103

Primary ISIN: US9418481035

Primary SEDOL: 2937689

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Joshua Bekenstein	Mgmt	For	For
1.2	Elect Director Michael J. Berendt	Mgmt	For	For
1.3	Elect Director Douglas A. Berthlaume	Mgmt	For	For
1.4	Elect Director Edward Conard	Mgmt	For	For
1.5	Elect Director Laurie H. Glimcher	Mgmt	For	For
1.6	Elect Director Christopher A. Kuebler	Mgmt	For	For
1.7	Elect Director William J. Miller	Mgmt	For	For
1.8	Elect Director Christopher J. O'Connell	Mgmt	For	For
1.9	Elect Director JoAnn A. Reed	Mgmt	For	For
1.10	Elect Director Thomas P. Salice	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## William Hill plc

Meeting Date: 05/11/2016

Country: United Kingdom

Primary Security ID: G9645P117

Meeting ID: 1032099

Record Date: 05/09/2016

Meeting Type: Annual

Ticker: WMH

Primary CUSIP: G9645P117

Primary ISIN: G80031698896

Primary SEDOL: 3169889

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 Report	Mgmt	For	For
3	Approve Final Dividend	Mgmt	For	For
4	Elect Philip Bowcock as Director	Mgmt	For	For
5	Re-elect Gareth Davis as Director	Mgmt	For	For
6	Re-elect James Henderson as Director	Mgmt	For	For
7	Re-elect Sir Roy Gardner as Director	Mgmt	For	For
8	Re-elect Georgina Harvey as Director	Mgmt	For	For
9	Re-elect Ashley Highfield as Director	Mgmt	For	For
10	Re-elect David Lowden as Director	Mgmt	For	For
11	Re-elect Imekda Walsh as Director	Mgmt	For	For
12	Reappoint Deloitte LLP as Auditors	Mgmt	For	For
13	Authorise the Audit and Risk Management Committee to Fix Remuneration of Auditors	Mgmt	For	For
14	Authorise EU Political Donations and Expenditure	Mgmt	For	For
15	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For
16	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For
17	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For
18	Authorise the Company to Call General Meeting with 14 Working Days' Notice	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## L Air Liquide

Meeting Date: 05/12/2016	Country: France	Primary Security ID: F01764103	Meeting ID: 1023615
Record Date: 05/09/2016	Meeting Type: Annual/Special	Ticker: AI	
Primary CUSIP: F01764103	Primary ISIN: FR0000120073	Primary SEDOL: B1YXBJ7	

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Ordinary Business	Mgmt		
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For
3	Approve Allocation of Income and Dividends of EUR 2.60 per Share	Mgmt	For	For
4	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For
5	Reelect Karen Katen as Director	Mgmt	For	For
6	Reelect Pierre Dufour as Director	Mgmt	For	For
7	Elect Brian Gilvary as Director	Mgmt	For	For
8	Acknowledge Auditors' Special Report on Related-Party Transactions Mentioning the Absence of New Transactions	Mgmt	For	For
9	Renew Appointment of Ernst and Young et Autres as Auditor	Mgmt	For	For
10	Renew Appointment of Auditex as Alternate Auditor	Mgmt	For	For
11	Appoint PricewaterhouseCoopers as Auditor	Mgmt	For	For
12	Appoint Jean-Christophe Georghiou as Alternate Auditor	Mgmt	For	For
13	Authorize Issuance of Bonds/Debentures in the Aggregate Value of EUR 20 Billion	Mgmt	For	For
14	Advisory Vote on Compensation of Benoit Potier	Mgmt	For	For
15	Advisory Vote on Compensation of Pierre Dufour	Mgmt	For	For
	Extraordinary Business	Mgmt		
16	Authorize Decrease in Share Capital via Cancellation of Repurchased Shares	Mgmt	For	For
17	Authorize Capitalization of Reserves of Up to EUR 250 Million for Bonus Issue or Increase in Par Value	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

### L Air Liquide

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
18	Authorize up to 2 Percent of Issued Capital for Use in Stock Option Plans	Mgmt	For	For
19	Authorize up to 0.5 Percent of Issued Capital for Use in Restricted Stock Plans	Mgmt	For	For
20	Amend Articles 12 and 13 of Bylaws Re: Chairman and CEO Age Limits	Mgmt	For	For
21	Authorize Capital Issuances for Use in Employee Stock Purchase Plans	Mgmt	For	For
22	Approve Stock Purchase Plan Reserved for Employees of International Subsidiaries	Mgmt	For	For
23	Authorize Issuance of Equity or Equity-Linked Securities without Preemptive Rights up to Aggregate Nominal Amount of EUR 100 Million	Mgmt	For	For
24	Approve Issuance of Equity or Equity-Linked Securities Reserved for Qualified Investors or Restricted Number of Investors, up to Aggregate Nominal Amount of EUR 100 Million	Mgmt	For	For
25	Authorize Board to Increase Capital in the Event of Additional Demand Related to Delegation Submitted to Shareholder Vote Above	Mgmt	For	For
	Ordinary Business	Mgmt		
26	Authorize Filing of Required Documents/Other Formalities	Mgmt	For	For

### Union Pacific Corporation

Meeting Date: 05/12/2016

Country: USA

Primary Security ID: 907818108

Meeting ID: 1049491

Record Date: 03/11/2016

Meeting Type: Annual

Ticker: UNP

Primary CUSIP: 907818108

Primary ISIN: US9078181081

Primary SEDOL: 2914734

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Andrew H. Card, Jr.	Mgmt	For	For
1.2	Elect Director Erroll B. Davis, Jr.	Mgmt	For	For
1.3	Elect Director David B. Dillon	Mgmt	For	For
1.4	Elect Director Lance M. Fritz	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Union Pacific Corporation

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.5	Elect Director Charles C. Krulak	Mgmt	For	For
1.6	Elect Director Jane H. Lute	Mgmt	For	For
1.7	Elect Director Michael R. McCarthy	Mgmt	For	For
1.8	Elect Director Michael W. McConnell	Mgmt	For	For
1.9	Elect Director Thomas F. McLarty, III	Mgmt	For	For
1.10	Elect Director Steven R. Rogel	Mgmt	For	For
1.11	Elect Director Jose H. Villarreal	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	Stock Retention	SH	Against	Against
5	Require Independent Board Chairman	SH	Against	Against

## National Oilwell Varco, Inc.

Meeting Date: 05/18/2016

Country: USA

Primary Security ID: 637071101

Meeting ID: 1051872

Record Date: 04/01/2016

Meeting Type: Annual

Ticker: NOV

Primary CUSIP: 637071101

Primary ISIN: US6370711011

Primary SEDOL: 2624486

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1A	Elect Director Clay C. Williams	Mgmt	For	For
1B	Elect Director Greg L. Armstrong	Mgmt	For	For
1C	Elect Director Marcela E. Donadío	Mgmt	For	For
1D	Elect Director Ben A. Gull	Mgmt	For	For
1E	Elect Director James T. Hackett	Mgmt	For	For
1F	Elect Director David D. Harrison	Mgmt	For	For
1G	Elect Director Roger L. Jarvis	Mgmt	For	For
1H	Elect Director Eric L. Mattson	Mgmt	For	For
1I	Elect Director William R. Thomas	Mgmt	For	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## National Oilwell Varco, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
4	Amend Omnibus Stock Plan	Mgmt	For	For

## State Street Corporation

Meeting Date: 05/18/2016

Country: USA

Primary Security ID: 857477103

Meeting ID: 1050266

Record Date: 03/11/2016

Meeting Type: Annual

Ticker: STT

Primary CUSIP: 857477103

Primary ISIN: US8574771031

Primary SEDOL: 2842040

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Kennett F. Burnes	Mgmt	For	For
1b	Elect Director Patrick de Saint-Aignan	Mgmt	For	For
1c	Elect Director Lynn A. Dugle	Mgmt	For	For
1d	Elect Director William C. Freda	Mgmt	For	For
1e	Elect Director Amelia C. Fawcett	Mgmt	For	For
1f	Elect Director Linda A. Hill	Mgmt	For	For
1g	Elect Director Joseph L. Hooley	Mgmt	For	For
1h	Elect Director Richard P. Sergel	Mgmt	For	For
1i	Elect Director Ronald L. Skates	Mgmt	For	For
1j	Elect Director Gregory L. Summe	Mgmt	For	For
1k	Elect Director Thomas J. Wilson	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Approve Executive Incentive Bonus Plan	Mgmt	For	For
4	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Thermo Fisher Scientific Inc.

Meeting Date: 05/18/2016

Country: USA

Primary Security ID: 883556102

Meeting ID: 1048558

Record Date: 03/28/2016

Meeting Type: Annual

Ticker: TMO

Primary CUSIP: 883556102

Primary ISIN: US8835561023

Primary SEDOL: 2886907

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Marc N. Casper	Mgmt	For	For
1b	Elect Director Nelson J. Chai	Mgmt	For	For
1c	Elect Director C. Martin Harris	Mgmt	For	For
1d	Elect Director Tyler Jacks	Mgmt	For	For
1e	Elect Director Judy C. Lewent	Mgmt	For	For
1f	Elect Director Thomas J. Lynch	Mgmt	For	For
1g	Elect Director Jim P. Manzl	Mgmt	For	For
1h	Elect Director William G. Parrett	Mgmt	For	For
1i	Elect Director Scott M. Sperling	Mgmt	For	For
1j	Elect Director Elaine S. Ullian	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For

## The Goldman Sachs Group, Inc.

Meeting Date: 05/20/2016

Country: USA

Primary Security ID: 38141G104

Meeting ID: 1051188

Record Date: 03/21/2016

Meeting Type: Annual

Ticker: GS

Primary CUSIP: 38141G104

Primary ISIN: US38141G1040

Primary SEDOL: 2407966

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Lloyd C. Blankfein	Mgmt	For	For
1b	Elect Director M. Michele Burns	Mgmt	For	Against
1c	Elect Director Gary D. Cohn	Mgmt	For	For
1d	Elect Director Mark Flaherty	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## The Goldman Sachs Group, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1e	Elect Director William W. George	Mgmt	For	Against
1f	Elect Director James A. Johnson	Mgmt	For	Against
1g	Elect Director Lakshmi N. Mittal	Mgmt	For	Against
1h	Elect Director Adebayo O. Ogunlesi	Mgmt	For	Against
1i	Elect Director Peter Oppenheimer	Mgmt	For	For
1j	Elect Director Debora L. Spar	Mgmt	For	Against
1k	Elect Director Mark E. Tucker	Mgmt	For	For
1l	Elect Director David A. Vinlar	Mgmt	For	For
1m	Elect Director Mark O. Winkelman	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
4	Prohibit Accelerated Vesting of Awards to Pursue Government Service	SH	Against	Against
5	Provide Vote Counting to Exclude Abstentions	SH	Against	Against
6	Require Independent Board Chairman	SH	Against	For

## Lawson, Inc.

Meeting Date: 05/24/2016

Country: Japan

Primary Security ID: J3871L103

Meeting ID: 1058427

Record Date: 02/29/2016

Meeting Type: Annual

Ticker: 2651

Primary CUSIP: J3871L103

Primary ISIN: JP3982100004

Primary SEDOL: 6266914

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Approve Allocation of Income, with a Final Dividend of JPY 122.5	Mgmt	For	For
2	Amend Articles to Reduce Directors' Term	Mgmt	For	For
3.1	Elect Director Tamatsuka, Genichi	Mgmt	For	For
3.2	Elect Director Takemasu, Sadanobu	Mgmt	For	For
3.3	Elect Director Gonai, Masakatsu	Mgmt	For	For
3.4	Elect Director Osono, Emi	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

### Lawson, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
3.5	Elect Director Kyoya, Yutaka	Mgmt	For	For
3.6	Elect Director Akiyama, Sakie	Mgmt	For	For
3.7	Elect Director Hayashi, Keiko	Mgmt	For	For
3.8	Elect Director Nishio, Kazunori	Mgmt	For	For
4	Appoint Statutory Auditor Takahashi, Toshio	Mgmt	For	For

### Omnicom Group Inc.

Meeting Date: 05/24/2016

Country: USA

Primary Security ID: 681919106

Meeting ID: 1053802

Record Date: 04/04/2016

Meeting Type: Annual

Ticker: OMC

Primary CUSIP: 681919106

Primary ISIN: US6819191064

Primary SEDOL: 2279303

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director John D. Wren	Mgmt	For	For
1.2	Elect Director Bruce Crawford	Mgmt	For	For
1.3	Elect Director Alan R. Batkin	Mgmt	For	For
1.4	Elect Director Mary C. Choksi	Mgmt	For	For
1.5	Elect Director Robert Charles Clark	Mgmt	For	For
1.6	Elect Director Leonard S. Coleman, Jr.	Mgmt	For	For
1.7	Elect Director Susan S. Denison	Mgmt	For	For
1.8	Elect Director Michael A. Henning	Mgmt	For	For
1.9	Elect Director Deborah J. Kissire	Mgmt	For	For
1.10	Elect Director John R. Murphy	Mgmt	For	For
1.11	Elect Director John R. Purcell	Mgmt	For	For
1.12	Elect Director Linda Johnson Rice	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	Prepare Employment Diversity Report	SH	Against	For
5	Require Independent Board Chairman	SH	Against	Against

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Urban Outfitters, Inc.

Meeting Date: 05/24/2016

Country: USA

Primary Security ID: 917047102

Meeting ID: 1047074

Record Date: 03/17/2016

Meeting Type: Annual

Ticker: URBN

Primary CUSIP: 917047102

Primary ISIN: US9170471026

Primary SEDOL: 2933438

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Edward N. Antolan	Mgmt	For	For
1.2	Elect Director Scott A. Belair	Mgmt	For	For
1.3	Elect Director Harry S. Cherken, Jr.	Mgmt	For	For
1.4	Elect Director Scott Galloway	Mgmt	For	For
1.5	Elect Director Margaret A. Hayne	Mgmt	For	For
1.6	Elect Director Richard A. Hayne	Mgmt	For	For
1.7	Elect Director Elizabeth Ann Lambert	Mgmt	For	For
1.8	Elect Director Joel S. Lawson, III	Mgmt	For	For
1.9	Elect Director Robert H. Strouse	Mgmt	For	For
2	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For
3	Proxy Access	SH	For	For

## Amphenol Corporation

Meeting Date: 05/25/2016

Country: USA

Primary Security ID: 032095101

Meeting ID: 1056128

Record Date: 03/28/2016

Meeting Type: Annual

Ticker: APH

Primary CUSIP: 032095101

Primary ISIN: US0320951017

Primary SEDOL: 2145084

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Ronald P. Badie	Mgmt	For	For
1.2	Elect Director Stanley L. Clark	Mgmt	For	For
1.3	Elect Director David P. Falck	Mgmt	For	For
1.4	Elect Director Edward G. Jepsen	Mgmt	For	For
1.5	Elect Director Randall D. Ledford	Mgmt	For	For
1.6	Elect Director Martin H. Loeffler	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Amphenol Corporation

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.7	Elect Director John R. Lord	Mgmt	For	For
1.8	Elect Director R. Adam Norwitt	Mgmt	For	For
1.9	Elect Director Diana G. Reardon	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	Provide Directors May Be Removed With or Without Cause	Mgmt	For	For

## DENTSPLY SIRONA Inc.

Meeting Date: 05/25/2016

Country: USA

Primary Security ID: 24906P109

Meeting ID: 1054322

Record Date: 03/28/2016

Meeting Type: Annual

Ticker: XRAY

Primary CUSIP: 24906P109

Primary ISIN: US24906P1093

Primary SEDOL: BYNPPC6

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Michael C. Alfano	Mgmt	For	For
1b	Elect Director David K. Beecken	Mgmt	For	For
1c	Elect Director Eric K. Brandt	Mgmt	For	For
1d	Elect Director Michael J. Coleman	Mgmt	For	For
1e	Elect Director Willie A. Deese	Mgmt	For	For
1f	Elect Director Thomas Jetter	Mgmt	For	For
1g	Elect Director Arthur D. Kowaloff	Mgmt	For	For
1h	Elect Director Harry M. Jansen Kraemer, Jr.	Mgmt	For	For
1i	Elect Director Francis J. Lunger	Mgmt	For	For
1j	Elect Director Jeffrey T. Slovin	Mgmt	For	For
1k	Elect Director Bret W. Wise	Mgmt	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

### NOW Inc.

Meeting Date: 05/25/2016

Country: USA

Primary Security ID: 67011P100

Meeting ID: 1054328

Record Date: 04/07/2016

Meeting Type: Annual

Ticker: DNOW

Primary CUSIP: 67011P100

Primary ISIN: US67011P1003

Primary SEDOL: BMHGMV1

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1A	Elect Director Michael Frazier	Mgmt	For	For
1B	Elect Director J. Wayne Richards	Mgmt	For	For
1C	Elect Director Robert Workman	Mgmt	For	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For

### PayPal Holdings, Inc.

Meeting Date: 05/25/2016

Country: USA

Primary Security ID: 70450Y103

Meeting ID: 1053871

Record Date: 04/04/2016

Meeting Type: Annual

Ticker: PYPL

Primary CUSIP: 70450Y103

Primary ISIN: US70450Y1038

Primary SEDOL: BYW36H8

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1a	Elect Director Wences Casares	Mgmt	For	For
1b	Elect Director Jonathan Christodoro	Mgmt	For	For
1c	Elect Director John J. Donahoe	Mgmt	For	For
1d	Elect Director David W. Dorman	Mgmt	For	For
1e	Elect Director Gail J. McGovern	Mgmt	For	For
1f	Elect Director David M. Moffett	Mgmt	For	For
1g	Elect Director Pierre M. Omidyar	Mgmt	For	For
1h	Elect Director Daniel H. Schulman	Mgmt	For	For
1i	Elect Director Frank D. Yeary	Mgmt	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For
3	Advisory Vote on Say on Pay Frequency	Mgmt	One Year	One Year

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## PayPal Holdings, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
4	Amend Omnibus Stock Plan	Mgmt	For	Against
5	Amend Executive Incentive Bonus Plan	Mgmt	For	For
6	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For

## Legrand

Meeting Date: 05/27/2016

Country: France

Primary Security ID: F56196185

Meeting ID: 1023672

Record Date: 05/24/2016

Meeting Type: Annual/Special

Ticker: LR

Primary CUSIP: F56196185

Primary ISIN: FR0010307819

Primary SEDOL: B11ZRK9

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Ordinary Business	Mgmt		
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For
3	Approve Allocation of Income and Dividends of EUR 1.15 per Share	Mgmt	For	For
4	Advisory Vote on Compensation of Gilles Schnepf, Chairman and CEO	Mgmt	For	For
5	Reelect Christel Borles as Director	Mgmt	For	For
6	Reelect Angeles Garcia-Poveda as Director	Mgmt	For	For
7	Reelect Thierry de la Tour d Artaise as Director	Mgmt	For	For
8	Elect Isabelle Boccon-Gibod as Director	Mgmt	For	For
9	Renew Appointment PricewaterhouseCoopers Audit as Auditor	Mgmt	For	For
10	Appoint Jean-Christophe Georghlou as Alternate Auditor	Mgmt	For	For
11	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For
	Extraordinary Business	Mgmt		
12	Authorize Decrease In Share Capital via Cancellation of Repurchased Shares	Mgmt	For	For



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Legrand

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
13	Authorize up to 1.5 Percent of Issued Capital for Use in Restricted Stock Plans	Mgmt	For	For
14	Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights up to Aggregate Nominal Amount of EUR 200 Million	Mgmt	For	For
15	Authorize Issuance of Equity or Equity-Linked Securities without Preemptive Rights up to Aggregate Nominal Amount of EUR 100 Million	Mgmt	For	For
16	Approve Issuance of Equity or Equity-Linked Securities for up to 20 Percent of Issued Capital Per Year for Private Placements, up to Aggregate Nominal Amount of EUR 100 Million	Mgmt	For	For
17	Authorize Board to Increase Capital in the Event of Additional Demand Related to Delegation Submitted to Shareholder Vote Above	Mgmt	For	For
18	Authorize Capitalization of Reserves of Up to EUR 100 Million for Bonus Issue or Increase in Par Value	Mgmt	For	For
19	Authorize Capital Issuances for Use in Employee Stock Purchase Plans	Mgmt	For	For
20	Authorize Capital Increase of up to 5 Percent of Issued Capital for Contributions in Kind	Mgmt	For	For
21	Set Total Limit for Capital Increase to Result from All Issuance Requests under Items 14-17 and 19-20 at EUR 200 Million	Mgmt	For	For
	Ordinary Business	Mgmt		
22	Authorize Filing of Required Documents/Other Formalities	Mgmt	For	For

## Sands China Ltd.

Meeting Date: 05/27/2016

Country: Cayman Islands

Primary Security ID: G7800X107

Meeting ID: 1042479

Record Date: 05/16/2016

Meeting Type: Annual

Ticker: 1928

Primary CUSIP: G7800X107

Primary ISIN: KYG7800X1079

Primary SEDOL: B5B23W2

Voting Policy: MFS

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

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Sands China Ltd.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
2	Approve Final Dividend	Mgmt	For	For
3a	Elect Wong Ying Wai as Director	Mgmt	For	For
3b	Elect Robert Glen Goldstein as Director	Mgmt	For	For
3c	Elect Charles Daniel Forman as Director	Mgmt	For	For
3d	Elect Steven Zygmunt Strasser as Director	Mgmt	For	For
3e	Authorize Board to Fix Remuneration of Directors	Mgmt	For	For
4	Approve Deloitte Touche Tohmatsu as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For
5	Authorize Repurchase of Issued Share Capital	Mgmt	For	For
6	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Mgmt	For	Against
7	Authorize Reissuance of Repurchased Shares	Mgmt	For	Against

## Hermes International

Meeting Date: 05/31/2016

Country: France

Primary Security ID: F48051100

Meeting ID: 1023675

Record Date: 05/26/2016

Meeting Type: Annual/Special

Ticker: RMS

Primary CUSIP: F48051100

Primary ISIN: FR0000052292

Primary SEDOL: 5253973

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Ordinary Business	Mgmt		
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For
3	Approve Discharge of General Managers	Mgmt	For	For
4	Approve Allocation of Income and Dividends of EUR 3.35 per Share	Mgmt	For	For
5	Approve Auditors' Special Report on Related-Party Transactions	Mgmt	For	Against
6	Reelect Charles-Eric Bauer as Supervisory Board Member	Mgmt	For	For
7	Reelect Julie Guerrand as Supervisory Board Member	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Hermes International

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
8	Reelect Dominique Senequier as Supervisory Board Member	Mgmt	For	For
9	Elect Sharon McBeath as Supervisory Board Member	Mgmt	For	For
10	Advisory Vote on Compensation of Axel Dumas, General Manager	Mgmt	For	Against
11	Advisory Vote on Compensation of Emile Hermes SARL, General Manager	Mgmt	For	Against
12	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For
	Extraordinary Business	Mgmt		
13	Authorize Decrease in Share Capital via Cancellation of Repurchased Shares	Mgmt	For	For
14	Authorize up to 2 Percent of Issued Capital for Use in Stock Option Plans	Mgmt	For	Against
15	Authorize up to 2 Percent of Issued Capital for Use in Restricted Stock Plans	Mgmt	For	Against
16	Authorize Filing of Required Documents/Other Formalities	Mgmt	For	For

## Check Point Software Technologies Ltd.

Meeting Date: 06/07/2016

Country: Israel

Primary Security ID: M22465104

Meeting ID: 1055545

Record Date: 04/28/2016

Meeting Type: Annual

Ticker: CHKP

Primary CUSIP: M22465104

Primary ISIN: IL0010824113

Primary SEDOL: 2181334

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Reelect Gil Shwed as Director Until the End of the Next Annual General Meeting	Mgmt	For	For
1.2	Reelect Marius Nacht as Director Until the End of the Next Annual General Meeting	Mgmt	For	For
1.3	Reelect Jerry Ungerman as Director Until the End of the Next Annual General Meeting	Mgmt	For	For
1.4	Reelect Dan Propper as Director Until the End of the Next Annual General Meeting	Mgmt	For	For
1.5	Reelect David Rubner as Director Until the End of the Next Annual General Meeting	Mgmt	For	For
1.6	Reelect Tal Shavit as Director Until the End of the Next Annual General Meeting	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Check Point Software Technologies Ltd.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
2	Reappoint Kost, Forer, Gabbay & Kasierer as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For
3	Approve Employment Terms of Gil Shwed, CEO	Mgmt	For	For
4	Approve Executive Compensation Policy	Mgmt	For	For
A	Vote FOR if you are a controlling shareholder or have a personal interest in one or several resolutions, as indicated in the proxy card; otherwise, vote AGAINST. You may not abstain. If you vote FOR, please provide an explanation to your account manager	Mgmt	None	Against

## WPP plc

Meeting Date: 06/08/2016

Country: Jersey

Primary Security ID: G9788D103

Meeting ID: 1061281

Record Date: 06/06/2016

Meeting Type: Annual

Ticker: WPP

Primary CUSIP: G9787K108

Primary ISIN: JE0088KF9B49

Primary SEDOL: B8KF984

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
2	Approve Final Dividend	Mgmt	For	For
3	Approve Remuneration Report	Mgmt	For	For
4	Approve Sustainability Report	Mgmt	For	For
5	Re-elect Roberto Quarta as Director	Mgmt	For	For
6	Re-elect Dr Jacques Aigrain as Director	Mgmt	For	For
7	Re-elect Ruifang Li as Director	Mgmt	For	Against
8	Re-elect Paul Richardson as Director	Mgmt	For	For
9	Re-elect Hugo Shong as Director	Mgmt	For	For
10	Re-elect Timothy Shriver as Director	Mgmt	For	For
11	Re-elect Sir Martin Sorrell as Director	Mgmt	For	For
12	Re-elect Sally Susman as Director	Mgmt	For	For
13	Re-elect Solomon Trujillo as Director	Mgmt	For	For
14	Re-elect Sir John Hood as Director	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

### WPP plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
15	Re-elect Charlene Begley as Director	Mgmt	For	For
16	Re-elect Nicole Selligman as Director	Mgmt	For	For
17	Re-elect Daniela Riccardi as Director	Mgmt	For	For
18	Reappoint Deloitte LLP as Auditors and Authorise Their Remuneration	Mgmt	For	For
19	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For
20	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For
21	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For

### Brenntag AG

Meeting Date: 06/14/2016

Country: Germany

Primary Security ID: D12459117

Meeting ID: 1029755

Record Date:

Meeting Type: Annual

Ticker: BNR

Primary CUSIP: N/A

Primary ISIN: DE000A1DAH10

Primary SEDOL: B4YVF56

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Receive Financial Statements and Statutory Reports for Fiscal 2015 (Non-Voting)	Mgmt		
2	Approve Allocation of Income and Dividends of EUR 1.00 per Share	Mgmt	For	For
3	Approve Discharge of Management Board for Fiscal 2015	Mgmt	For	For
4	Approve Discharge of Supervisory Board for Fiscal 2015	Mgmt	For	For
5	Ratify PricewaterhouseCoopers as Auditors for Fiscal 2016	Mgmt	For	For
6	Approve Remuneration System for Management Board Members	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Sonova Holding AG

Meeting Date: 06/14/2016

Country: Switzerland

Primary Security ID: H8024W106

Meeting ID: 1028593

Record Date:

Meeting Type: Annual

Ticker: SOON

Primary CUSIP: H8024W106

Primary ISIN: CH0012549785

Primary SEDOL: 7156036

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Accept Financial Statements and Statutory Reports	Mgmt	For	For
1.2	Approve Remuneration Report (Non-Binding)	Mgmt	For	For
2	Approve Allocation of Income and Dividends of CHF 2.10 per Share	Mgmt	For	For
3	Approve Discharge of Board and Senior Management	Mgmt	For	For
4.1.1	Reelect Robert Spoerry as Director and Board Chairman	Mgmt	For	For
4.1.2	Reelect Beat Hess as Director	Mgmt	For	For
4.1.3	Reelect Stacy Enxing Seng as Director	Mgmt	For	For
4.1.4	Reelect Michael Jacobi as Director	Mgmt	For	For
4.1.5	Reelect Anssi Vanjoki as Director	Mgmt	For	For
4.1.6	Reelect Roland van der Vis as Director	Mgmt	For	For
4.1.7	Reelect Jinlong Wang as Director	Mgmt	For	For
4.2	Elect Lynn Dorsey Bleil as Director	Mgmt	For	For
4.3.1	Appoint Robert Spoerry as Member of the Compensation Committee	Mgmt	For	For
4.3.2	Appoint Beat Hess as Member of the Compensation Committee	Mgmt	For	For
4.3.3	Appoint Stacy Enxing Seng as Member of the Compensation Committee	Mgmt	For	For
4.4	Ratify PricewaterhouseCoopers AG as Auditors	Mgmt	For	For
4.5	Designate Andreas Keller as Independent Proxy	Mgmt	For	For
5.1	Approve Remuneration of Directors in the Amount of CHF 3 Million	Mgmt	For	For
5.2	Approve Remuneration of Executive Committee in the Amount of CHF 15.4 Million	Mgmt	For	For
6	Approve CHF 60,175 Reduction in Share Capital via Cancellation of Shares	Mgmt	For	For
7	Transact Other Business (Voting)	Mgmt	For	Against

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Time Warner Inc.

Meeting Date: 06/17/2016

Country: USA

Primary Security ID: 887317303

Meeting ID: 1062156

Record Date: 04/20/2016

Meeting Type: Annual

Ticker: TWX

Primary CUSIP: 887317303

Primary ISIN: US8873173038

Primary SEDOL: B63QTN2

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director James L. Barksdale	Mgmt	For	For
1.2	Elect Director William P. Barr	Mgmt	For	For
1.3	Elect Director Jeffrey L. Bewkes	Mgmt	For	For
1.4	Elect Director Stephen F. Bollenbach	Mgmt	For	For
1.5	Elect Director Robert C. Clark	Mgmt	For	For
1.6	Elect Director Mathias Dopfner	Mgmt	For	For
1.7	Elect Director Jessica P. Einhorn	Mgmt	For	For
1.8	Elect Director Carlos M. Gutierrez	Mgmt	For	For
1.9	Elect Director Fred Hassan	Mgmt	For	For
1.10	Elect Director Paul D. Wachter	Mgmt	For	For
1.11	Elect Director Deborah C. Wright	Mgmt	For	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For

## Hoya Corp.

Meeting Date: 06/21/2016

Country: Japan

Primary Security ID: J22848105

Meeting ID: 1068716

Record Date: 03/31/2016

Meeting Type: Annual

Ticker: 7741

Primary CUSIP: J22848105

Primary ISIN: JP3837800006

Primary SEDOL: 6441506

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.1	Elect Director Koeda, Itaru	Mgmt	For	For
1.2	Elect Director Uchinaga, Yukako	Mgmt	For	For
1.3	Elect Director Urano, Mitsudo	Mgmt	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

### Hoya Corp.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1.4	Elect Director Takasu, Takeo	Mgmt	For	For
1.5	Elect Director Kaihori, Shuzo	Mgmt	For	For
1.6	Elect Director Suzuki, Hiroshi	Mgmt	For	For

### Whitbread plc

Meeting Date: 06/21/2016

Country: United Kingdom

Primary Security ID: G9606P197

Meeting ID: 1038220

Record Date: 06/17/2016

Meeting Type: Annual

Ticker: WTB

Primary CUSIP: G9606P197

Primary ISIN: GB00B1KJ408

Primary SEDOL: B1KJ40

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 Report	Mgmt	For	For
3	Approve Final Dividend	Mgmt	For	For
4	Elect Alison Brittain as Director	Mgmt	For	For
5	Elect Chris Kennedy as Director	Mgmt	For	For
6	Re-elect Richard Baker as Director	Mgmt	For	For
7	Re-elect Wendy Becker as Director	Mgmt	For	For
8	Re-elect Nicholas Cadbury as Director	Mgmt	For	For
9	Re-elect Sir Ian Cheshire as Director	Mgmt	For	Against
10	Re-elect Simon Melliss as Director	Mgmt	For	For
11	Re-elect Louise Smalley as Director	Mgmt	For	For
12	Re-elect Susan Martin as Director	Mgmt	For	For
13	Re-elect Stephen Williams as Director	Mgmt	For	For
14	Reappoint Deloitte LLP as Auditors	Mgmt	For	For
15	Authorise Board to Fix Remuneration of Auditors	Mgmt	For	For
16	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For
17	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

## Whitbread plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
18	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For
19	Authorise the Company to Call General Meeting with Two Weeks' Notice	Mgmt	For	For

## AENA S.A.

Meeting Date: 06/28/2016

Country: Spain

Primary Security ID: E526K0106

Meeting ID: 1067756

Record Date: 06/23/2016

Meeting Type: Annual

Ticker: AENA

Primary CUSIP: N/A

Primary ISIN: ES0105046009

Primary SEDOL: BVR28L1

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Approve Standalone Financial Statements	Mgmt	For	For
2	Approve Consolidated Financial Statements	Mgmt	For	For
3	Approve Allocation of Income and Dividends	Mgmt	For	For
4	Approve Discharge of Board	Mgmt	For	For
5	Appoint KPMG Auditores as Auditor for FY 2017, 2018 and 2019	Mgmt	For	For
6.1	Amend Article 3 Re: Nationality and Registered Office	Mgmt	For	For
6.2	Amend Article 15 Re: Convening of General Meetings	Mgmt	For	For
6.3	Amend Article 43 Re: Audit Committee	Mgmt	For	For
7	Amend Article 10 of General Meeting Regulations Re: Convening of General Meetings	Mgmt	For	For
8	Advisory Vote on Remuneration Report	Mgmt	For	For
9	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	For

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

Meeting Date: 06/28/2016

Country: Mexico

Primary Security ID: P49501201

Meeting ID: 1072294

Record Date: 06/15/2016

Meeting Type: Special

Ticker: GFNORTE O

Primary CUSIP: P49501201

Primary ISIN: MXP370711014

Primary SEDOL: 2421041

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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

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

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
	Ordinary Business	Mgmt		
1	Approve Cash Dividends	Mgmt	For	For
2	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	For

## Inpex Corporation

Meeting Date: 06/28/2016

Country: Japan

Primary Security ID: J2467E101

Meeting ID: 1069007

Record Date: 03/31/2016

Meeting Type: Annual

Ticker: 1605

Primary CUSIP: J2467E101

Primary ISIN: JP3294460005

Primary SEDOL: B10RB15

Voting Policy: MFS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	Vote Instruction
1	Approve Allocation of Income, with a Final Dividend of JPY 9	Mgmt	For	For
2.1	Elect Director Kitamura, Toshiaki	Mgmt	For	For
2.2	Elect Director Sano, Masaharu	Mgmt	For	For
2.3	Elect Director Sugaya, Shunichiro	Mgmt	For	For
2.4	Elect Director Murayama, Masahiro	Mgmt	For	For
2.5	Elect Director Ito, Seiya	Mgmt	For	For
2.6	Elect Director Ikeda, Takahiko	Mgmt	For	For
2.7	Elect Director Kurasawa, Yoshikazu	Mgmt	For	For
2.8	Elect Director Kittaka, Kimihisa	Mgmt	For	For
2.9	Elect Director Sase, Nobuharu	Mgmt	For	For
2.10	Elect Director Sato, Hiroshi	Mgmt	For	For
2.11	Elect Director Kagawa, Yoshiyuki	Mgmt	For	For
2.12	Elect Director Yanai, Jun	Mgmt	For	For
2.13	Elect Director Matsushita, Isao	Mgmt	For	For
2.14	Elect Director Okada, Yasuhiko	Mgmt	For	For
3	Approve Annual Bonus	Mgmt	For	For

**Vote Summary Report**

Date range covered: 04/01/2016 to 06/30/2016

Location(s): Massachusetts Financial Services

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



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Daimler AG

<b>Meeting Date:</b> 04/06/2016	<b>Country:</b> Germany	<b>Primary Security ID:</b> D1668R123
<b>Record Date:</b>	<b>Meeting Type:</b> Annual	<b>Ticker:</b> DAI
<b>Primary CUSIP:</b> D1668R123	<b>Primary ISIN:</b> DE0007100000	<b>Primary SEDOL:</b> 5529027
<b>Shares Voted:</b> 85,091		

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1	Receive Financial Statements and Statutory Reports for Fiscal 2015 (Non-Voting)	Mgmt			
2	Approve Allocation of Income and Dividends of EUR 3.25 per Share	Mgmt	For	For	For
3	Approve Discharge of Management Board for Fiscal 2015	Mgmt	For	For	For
4	Approve Discharge of Supervisory Board for Fiscal 2015	Mgmt	For	For	For
5	Ratify KPMG AG as Auditors for Fiscal 2016	Mgmt	For	For	For
6.1	Elect Manfred Bischoff to the Supervisory Board	Mgmt	For	For	For
6.2	Elect Petraea Heynike to the Supervisory Board	Mgmt	For	For	For

## Julius Baer Gruppe AG

<b>Meeting Date:</b> 04/13/2016	<b>Country:</b> Switzerland	<b>Primary Security ID:</b> H4414N103
<b>Record Date:</b>	<b>Meeting Type:</b> Annual	<b>Ticker:</b> BAER
<b>Primary CUSIP:</b> H4414N103	<b>Primary ISIN:</b> CH0102484968	<b>Primary SEDOL:</b> B4R2R50
<b>Shares Voted:</b> 131,794		

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For
1.2	Approve Remuneration Report	Mgmt	For	For	For
2	Approve Allocation of Income and Dividends of CHF 1.10 per Share	Mgmt	For	For	For
3	Approve Discharge of Board and Senior Management	Mgmt	For	For	For
4.1	Approve Maximum Remuneration of Board of Directors in the Amount of CHF 3.16 Million	Mgmt	For	For	For
4.2.1	Approve Variable Cash-Based Remuneration of Executive Committee for Fiscal 2015 in the Amount of CHF 6.2 Million	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Julius Baer Gruppe AG

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
4.2.2	Approve Variable Share-Based Remuneration of Executive Committee for Fiscal 2016 in the Amount of CHF 5.52 Million	Mgmt	For	For	For
4.2.3	Approve Maximum Fixed Remuneration of Executive Committee for Fiscal 2017 in the Amount of CHF 6.63 Million	Mgmt	For	For	For
5.1.1	Reelect Daniel Sauter as Director	Mgmt	For	For	For
5.1.2	Reelect Gilbert Achermann as Director	Mgmt	For	For	For
5.1.3	Reelect Andreas Amschwand as Director	Mgmt	For	For	For
5.1.4	Reelect Heinrich Baumann as Director	Mgmt	For	For	For
5.1.5	Reelect Paul Chow as Director	Mgmt	For	For	For
5.1.6	Reelect Claire Giraut as Director	Mgmt	For	For	For
5.1.7	Reelect Gareth Penny as Director	Mgmt	For	For	For
5.1.8	Reelect Charles Stonehill as Director	Mgmt	For	For	For
5.2	Elect Ann Almeida as Director	Mgmt	For	For	For
5.3	Elect Daniel Sauter as Board Chairman	Mgmt	For	For	For
5.4.1	Appoint Ann Almeida as Member of the Compensation Committee	Mgmt	For	For	For
5.4.2	Appoint Gilbert Achermann as Member of the Compensation Committee	Mgmt	For	For	For
5.4.3	Appoint Heinrich Baumann as Member of the Compensation Committee	Mgmt	For	For	For
5.4.4	Appoint Gareth Penny as Member of the Compensation Committee	Mgmt	For	For	For
6	Ratify KPMG AG as Auditors	Mgmt	For	For	For
7	Designate Marc Nater as Independent Proxy	Mgmt	For	For	For
8	Transact Other Business (Voting)	Mgmt	For	Against	Against

## CNH Industrial N.V.

Meeting Date: 04/15/2016

Country: Netherlands

Primary Security ID: N20944109

Record Date: 03/18/2016

Meeting Type: Annual

Ticker: CNHI

Primary CUSIP: N/A

Primary ISIN: NL0010545661

Primary SEDOL: BDSV2V0

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## CNH Industrial N.V.

Shares Voted: 821,642

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
	Annual Meeting	Mgmt			
1	Open Meeting	Mgmt			
2.a	Discuss Remuneration Report	Mgmt			
2.b	Receive Explanation on Company's Reserves and Dividend Policy	Mgmt			
2.c	Adopt Financial Statements and Statutory Reports	Mgmt	For	For	For
2.d	Approve Dividends of EUR 0.13 Per Share	Mgmt	For	For	For
2.e	Approve Discharge of Directors	Mgmt	For	For	For
3.a	Reelect Sergio Marchionne as Executive Director	Mgmt	For	Against	For
3.b	Reelect Richard J. Tobin as Executive Director	Mgmt	For	For	For
3.c	Reelect Mina Gerowin as Non-Executive Director	Mgmt	For	For	For
3.d	Reelect Léo W. Houle as Non- Executive Director	Mgmt	For	For	For
3.e	Reelect Peter Kalantzis as Non-Executive Director	Mgmt	For	For	For
3.f	Reelect John B. Lanaway as Non-Executive Director	Mgmt	For	For	For
3.g	Reelect Guido Tabellini as Non-Executive Director	Mgmt	For	For	For
3.h	Reelect Jacqueline A. Tammenoms Bakker as Non-Executive Director	Mgmt	For	For	For
3.i	Reelect Jacques Theurillat as Non-Executive Director	Mgmt	For	For	For
3.j	Reelect Suzanne Heywood as Non-Executive Director	Mgmt	For	For	For
3.k	Reelect Silke Scheiber as Non-Executive Director	Mgmt	For	For	For
4	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For	For
5	Authorize Cancellation of Special Voting Shares and Common Shares Held in Treasury	Mgmt	For	For	For
6	Close Meeting	Mgmt			

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Wells Fargo & Company

Meeting Date: 04/26/2016 Country: USA Primary Security ID: 949746101  
Record Date: 03/01/2016 Meeting Type: Annual Ticker: WFC  
Primary CUSIP: 949746101 Primary ISIN: US9497461015 Primary SEDOL: 2649100  
Shares Voted: 106,000

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1a	Elect Director John D. Baker, II	Mgmt	For	For	For
1b	Elect Director Elaine L. Chao	Mgmt	For	For	For
1c	Elect Director John S. Chen	Mgmt	For	For	For
1d	Elect Director Lloyd H. Dean	Mgmt	For	For	For
1e	Elect Director Elizabeth A. Duke	Mgmt	For	For	For
1f	Elect Director Susan E. Engel	Mgmt	For	For	For
1g	Elect Director Enrique Hernandez, Jr.	Mgmt	For	For	For
1h	Elect Director Donald M. James	Mgmt	For	For	For
1i	Elect Director Cynthia H. Milligan	Mgmt	For	For	For
1j	Elect Director Federico F. Pena	Mgmt	For	For	For
1k	Elect Director James H. Quigley	Mgmt	For	For	For
1l	Elect Director Stephen W. Sanger	Mgmt	For	For	For
1m	Elect Director John G. Stumpf	Mgmt	For	For	For
1n	Elect Director Susan G. Swenson	Mgmt	For	For	For
1o	Elect Director Suzanne M. Vautrinot	Mgmt	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For
3	Ratify KPMG LLP as Auditors	Mgmt	For	For	For
4	Require Independent Board Chairman	SH	Against	Against	Against
5	Report on Lobbying Payments and Policy	SH	Against	Against	Against

## Danone

Meeting Date: 04/28/2016 Country: France Primary Security ID: F12033134  
Record Date: 04/25/2016 Meeting Type: Annual/Special Ticker: BN  
Primary CUSIP: F12033134 Primary ISIN: FR0000120644 Primary SEDOL: B1Y9TB3



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Danone

Shares Voted: 25,558

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
	Ordinary Business	Mgmt			
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For	For
3	Approve Allocation of Income and Dividends of EUR 1.60 per Share	Mgmt	For	For	For
4	Reelect Franck Riboud as Director	Mgmt	For	For	For
5	Reelect Emmanuel Faber as Director	Mgmt	For	For	For
6	Elect Clara Gaymard as Director	Mgmt	For	For	For
7	Renew Appointment of PricewaterhouseCoopers as Auditor	Mgmt	For	For	For
8	Appoint Ernst and Young Audit as Auditor	Mgmt	For	For	For
9	Appoint Jean-Christophe Georghlou as Alternate Auditor	Mgmt	For	For	For
10	Renew Appointment of Auditex as Alternate Auditor	Mgmt	For	For	For
11	Approve Transaction with Danone.communities	Mgmt	For	For	For
12	Approve Severance Payment Agreement with Emmanuel Faber	Mgmt	For	For	For
13	Approve Additional Pension Scheme Agreement with Emmanuel Faber	Mgmt	For	For	For
14	Advisory Vote on Compensation of Franck Riboud, Chairman	Mgmt	For	For	For
15	Advisory Vote on Compensation of Emmanuel Faber, CEO	Mgmt	For	For	For
16	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For	For
	Extraordinary Business	Mgmt			
17	Authorize up to 0.2 Percent of Issued Capital for Use in Restricted Stock Plans	Mgmt	For	Against	For
18	Authorize Filing of Required Documents/Other Formalities	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Grupo Televisa S.A.B.

Meeting Date: 04/28/2016

Country: Mexico

Primary Security ID: P4987V137

Record Date: 04/18/2016

Meeting Type: Annual/Special

Ticker: TLEVISA CPO

Primary CUSIP: P4987V137

Primary ISIN: MXP4987V1378

Primary SEDOL: 2380108

Shares Voted: 84,300

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
	Meeting for ADR Holders	Mgmt			
	Meeting for Series L Shareholders	Mgmt			
1	Elect or Ratify Directors Representing Series L Shareholders	Mgmt	For	Against	Against
2	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	Against	Against
	Meeting for Series D Shareholders	Mgmt			
1	Elect or Ratify Directors Representing Series D Shareholders	Mgmt	For	Against	Against
2	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	Against	Against
	Meeting for Series A and B Shares and Holders of CPOs Who are Mexican Nationals Have Voting Rights	Mgmt			
1	Approve Financial Statements and Statutory Reports as Required by Article 28 of Mexican Securities Law, Approve Financial Statements; Approve Discharge of Directors, CEO and Board Committees	Mgmt	For	For	For
2	Present Report on Compliance with Fiscal Obligations	Mgmt	For	For	For
3	Approve Allocation of Income	Mgmt	For	For	For
4	Set Aggregate Nominal Amount of Share Repurchase Reserve and Receive Report on Policies and Board's Decisions on Share Repurchase and Sale of Treasury Shares	Mgmt	For	For	For
5	Elect or Ratify Members of Board, Secretary and Other Officers	Mgmt	For	Against	For
6	Elect or Ratify Members of Executive Committee	Mgmt	For	Against	For
7	Elect or Ratify Chairman of Audit Committee and Corporate Practices Committee	Mgmt	For	Against	For
8	Approve Remuneration of Board Members, Executive, Audit and Corporate Practices Committees, and Secretary	Mgmt	For	For	For
9	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 - Shropshire County Pension Fund

## Credit Suisse Group AG

Meeting Date: 04/29/2016

Country: Switzerland

Primary Security ID: H3698D419

Record Date:

Meeting Type: Annual

Ticker: CSGN

Primary CUSIP: H3698D419

Primary ISIN: CH0012138530

Primary SEDOL: 7171589

Shares Voted: 446,452

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Receive Financial Statements and Statutory Reports (Non-Voting)	Mgmt			
1.2	Approve Remuneration Report	Mgmt	For	For	For
1.3	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For
2	Approve Discharge of Board and Senior Management	Mgmt	For	For	For
3.1	Approve Allocation of Income	Mgmt	For	For	For
3.2	Approve Dividends of CHF 0.70 per Share from Capital Contribution Reserves	Mgmt	For	For	For
4.1	Approve Maximum Remuneration of Directors In the Amount of CHF 12 Million	Mgmt	For	For	For
4.2.1	Approve Short-Term Variable Remuneration of Executive Committee In the Amount of CHF 34.6 Million	Mgmt	For	For	For
4.2.2	Approve Maximum Fixed Remuneration of Executive Committee In the Amount of CHF 33 Million	Mgmt	For	For	For
4.2.3	Approve Maximum Long-Term Variable Remuneration of Executive Committee in the Amount of CHF 49 Million	Mgmt	For	For	For
5.1	Approve Amendment of Pool of Authorized Capital with or without Preemptive Rights for Script Dividends	Mgmt	For	For	For
5.2	Approve Amendment of Pool of Authorized Capital with or without Preemptive Rights for Future Acquisitions	Mgmt	For	For	For
6.1a	Reelect Urs Rohner as Director and Board Chairman	Mgmt	For	For	For
6.1b	Reelect Jassim Al Thanl as Director	Mgmt	For	For	For
6.1c	Reelect Iris Bohnet as Director	Mgmt	For	For	For
6.1d	Reelect Noreen Doyle as Director	Mgmt	For	For	For
6.1e	Reelect Andreas Koopmann as Director	Mgmt	For	For	For
6.1f	Reelect Jean Lanier as Director	Mgmt	For	For	For
6.1g	Reelect Seralna Maag as Director	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Credit Suisse Group AG

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
6.1h	Reelect Kai Nargolwala as Director	Mgmt	For	For	For
6.1i	Reelect Severin Schwan as Director	Mgmt	For	For	For
6.1j	Reelect Richard Thornburgh as Director	Mgmt	For	For	For
6.1k	Reelect John Tiner as Director	Mgmt	For	For	For
6.1l	Elect Alexander Gut as Director	Mgmt	For	For	For
6.1m	Elect Joaquin J. Ribeiro as Director	Mgmt	For	For	For
6.2a	Appoint Iris Bohnet as Member of the Compensation Committee	Mgmt	For	For	For
6.2b	Appoint Andreas Koopmann as Member of the Compensation Committee	Mgmt	For	For	For
6.2c	Appoint Jean Lanier as Member of the Compensation Committee	Mgmt	For	For	For
6.2d	Appoint Kai Nargolwala as Member of the Compensation Committee	Mgmt	For	For	For
6.3	Ratify KPMG AG as Auditors	Mgmt	For	For	For
6.4	Ratify BDO AG as Special Auditor	Mgmt	For	For	For
6.5	Designate Andreas Keller as Independent Proxy	Mgmt	For	For	For
7.1	Transact Other Business: Proposals by Shareholders (Voting)	Mgmt	None	Against	Against
7.2	Transact Other Business: Proposals by the Board of Directors (Voting)	Mgmt	None	Against	Against

## Kering

Meeting Date: 04/29/2016

Country: France

Primary Security ID: F5433L103

Record Date: 04/26/2016

Meeting Type: Annual/Special

Ticker: KER

Primary CUSIP: F7440G127

Primary ISIN: FR0000121485

Primary SEDOL: 5505072

Shares Voted: 16,001

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
	Ordinary Business	Mgmt			
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Penskon Fund

### Kering

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
3	Approve Allocation of Income and Dividends of EUR 4.00 per Share	Mgmt	For	For	For
4	Acknowledge Auditors' Special Report on Related-Party Transactions	Mgmt	For	Against	For
5	Elect Sophie L Helias as Director	Mgmt	For	For	For
6	Elect Sapna Sood as Director	Mgmt	For	For	For
7	Elect Laurence Boone as Director	Mgmt	For	For	For
8	Reelect Jean-Pierre Denis as Director	Mgmt	For	For	For
9	Approve Remuneration of Directors in the Aggregate Amount of EUR 877,000	Mgmt	For	For	For
10	Advisory Vote on Compensation of Francois-Henri Pinault, Chairman and CEO	Mgmt	For	For	For
11	Advisory Vote on Compensation of Jean-Francois Palus, Vice-CEO	Mgmt	For	Against	For
12	Renew Appointment of KPMG SA as Auditor	Mgmt	For	For	For
13	Appoint Salustro Reydel as Alternate Auditor	Mgmt	For	For	For
14	Authorize Repurchase of Up to 10 Percent of Issued Share Capital	Mgmt	For	For	For
	Extraordinary Business	Mgmt			
15	Authorize up to 0.5 Percent of Issued Capital for Use in Restricted Stock Plans	Mgmt	For	Against	For
16	Authorize Filing of Required Documents/Other Formalities	Mgmt	For	For	For

### Kuehne & Nagel International AG

Meeting Date: 05/03/2016

Country: Switzerland

Primary Security ID: H4673L145

Record Date:

Meeting Type: Annual

Ticker: KNIN

Primary CUSIP: H4673L145

Primary ISIN: CH0025238863

Primary SEDOL: B142S60

Shares Voted: 16,114

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For
2	Approve Allocation of Income and Dividends of CHF 5.00 per Share	Mgmt	For	For	For
3	Approve Discharge of Board and Senior Management	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Kuehne & Nagel International AG

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
4.1a	Reelect Renato Fassbind as Director	Mgmt	For	For	For
4.1b	Reelect Juergen Fitschen as Director	Mgmt	For	For	For
4.1c	Reelect Karl Germandt as Director	Mgmt	For	Against	For
4.1d	Reelect Klaus-Michael Kuehne as Director	Mgmt	For	For	For
4.1e	Reelect Hans Lerch as Director	Mgmt	For	For	For
4.1f	Reelect Thomas Staehelin as Director	Mgmt	For	Against	For
4.1g	Reelect Martin Wittig as Director	Mgmt	For	For	For
4.1h	Reelect Joerg Wolle as Director	Mgmt	For	For	For
4.2	Elect Hauke Stars as Director	Mgmt	For	Against	For
4.3	Elect Joerg Wolle as Board Chairman	Mgmt	For	Against	For
4.4a	Appoint Karl Germandt as Member of the Compensation Committee	Mgmt	For	Against	For
4.4b	Appoint Klaus-Michael Kuehne as Member of the Compensation Committee	Mgmt	For	Against	For
4.4c	Appoint Hans Lerch as Member of the Compensation Committee	Mgmt	For	For	For
4.5	Designate Kurt Gubler as Independent Proxy	Mgmt	For	For	For
4.6	Ratify Ernst & Young AG as Auditors	Mgmt	For	For	For
5	Approve Creation of CHF 20 Million Pool of Capital without Preemptive Rights	Mgmt	For	For	For
6.1	Approve Remuneration Report	Mgmt	For	Against	For
6.2	Approve Remuneration of Directors in the Amount of CHF 7 Million	Mgmt	For	For	For
6.3	Approve Remuneration of Executive Committee in the Amount of CHF 22.4 Million	Mgmt	For	Against	For
7	Transact Other Business (Voting)	Mgmt	For	Against	Against

## Allianz SE

Meeting Date: 05/04/2016

Country: Germany

Primary Security ID: D03080112

Record Date:

Meeting Type: Annual

Ticker: ALV

Primary CUSIP: D03080112

Primary ISIN: DE0008404005

Primary SEDOL: 5231485

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Allianz SE

Shares Voted: 34,430

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1	Receive Financial Statements and Statutory Reports for Fiscal 2015 (Non-Voting)	Mgmt			
2	Approve Allocation of Income and Dividends of EUR 7.30 per Share	Mgmt	For	For	For
3	Approve Discharge of Management Board for Fiscal 2015	Mgmt	For	For	For
4	Approve Discharge of Supervisory Board for Fiscal 2015	Mgmt	For	For	For
5	Elect Friedrich Eichiner to the Supervisory Board	Mgmt	For	For	For

## Anadarko Petroleum Corporation

Meeting Date: 05/10/2016

Country: USA

Primary Security ID: 032511107

Record Date: 03/15/2016

Meeting Type: Annual

Ticker: APC

Primary CUSIP: 032511107

Primary ISIN: US0325111070

Primary SEDOL: 2032380

Shares Voted: 53,800

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1a	Elect Director Anthony R. Chase	Mgmt	For	For	For
1b	Elect Director Kevin P. Chilton	Mgmt	For	For	For
1c	Elect Director H. Paulett Eberhart	Mgmt	For	For	For
1d	Elect Director Peter J. Fluor	Mgmt	For	For	For
1e	Elect Director Richard L. George	Mgmt	For	For	For
1f	Elect Director Joseph W. Gorder	Mgmt	For	For	For
1g	Elect Director John R. Gordon	Mgmt	For	For	For
1h	Elect Director Sean Gourley	Mgmt	For	For	For
1i	Elect Director Mark C. McKinley	Mgmt	For	For	For
1j	Elect Director Eric D. Mullins	Mgmt	For	For	For
1k	Elect Director R. A. Walker	Mgmt	For	For	For
2	Ratify KPMG LLP as Auditors	Mgmt	For	For	For
3	Amend Omnibus Stock Plan	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Anadarko Petroleum Corporation

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
4	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against	For
5	Report on Plans to Address Stranded Carbon Asset Risks	SH	Against	For	Against

## Cummins Inc.

Meeting Date: 05/10/2016

Country: USA

Primary Security ID: 231021106

Record Date: 03/08/2016

Meeting Type: Annual

Ticker: CMI

Primary CUSIP: 231021106

Primary ISIN: US2310211063

Primary SEDOL: 2240202

Shares Voted: 35,000

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1	Elect Director N. Thomas Linebarger	Mgmt	For	For	For
2	Elect Director Robert J. Bernhard	Mgmt	For	For	For
3	Elect Director Franklin R. Chang Diaz	Mgmt	For	For	For
4	Elect Director Bruno V. Di Leo Allen	Mgmt	For	For	For
5	Elect Director Stephen B. Dobbs	Mgmt	For	For	For
6	Elect Director Robert K. Herdman	Mgmt	For	For	For
7	Elect Director Alexis M. Herman	Mgmt	For	For	For
8	Elect Director Thomas J. Lynch	Mgmt	For	For	For
9	Elect Director William I. Miller	Mgmt	For	For	For
10	Elect Director Georgia R. Nelson	Mgmt	For	For	For
11	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For
12	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For
13	Provide Proxy Access Right	Mgmt	For	For	For
14	Adopt Proxy Access Right	SH	Against	For	Against

## American International Group, Inc.

Meeting Date: 05/11/2016

Country: USA

Primary Security ID: 026874784

Record Date: 03/21/2016

Meeting Type: Annual

Ticker: AIG

Primary CUSIP: 026874784

Primary ISIN: US0268747849

Primary SEDOL: 2027342



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## American International Group, Inc.

Shares Voted: 110,500

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1a	Elect Director W. Don Cornwell	Mgmt	For	For	For
1b	Elect Director Peter R. Fisher	Mgmt	For	For	For
1c	Elect Director John H. Fitzpatrick	Mgmt	For	For	For
1d	Elect Director Peter D. Hancock	Mgmt	For	For	For
1e	Elect Director William G. Jurgensen	Mgmt	For	For	For
1f	Elect Director Christopher S. Lynch	Mgmt	For	For	For
1g	Elect Director Samuel J. Merksamer	Mgmt	For	For	For
1h	Elect Director George L. Miles, Jr.	Mgmt	For	For	For
1i	Elect Director Henry S. Miller	Mgmt	For	For	For
1j	Elect Director Robert S. Miller	Mgmt	For	For	For
1k	Elect Director Linda A. Mills	Mgmt	For	For	For
1l	Elect Director Suzanne Nora Johnson	Mgmt	For	For	For
1m	Elect Director John A. Paulson	Mgmt	For	For	For
1n	Elect Director Ronald A. Rittenmeyer	Mgmt	For	For	For
1o	Elect Director Douglas M. Steenland	Mgmt	For	For	For
1p	Elect Director Theresa M. Stone	Mgmt	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For

## Koninklijke Philips N.V.

Meeting Date: 05/12/2016

Country: Netherlands

Primary Security ID: N7637U112

Record Date: 04/14/2016

Meeting Type: Annual

Ticker: PHIA

Primary CUSIP: N6817P109

Primary ISIN: NL0000009538

Primary SEDOL: 5986622

Shares Voted: 122,601

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
	Meeting for ADR Holders	Mgmt			
1	President's Speech	Mgmt			

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Koninklijke Philips N.V.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
2a	Discuss Remuneration Report	Mgmt			
2b	Receive Explanation on Company's Reserves and Dividend Policy	Mgmt			
2c	Adopt Financial Statements	Mgmt	For	For	For
2d	Approve Dividends of EUR 0.80 Per Share	Mgmt	For	For	For
2e	Approve Discharge of Management Board	Mgmt	For	For	For
2f	Approve Discharge of Supervisory Board	Mgmt	For	For	For
3	Reelect N. Dhawan to Supervisory Board	Mgmt	For	For	For
4	Approve Remuneration of Supervisory Board	Mgmt	For	For	For
5a	Grant Board Authority to Issue Shares Up To 10 Percent of Issued Capital Plus Additional 10 Percent in Case of Takeover/Merger	Mgmt	For	For	For
5b	Authorize Board to Exclude Preemptive Rights from Share Issuances Under 8a	Mgmt	For	For	For
6	Authorize Repurchase of Shares	Mgmt	For	For	For
7	Approve Cancellation of Repurchased Shares	Mgmt	For	For	For
8	Other Business (Non-Voting)	Mgmt			

## LafargeHolcim Ltd.

Meeting Date: 05/12/2016

Country: Switzerland

Primary Security ID: H4768E105

Record Date:

Meeting Type: Annual

Ticker: LHN

Primary CUSIP: H36940130

Primary ISIN: CH0012214059

Primary SEDOL: 7110753

Shares Voted: 148,459

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For
1.2	Approve Remuneration Report	Mgmt	For	For	For
2	Approve Discharge of Board and Senior Management	Mgmt	For	For	For
3.1	Approve Allocation of Income	Mgmt	For	For	For
3.2	Approve Dividends of CHF 1.50 per Share	Mgmt	For	For	For
4.1a	Reelect Beat Hess as Director and Board Chairman	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

### LafargeHolcim Ltd.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
4.1b	Reelect Bertrand Colomb as Director	Mgmt	For	For	For
4.1c	Reelect Philippe Dauman as Director	Mgmt	For	For	For
4.1d	Reelect Paul Desmarais as Director	Mgmt	For	For	For
4.1e	Reelect Oscar Fanjul as Director	Mgmt	For	For	For
4.1f	Reelect Alexander Gut as Director	Mgmt	For	For	For
4.1g	Reelect Bruno Lafont as Director	Mgmt	For	For	For
4.1h	Reelect Gerard Lamarche as Director	Mgmt	For	For	For
4.1i	Reelect Adrian Loader as Director	Mgmt	For	For	For
4.1j	Reelect Nassef Sawiris as Director	Mgmt	For	For	For
4.1k	Reelect Thomas Schmidheiny as Director	Mgmt	For	For	For
4.1l	Reelect Hanne Sorensen as Director	Mgmt	For	For	For
4.1m	Reelect Dieter Spaelti as Director	Mgmt	For	For	For
4.2	Elect Juerg Oleas as Director	Mgmt	For	For	For
4.3.1	Reappoint Paul Desmarais as Member of the Compensation Committee	Mgmt	For	For	For
4.3.2	Reappoint Oscar Fanjul as Member of the Compensation Committee	Mgmt	For	For	For
4.3.3	Reappoint Adrian Loader as Member of the Compensation Committee	Mgmt	For	For	For
4.4.1	Appoint Nassef Sawiris as Member of the Compensation Committee	Mgmt	For	For	For
4.4.2	Appoint Hanne Sorensen as Member of the Compensation Committee	Mgmt	For	For	For
4.5.1	Ratify Ernst & Young AG as Auditors	Mgmt	For	For	For
4.5.2	Designate Thomas Ris as Independent Proxy	Mgmt	For	For	For
5.1	Approve Remuneration of Directors in the Amount of CHF 5.4 Million	Mgmt	For	For	For
5.2	Approve Remuneration of Executive Committee in the Amount of CHF 40.5 Million	Mgmt	For	For	For
6	Transact Other Business (Voting)	Mgmt	For	Against	Against

### JPMorgan Chase & Co.

Meeting Date: 05/17/2016

Country: USA

Primary Security ID: 46625h100

Record Date: 03/18/2016

Meeting Type: Annual

Ticker: JPM

Primary CUSIP: 46625h100

Primary ISIN: US46625H1005

Primary SEDOL: 2190385

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## JPMorgan Chase & Co.

Shares Voted: 68,200

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1a	Elect Director Linda B. Bammann	Mgmt	For	For	For
1b	Elect Director James A. Bell	Mgmt	For	For	For
1c	Elect Director Crandall C. Bowles	Mgmt	For	For	For
1d	Elect Director Stephen B. Burke	Mgmt	For	For	For
1e	Elect Director James S. Crown	Mgmt	For	For	For
1f	Elect Director James Dimon	Mgmt	For	For	For
1g	Elect Director Timothy P. Flynn	Mgmt	For	For	For
1h	Elect Director Laban P. Jackson, Jr.	Mgmt	For	For	For
1i	Elect Director Michael A. Neal	Mgmt	For	For	For
1j	Elect Director Lee R. Raymond	Mgmt	For	For	For
1k	Elect Director William C. Weldon	Mgmt	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For
4	Require Independent Board Chairman	SH	Against	For	Against
5	Provide Vote Counting to Exclude Abstentions	SH	Against	Against	Against
6	Prohibit Accelerated Vesting of Awards to Pursue Government Service	SH	Against	For	Against
7	Appoint Committee to Explore the Feasibly to Divest Non-Core Banking Segments	SH	Against	Against	Against
8	Clawback Amendment	SH	Against	Against	Against
9	Adopt Executive Compensation Philosophy with Social Factors	SH	Against	Against	Against

## Glencore plc

Meeting Date: 05/19/2016

Country: Jersey

Primary Security ID: G39420107

Record Date: 05/17/2016

Meeting Type: Annual

Ticker: GLEN

Primary CUSIP: N/A

Primary ISIN: JE00B4T3BW64

Primary SEDOL: B4T3BW6

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Glencore plc

Shares Voted: 3,609,600

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For
2	Re-elect Anthony Hayward as Director	Mgmt	For	For	For
3	Re-elect Leonhard Fischer as Director	Mgmt	For	For	For
4	Re-elect William Macaulay as Director	Mgmt	For	For	For
5	Re-elect Ivan Glasenberg as Director	Mgmt	For	For	For
6	Re-elect Peter Coates as Director	Mgmt	For	For	For
7	Re-elect John Mack as Director	Mgmt	For	For	For
8	Re-elect Peter Grauer as Director	Mgmt	For	For	For
9	Re-elect Patrice Merrin as Director	Mgmt	For	For	For
10	Approve Remuneration Report	Mgmt	For	For	For
11	Reappoint Deloitte LLP as Auditors	Mgmt	For	For	For
12	Authorise the Audit Committee to Fix Remuneration of Auditors	Mgmt	For	For	For
13	Authorise Issuance of Equity with Preemptive Rights	Mgmt	For	For	For
14	Authorise Issuance of Equity without Preemptive Rights	Mgmt	For	For	For
15	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For	For
	Shareholder Proposal	Mgmt			
16	Approve Strategic Resilience for 2035 and Beyond	SH	For	For	For

## Intel Corporation

Meeting Date: 05/19/2016

Country: USA

Primary Security ID: 458140100

Record Date: 03/21/2016

Meeting Type: Annual

Ticker: INTC

Primary CUSIP: 458140100

Primary ISIN: US4581401001

Primary SEDOL: 2463247

Shares Voted: 92,200

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1a	Elect Director Charlene Barshefsky	Mgmt	For	For	For
1b	Elect Director Aneel Bhusri	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

### Intel Corporation

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1c	Elect Director Andy D. Bryant	Mgmt	For	For	For
1d	Elect Director John J. Donahoe	Mgmt	For	For	For
1e	Elect Director Reed E. Hundt	Mgmt	For	For	For
1f	Elect Director Brian M. Krzanich	Mgmt	For	For	For
1g	Elect Director James D. Plummer	Mgmt	For	For	For
1h	Elect Director David S. Pottruck	Mgmt	For	For	For
1i	Elect Director Frank D. Yeary	Mgmt	For	For	For
1j	Elect Director David B. Yoffie	Mgmt	For	For	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For
4	Adopt Holy Land Principles	SH	Against	Against	Against
5	Provide Right to Act by Written Consent	SH	Against	For	Against
6	Provide Vote Counting to Exclude Abstentions	SH	Against	Against	Against

### BlackRock, Inc.

Meeting Date: 05/25/2016

Country: USA

Primary Security ID: 09247X101

Record Date: 03/30/2016

Meeting Type: Annual

Ticker: BLK

Primary CUSIP: 09247X101

Primary ISIN: US09247X1019

Primary SEDOL: 2494504

Shares Voted: 6,385

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1a	Elect Director Abdlatif Yousef Al-Hamad	Mgmt	For	Against	For
1b	Elect Director Mathis Caballavetta	Mgmt	For	For	For
1c	Elect Director Pamela Daley	Mgmt	For	For	For
1d	Elect Director William S. Demchak	Mgmt	For	For	For
1e	Elect Director Jessica P. Einhorn	Mgmt	For	For	For
1f	Elect Director Laurence D. Fink	Mgmt	For	For	For
1g	Elect Director Fabrizio Freda	Mgmt	For	For	For
1h	Elect Director Murry S. Gerber	Mgmt	For	For	For
1i	Elect Director James Grosfeld	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

### BlackRock, Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1j	Elect Director Robert S. Kapito	Mgmt	For	For	For
1k	Elect Director David H. Komansky	Mgmt	For	For	For
1l	Elect Director Deryck Maughan	Mgmt	For	For	For
1m	Elect Director Cheryl D. Mills	Mgmt	For	For	For
1n	Elect Director Gordon M. Nixon	Mgmt	For	For	For
1o	Elect Director Thomas H. O'Brien	Mgmt	For	For	For
1p	Elect Director Ivan G. Seidenberg	Mgmt	For	For	For
1q	Elect Director Marco Antonio Slim Domit	Mgmt	For	For	For
1r	Elect Director John S. Varley	Mgmt	For	For	For
1s	Elect Director Susan L. Wagner	Mgmt	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For
3	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For	For
4	Provide Proxy Access Right	Mgmt	For	For	For
5	Report on Proxy Voting and Executive Compensation	SH	Against	Against	Against

### Tiffany & Co.

Meeting Date: 05/26/2016

Country: USA

Primary Security ID: 886547108

Record Date: 03/28/2016

Meeting Type: Annual

Ticker: TIF

Primary CUSIP: 886547108

Primary ISIN: US8865471085

Primary SEDOL: 2892090

Shares Voted: 21,200

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1a	Elect Director Michael J. Kowalski	Mgmt	For	For	For
1b	Elect Director Rose Marie Bravo	Mgmt	For	For	For
1c	Elect Director Gary E. Costley	Mgmt	For	For	For
1d	Elect Director Frederic Cumenal	Mgmt	For	For	For
1e	Elect Director Lawrence K. Fish	Mgmt	For	For	For
1f	Elect Director Abby F. Kohnstamm	Mgmt	For	For	For
1g	Elect Director Charles K. Marquis	Mgmt	For	For	For
1h	Elect Director Peter W. May	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

### Tiffany & Co.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1i	Elect Director William A. Shutzer	Mgmt	For	For	For
1j	Elect Director Robert S. Singer	Mgmt	For	For	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For
4	Adopt and Issue a General Payout Policy	SH	Against	Against	Against

### General Motors Company

Meeting Date: 06/07/2016

Country: USA

Primary Security ID: 37045V100

Record Date: 04/08/2016

Meeting Type: Annual

Ticker: GM

Primary CUSIP: 37045V100

Primary ISIN: US37045V1008

Primary SEDOL: B665KZ5

Shares Voted: 175,100

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1a	Elect Director Joseph J. Ashton	Mgmt	For	For	For
1b	Elect Director Mary T. Barra	Mgmt	For	For	For
1c	Elect Director Linda R. Gooden	Mgmt	For	For	For
1d	Elect Director Joseph Jimenez	Mgmt	For	For	For
1e	Elect Director Kathryn V. Marinello	Mgmt	For	For	For
1f	Elect Director Jane L. Mendillo	Mgmt	For	For	For
1g	Elect Director Michael G. Mullen	Mgmt	For	For	For
1h	Elect Director James J. Mulva	Mgmt	For	For	For
1i	Elect Director Patricia F. Russo	Mgmt	For	For	For
1j	Elect Director Thomas M. Schoewe	Mgmt	For	For	For
1k	Elect Director Theodore M. Solso	Mgmt	For	For	For
1l	Elect Director Carol M. Stephenson	Mgmt	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against	For
3	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For	For
4	Adopt Holy Land Principles	SH	Against	Against	Against



## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

### Alphabet Inc.

Meeting Date: 06/08/2016

Country: USA

Primary Security ID: 02079K305

Record Date: 04/11/2016

Meeting Type: Annual

Ticker: GOOGL

Primary CUSIP: 02079K305

Primary ISIN: US02079K3059

Primary SEDOL: BYVY8G0

Shares Voted: 6,160

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Elect Director Larry Page	Mgmt	For	For	For
1.2	Elect Director Sergey Brin	Mgmt	For	For	For
1.3	Elect Director Eric E. Schmidt	Mgmt	For	For	For
1.4	Elect Director L. John Doerr	Mgmt	For	For	For
1.5	Elect Director Diane B. Greene	Mgmt	For	For	For
1.6	Elect Director John L. Hennessy	Mgmt	For	Withhold	For
1.7	Elect Director Ann Mather	Mgmt	For	For	For
1.8	Elect Director Alan R. Mulally	Mgmt	For	For	For
1.9	Elect Director Paul S. Otellini	Mgmt	For	Withhold	For
1.10	Elect Director K. Ram Shriram	Mgmt	For	Withhold	For
1.11	Elect Director Shirley M. Tilghman	Mgmt	For	For	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For	For
3	Amend Omnibus Stock Plan	Mgmt	For	Against	Against
4	Amended and Restated Certificate of Incorporation of Google Inc.	Mgmt	For	Against	For
5	Approve Recapitalization Plan for all Stock to Have One-vote per Share	SH	Against	For	For
6	Report on Lobbying Payments and Policy	SH	Against	For	Against
7	Report on Political Contributions	SH	Against	For	Against
8	Require a Majority Vote for the Election of Directors	SH	Against	For	For
9	Require Independent Board Chairman	SH	Against	For	Against
10	Report on Gender Pay Gap	SH	Against	For	Against

### Caterpillar Inc.

Meeting Date: 06/08/2016

Country: USA

Primary Security ID: 149123101

Record Date: 04/11/2016

Meeting Type: Annual

Ticker: CAT

Primary CUSIP: 149123101

Primary ISIN: US1491231015

Primary SEDOL: 2180201

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

## Caterpillar Inc.

Shares Voted: 51,700

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Elect Director David L. Calhoun	Mgmt	For	For	For
1.2	Elect Director Daniel M. Dickinson	Mgmt	For	For	For
1.3	Elect Director Juan Gallardo	Mgmt	For	For	For
1.4	Elect Director Jesse J. Greene, Jr.	Mgmt	For	For	For
1.5	Elect Director Jon M. Huntsman, Jr.	Mgmt	For	For	For
1.6	Elect Director Dennis A. Mulenburg	Mgmt	For	For	For
1.7	Elect Director Douglas R. Oberhelman	Mgmt	For	For	For
1.8	Elect Director William A. Osborn	Mgmt	For	For	For
1.9	Elect Director Debra L. Reed	Mgmt	For	For	For
1.10	Elect Director Edward B. Rust, Jr.	Mgmt	For	For	For
1.11	Elect Director Susan C. Schwab	Mgmt	For	For	For
1.12	Elect Director Miles D. White	Mgmt	For	For	For
2	Ratify PricewaterhouseCoopers as Auditors	Mgmt	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For
4	Report on Lobbying Payments and Policy	SH	Against	For	Against
5	Provide Right to Act by Written Consent	SH	Against	For	For
6	Require Independent Board Chairman	SH	Against	For	Against

## Toyota Motor Corp.

Meeting Date: 06/15/2016

Country: Japan

Primary Security ID: J92676113

Record Date: 03/31/2016

Meeting Type: Annual

Ticker: 7203

Primary CUSIP: J92676113

Primary ISIN: JP3633400001

Primary SEDOL: 6900643

Shares Voted: 119,300

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Elect Director Uchiyamada, Takeshi	Mgmt	For	For	For
1.2	Elect Director Toyoda, Akio	Mgmt	For	For	For
1.3	Elect Director Kodaira, Nobuyori	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

### Toyota Motor Corp.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.4	Elect Director Kato, Mitsuhsa	Mgmt	For	For	For
1.5	Elect Director Ijichi, Takahiko	Mgmt	For	For	For
1.6	Elect Director Dldier Leroy	Mgmt	For	For	For
1.7	Elect Director Terashi, Shigeki	Mgmt	For	For	For
1.8	Elect Director Hayakawa, Shigeru	Mgmt	For	For	For
1.9	Elect Director Uno, Ikuo	Mgmt	For	For	For
1.10	Elect Director Kato, Haruhiko	Mgmt	For	For	For
1.11	Elect Director Mark T. Hogan	Mgmt	For	For	For
2	Appoint Alternate Statutory Auditor Sakai, Ryuji	Mgmt	For	For	For
3	Approve Annual Bonus	Mgmt	For	For	For

### Aon plc

Meeting Date: 06/24/2016

Country: United Kingdom

Primary Security ID: G0408V102

Record Date: 04/26/2016

Meeting Type: Annual

Ticker: AON

Primary CUSIP: 037389103

Primary ISIN: GB00B5BT0K07

Primary SEDOL: B58T0K0

Shares Voted: 39,900

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Elect Director Lester B. Knight	Mgmt	For	For	For
1.2	Elect Director Gregory C. Case	Mgmt	For	For	For
1.3	Elect Director Fulvio Conti	Mgmt	For	For	For
1.4	Elect Director Cheryl A. Francis	Mgmt	For	For	For
1.5	Elect Director James W. Leng	Mgmt	For	For	For
1.6	Elect Director J. Michael Losh	Mgmt	For	For	For
1.7	Elect Director Robert S. Morrison	Mgmt	For	For	For
1.8	Elect Director Richard B. Myers	Mgmt	For	For	For
1.9	Elect Director Richard C. Notebaert	Mgmt	For	For	For
1.10	Elect Director Gloria Santana	Mgmt	For	For	For
1.11	Elect Director Carolyn Y. Woo	Mgmt	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

### Aon plc

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
3	Advisory Vote to Ratify Directors' Remuneration Report	Mgmt	For	For	For
4	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For
5	Ratify Ernst & Young LLP as Aon's Auditors	Mgmt	For	For	For
6	Ratify Ernst & Young LLP as U.K. Statutory Auditor	Mgmt	For	For	For
7	Authorize Board to Fix Remuneration of Auditors	Mgmt	For	For	For
8	Authorise Shares for Market Purchase	Mgmt	For	For	For
9	Issue of Equity or Equity-Linked Securities with Pre-emptive Rights	Mgmt	For	For	For
10	Issue of Equity or Equity-Linked Securities without Pre-emptive Rights	Mgmt	For	For	For
11	Approve Political Donations	Mgmt	For	For	For

### Daiwa Securities Group Inc.

Meeting Date: 06/28/2016	Country: Japan	Primary Security ID: J11718111
Record Date: 03/31/2016	Meeting Type: Annual	Ticker: 8601
Primary CUSIP: J11718111	Primary ISIN: JP3502200003	Primary SEDOL: 6251448
Shares Voted: 855,000		

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.1	Elect Director Suzuki, Shigeharu	Mgmt	For	For	For
1.2	Elect Director Hibino, Takashi	Mgmt	For	For	For
1.3	Elect Director Nakata, Seiji	Mgmt	For	For	For
1.4	Elect Director Nishio, Shinya	Mgmt	For	For	For
1.5	Elect Director Matsui, Toshihiro	Mgmt	For	For	For
1.6	Elect Director Tashiro, Keiko	Mgmt	For	For	For
1.7	Elect Director Komatsu, Mikita	Mgmt	For	For	For
1.8	Elect Director Matsuda, Morimasa	Mgmt	For	For	For
1.9	Elect Director Matsubara, Nobuko	Mgmt	For	For	For
1.10	Elect Director Tadaki, Keiichi	Mgmt	For	For	For
1.11	Elect Director Onodera, Tadashi	Mgmt	For	For	For

## Vote Summary Report

Date range covered: 04/01/2016 to 06/30/2016

Institution Account(s): 5984 -Shropshire County Pension Fund

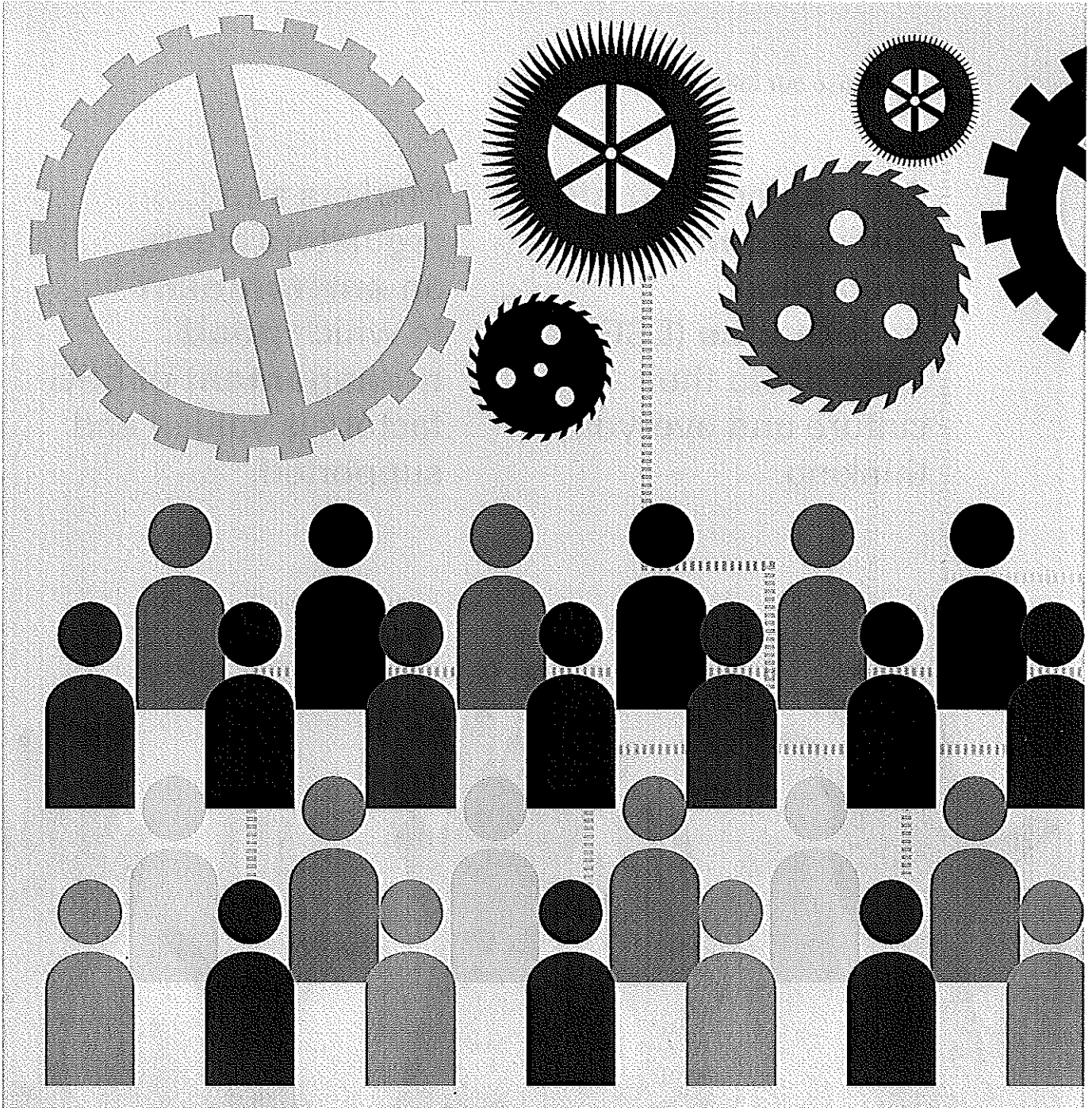
### Daiwa Securities Group Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Vote Instruction
1.12	Elect Director Ogasawara, Michiaki	Mgmt	For	Against	For
1.13	Elect Director Takeuchi, Hirotaka	Mgmt	For	For	For
1.14	Elect Director Nishikawa, Ikuo	Mgmt	For	For	For
2	Approve Deep Discount Stock Option Plan and Stock Option Plan	Mgmt	For	For	For



# ESG impact

Q2 2016 quarterly report



Our Q2 2016 quarterly report on environmental, social and governance (ESG) issues

# 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



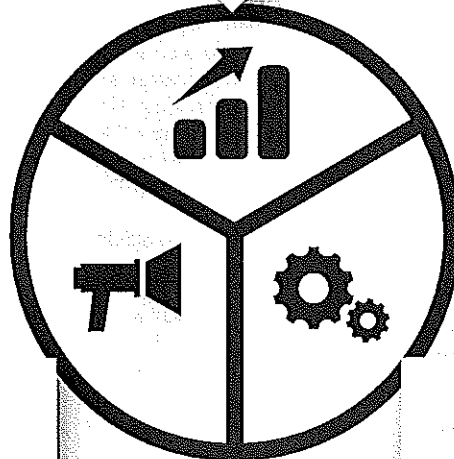
## Creating sustainable value:

Ensuring that boards and management are best equipped to create resilient and long-term growth.

We want to safeguard and grow our clients' assets by ensuring that companies are well positioned for sustainable growth.

To be successful in the long term, companies need to have people at the top who are able to deliver sustainable value.

We engage directly and collaboratively with them to highlight key challenges and opportunities in their sector and support strategies that can deliver long-term success.



## Influencing the debate:

Identifying and engaging on key themes and emerging governance topics.

We use our scale to influence markets and the regulatory environment to ensure that issues impacting the value of our clients' investments are recognised and appropriately managed. We identify key themes and emerging governance topics so that we can understand these risks and opportunities and react accordingly. This includes working with governments, regulators and other decision-makers to promote a certain course of action and often collaborating with others to effect change.



## Improving companies:

Protecting and enhancing our clients' assets by supporting change and holding management accountable for their decisions.

As stewards of our clients' assets, we believe that real change is best achieved through being an engaged and active owner. In doing so, our investment process includes an assessment of how well companies incorporate relevant environmental, social and governance factors into their everyday thinking. We act on our analysis and engage with companies to improve their performance to protect client assets. Voting is also an important tool, which we use to hold management to account.

# Latest news and developments - Q2 2016

## Press coverage

In April, we launched our 5th Corporate Governance Annual Report which received widespread press coverage in UK newspapers. A copy of this report can be found on our website at: [http://www.lgim.com/library/capabilities/CG\\_Annual\\_Report\\_2015.pdf](http://www.lgim.com/library/capabilities/CG_Annual_Report_2015.pdf)

Our Director of Corporate Governance also gave an interview in the Wall Street Journal, explaining how LGIM continues to push for good corporate governance and how it aims to add value.

LGIM has been vocal at this year's UK voting season due to the significant size of some opposition votes at AGMs. More detail can be found below.

## UK voting season

There were a significant number of adverse votes cast by institutional shareholders at general meetings during the quarter. These votes centred mainly on remuneration issues where investors had concerns with the structure, quantum or discretion exercised by remuneration committees. In some instances, there appeared to be a disconnect between pay and performance and a lack of alignment with shareholders.

Examples of companies where LGIM voted against and there was a large adverse vote cast against remuneration included BP, Anglo American, Rio Tinto, Weir Group, Shire, Aberdeen Asset Management and Reckitt Benckiser.

LGIM will continue to engage with companies to enhance their disclosure and structure in preparation for next year's AGM where a majority of companies will be putting its binding pay policy to a vote. As a long-term shareholder, we will push for greater alignment.

## Climate change

LGIM hosted a seminar for our clients in May on the issue of climate change and the risks and opportunities it creates. Feedback has been positive with the audience being informed on practical steps that can be taken to develop a low carbon portfolio.

In addition, LGIM continues to engage with investee companies on the impact of their business in a low carbon economy. Meetings included getting an update from Royal Dutch Shell, Total SA and BP.

At this year's UK voting season, we also supported the 'Aiming for A' shareholder resolutions at mining companies. This issue has a big focus in the US. We publically declared our support for proposals with particular focus on the 2 degree scenario proposed at nine US companies – AES, Anadarko, Chevron, Devon Energy, ExxonMobil, FirstEnergy, Noble Energy, Occidental and Southern Company. Support for these proposals ranged between 19% and 49%.

## Public presentations and panel discussions

LGIM was a panellist at the Annual Investor Relations Society Conference discussing the importance of corporate governance in a company and the key role the Investor Relations team play in communicating on these issues.

We also were a panellist at an event hosted by BlackSun on annual reports, with 150 attendees. The purpose was to give companies an investor perspective on best corporate reporting and how the focus should be on reporting sustainable value and relevant and concise annual reports.

We presented at the Local Authority Pension Fund Forum's responsible investment, shareholder rights and pooling seminar. LGIM discussed why corporate governance matters, our commitment to work in partnership with LGPS funds on stewardship and how our size can help influence the debate.

LGIM also presented to the Institute and Faculty of Actuaries regarding the impact of climate change on assets and the risks and opportunities it creates for investments.

## POLICY AND PRACTICE

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

<http://www.lgim.com/uk/en/capabilities/corporate-governance/>

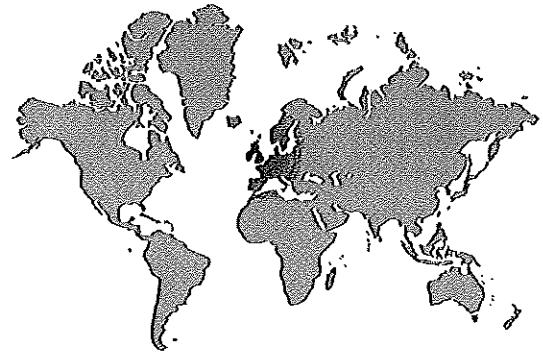
In order to demonstrate key governance issues, voting statistics are divided up into main voting categories. We engage on a range of environmental, social, governance (ESG) and financial issues and integrate all components where appropriate.

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

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



# Regional updates

## UK



### KEY COMPANY ENGAGEMENTS ON E (ENVIRONMENTAL), S (SOCIAL), G (GOVERNANCE) AND F (FINANCIAL) TOPICS

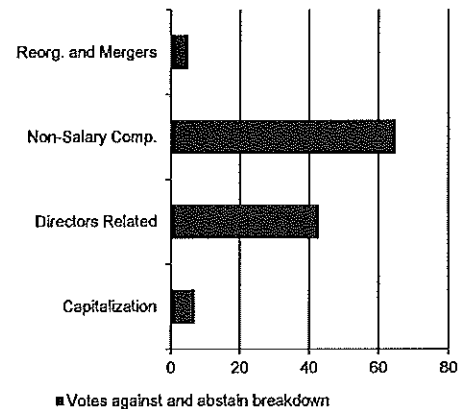
	<b>BP Plc</b>	<b>What is the issue:</b> Disconnect between pay and performance
	Market cap £84.5bn	<b>Why is it an issue:</b> Given the fall in the oil price, a lot of scrutiny has been placed on companies in the oil and gas sector regarding spending on projects, business performance and returns to shareholders. The vote on remuneration at the general meeting is a key tool for investors to hold management to account for their performance.
	Oil and Gas	<b>What did LGIM do?</b> As a top five shareholder we have been engaging with the company on various governance matters. This includes meeting the newly appointed Chairman of the Remuneration Committee last year to discuss the company's approach and philosophy on pay.  LGIM voted against the remuneration report at the company's AGM in April. The rationale for this instruction centred on the lack of discretion exercised by the Remuneration Committee to scale back bonus payments and Long Term Incentive awards (LTIP) to Executive Directors during the year.  Bonus payments to Senior Managers in the company were reduced to recognise the dramatic fall in oil prices and its impact on shareholders (page 23 of the Annual Report). However, this approach was not taken for Executive Directors which resulted in significant bonus payments. In addition, maximum awards under the LTIP were made at a time when the share price was low. As these grants are made as a multiple of salary, this has the effect of awarding a higher number of shares which could lead to windfall gains in the future. This is not in line with best practice and is covered in LGIMs voting policy.  <b>The outcome:</b> At the AGM, the remuneration report was defeated with 57% of shareholders opposing the item and 4% abstaining. Since the vote, LGIM has been engaging with the Remuneration Committee Chairman regarding its policy. We will continue to engage with the company giving constructive feedback on their remuneration structure ahead of the binding policy vote next year. The main objective of this engagement will be to better align pay with long term investors' interests and improve accountability for poor performance.

	<b>Land Securities Group plc</b>	<b>What is the issue:</b> Land Securities has used the same property valuer for a significant number of years and it is best practice for them to be rotated.
	Market cap £78bn	<b>Why is it an issue:</b> Property valuers provide an independent assessment of the company's assets, and it is this number that is often used to assess the share price of the company. Given the importance of this role, we were concerned that the Group's long-tenured relationship with the valuer could impair the valuer's independence, as year after year they would only be reviewing their own assumptions.
	Real Estate Investment Trust	<b>What did LGIM do?</b> In 2015 we held our regular meeting with the Chairman of Land Securities and discussed our concerns regarding the valuer and its possible impacts on the business. <b>The outcome:</b> As reported in this year's annual report, Land Securities ran a tender process for their valuer during the year. This resulted in a change of valuer, and the board confirmed it was a positive process to go through. As far as we are aware, Land Securities is leading the real estate sector with regards to rotating their property valuer. LGIM will continue to engage with other real estate companies on this issue.
	<b>Sports Direct plc</b>	<b>What is the issue:</b> Communication with investors is poor and the company was accused of systematically breaching employment law.
	Market cap £1.735bn	<b>Why is it an issue:</b> There was no communication with the minority shareholders to explain why the company was spending shareholder funds on acquiring shares in other retailers. The strategy was unclear and the stakes were built using derivative instruments which lacked transparency. Getting answers about what the company was doing proved difficult.
	General Retail	Additionally, labour practices at Sports Direct have come under increased scrutiny. Extensive use of zero hour contracts, its employee disciplinary regime and high call out rates for ambulances raised concerns of employee rights. More seriously was the admission that Sports Direct was in breach of UK minimum wage regulations. It is not just in the UK where there are concerns with labour practices. Sports Direct has still not signed up to the Accord on Fire and Safety despite the death of over 1000 people at Rana Plaza in Bangladesh. MPs got involved when Sports Direct breached insolvency rules in the closure of USC and Mike Ashley was further questioned by the Parliament Business Select Committee. <b>What did LGIM do?</b> We held a number of meetings with the Chairman and the Senior Independent Director to ask for changes to be made, including the appointment of a dedicated Company Secretary to assist the Board and the appointment of an Investor Relations person to communicate with shareholders. We also questioned the company's labour policies including those in their supply chain, and requested more transparency about their labour and supply chain policies. We voted against the Chairman for two years in a row and the 2016 AGM will be held on 7 September 2016. <b>The outcome:</b> The Board has now appointed a permanent company secretary and an investor relations professional. We hope having dedicated employees to speak to investors and support the executive team will improve shareholder communications. The founder of the company also announced that they will conduct an independent review into labour practices at their Shirebrook warehouse.

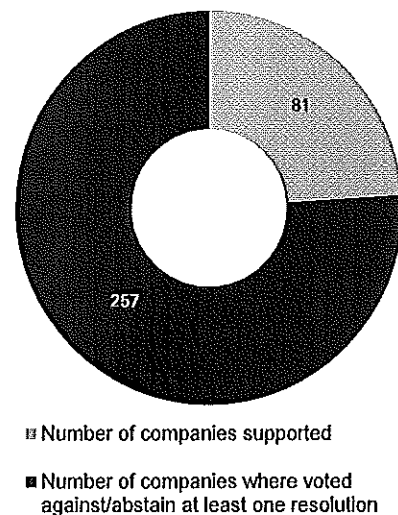
## Q2 2016 VOTING SUMMARY UK

Proposal category	UK		
	For	Against	Abstain
Anti-takeover Related	236		
Capitalisation	1043	7	
Directors Related	2446	43	
Non-Salary Comp.	425	65	
Reorg. and Mergers	31	5	
Routine/Business	1388	15	
SH-Compensation			
SH-Corp Governance			
SH-Dirs' Related		2	
SH-Gen Econ Issues			
SH-Health/Environ.	3	3	
SH-Other/misc.			
SH-Routine/Business		2	
SH-Soc./Human Rights			
Social Proposal			
Total	5572	142	0
Total resolutions		5714	
No. AGMs		327	
No. EGMs		34	
No. of companies voted		338	
No. of companies where voted against/abstain at least one resolution		81	
% no. of companies where at least one vote against		24	

## Voting issue breakdown (against and abstain)



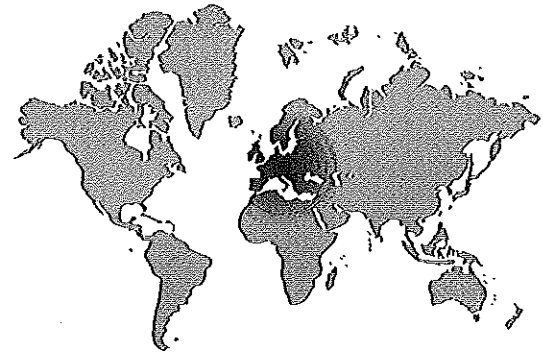
## Number of companies voted against/abstain



'LGIM voted against at least one resolution at **24%** of UK companies over the quarter.'


# Regional updates

## EUROPE



### KEY COMPANY ENGAGEMENTS ON E (ENVIRONMENTAL), S (SOCIAL), G (GOVERNANCE) AND F (FINANCIAL) TOPICS

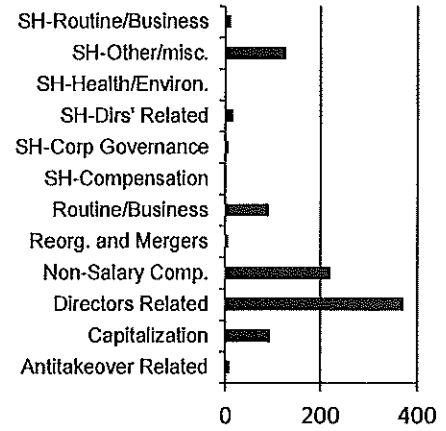
	<b>Telecom Italia Group (TIM)</b>	<b>What is the issue?</b>
	Market cap: €13.7bn	In March 2016 Telecom Italia confirmed the appointment of a new CEO. The board also announced a new remuneration structure, with the new CEO eligible to receive payment totalling €40 million by 2019. LGIM has concerns regarding the size and structure of this payment.
	Telecommunication	<b>Why is it an issue?</b>
		LGIM expects a significant proportion of remuneration to be variable and long-term and to be dependent on rigorous and transparent performance conditions. In the case of Telecom Italia, we did not consider the performance period to be sufficiently long-term to align with the interests of shareholders. This could lead to a significant payment to the CEO for performance that is not sustained. The audit board at Telecom Italia also raised concerns regarding the process by which the remuneration plan was agreed.
		<b>What did LGIM do?</b>
		LGIM has been having ongoing engagement with Telecom Italia as reported in previous quarterly updates and the 2015 Active Ownership report. This quarter we met the CEO and Chairman in London to discuss the strategic plan and the proposed remuneration structure. It is still relatively unusual to meet the Chairman of an Italian company and we welcomed the opportunity for an open discussion. However, our concerns were not addressed and we voted against the proposed scheme at the AGM. The scheme received one of the highest levels of dissent seen in Italy this proxy season with 38% of shareholders voting against the proposal.
		We have further meetings with Telecom Italia planned and will continue our dialogue with the company.

	Volkswagen	<p><b>What is the issue?</b> VW has been slow to demonstrate its response to the emissions crisis.</p>
	Market cap: €66bn	<p><b>Why is it an issue?</b> In September 2015 VW disclosed that their vehicles were emitting pollutants above the national and local regulatory limits. This exposed weaknesses in the company's risk controls and highlighted concerns around the internal culture at VW. In June 2016 VW announced a \$15bn settlement in the US.</p>
	Telecommunication	<p>However, the board of VW has not changed. We question how a company can recognise its past mistakes if the same people remain at the top. For example, the VW board awarded the previous management of VW bonuses worth millions of euros for their performance in 2015. Awarding management bonuses for the period in which emissions scandal took place does not demonstrate that the company understands the seriousness of the matter and its cost to shareholders.</p> <p><b>What did LGIM do?</b> We have been engaging with VW since the emissions scandal broke in September 2015. This quarter we had a further face-to-face meeting with the Chairman in London and wrote a follow-up letter to the Chairman. We concentrated on the importance of the board holding management to account, disclosing the outcome of the investigations into the emissions scandal and improving engagement and dialogue with minority shareholders. LGIM voted against the resolutions approving the actions of the management and supervisory board at the 2016 AGM and supported the resolutions calling for an independent audit of the company's actions.</p> <p><b>The outcome:</b> Since the crisis in September, VW has announced a new strategy, re-shuffled its management team and agreed a settlement with the US regulator. A majority of the non-controlling ordinary shareholders voted against the resolutions at the 2016 AGM to approve the actions of the management and supervisory board for 2015. However, VW is a controlled company, therefore all resolutions passed with the support of their major shareholders.</p>

Q2 2016 VOTING SUMMARY EUROPE

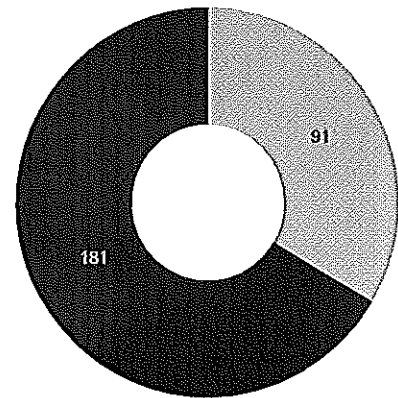
Proposal category	EUROPE		
	For	Against	Abstain
Anti-takeover Related	6	9	
Capitalisation	534	95	
Directors Related	1520	372	
Non-Salary Comp.	476	222	
Reorg. and Mergers	51	6	
Routine/Business	1471	91	
SH-Compensation	1	1	
SH-Corp Governance		7	
SH-Dirs' Related	32	16	
SH-Gen Econ Issues			
SH-Health/Environ.		2	
SH-Other/misc.	1	127	
SH-Routine/Business	8	11	
SH-Soc./Human Rights			
Social Proposal			
Total	4100	959	0
Total resolutions		5059	
No. AGMs		271	
No. EGMs		3	
No. of companies voted		272	
No. of companies where voted against/abstain at least one resolution		181	
% no. of companies where at least one vote against		66	

Voting issue breakdown (against and abstain)



■ Votes against and abstain breakdown

Number of companies voted against/abstain



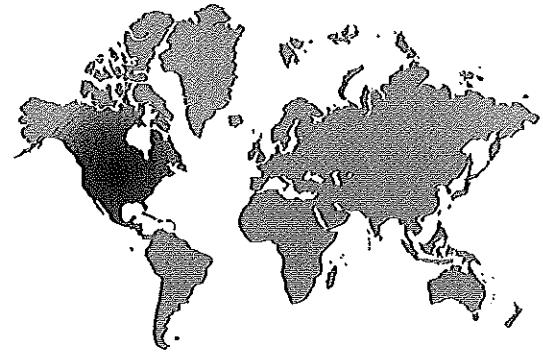
■ Number of companies supported  
■ Number of companies where voted against/abstain at least one resolution

'LGIM voted against at least one resolution at **66%** of European companies over the quarter.'




## Regional updates

# NORTH AMERICA



### KEY COMPANY ENGAGEMENTS AND VOTING ON E (ENVIRONMENTAL), S (SOCIAL), G (GOVERNANCE) AND F (FINANCIAL) TOPICS

	<p><b>Exxon</b></p> <p>Market cap: \$390bn</p> <p>Oil and Gas</p>	<p>Continuing from our various engagements with the company in 2015, we spoke to management regarding the AGM agenda. Specifically about the various climate change shareholder proposals on the agenda, including the resolutions to acknowledge the imperative for a 2 degree limit and to report on the impacts to meet the 2 degree scenario. We explained that we had publically committed to voting in favour of both proposals as we did not feel that the company's current disclosures were sufficient. We also pressed the point that the language the company has used in relation to this issue has been negative suggesting that the company is not in support of the 2 degree scenario policies following COP21. Despite an indepth discussion we continue to feel that the company needs to improve its disclosure as well as to become more involved in the public discussion on this issue. 38% of shareholders supported the proposal requesting a report on impacts of a 2 degree scenario. We shall continue to engage.</p>
	<p><b>Freeport McMoRan</b></p> <p>Market cap: \$15.4bn</p> <p>Mining</p>	<p>We voted against the company's remuneration due to a large severance payment to a former executive under an employment agreement despite the fact he will remain as a consultant to the company and will be compensated approx. \$1.5m annually for this role. We engaged with the Chair of the company and expressed our concerns with this payment and were assured that the company no longer enters into employment agreements. 40% of shareholders voted against the resolution.</p>
	<p><b>Citigroup</b></p> <p>Market cap: \$130.5bn</p> <p>Banking and Financial Services</p>	<p>We spoke to the company Chair to discuss board composition and remuneration. Concerns on remuneration include cash awards under the long-term plan; uncapped bonus; pay for performance disconnect. We voted against the remuneration proposal as did 37% of shareholders.</p>
	<p><b>General Motors</b></p> <p>Market cap: \$48.5bn</p> <p>Autos</p>	<p>We have spoken to the company several times this year. One of the main issues of discussion during a one-on-one and collaborative engagement, was the board's unilateral decision to re-combine the roles of Chair and CEO at the end of 2015. We spoke to the former Chair and current Lead Director, to understand further the board's decision to change the leadership structure as well as the identification process to find the best candidate for the Chair role. We gained some specific insights including how views of shareholders from a vote on this issue last year were taken into account; how the role has changed in becoming Lead Director from Chair; time commitments of combined role in light of the strategy challenges GM faces; advantage of combined role at this juncture. The meeting was very informative and the company was clear that a substantial shareholder base continues to oppose the combination and that the company needs to strengthen its engagement with shareholders going forward.</p>

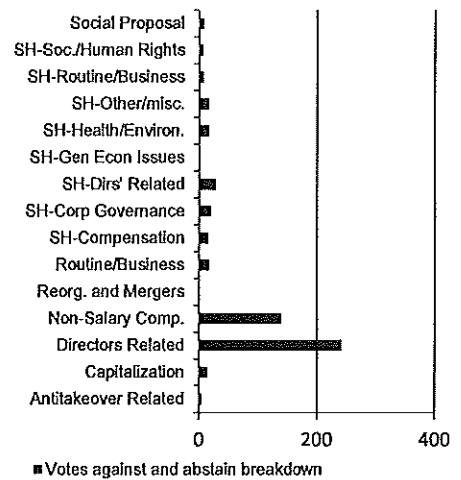
	<b>Nabors Industries</b>
	Market cap: \$2.6bn
	Oil and Gas Equipment Services

We withheld our votes from the entire board due to a failure by the company to implement a majority-supported shareholder proposal in 2015 for proxy access as well as the re-nomination of several directors who did not receive majority support from shareholders in 2015. In addition, we have concerns around board entrenchment as well as a lack of gender diversity at board level. Three board directors failed to receive majority support with votes against of 50%, 53% and 56% but the board again refused to accept the resignations of each director and they continue to serve on the board.

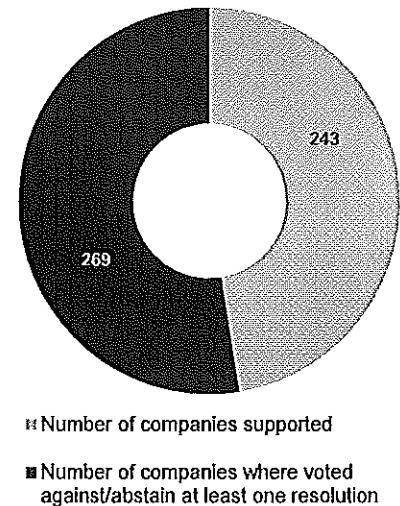
Q2 2016 VOTING SUMMARY NORTH AMERICA

Proposal category	NORTH AMERICA		
	For	Against	Abstain
Anti-takeover Related	36	5	
Capitalisation	57	15	
Directors Related	4531	242	
Non-Salary Comp.	552	140	
Reorg. and Mergers	19	1	
Routine/Business	597	18	
SH-Compensation	28	16	
SH-Corp Governance	19	21	
SH-Dirs' Related	66	29	
SH-Gen Econ Issues		2	
SH-Health/Environ.	47	18	
SH-Other/misc.	62	18	
SH-Routine/Business	31	8	
SH-Soc./Human Rights	3	7	
Social Proposal	1	8	
<b>Total</b>	<b>6049</b>	<b>548</b>	<b>0</b>
Total resolutions		6597	
No. AGMs		504	
No. EGMs		15	
No. of companies voted		512	
No. of companies where voted against/abstain at least one resolution		269	
% no. of companies where at least one vote against		53	

Voting issue breakdown (against and abstain)



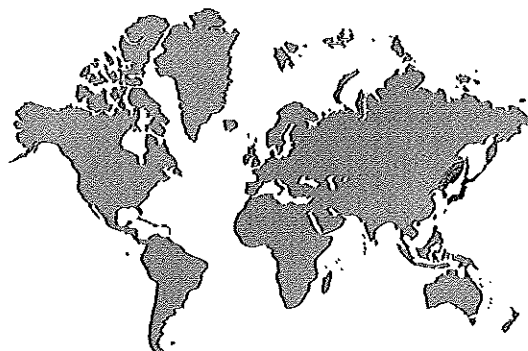
Number of companies voted against/abstain



'LGIM voted against at least one resolution at **53%** of North American companies over the quarter.'

## Regional updates

# JAPAN



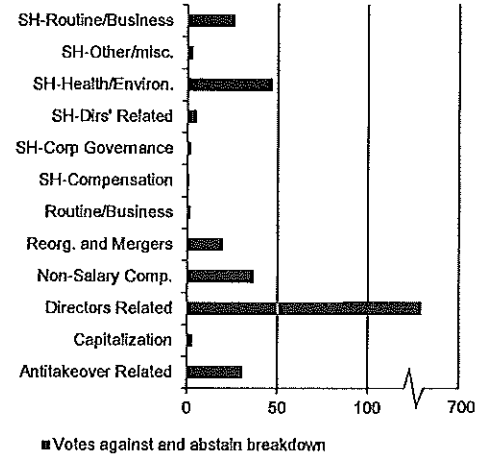
### KEY COMPANY ENGAGEMENTS AND VOTING ON E (ENVIRONMENTAL), S (SOCIAL), G (GOVERNANCE) AND F (FINANCIAL) TOPICS

	<p><b>Kansai Electric Power</b></p> <p>Market cap: JPY 923.8bn (£6.957bn)</p> <p>Utilities</p>	<p>We supported the shareholder resolution to amend articles requiring full disclosure of director compensation. Like most Japanese companies, Kansai Electric Power only discloses aggregate compensation levels for the board of directors as whole. This leaves investors without appropriate tools to accurately examine remuneration packages and ensure that management incentives are aligned with our shareholder's interests. We saw this resolution as an opportunity to support the drive for improved remuneration disclosure in Japan.</p>
	<p><b>Fuji Media Holdings</b></p> <p>Market cap: JPY 276.386bn (£2.0816bn)</p> <p>Consumer discretionary</p>	<p>Over the last three years, Fuji Media Holdings' share price has continuously declined, with little sign of recovery, and its return on equity has consistently been below 3%. Improved performance is often driven by new board members who can give the business a fresh perspective on its strategy. We therefore supported a resolution requiring Fuji Media Holdings to present a detailed explanation of why a director with a tenure of more than 25 years should be reappointed, when return on equity falls below 5%.</p>
	<p><b>Nintendo</b></p> <p>Market cap: JPY 2052.8bn (£15.462bn)</p> <p>Consumer electronics</p>	<p>In April 2016, we engaged with Nintendo, one of Japan's largest consumer electronics companies, focusing on company strategy and corporate governance-related issues. Nintendo have an all-male, Japanese-only board with one independent director. We felt the lack of diversity and independence at the board level was compromising the company's ability to innovate and develop products that appeal to the global electronics market. Having listened to our concerns, Nintendo have agreed to improve their corporate governance standards.</p>

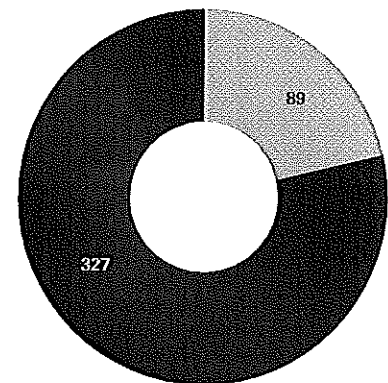
Q2 2016 VOTING SUMMARY JAPAN

Proposal category	JAPAN		
	For	Against	Abstain
Anti-takeover Related		31	
Capitalisation	4	3	
Directors Related	4086	667	
Non-Salary Comp.	199	37	
Reorg. and Mergers	103	20	
Routine/Business	317	2	
SH-Compensation	4	1	
SH-Corp Governance	2	2	
SH-Dirs' Related		5	
SH-Gen Econ Issues			
SH-Health/Environ.		47	
SH-Other/misc.	1	3	
SH-Routine/Business	2	28	
SH-Soc./Human Rights			
Social Proposal			
Total	4718	844	0
Total resolutions		5562	
No. AGMs		416	
No. EGMs		1	
No. of companies voted		416	
No. of companies where voted against/abstain at least one resolution		327	
% no. of companies where at least one vote against		79	

Voting issue breakdown (against and abstain)



Number of companies voted against/abstain



'LGIM voted against at least one resolution at **79%** of Japanese companies over the quarter.'

# Regional updates

## ASIA PACIFIC



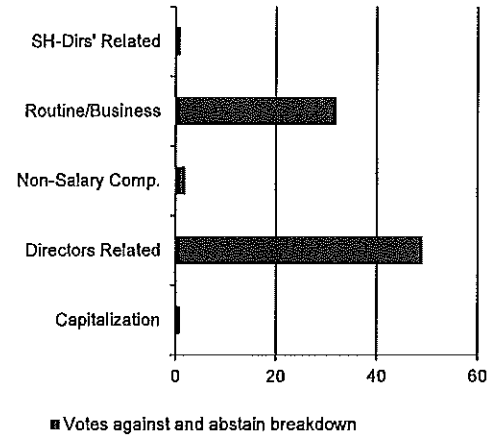
### KEY COMPANY ENGAGEMENTS AND VOTING ON E (ENVIRONMENTAL), S (SOCIAL), G (GOVERNANCE) AND F (FINANCIAL) TOPICS

	<p><b>Tencent and Galaxy Entertainment</b></p> <p>Market cap: HKD 1,659tn (£163.7bn) and HKD 96.18bn (£9.49bn)</p> <p>Diversified banks</p>	<p>We voted against Tencent's, (a Chinese investment holding company) and Galaxy Entertainment Group's (a casino and hotel operator) proposal to issue equity with pre-emptive rights. Whilst companies need flexibility to transact ordinary business without undue burden or cost, the proposals would allow both companies to issue shares with a discount rate up to 20% of market prices, which risks destroying shareholder's value.</p>
	<p><b>China Everbright Bank Co., Ltd.</b></p> <p>Market cap: HKD 198.19bn (£17.4bn)</p> <p>Oil and Gas Equipment Services</p>	<p>We voted against China Everbright Bank's resolution to provide a provision of a guarantee to a subsidiary bank. The guarantee meant Everbright could be held fully liable for debts owed by the subsidiary. Given the provided guarantee was greater than the Everbright's proportionate shareholding, we felt the disproportionate amount of risk relative to ownership stake warranted a vote against.</p>
	<p><b>Inner Mongolia Yitai Coal Co., Ltd.</b></p> <p>Market cap: HKD 1739bn (£1.73bn)</p> <p>Energy</p>	<p>Inner Mongolia Yitai Coal issued a proposal to approval renewal of a related-party transaction including a financial service agreement with the group finance company. The deposit and loan agreements proposed meant company funds could be used by the group's affiliate companies, exposing minority shareholders to risks at affiliates and sister companies. Therefore, we decided to vote against the proposal.</p>
	<p><b>China Datang Corporation Renewable Power Co., Ltd.</b></p> <p>Market cap: HKD 5.67bn (£565m)</p> <p>Utilities</p>	<p>We voted against China Datang Corporation Renewable Power's proposal to approve all other business. Despite our support for companies driving the global transition to more sustainable, resource efficient and energy efficient economies, a vote against the resolution regarding "all other business" is warranted, given the lack of information.</p>

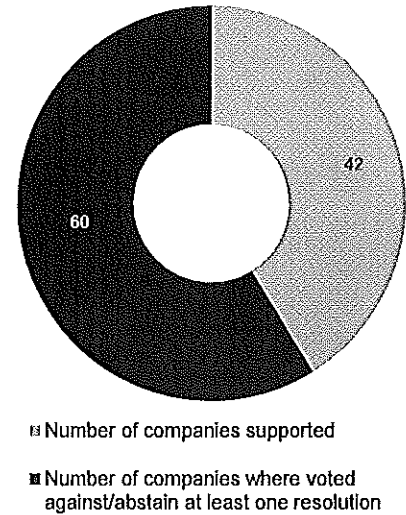
Q2 2016 VOTING SUMMARY ASIA PACIFIC

Proposal category	ASIA PACIFIC		
	For	Against	Abstain
Anti-takeover Related			
Capitalisation	95	83	
Directors Related	355	80	2
Non-Salary Comp.	51	23	
Reorg. and Mergers	26		
Routine/Business	236	5	
SH-Compensation			
SH-Corp Governance			
SH-Dirs' Related		1	
SH-Gen Econ Issues			
SH-Health/Environ.	1		
SH-Other/misc.			
SH-Routine/Business			
SH-Soc./Human Rights			
Social Proposal			
Total	764	192	2
Total resolutions		958	
No. AGMs		94	
No. EGMs		16	
No. of companies voted		102	
No. of companies where voted against/abstain at least one resolution		60	
% no. of companies where at least one vote against		59	

Voting issue breakdown (against and abstain)



Number of companies voted against/abstain



'LGIM voted against at least one resolution at **59%** of Asia Pacific companies over the quarter.'

## CONTACT US

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For further information on anything you have read in this report or to provide feedback, please contact us at [corporategovernance@lgim.com](mailto:corporategovernance@lgim.com). Please visit our website [www.lgim.com/corporategovernance](http://www.lgim.com/corporategovernance) where you will also find more information including frequently asked questions.

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### Vote Summary Report

Date range covered : 04/01/2016 to 06/30/2016

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

## Red Electrica Corporacion SA

Meeting Date: 04/14/2016

Country: Spain

Meeting Type: Annual

Ticker: REE

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Standalone Financial Statements	Mgmt	For	For	For	For
2	Approve Consolidated Financial Statements	Mgmt	For	For	For	For
3	Approve Allocation of Income and Dividends	Mgmt	For	For	For	For
4	Approve Discharge of Board	Mgmt	For	For	For	For
5.1	Reelect José Folgado Blanco as Director	Mgmt	For	For	Refer	For
5.2	Reelect Fernando Fernández Méndez de Andés as Director	Mgmt	For	For	Against	For
5.3	Ratify Appointment of and Elect José Ángel Parrearro y Martín as Director	Mgmt	For	For	Against	For
5.4	Reelect Carmen Gómez de Barrada Tous de Morsalve as Director	Mgmt	For	For	For	For
5.5	Elect Agustín Conde Bajén as Director	Mgmt	For	For	For	For
6	Renew Appointment of KPMG Auditores as Auditor	Mgmt	For	For	For	For
7	Approve Stock Split	Mgmt	For	For	For	For
8.1	Amend Remuneration Policy	Mgmt	For	For	For	For
8.2	Approve Remuneration of Directors	Mgmt	For	For	For	For
8.3	Approve Remuneration Report	Mgmt	For	For	For	For
9	Amend Stock-for-Salary Plan	Mgmt	For	For	For	For
10	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Red Electrica Corporacion SA**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voicing Policy Rec	Vote Instruction
11	Receive Corporate Governance Report	Mgmt				

**Rio Tinto plc**

Meeting Date: 04/14/2016 Country: United Kingdom  
Meeting Type: Annual Ticker: RIO

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voicing Policy Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For	For
2	Approve Remuneration Report for UK Law Purposes	Mgmt	For	For	For	For
3	Approve Remuneration Report for Australian Law Purposes	Mgmt	For	For	For	For
4	Re-elect Robert Brown as Director	Mgmt	For	For	For	For
5	Re-elect Megan Clark as Director	Mgmt	For	For	For	For
6	Re-elect Jan du Plessis as Director	Mgmt	For	For	For	For
7	Re-elect Ann Goddard as Director	Mgmt	For	For	For	For
8	Re-elect Anne Lauvergeon as Director	Mgmt	For	For	For	For
9	Re-elect Michael L'Estrange as Director	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Rio Tinto plc**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
10	Re-elect Chris Lynch as Director	Mgmt	For	For	For	For
11	Re-elect Paul Teller as Director	Mgmt	For	For	For	For
12	Re-elect Simon Thompson as Director	Mgmt	For	For	For	For
13	Re-elect John Varley as Director	Mgmt	For	For	For	For
14	Re-elect Sam Walsh as Director	Mgmt	For	For	For	For
15	Reappoint PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For	For
16	Authorise the Audit Committee to Fix Remuneration of Auditors Shareholder Proposal	Mgmt	For	For	For	For
17	Approve Strategic Resilience for 2035 and Beyond Resolutions 18 to 21 will be Voted on by Rio Tinto plc Shareholders Only	SH	For	For	Refer	For
	Continuation of Management Proposals	Mgmt				
18	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For	For	For
19	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For	For	For
20	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For	For	For
21	Authorise the Company to Call General Meeting with Two Weeks' Notice	Mgmt	For	For	For	For

**TEVA - PHARMACEUTICAL INDUSTRIES LTD**

Meeting Date: 04/18/2016

Country: Israel

Meeting Type: Annual

Ticker: TEVA

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**TEVA- PHARMACEUTICAL INDUSTRIES LTD**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Meeting for ADR Holders Reelect Yitzhak Peterburg as Director Until the 2019 Annual Meeting of Shareholders	Mgmt	For	For	For	For
1b	Reelect Arie Beldegrun as Director Until the 2019 Annual Meeting of Shareholders	Mgmt	For	For	For	For
1c	Reelect Amir Eistein as Director Until the 2019 Annual Meeting of Shareholders	Mgmt	For	For	For	For
2	Amend Compensation Policy for the Directors and Officers of the Company	Mgmt	For	For	For	For
2a	Vote FOR if you are a controlling shareholder or have a personal interest in Item 2; otherwise, vote AGAINST. You may not abstain. If you vote FOR, please provide an explanation to your account manager	Mgmt	None	Refer	Refer	Against
3a	Approve an Increase to the Fees Payable to Erez Vigodnan, CEO	Mgmt	For	For	For	For
3b	Approve Amendment to Annual Cash Bonus Objectives and Payout Terms for Erez Vigodnan, CEO	Mgmt	For	For	For	For
3c	Approve Amendment to Annual Equity Awards for Erez Vigodnan, CEO	Mgmt	For	For	For	For
4	Approve Amendment to the 2015 Long-Term Equity-Based Incentive Plan to Increase the Number of Shares Available for Issuance Thereunder	Mgmt	For	For	For	For
5	Reappoint Kesselman & Kesselman as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Woodside Petroleum Ltd.**

Meeting Date: 04/21/2016

Country: Australia

Meeting Type: Annual

Ticker: WPL

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
2a	Elect Frank Cooper as Director	Mgmt	For	For	For	For
2b	Elect Sarah Ryan as Director	Mgmt	For	For	For	For
2c	Elect Ann Pickard as Director	Mgmt	For	For	For	For
3	Approve the Remuneration Report	Mgmt	For	Against	Refer	Against

**Citigroup Inc.**

Meeting Date: 04/26/2016

Country: USA

Meeting Type: Annual

Ticker: C

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Michael L. Corbat	Mgmt	For	For	Refer	For
1b	Elect Director Ellen M. Costello	Mgmt	For	For	Refer	For
1c	Elect Director Duncan P. Hennes	Mgmt	For	For	Refer	For
1d	Elect Director Peter B. Henry	Mgmt	For	For	Refer	For
1e	Elect Director Franz B. Humer	Mgmt	For	For	Refer	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Citigroup Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1f	Elect Director Renee J. James	Mgmt	For	For	Refer	For
1g	Elect Director Eugene M. McQuade	Mgmt	For	For	Refer	For
1h	Elect Director Michael E. O'Neill	Mgmt	For	For	Refer	For
1i	Elect Director Gary M. Reiner	Mgmt	For	For	Refer	For
1j	Elect Director Judith Rodin	Mgmt	For	For	Refer	For
1k	Elect Director Anthony M. Santomero	Mgmt	For	For	Refer	For
1l	Elect Director Joan E. Spero	Mgmt	For	For	Refer	For
1m	Elect Director Diana L. Taylor	Mgmt	For	For	Refer	For
1n	Elect Director William S. Thompson, Jr.	Mgmt	For	For	Refer	For
1o	Elect Director James S. Turley	Mgmt	For	For	Refer	For
1p	Elect Director Ernesto Zedillo Ponce de Leon	Mgmt	For	For	Refer	For
2	Ratify KPMG LLP as Auditors	Mgmt	For	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against	Refer	For
4	Amend Omnibus Stock Plan	Mgmt	For	For	For	For
5	Amend Executive Incentive Bonus Plan	Mgmt	For	For	For	For
6	Demonstrate No Gender Pay Gap	SH	Against	Against	Refer	Against
7	Report on Lobbying Payments and Policy	SH	Against	For	Refer	Against
8	Appoint a Stockholder Value Committee	SH	Against	Against	Refer	Against
9	Cash-back of Payments under Restatements	SH	Against	Against	Refer	Against
10	Limit/Prohibit Accelerated Vesting of Awards	SH	Against	For	Refer	For

## Vote Summary Report

Date range covered : 04/01/2016 to 06/30/2016

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

## British American Tobacco plc

Meeting Date: 04/27/2016

Country: United Kingdom

Meeting Type: Annual

Ticker: BATS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Volting Policy Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For	For
2	Approve Remuneration Policy	Mgmt	For	For	For	For
3	Approve Remuneration Report	Mgmt	For	For	For	For
4	Approve Final Dividend	Mgmt	For	For	For	For
5	Reappoint KPMG LLP as Auditors	Mgmt	For	For	For	For
6	Authorise the Audit Committee to Fix Remuneration of Auditors	Mgmt	For	For	For	For
7	Re-elect Richard Burrows as Director	Mgmt	For	For	For	For
8	Re-elect Nicandro Durante as Director	Mgmt	For	For	For	For
9	Re-elect Sue Farr as Director	Mgmt	For	For	For	For
10	Re-elect Ann Godbhere as Director	Mgmt	For	For	For	For
11	Re-elect Savio Kwan as Director	Mgmt	For	For	For	For
12	Re-elect Pedro Malan as Director	Mgmt	For	For	For	For
13	Re-elect Christine Morin-Postal as Director	Mgmt	For	For	For	For
14	Re-elect Gerry Murphy as Director	Mgmt	For	For	For	For
15	Re-elect Dimitri Panayotopoulos as Director	Mgmt	For	For	For	For
16	Re-elect Kieran Poynter as Director	Mgmt	For	For	For	For
17	Re-elect Ben Stevens as Director	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**British American Tobacco plc**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
18	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For	For	For
19	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For	For	For
20	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For	For	For
21	Approve 2016 Long-Term Incentive Plan	Mgmt	For	For	For	For
22	Approve 2016 Shareave Scheme	Mgmt	For	For	For	For
23	Authorise EU Political Donations and Expenditure	Mgmt	For	For	For	For
24	Authorise the Company to Call General Meeting with Two Weeks' Notice	Mgmt	For	For	For	For

**Cigna Corporation**

Meeting Date: 04/27/2016

Country: USA

Meeting Type: Annual

Ticker: CI

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director David M. Cordani	Mgmt	For	For	For	For
1.2	Elect Director Isaiah Harris, Jr.	Mgmt	For	For	Refer	For
1.3	Elect Director Jane E. Henney	Mgmt	For	For	Refer	For
1.4	Elect Director Donna F. Zarcone	Mgmt	For	For	Refer	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For



**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Cigna Corporation**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For	For

**eBay Inc.**

Meeting Date: 04/27/2015

Country: USA

Meeting Type: Annual

Ticker: EBAY

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Fred D. Anderson, Jr.	Mgmt	For	For	Refer	For
1b	Elect Director Edward W. Barnholt	Mgmt	For	For	Refer	For
1c	Elect Director Anthony J. Bates	Mgmt	For	For	For	For
1d	Elect Director Bonnie S. Hammer	Mgmt	For	For	For	For
1e	Elect Director Kathleen C. Mitc	Mgmt	For	For	For	For
1f	Elect Director Pierre M. Omidyar	Mgmt	For	For	Against	For
1g	Elect Director Paul S. Pressler	Mgmt	For	For	For	For
1h	Elect Director Robert H. Swan	Mgmt	For	For	Against	For
1i	Elect Director Thomas J. Terney	Mgmt	For	For	Refer	For
1j	Elect Director Perry M. Traquina	Mgmt	For	For	For	For
1k	Elect Director Devin N. Wenig	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**eBay Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
3	Amend Omnibus Stock Plan	Mgmt	For	Against	Refer	Against
4	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For	For
5	Report on Gender-Pay Gap	SH	Against	For	Refer	Abstain

**Cobham plc**

Meeting Date: 04/28/2016

Country: United Kingdom

Meeting Type: Annual

Ticker: COB

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For	For
2	Approve Remuneration Report	Mgmt	For	For	For	For
3	Approve Final Dividend	Mgmt	For	For	For	For
4	Re-elect John Deane as Director	Mgmt	For	For	For	For
5	Re-elect Jonathan Flint as Director	Mgmt	For	For	For	For
6	Re-elect Mike Hague as Director	Mgmt	For	For	For	For
7	Re-elect Bob Murphy as Director	Mgmt	For	For	For	For
8	Re-elect Simon Nicholas as Director	Mgmt	For	For	For	For
9	Re-elect Birgit Norgaard as Director	Mgmt	For	For	For	For
10	Re-elect Alan Sample as Director	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

Institution Account(s) : Investor Funds Series III - Global Dynamic

**Cobham plc**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
11	Re-elect Mike Wareing as Director	Mgmt	For	For	For	For
12	Re-elect Alison Wood as Director	Mgmt	For	For	For	For
13	Reappoint PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	Against	For
14	Authorise the Audit Committee to Fix Remuneration of Auditors	Mgmt	For	For	Against	For
15	Approve Cobham US Employee Stock Purchase Plan	Mgmt	For	For	For	For
16	Authorise Market Purchase of Ordinary Shares	Mgmt	For	For	For	For
17	Authorise Issue of Equity with Pre-emptive Rights	Mgmt	For	For	For	For
18	Authorise Issue of Equity without Pre-emptive Rights	Mgmt	For	For	For	For
19	Authorise the Company to Call General Meeting with Two Weeks' Notice	Mgmt	For	For	For	For

**Johnson & Johnson**

Meeting Date: 04/28/2016

Country: USA

Meeting Type: Annual

Ticker: JNJ

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Mary C. Becklerle	Mgmt	For	For	For	For
1b	Elect Director D. Scott Davis	Mgmt	For	For	For	For
1c	Elect Director Jan E. L. Davis	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Johnson & Johnson**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voiting Policy Rec	Vote Instruction
1d	Elect Director Alex Gorsky	Mgmt	For	For	For	For
1e	Elect Director Susan L. Lindquist	Mgmt	For	For	For	For
1f	Elect Director Mark B. McClellan	Mgmt	For	For	For	For
1g	Elect Director Anne M. Mulcahy	Mgmt	For	For	For	For
1h	Elect Director William D. Perez	Mgmt	For	For	For	For
1i	Elect Director Charles Prince	Mgmt	For	For	For	For
1j	Elect Director A. Eugene Washington	Mgmt	For	For	For	For
1k	Elect Director Ronald A. Williams	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For	For
4	Adopt a Payout Policy Giving Preference to Share Buybacks Over Dividends	SH	Against	Against	Refer	Against
5	Require Independent Board Chairman	SH	Against	For	Refer	For
6	Report on Lobbying Payments and Policy	SH	Against	Against	Refer	Against
7	Report on Policies for Safe Disposal of Prescription Drugs by Users	SH	Against	Against	Refer	Against

**AT&T Inc.**

Meeting Date: 04/29/2016

Country: USA

Meeting Type: Annual

Ticker: T

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**AT&T Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Randall L. Stephenson	Mgmt	For	For	For	For
1.2	Elect Director Samuel A. Di Piazza, Jr.	Mgmt	For	For	For	For
1.3	Elect Director Richard W. Fisher	Mgmt	For	For	For	For
1.4	Elect Director Scott T. Ford	Mgmt	For	For	For	For
1.5	Elect Director Glenn H. Hutchins	Mgmt	For	For	For	For
1.6	Elect Director William E. Kenard	Mgmt	For	For	For	For
1.7	Elect Director Michael B. McCallister	Mgmt	For	For	For	For
1.8	Elect Director Beth E. Mooney	Mgmt	For	For	For	For
1.9	Elect Director Joyce M. Roche	Mgmt	For	For	For	For
1.10	Elect Director Matthew K. Rose	Mgmt	For	For	For	For
1.11	Elect Director Cynthia B. Taylor	Mgmt	For	For	For	For
1.12	Elect Director Laura D'Andrea Tyson	Mgmt	For	For	Against	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
4	Approve Omnibus Stock Plan	Mgmt	For	For	For	For
5	Report on Indirect Political Contributions	SH	Against	For	Refer	For
6	Report on Lobbying Payments and Policy	SH	Against	For	Refer	For
7	Require Independent Board Chairman	SH	Against	Against	Refer	Against

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Grupo Mexico S.A.B. de C.V.**

Meeting Date: 04/29/2016

Country: Mexico

Meeting Type: Annual

Ticker: GMEPCO B

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Accept Consolidated Financial Statements and Statutory Reports	Mgmt	For	For	For	For
2	Present Report on Compliance with Fiscal Obligations	Mgmt	For	For	For	For
3	Approve Allocation of Income	Mgmt	For	For	For	For
4	Approve Policy Related to Acquisition of Own Shares for 2015, Set Aggregate Nominal Amount of Share Repurchase Reserve for 2016	Mgmt	For	For	For	For
5	Approve Discharge of Board of Directors, Executive Chairman and Board Committees	Mgmt	For	For	For	For
6	Elect or Ratify Directors; Verify Independence of Board Members; Elect or Ratify Chairmen and Members of Board Committees	Mgmt	For	Against	Refer	Abstain
7	Approve Remuneration of Directors and Members of Board Committees	Mgmt	For	For	For	For
8	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	For	For	For

**ALLY FINANCIAL INC.**

Meeting Date: 05/03/2016

Country: USA

Meeting Type: Annual

Ticker: ALLY

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**ALLY FINANCIAL INC.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Franklin W. Hobbs	Mgmt	For	For	For	For
1.2	Elect Director Robert T. Blakey	Mgmt	For	Against	Refer	For
1.3	Elect Director Maureen A. Breakiron-Evans	Mgmt	For	Against	Refer	For
1.4	Elect Director Mayree C. Clark	Mgmt	For	Against	Refer	For
1.5	Elect Director Stephen A. Feinberg	Mgmt	For	For	For	For
1.6	Elect Director Kim S. Fennebresque	Mgmt	For	For	For	For
1.7	Elect Director Marjorie Wagner	Mgmt	For	For	For	For
1.8	Elect Director John J. Stack	Mgmt	For	Against	Refer	For
1.9	Elect Director Michael F. Steib	Mgmt	For	For	For	For
1.10	Elect Director Kenneth J. Bacon	Mgmt	For	For	For	For
1.11	Elect Director Jeffrey J. Brown	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
3	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For	For	For

**ServiceMaster Global Holdings, Inc.**

Meeting Date: 05/03/2016

Country: USA

Meeting Type: Annual

Ticker: SERV

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

Institution Account(s): Investor Funds Series III - Global Dynamic

**ServiceMaster Global Holdings, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Richard P. Fox	Mgmt	For	For	For	For
1.2	Elect Director Laurie Ann Goldman	Mgmt	For	For	For	For
1.3	Elect Director Thomas C. Tiller, Jr.	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
3	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For	For	For

**Phillip Morris International Inc.**

Meeting Date: 05/04/2016

Country: USA

Meeting Type: Annual

Ticker: PM

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Harold Brown	Mgmt	For	For	For	For
1.2	Elect Director Andre Calantzopoulos	Mgmt	For	For	For	For
1.3	Elect Director Louis C. Camilleri	Mgmt	For	For	For	For
1.4	Elect Director Werner Geissler	Mgmt	For	For	For	For
1.5	Elect Director Jennifer U	Mgmt	For	For	For	For
1.6	Elect Director Jun Makihara	Mgmt	For	For	For	For



**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Philip Morris International Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.7	Elect Director Sergio Marchionne	Mgmt	For	Against	For	For
1.8	Elect Director Kalpana Morparia	Mgmt	For	For	For	For
1.9	Elect Director Lucio A. Noto	Mgmt	For	For	For	For
1.10	Elect Director Frederik Paulsen	Mgmt	For	For	For	For
1.11	Elect Director Robert B. Polet	Mgmt	For	For	For	For
1.12	Elect Director Stephen M. Wolf	Mgmt	For	For	For	For
2	Ratify PricewaterhouseCoopers SA as Auditors	Mgmt	For	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
4	Adopt Human Rights Policy, Including the Right to Health	SH	Against	For	Refer	For
5	Participate in OECD Mediation for Human Rights Violations	SH	Against	Against	Refer	Against

**AIA Group Ltd.**

Meeting Date: 05/06/2016

Country: Hong Kong

Meeting Type: Annual

Ticker: 1299

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For	For
2	Approve Final Dividend	Mgmt	For	For	For	For
3	Elect Swee-Lian Teo as Director	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

Institution Account(s): Investor Funds Series III - Global Dynamic

**AIA Group Ltd.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
4	Elect Narongchai Akrasanee as Director	Mgmt	For	For	For	For
5	Elect George Yong-Boon Yeo as Director	Mgmt	For	For	For	For
6	Elect Mark Edward Tucker as Director	Mgmt	For	For	For	For
7	Approve PricewaterhouseCoopers as Auditor and Authorize Board to Fix Their Remuneration	Mgmt	For	For	For	For
8A	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Mgmt	For	For	For	For
8B	Authorize Repurchase of Issued Share Capital	Mgmt	For	For	For	For
8C	Approve Allotment and Issuance of Additional Shares Under the Restricted Share Unit Scheme	Mgmt	For	For	For	For

**Vantiv, Inc.**

Meeting Date: 05/10/2016

Country: USA

Meeting Type: Annual

Ticker: VNTV

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Lee Adrean	Mgmt	For	For	For	Withhold
1.2	Elect Director Mark Helmibourch	Mgmt	For	For	For	For
1.3	Elect Director Gary Lauer	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	Abstain

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Vantiv, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
3	Amend Omnibus Stock Plan	Mgmt	For	Against	Refer	Abstain
4	Change Range for Size of the Board	Mgmt	For	For	Refer	For
5	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For	For	For

**American International Group, Inc.**

Meeting Date: 05/11/2016

Country: USA

Meeting Type: Annual

Ticker: AIG

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director W. Don Cornwall	Mgmt	For	For	Refer	Do Not Vote
1b	Elect Director Peter R. Fisher	Mgmt	For	For	Refer	Do Not Vote
1c	Elect Director John H. Fitzpatrick	Mgmt	For	For	Refer	Do Not Vote
1d	Elect Director Peter D. Hancock	Mgmt	For	For	Refer	Do Not Vote
1e	Elect Director William G. Jurgensen	Mgmt	For	For	Refer	Do Not Vote
1f	Elect Director Christopher S. Lynch	Mgmt	For	For	Refer	Do Not Vote
1g	Elect Director Samuel J. Merksamer	Mgmt	For	For	Refer	Do Not Vote
1h	Elect Director George L. Milles, Jr.	Mgmt	For	For	Refer	Do Not Vote
1i	Elect Director Henry S. Miller	Mgmt	For	For	Refer	Do Not Vote
1j	Elect Director Robert S. Miller	Mgmt	For	For	Refer	Do Not Vote

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**American International Group, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1k	Elect Director Linda A. Mills	Mgmt	For	For	Refer	Do Not Vote
1l	Elect Director Suzanne Nora Johnson	Mgmt	For	For	Refer	Do Not Vote
1m	Elect Director John A. Paulson	Mgmt	For	For	Refer	Do Not Vote
1n	Elect Director Ronald A. Rittenmeyer	Mgmt	For	For	Refer	Do Not Vote
1o	Elect Director Douglas M. Steenland	Mgmt	For	For	Refer	Do Not Vote
1p	Elect Director Theresa M. Stone	Mgmt	For	For	Refer	Do Not Vote
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	Do Not Vote
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For	Do Not Vote

**Gilead Sciences, Inc.**

Meeting Date: 05/11/2016

Country: USA

Meeting Type: Annual

Ticker: GILD

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director John F. Cogan	Mgmt	For	For	Against	For
1b	Elect Director Kevin E. Lofton	Mgmt	For	For	For	For
1c	Elect Director John W. Madigan	Mgmt	For	For	Against	For
1d	Elect Director John C. Martin	Mgmt	For	For	For	For
1e	Elect Director John F. Milligan	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Gilead Sciences, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1f	Elect Director Nicholas G. Moore	Mgmt	For	For	Against	For
1g	Elect Director Richard J. Whitley	Mgmt	For	For	For	For
1h	Elect Director Gayle E. Wilson	Mgmt	For	For	Against	For
1i	Elect Director Per Wolf-Olsen	Mgmt	For	For	For	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For	For	For
3	Amend Executive Incentive Bonus Plan	Mgmt	For	For	For	For
4	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
5	Provide Right to Act by Written Consent	SH	Against	For	Refer	For

**MEDNAX, Inc.**

Meeting Date: 05/12/2016

Country: USA

Meeting Type: Annual

Ticker: MD

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Cesar L. Alvarez	Mgmt	For	For	Refer	For
1.2	Elect Director Carey D. Barker	Mgmt	For	For	For	For
1.3	Elect Director Waldemar A. Carlo	Mgmt	For	For	Withhold	Withhold
1.4	Elect Director Michael B. Fernandez	Mgmt	For	For	Withhold	Withhold
1.5	Elect Director Paul G. Gabos	Mgmt	For	For	Withhold	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**MEDNAX, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.6	Elect Director Pascal J. Goldschmidt	Mgmt	For	For	Withhold	For
1.7	Elect Director Manuel Kadre	Mgmt	For	For	For	For
1.8	Elect Director Roger J. Medel	Mgmt	For	For	For	For
1.9	Elect Director Donna E. Shalala	Mgmt	For	For	For	For
1.10	Elect Director Enrique J. Sosa	Mgmt	For	For	Withhold	For
2	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For

**The Western Union Company**

Meeting Date: 05/12/2016

Country: USA

Meeting Type: Annual

Ticker: WU

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Martin I. Cole	Mgmt	For	For	For	For
1b	Elect Director Hilmar Eisek	Mgmt	For	For	For	For
1c	Elect Director Richard A. Goodman	Mgmt	For	For	For	For
1d	Elect Director Jack M. Greenberg	Mgmt	For	For	For	For
1e	Elect Director Betsy D. Holden	Mgmt	For	For	For	For
1f	Elect Director Jeffrey A. Joerres	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**The Western Union Company**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting	
					Policy Rec	Vote Instruction
1g	Elect Director Roberto G. Mendoza	Mgmt	For	For	Refer	For
1h	Elect Director Michael A. Miles, Jr.	Mgmt	For	For	Refer	For
1i	Elect Director Robert W. Selander	Mgmt	For	For	For	For
1j	Elect Director Frances Fragos Townsend	Mgmt	For	For	For	For
1k	Elect Director Solomon D. Trujillo	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
3	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For	For	For
4	Report on Political Contributions	SH	Against	For	Refer	Against
5	Amend Bylaws to Establish a Board Committee on Human Rights	SH	Against	Against	Refer	Against

**Valero Energy Corporation**

Meeting Date: 05/12/2016

Country: USA

Meeting Type: Annual

Ticker: VLO

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting	
					Policy Rec	Vote Instruction
1a	Elect Director Joseph W. Gorder	Mgmt	For	For	For	For
1b	Elect Director Deborah P. Majors	Mgmt	For	For	For	For
1c	Elect Director Donald L. Nickles	Mgmt	For	For	For	For
1d	Elect Director Philip J. Pfeffer	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Valero Energy Corporation**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1e	Elect Director Robert A. Profusek	Mgmt	For	For	For	For
1f	Elect Director Susan Kaufman Purcell	Mgmt	For	For	Against	Abstain
1g	Elect Director Stephen M. Walters	Mgmt	For	For	For	For
1h	Elect Director Randall J. Weisenburger	Mgmt	For	For	For	For
1i	Elect Director Rayford Wilkins, Jr.	Mgmt	For	For	For	For
2	Ratify KPMG LLP as Auditors	Mgmt	For	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
4	Amend Certificate of Incorporation to provide for removal of directors without cause	Mgmt	For	For	For	For
5	Amend Omnibus Stock Plan	Mgmt	For	For	For	For

**CK Hutchison Holdings Limited**

Meeting Date: 05/13/2016

Country: Cayman Islands

Meeting Type: Annual

Ticker: 1

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For	For
2	Approve Final Dividend	Mgmt	For	For	For	For
3a	Elect Li Tzar Kuoi, Victor as Director	Mgmt	For	For	Refer	For



**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

Institution Account(s) : Investor Funds Series III - Global Dynamic

**CK Hutchison Holdings Limited**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
3b	Elect Fok Kin Ning, Canning as Director	Mgmt	For	For	Refer	For
3c	Elect Frank John Sirt as Director	Mgmt	For	Against	Refer	For
3d	Elect Lee Yeh Kwong, Charles as Director	Mgmt	For	Against	Refer	For
3e	Elect George Colin Magnus as Director	Mgmt	For	Against	Refer	For
3f	Elect Michael David Kadoorie as Director	Mgmt	For	Against	Refer	For
3g	Elect Wong Yick-ming, Rosanna as Director	Mgmt	For	For	Refer	For
4	Approve PricewaterhouseCoopers, Certified Public Accountants, as Auditor and Authorize Board to Fix Their Remuneration	Mgmt	For	For	For	For
5.1	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Mgmt	For	Against	Against	Against
5.2	Authorize Repurchase of Issued Share Capital	Mgmt	For	For	For	For
5.3	Authorize Resurgence of Repurchased Shares	Mgmt	For	Against	Against	Against
6	Adopt Second HQL Share Option Scheme	Mgmt	For	Against	Refer	Against

**Cap Gemini**

Meeting Date: 05/18/2016

Country: France

Meeting Type: Annual/Special

Ticker: CAP

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
	Ordinary Business	Mgmt				

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Cap Gemini**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Financial Statements and Statutory Reports	Mgmt	For	For	For	For
2	Approve Consolidated Financial Statements and Statutory Reports	Mgmt	For	For	For	For
3	Approve Auditors' Special Report on Related-Party Transactions Regarding New Transactions; Acknowledge Ongoing Transactions	Mgmt	For	Against	Refer	For
4	Approve Allocation of Income and Dividends of EUR 1.35 per Share	Mgmt	For	For	For	For
5	Advisory Vote on Compensation of Paul Hermelin, Chairman and CEO	Mgmt	For	For	For	For
6	Approve Remuneration of Directors in the Aggregate Amount of EUR 1.2 Million	Mgmt	For	For	For	For
7	Elect Lucia Sinapi-Thomas as Representative of Employee Shareholders to the Board	Mgmt	For	For	Refer	For
A	Elect Tanja Castillo-Perez as Representative of Employee Shareholders to the Board	Mgmt	Against	Against	Refer	Do Not Vote
8	Elect Sian Herbert-Jones as Director	Mgmt	For	For	For	For
9	Elect Carole Ferrand as Director	Mgmt	For	For	For	For
10	Authorize Repurchase of Up to 10 Percent of Issued Share Capital Extraordinary Business	Mgmt	For	For	For	For
11	Authorize Decrease in Share Capital via Cancellation of Repurchased Shares	Mgmt	For	For	Refer	For
12	Authorize Capitalization of Reserves of Up to EUR 1.5 Billion for Bonus Issue or Increase in Par Value	Mgmt	For	For	For	For
13	Authorize Issuance of Equity or Equity-Linked Securities with Preemptive Rights up to Aggregate Nominal Amount of EUR 550 Million	Mgmt	For	For	Against	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Cap Gemini**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
14	Authorize Issuance of Equity or Equity-Linked Securities without Preemptive Rights up to Aggregate Nominal Amount of EUR 137 Million	Mgmt	For	For	For	For
15	Approve Issuance of Equity or Equity-Linked Securities for up to 20 Percent of Issued Capital Per Year for Private Placements up to Aggregate Nominal Amount of EUR 137 Million	Mgmt	For	For	For	For
16	Authorize Board to Set Issue Price for 10 Percent Per Year of Issued Capital Pursuant to Issue Authority without Preemptive Rights Under Items 14 and 15	Mgmt	For	For	For	For
17	Authorize Board to Increase Capital in the Event of Additional Demand Related to Delegation Submitted to Shareholder Vote Above	Mgmt	For	For	For	For
18	Authorize Capital Increase of up to 10 Percent of Issued Capital for Contributions in Kind	Mgmt	For	For	For	For
19	Authorize Capital Issuances for Use in Employee Stock Purchase Plans	Mgmt	For	For	For	For
20	Authorize Capital Issuances for Use in Employee Stock Purchase Plan Reserved for Employees of International Subsidiaries	Mgmt	For	For	For	For
21	Authorize up to 1 Percent of Issued Capital for Use in Restricted Stock Plans	Mgmt	For	For	For	For
22	Amend Article 11 of Bylaws Re: Director Elections	Mgmt	For	For	For	For
23	Amend Article 11 of Bylaws Re: Employee Representatives	Mgmt	For	For	For	For
24	Authorize Filing of Required Documents/Other Formalities	Mgmt	For	For	For	For

**Fiserv, Inc.**

Meeting Date: 05/18/2016

Country: USA

Meeting Type: Annual

Ticker: FISV

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Fiserv, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voicing Policy Rec	Vote Instruction
1.1	Elect Director Alison Davis	Mgmt	For	For	For	For
1.2	Elect Director Christopher M. Flink	Mgmt	For	For	For	For
1.3	Elect Director Daniel P. Kearney	Mgmt	For	For	For	For
1.4	Elect Director Dennis F. Lynch	Mgmt	For	For	For	For
1.5	Elect Director Denis J. O'Leary	Mgmt	For	For	For	For
1.6	Elect Director Glenn M. Renwick	Mgmt	For	For	For	For
1.7	Elect Director Kim M. Robak	Mgmt	For	For	For	For
1.8	Elect Director JD Sheman	Mgmt	For	For	For	For
1.9	Elect Director Doyle R. Simons	Mgmt	For	For	For	For
1.10	Elect Director Thomas C. Werthelmer	Mgmt	For	For	Withhold	For
1.11	Elect Director Jeffrey W. Yabuki	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
3	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For	For	For
4	Proxy Access	SH	Against	For	Refer	For

**Comcast Corporation**

Meeting Date: 05/19/2016

Country: USA

Meeting Type: Annual

Ticker: CMCSA

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Comcast Corporation**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Kenneth J. Bacon	Mgmt	For	For	Withhold	For
1.2	Elect Director Madeline S. Bell	Mgmt	For	For	For	For
1.3	Elect Director Sheldon M. Bonovitz	Mgmt	For	For	Withhold	For
1.4	Elect Director Edward D. Breen	Mgmt	For	Withhold	Refer	For
1.5	Elect Director Joseph J. Collins	Mgmt	For	Withhold	Withhold	For
1.6	Elect Director Gerald L. Hassell	Mgmt	For	Withhold	Refer	For
1.7	Elect Director Jeffrey A. Honickman	Mgmt	For	For	Withhold	For
1.8	Elect Director Eduardo G. Mestre	Mgmt	For	For	For	For
1.9	Elect Director Brian L. Roberts	Mgmt	For	For	For	For
1.10	Elect Director Johnathan A. Rodgers	Mgmt	For	For	For	For
1.11	Elect Director Judith Radin	Mgmt	For	Withhold	Withhold	For
2	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For	For	For
3	Amend Restricted Stock Plan	Mgmt	For	For	For	Against
4	Amend Stock Option Plan	Mgmt	For	For	For	Against
5	Amend Qualified Employee Stock Purchase Plan	Mgmt	For	For	For	For
6	Amend Nonqualified Employee Stock Purchase Plan	Mgmt	For	For	For	For
7	Report on Lobbying Payments and Policy	SH	Against	For	Refer	For
8	Pro-rata Vesting of Equity Awards	SH	Against	For	Refer	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Comcast Corporation**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
9	Require Independent Board Chairman	SH	Against	For	Refer	For
10	Approve Recapitalization Plan for all Stock to Have One-vote per Share	SH	Against	For	Refer	For

**CVS Health Corporation**

Meeting Date: 05/19/2016 Country: USA Meeting Type: Annual Ticker: CVS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Richard M. Bracken	Mgmt	For	For	For	For
1b	Elect Director C. David Brown, II	Mgmt	For	For	For	For
1c	Elect Director Alecia A. DeCoudreaux	Mgmt	For	For	For	For
1d	Elect Director Nancy-Ann M. DeParle	Mgmt	For	For	For	For
1e	Elect Director David W. Dorman	Mgmt	For	For	For	For
1f	Elect Director Anne M. Finucane	Mgmt	For	For	For	For
1g	Elect Director Larry J. Merlo	Mgmt	For	For	For	For
1h	Elect Director Jean-Pierre Millon	Mgmt	For	For	For	For
1i	Elect Director Richard J. Swit	Mgmt	For	For	For	For
1j	Elect Director William C. Weldon	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**CVS Health Corporation**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1k	Elect Director Tony L. White	Mgmt	For	For	For	For
2	Reaffirm Ernst & Young LLP as Auditors	Mgmt	For	For	For	For
3	Advisory Vote to Reaffirm Named Executive Officers' Compensation	Mgmt	For	For	For	For
4	Report on Consistency Between Corporate Values and Political Contributions	SH	Against	Against	Refer	Against
5	Report on Pay Disparity	SH	Against	Against	Refer	Against

**PayPal Holdings, Inc.**

Meeting Date: 05/25/2016

Country: USA

Meeting Type: Annual

Ticker: PYPL

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Wences Casares	Mgmt	For	For	For	For
1b	Elect Director Jonathan Cristoforo	Mgmt	For	For	For	For
1c	Elect Director John J. Donahoe	Mgmt	For	For	For	For
1d	Elect Director David W. Dorman	Mgmt	For	For	For	For
1e	Elect Director Gail J. McGovern	Mgmt	For	For	For	For
1f	Elect Director David M. Moffett	Mgmt	For	For	For	For
1g	Elect Director Pierre M. Omidiyar	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**PayPal Holdings, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1h	Elect Director Daniel H. Schulman	Mgmt	For	For	For	For
1i	Elect Director Frank D. Yeary	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
3	Advisory Vote on Say on Pay Frequency	Mgmt	One Year	One Year	One Year	One Year
4	Amend Omnibus Stock Plan	Mgmt	For	For	For	Abstain
5	Amend Executive Incentive Bonus Plan	Mgmt	For	For	For	For
6	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For	For

**Voya Financial, Inc.**

Meeting Date: 05/26/2016 Country: USA Meeting Type: Annual

Ticker: VOYA

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Lynne Biggar	Mgmt	For	For	For	For
1b	Elect Director Jane P. Chwick	Mgmt	For	For	For	For
1c	Elect Director Ruth Ann M. Gillis	Mgmt	For	For	For	For
1d	Elect Director J. Barry Griswell	Mgmt	For	For	For	For
1e	Elect Director Frederick S. Hubbell	Mgmt	For	For	For	For
1f	Elect Director Rodney O. Martin, Jr.	Mgmt	For	For	For	For



**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

Institution Account(s): Investlec Funds Series III - Global Dynamic

**Voya Financial, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1g	Elect Director Byron H. Peffitt, Jr.	Mgmt	For	For	For	For
1h	Elect Director Joseph V. Tripodi	Mgmt	For	For	For	For
1i	Elect Director Deborah C. Wright	Mgmt	For	For	For	For
1j	Elect Director David Zwilener	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
3	Approve Executive Incentive Bonus Plan	Mgmt	For	For	For	For
4	Approve Qualified Employee Stock Purchase Plan	Mgmt	For	For	For	For
5	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For	For	For
6	Report on Corporate Values and Policies on Investments in Companies Tied to Genocide	SH	Against	Against	Refer	Against

**Jones Lang LaSalle Incorporated**

Meeting Date: 05/27/2016

Country: USA

Meeting Type: Annual

Ticker: JLL

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1a	Elect Director Hugo Bague	Mgmt	For	For	For	For
1b	Elect Director Samuel A. Di Piazza, Jr.	Mgmt	For	For	For	For
1c	Elect Director Colin Dyer	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Jones Lang LaSalle Incorporated**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1d	Elect Director DeAnne Julius	Mgmt	For	For	For	For
1e	Elect Director Ming Lu	Mgmt	For	For	For	For
1f	Elect Director Martin H. Nesbitt	Mgmt	For	For	For	For
1g	Elect Director Sheila A. Penrose	Mgmt	For	For	Refer	For
1h	Elect Director Ann Marie Pelach	Mgmt	For	For	For	For
1i	Elect Director Shailash Rao	Mgmt	For	For	For	For
1j	Elect Director Christian Ulbrich	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
3	Ratify KPMG LLP as Auditors	Mgmt	For	For	For	For

**Activision Blizzard, Inc.**

Meeting Date: 06/02/2016

Country: USA

Meeting Type: Annual

Ticker: ATVI

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Robert J. Cori	Mgmt	For	Against	Against	Against
1.2	Elect Director Hendrik Hartong, III	Mgmt	For	For	For	For
1.3	Elect Director Brian G. Kelly	Mgmt	For	For	For	For
1.4	Elect Director Robert A. Kotick	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Activision Blizzard, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.5	Elect Director Barry Meyer	Mgmt	For	For	For	For
1.6	Elect Director Robert J. Morgado	Mgmt	For	Against	Against	Against
1.7	Elect Director Peter Nolan	Mgmt	For	For	For	For
1.8	Elect Director Casey Wasserman	Mgmt	For	For	For	For
1.9	Elect Director Elaine Wynn	Mgmt	For	Against	Refer	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	Against	Refer	Against
3	Ratify PricewaterhouseCoopers LLP as Auditors	Mgmt	For	For	For	For

**NXP Semiconductors NV**

Meeting Date: 06/02/2016

Country: Netherlands

Meeting Type: Annual

Ticker: NXPI

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
Annual Meeting Agenda						
1	Open Meeting	Mgmt				
2a	Discussion of the implementation of the remuneration policy	Mgmt				
2b	Discussion on Company's Reserves and Dividend Policy	Mgmt				
2c	Adopt Financial Statements and Statutory Reports	Mgmt	For	For	For	For
2d	Approve Discharge of Board Members	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**NXP Semiconductors NV**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
3a	Reelect Richard L. Clemmer as Executive Director	Mgmt	For	For	For	For
3b	Reelect Peter Bonfield as Non-Executive Director	Mgmt	For	For	Refer	For
3c	Reelect Johannes P. Hudt as Non-Executive Director	Mgmt	For	For	Refer	For
3d	Reelect Kenneth A. Goldman as Non-Executive Director	Mgmt	For	For	For	For
3e	Reelect Marion Helmes as Non-Executive Director	Mgmt	For	For	For	For
3f	Reelect Joseph Kaesser as Non-Executive Director	Mgmt	For	For	For	For
3g	Reelect I. Lofing as Non-Executive Director	Mgmt	For	For	Refer	For
3h	Reelect Eric Maurice as Non-Executive Director	Mgmt	For	For	For	For
3i	Reelect Peter Smitham as Non-Executive Director	Mgmt	For	For	Against	For
3j	Reelect Julie Southern as Non-Executive Director	Mgmt	For	For	For	For
3k	Reelect Gregory Summe as Non-Executive Director	Mgmt	For	For	Against	For
3l	Reelect Rick Tsai as Director	Mgmt	For	For	For	For
4	Approve Remuneration of Audit, Nominating and Compensation Committee	Mgmt	For	For	For	For
5a	Grant Board Authority to Issue Shares Up To 10 Percent of Issued Capital Plus Additional 10 Percent in Case of Takeover/Merger	Mgmt	For	For	Against	For
5b	Authorize Board to Exclude Preemptive Rights from Issuance Under Item 5a	Mgmt	For	For	Against	Abstain
6	Authorize Repurchase of Shares	Mgmt	For	For	For	For
7	Approve Cancellation of Ordinary Shares	Mgmt	For	For	Refer	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**The Priceline Group Inc.**

Meeting Date: 06/02/2016

Country: USA

Meeting Type: Annual

Ticker: PCLN

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Timothy M. Armstrong	Mgmt	For	For	For	For
1.2	Elect Director Jeffrey H. Boyd	Mgmt	For	For	For	For
1.3	Elect Director Jan L. Docter	Mgmt	For	For	For	For
1.4	Elect Director Jeffrey E. Epstein	Mgmt	For	For	Withhold	For
1.5	Elect Director James M. Guyette	Mgmt	For	For	Withhold	For
1.6	Elect Director Charles H. Mosk	Mgmt	For	For	For	For
1.7	Elect Director Nancy B. Peretsman	Mgmt	For	For	Withhold	Withhold
1.8	Elect Director Thomas E. Rothman	Mgmt	For	For	For	For
1.9	Elect Director Craig W. Rydin	Mgmt	For	For	Withhold	For
1.10	Elect Director Lynn M. Vojvodich	Mgmt	For	For	For	For
2	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For	For	For
3	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For

**BOC Hong Kong (Holdings) Ltd.**

Meeting Date: 06/06/2016

Country: Hong Kong

Meeting Type: Annual

Ticker: 2388

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**BOC Hong Kong (Holdings) Ltd.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Accept Financial Statements and Statutory Reports	Mgmt	For	For	For	For
2	Approve Final Dividend	Mgmt	For	For	For	For
3a	Elect Yue Yi as Director	Mgmt	For	For	For	For
3b	Elect Ren Deqi as Director	Mgmt	For	Against	Against	Abstain
3c	Elect Gao Yingxin as Director	Mgmt	For	Against	Against	Abstain
3d	Elect Xu Luode as Director	Mgmt	For	Against	Against	Abstain
4	Approve Ernst & Young as Auditor and Authorize Board or Duty Authorized Committee of the Board to Fix Their Remuneration	Mgmt	For	For	For	For
5	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Mgmt	For	Against	Against	Against
6	Authorize Repurchase of Issued Share Capital	Mgmt	For	For	For	For
7	Authorize Reissuance of Repurchased Shares	Mgmt	For	Against	Against	Against

**Alliance Data Systems Corporation**

Meeting Date: 06/07/2016

Country: USA

Meeting Type: Annual

Ticker: ADS

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Alliance Data Systems Corporation**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Bruce K. Anderson	Mgmt	For	For	Against	For
1.2	Elect Director Roger H. Ballou	Mgmt	For	For	Against	Abstain
1.3	Elect Director D. Keith Cobb	Mgmt	For	For	Against	For
1.4	Elect Director E. Linn Draper, Jr.	Mgmt	For	For	Against	For
1.5	Elect Director Edward J. Heffernan	Mgmt	For	For	For	For
1.6	Elect Director Kenneth R. Jensen	Mgmt	For	For	Against	Abstain
1.7	Elect Director Robert A. Minicucci	Mgmt	For	For	Refer	For
1.8	Elect Director Laurie A. Tucker	Mgmt	For	For	For	For
2	Advisory Vote to Ratify Named Executive Officers' Compensation	Mgmt	For	For	For	For
3	Provide Directors May Be Removed With or Without Cause	Mgmt	For	For	For	For
4	Ratify Deloitte & Touche LLP as Auditors	Mgmt	For	For	For	For

**Check Point Software Technologies Ltd.**

Meeting Date: 06/07/2016

Country: Israel

Meeting Type: Annual

Ticker: CHIP

**Vote Summary Report**

Date range covered : 04/01/2015 to 06/30/2016

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

**Check Point Software Technologies Ltd.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Reelect Gil Shwed as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	For	For
1.2	Reelect Marius Nacht as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	Refer	For
1.3	Reelect Jerry Ungerman as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	Against	For
1.4	Reelect Dan Propper as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	Against	For
1.5	Reelect David Rubiner as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	Against	Abstain
1.6	Reelect Tal Shavit as Director Until the End of the Next Annual General Meeting	Mgmt	For	For	Against	For
2	Reappoint Kost, Forer, Gabby & Kasierer as Auditors and Authorize Board to Fix Their Remuneration	Mgmt	For	For	For	For
3	Approve Employment Terms of Gil Shwed, CEO	Mgmt	For	For	For	For
4	Approve Executive Compensation Policy	Mgmt	For	For	For	For
A	Vote FOR if you are a controlling shareholder or have a personal interest in one or several resolutions, as indicated in the proxy card; otherwise, vote AGAINST. You may not abstain. If you vote FOR, please provide an explanation to your account manager	Mgmt	None	Refer	Refer	Against

**Alphabet Inc.**

Meeting Date: 06/08/2016

Country: USA

Meeting Type: Annual

Ticker: GOOGL



## Vote Summary Report

Date range covered : 04/01/2016 to 06/30/2016

Institution Account(s): Investor Funds Series III - Global Dynamic

## Alphabet Inc.

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1.1	Elect Director Larry Page	Mgmt	For	For	For	For
1.2	Elect Director Sergey Brin	Mgmt	For	For	For	For
1.3	Elect Director Eric E. Schmidt	Mgmt	For	For	For	For
1.4	Elect Director L. John Doerr	Mgmt	For	For	Withhold	For
1.5	Elect Director Diane B. Greene	Mgmt	For	For	For	For
1.6	Elect Director John L. Hennessy	Mgmt	For	Withhold	Withhold	For
1.7	Elect Director Ann Mather	Mgmt	For	For	Withhold	For
1.8	Elect Director Alan R. Mulally	Mgmt	For	For	For	For
1.9	Elect Director Paul S. Otellini	Mgmt	For	Withhold	Withhold	Withhold
1.10	Elect Director K. Ram Shriram	Mgmt	For	Withhold	Withhold	Withhold
1.11	Elect Director Shirley M. Tilghman	Mgmt	For	For	Withhold	For
2	Ratify Ernst & Young LLP as Auditors	Mgmt	For	For	For	For
3	Amend Omnibus Stock Plan	Mgmt	For	Against	Refer	Against
4	Amended and Restated Certificate of Incorporation of Google Inc.	Mgmt	For	Against	Refer	Against
5	Approve Recapitalization Plan for all Stock to Have One-vote per Share	SH	Against	For	Refer	For
6	Report on Lobbying Payments and Policy	SH	Against	For	Refer	For
7	Report on Political Contributions	SH	Against	For	Refer	For
8	Require a Majority Vote for the Election of Directors	SH	Against	For	Refer	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Alphabet Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
9	Require Independent Board Chairman	SH	Against	For	Refer	For
10	Report on Gender Pay Gap	SH	Against	For	Refer	Abstain

**Amadeus IT Holding SA**

Meeting Date: 06/23/2016 Country: Spain Meeting Type: Annual

Ticker: ANS

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Consolidated and Standalone Financial Statements	Mgmt	For	For	For	For
2	Approve Allocation of Income and Dividends	Mgmt	For	For	For	For
3	Approve Discharge of Board	Mgmt	For	For	For	For
4	Renew Appointment of Deloitte as Auditor	Mgmt	For	For	For	For
5	Approve Merger by Absorption of Amadeus IT Group into Amadeus IT Holding SA	Mgmt	For	For	Refer	For
5.1	Reelect José Antonio Tazón García as Director	Mgmt	For	For	Refer	For
5.2	Reelect David Gordon Comyn Webster as Director	Mgmt	For	For	For	For
5.3	Reelect Francesco Loredan as Director	Mgmt	For	For	Refer	For
5.4	Reelect Stuart Anderson McAlpine as Director	Mgmt	For	For	Refer	For
5.5	Reelect Guillermo de la Dehesa Romero as Director	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Amadeus IT Holding SA**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
6.5	Reelect Claire Furse as Director	Mgmt	For	For	For	For
6.7	Reelect Pierre-Henri Gourgeon as Director	Mgmt	For	For	Against	Against
7	Advisory Vote on Remuneration Report	Mgmt	For	For	For	For
8	Approve Remuneration of Directors	Mgmt	For	For	For	For
9.1	Approve Performance Share Plan	Mgmt	For	For	For	For
9.2	Approve Restricted Share Plan	Mgmt	For	For	For	For
9.3	Approve Share Matching Plan	Mgmt	For	For	For	For
9.4	Authorize Board to Ratify and Execute Approved Resolutions Re: Remuneration Plans	Mgmt	For	For	For	For
10	Authorize Board to Ratify and Execute Approved Resolutions	Mgmt	For	For	For	For

**Nippon Telegraph & Telephone Corp.**

Meeting Date: 06/24/2016

Country: Japan

Meeting Type: Annual

Ticker: 9432

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Allocation of Income, with a Final Dividend of JPY 60	Mgmt	For	For	For	For
2.1	Elect Director Miura, Satoshi	Mgmt	For	For	For	For
2.2	Elect Director Unoura, Hiro	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Nippon Telegraph & Telephone Corp.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voiting Policy Rec	Vote Instruction
2.3	Elect Director Shinohara, Hiromichi	Mgmt	For	For	For	For
2.4	Elect Director Sawada, Jun	Mgmt	For	For	For	For
2.5	Elect Director Kobayashi, Mitsuyoshi	Mgmt	For	For	For	For
2.6	Elect Director Shimada, Akira	Mgmt	For	For	For	For
2.7	Elect Director Okuno, Tsunehisa	Mgmt	For	For	For	For
2.8	Elect Director Kuriyama, Hiroki	Mgmt	For	For	For	For
2.9	Elect Director Hiroi, Takashi	Mgmt	For	For	For	For
2.10	Elect Director Sakamoto, Eichi	Mgmt	For	For	For	For
2.11	Elect Director Shirai, Kazuhiko	Mgmt	For	For	For	For
2.12	Elect Director Sakakibara, Sadayuki	Mgmt	For	For	For	For
3	Appoint Statutory Auditor Maezawa, Takao	Mgmt	For	For	For	For

**Tokio Marine Holdings, Inc.**

Meeting Date: 06/27/2016

Country: Japan

Meeting Type: Annual

Ticker: 8766

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voiting Policy Rec	Vote Instruction
1	Approve Allocation of Income, with a Final Dividend of JPY 57.5	Mgmt	For	For	For	For
2.1	Elect Director Sumi, Shuzo	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

Institution Account(s): Investor Funds Series III - Global Dynamic

**Tokio Marine Holdings, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
2.2	Elect Director Nagano, Tsuyoshi	Mgmt	For	For	For	For
2.3	Elect Director Ishii, Ichiro	Mgmt	For	For	For	For
2.4	Elect Director Fujita, Hirokazu	Mgmt	For	For	For	For
2.5	Elect Director Yuasa, Takayuki	Mgmt	For	For	For	For
2.6	Elect Director Hirose, Shinichi	Mgmt	For	For	For	For
2.7	Elect Director Minura, Akio	Mgmt	For	For	For	For
2.8	Elect Director Sasaki, Mikio	Mgmt	For	For	For	For
2.9	Elect Director Egawa, Masako	Mgmt	For	For	For	For
2.10	Elect Director Kizawa, Toshitomi	Mgmt	For	For	For	For
2.11	Elect Director Fujii, Kunihiko	Mgmt	For	For	For	For
2.12	Elect Director Higuchi, Yasuyuki	Mgmt	For	For	For	For

**Sumitomo Mitsui Financial Group, Inc.**

Meeting Date: 06/29/2016

Country: Japan

Meeting Type: Annual

Ticker: 8316

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
1	Approve Allocation of Income, with a Final Dividend of JPY 75	Mgmt	For	For	For	For
2	Amend Articles to Amend Business Lines	Mgmt	For	For	For	For

**Vote Summary Report**

Date range covered : 04/01/2016 to 06/30/2016

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

**Sumitomo Mitsui Financial Group, Inc.**

Proposal Number	Proposal Text	Proponent	Mgmt Rec	ISS Rec	Voting Policy Rec	Vote Instruction
3.1	Elect Director Miyata, Koichi	Mgmt	For	For	For	For
3.2	Elect Director Ota, Jun	Mgmt	For	For	For	For
3.3	Elect Director Noda, Koichi	Mgmt	For	For	For	For
3.4	Elect Director Kubo, Tetsuya	Mgmt	For	For	For	For
3.5	Elect Director Yokoyama, Yoshinori	Mgmt	For	For	For	For
4.1	Appoint Statutory Auditor Teramoto, Toshiyuki	Mgmt	For	For	For	For
4.2	Appoint Statutory Auditor Tsuruta, Reiko	Mgmt	For	For	For	For

# Shropshire County Council

Q2 2016

The purpose of the **reo**<sup>®</sup> (responsible engagement overlay)<sup>\*</sup> 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**<sup>®</sup> 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**<sup>®</sup> 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	20
Milestones achieved	9
Countries covered	3

## Milestones achieved by issue



## Companies engaged by country



## Companies engaged by issue <sup>\*\*</sup>







# 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.

Name	Country	Sector	Priority company	ESG Rating	Themes engaged						
					Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Social and Environmental Governance
BP PLC	United Kingdom	Energy	✓	RED	●		●	●		●	
HSBC Holdings PLC	United Kingdom	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.

Name	Country	Sector	Priority company	ESG Rating	Themes engaged						
					Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Social and Environmental Governance
Glencore PLC	Switzerland	Materials	✓	ORANGE	●		●	●			
Lloyds Banking Group PLC	United Kingdom	Financials		ORANGE		●				●	●
Royal Bank of Scotland Group PLC	United Kingdom	Financials		ORANGE	●	●				●	●
Smith & Nephew PLC	United Kingdom	Health Care		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.

Name	Country	Sector	Priority company	ESG Rating	Themes engaged							
					Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Social and Environmental Governance	
Anglo American PLC	United Kingdom	Materials	✓	YELLOW							●	
British American Tobacco PLC	United Kingdom	Consumer Staples		YELLOW	●	●			●			●
GlaxoSmithKline PLC	United Kingdom	Health Care	✓	YELLOW		●			●	●	●	●
Next PLC	United Kingdom	Consumer Discretionary		YELLOW	●							
Royal Dutch Shell PLC	Netherlands	Energy	✓	YELLOW	●		●	●		●		
Tesco PLC	United Kingdom	Consumer Staples	✓	YELLOW	●			●		●		
Tullow Oil PLC	United Kingdom	Energy		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.




Name	Country	Sector	Priority company	ESG Rating	Themes engaged							
					Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Social and Environmental Governance	
AstraZeneca PLC	United Kingdom	Health Care		GREEN		●				●	●	●
Aviva PLC	United Kingdom	Financials		GREEN						●		
BT Group PLC	United Kingdom	Telecommunication Services		GREEN		●						
J Sainsbury PLC	United Kingdom	Consumer Staples		GREEN				●				
Pearson PLC	United Kingdom	Consumer Discretionary		GREEN						●		
Unilever PLC	United Kingdom	Consumer Staples		GREEN		●						●
Vodafone Group PLC	United Kingdom	Telecommunication Services		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	Themes engaged						
					Environmental Standards	Business Ethics	Human Rights	Labour Standards	Public Health	Corporate Governance	Social and Environmental Governance
 Royal Dutch Shell PLC	Netherlands	Energy	✓	YELLOW	●						
 BP PLC	United Kingdom	Energy	✓	RED						●	
Glencore PLC	Switzerland	Materials	✓	ORANGE	●						
HSBC Holdings PLC	United Kingdom	Financials	✓	RED						●	
Smith & Nephew PLC	United Kingdom	Health Care		ORANGE						●	
Standard Life PLC	United Kingdom	Financials		GREEN						●	
 HSBC Holdings PLC	United Kingdom	Financials	✓	RED						●	
Royal Dutch Shell PLC	Netherlands	Energy	✓	YELLOW		●					
Tullow Oil PLC	United Kingdom	Energy		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



# ESG Viewpoint

April 2016

Matthias Beer, Associate Director, Governance and Sustainable Investment

## Living wages in the garment supply chain

> **Goal:** Address wage concerns to mitigate supply chain labour standards risks

> **Engagement since:** 2015

> **Sectors involved:** Textiles, Apparel and Luxury Goods

### Key summary

- Most apparel companies have been able to review and improve labour standards in their supply chains in recent years, yet workers' wages in many markets persistently remain below the cost of living.
- Despite some targeted corporate initiatives to address the question of living wages among supply chain workers, there is no evidence of any significant progress to date.
- Only two out of 40 companies we engaged have committed to a time-bound strategy to improve supply chain wages.

### Background

Supply chain workers in many low-cost garment-producing countries remain trapped in poverty with income levels too low to afford basic necessities, such as sufficient food and adequate housing. This is leading to serious concerns about the welfare of more than 60 million people – and their direct dependents – employed in the textile, clothing and footwear sectors globally.

For more than a decade, we have been engaging with apparel companies on a range of supply chain labour

issues, including health and safety practices, child labour policies and concerns over migrant labour standards. While we noted many improvements during this period, the Rana Plaza building collapse in Bangladesh in 2013 was a stark reminder of the persistent shortcomings and risks in many countries which supply the global apparel industry. There have been some important breakthroughs, including the introduction of a minimum wage and enhanced monitoring of social and safety standards. However, underlying structural issues – such as poor levels of governance and weak institutions – which could lead to similar catastrophes repeating, remain largely in place.

The issue of supply chain wages is intricately linked to such broader market failings that have eroded labour standards in many low-cost garment-producing countries.

### Sourcing efficiency vs. risk

Clothing retailers operate in a fragmented and highly competitive market. Improving supply chain efficiency, gained through order volume and sourcing location, is crucial for retailers to achieve savings. In the past, many companies have increasingly shifted their sourcing into low-cost, low wage inflation countries like Bangladesh, Cambodia and more recently Myanmar.

The benefits of low costs in many of these producing countries need to be balanced against the disadvantage of longer lead times in shipping orders back to Europe and

North America. In addition, the increased risk associated with these countries, including business continuity issues and political risk, can result in even longer lead times for bringing products to market. This is crucial for many retailers where the success of the business model is reliant on being able to offer the latest fashion trends quickly and at an affordable price. As such, the Western apparel companies should have an incentive to develop innovative business models which seek to establish more sustainable sourcing markets where supply chain efficiency and risk factors are balanced.

However, the lack of progress in tackling labour standards continues to represent real business risks for suppliers from low-income countries and Western buying companies alike. In the context of in-work poverty, low wages can be linked at a factory level to high turnover of labour, restricted skills development as well as strikes and social unrest<sup>1</sup>. As a result, suppliers are more likely to experience operational disruptions and reduced productivity<sup>2</sup>. In addition to reputational risks, these factors can negatively affect the security of supply for global brands and retailers.

#### Definition: Living wage

Living wage is defined as the ability to earn enough in a standard week to cover all basic needs and some discretionary income for the worker and their immediate dependents. The concept of a living wage is established in several International Labour Organization (ILO) declarations and is acknowledged in the United Nations (UN) Universal Declaration of Human Rights and in the UN International Covenant on Economic, Social and Cultural Rights.

#### Engagement action

In 2015, we started an engagement project on this issue. We reached out to more than 40 textiles and apparel companies to discuss their approach for addressing wage concerns in their global supply chain. We asked for details on companies' risk exposure and mitigation measures as well as on specific activities focused on living wage questions. We also probed how companies monitor suppliers' general payment practices and how they assess procurement strategies in terms of their potential impact on wage levels.

To get a better understanding of leading practices in the garment industry, we initially spoke with five companies well-

known to be working on the issue of supply chain wage levels. These were **Adidas, Hennes & Mauritz (H&M), Inditex, Marks & Spencer Group, and Associated British Foods** (parent company of UK fashion retailer Primark). Following these discussions, we developed a more detailed list of questions and reached out to a further 35 companies to review their approaches. All companies were assessed on three key-factors that can positively influence wage-setting processes: *sustainable purchasing practices, supporting workers' rights and collaborative action*.

#### Findings of engagement

Following our engagement with 40 companies, we divided them into three groups with distinct standard of practices around living wage.

- **Leaders:** 16 provided evidence of initiatives focused on wage levels in the supply chain. All five of the companies we spoke to at the start of this project Adidas, H&M, Inditex, Marks & Spencer Group, and Primark were in this group.
- **Middle-of-the-pack:** 14 companies had considerable supplier management and audit programs in place but did not carry out any specific actions to increase wages above the legal minimum wage. Although some executives expressed awareness of the risk of inadequate supply chain wages, their corporate response revolved primarily around monitoring actions linked to payroll systems, such as double bookkeeping, withholding social benefits payments and faulty overtime records.
- **Laggards:** 10 companies either did not review the risk of low supply chain wages or declined to discuss with us this topic altogether.

#### Barriers for changing wage levels

The following list shows key challenges companies highlighted to us as well as the main arguments we provided in response:

1. **Suppliers are independent companies:** Brands and retailers cannot pay supply chain workers higher wages as they are not their direct employers. **Our view:** *Meeting living wage levels can be incorporated in supplier contract requirements.*
2. **Changing wage practices requires regulatory action:** Some corporates point at the role of governments to ensure that legal minimum wage levels are adequate without outlining a strategy in low-cost markets with persistent wage concerns. **Our**

<sup>1</sup> Ethical Trading Initiative (ETI): Living wages in global supply chains, 2015.

<sup>2</sup> Societe Generale: Social risk in the clothing retail supply chain, 2014.



**view:** Where regulation and market mechanisms are failing, companies individually and collectively are responsible to encourage governments to rectify the situation of low wages.

3. **Ineffective payment systems:** Standard supplier codes of conduct require compliance with countries' legal minimum wage or the industry average. Many companies pointed out that the industry must first ensure pay arrangements are in accordance with contract agreements which are implemented consistently. **Our view:** *Commitments to achieve living wage standards should be complementary to efforts targeting more fundamental shortcomings in pay systems.*
4. **Competitive barriers:** Companies hesitate to pay higher prices to suppliers for fear of putting themselves at a competitive disadvantage. **Our view:** *Competitors sourcing from the same suppliers and factories also presents opportunities for cooperating on developing supplier standards in partnership and to achieve living wage levels over time.*
5. **Calculating a living wage:** The actual measurement and setting of living wage levels remains subject to ongoing debate and many companies argue better methodologies need to be developed before wage benchmarks can be adopted more widely. **Our view:** *There are opportunities for brands and retailers to become part of the solution by contributing to the development of living wage estimates and benchmarks.*

#### Purchasing practices and living wage commitments

Standard supplier codes used by most companies in our sample include requirements for wage levels to comply with the country's legal minimum wage or the industry average. However, legal minimum wages in many low-cost sourcing countries fall short of meeting the cost of living. Companies that formerly recognise this difference between a minimum and a living wage in their supplier codes were more likely to have developed practices to improve supply chain wages.

All companies with specific living wage initiatives had reviewed their purchasing practices and considered steps to mitigate their impact on wage. The steps implemented included working with suppliers to improve productivity, developing more robust payment structures, and training programs for workers and suppliers on building social dialogue and industry relations.

Marks & Spencer and H&M were the only companies in our

sample that had publicly committed to a timeline for improving supply chain wages. Other companies did not link their living wage programs to specific goals or timelines but focused instead on pilot projects that were being tested for their impact on improving supply chain wages. In addition, some companies like Adidas joined up with external organisations, such as the Fair Labor Association (FLA), which launched an ambitious fair compensation program that will benchmark data on supplier wages over the next years and measure progress among its members to increase wages<sup>3</sup>.

#### Wage benchmarks and transparency

Companies' approaches to address living wage concerns have been met with some criticism, in particular the absence of any references to public guideline figures such as a living wage benchmarks. This omission has raised questions about ambitions and targets; at what salary figure will the company consider suppliers to have sufficiently increased wages<sup>4</sup>?

Moreover, a lack of commitment to specific targets and timelines to improve wages can create uncertainty about the overall accountability of corporate efforts. Companies and suppliers may have implemented business strategies aimed at enabling the achievement of living wages, but ultimately the results count: did workers in the end receive sufficiently higher wages? The findings of some pilots released so far suggest wage increases of just above the legal minimum wage, and still below widely used living wage estimates.

Corporate transparency on supply chains has improved generally, with companies like Adidas, H&M, **Levi Strauss & Co**, **Puma** and **Nike** having publicly disclosed their list of garment suppliers. This is an important development in as far as it enables civil society to monitor wage improvements at factory level. However, beyond this transparency, companies have generally been reluctant to commit to set living wage benchmarks. Some have developed internal benchmarks, yet these have not been publicly disclosed.

#### Collaborative approaches and collective bargaining

Instead of committing to public wage benchmarks, many companies prefer instead to support the establishment of appropriate mechanisms for determining wage levels, such as through collective bargaining agreements.

Most companies with explicit strategies on living wages work in close partnership with trade unions. Inditex, for example, was the first company in 2007 to sign a global framework agreement with IndustriALL which helped to reinstate

<sup>3</sup> See <http://www.fairlabor.org/>

<sup>4</sup> Labour behind the brand, 2016: <http://labourbehindthelabel.net/wp-content/uploads/2016/02/DoWeBuyIt-spreadssml-1.pdf>

workers expelled for being union activists, raise salaries and promote freedom of association in countries where unionisations has been weak. H&M also works with IndustriALL and other local trade unions to provide trainings for suppliers and workers.

Inditex, H&M and Primark initiated a top-down approach to improve supply chain wages: they joined efforts with a few other brands to work in collaboration with the global union IndustriALL on a program ACT (Action, Collaboration, Transformation) to kick-off industry level collective bargaining with national governments to improve minimum wage levels<sup>5</sup>.

Collective agreements, freely negotiated between employers, employees and elected trade union representatives, undoubtedly represent a crucial mechanism to address some of the structural power imbalances that can lead to an eroding of labour standards and wage levels. However, they are not mutually exclusive with using living wages benchmarks. In fact, most wage benchmarks include the input from multiple stakeholders, including employees.

When promoting collective bargaining, it is also important to consider the possibility of workers negotiating for wages below the cost of living, especially in situations with strong downward price pressures and unions operating in hostile environments. Therefore, the outcomes of collective agreements need to be carefully assessed within the context in which they were negotiated. In and of themselves they are not a guarantee for achieve living wage levels.

### Conclusion and next steps

Achieving changes to supplier wage practices requires corporates to develop initiatives on a number of levels – ranging from scaling up pilot projects at factory level to working collaboratively on an industry level to influence market-wide standards. While a significant number of companies we engaged have recently launched new schemes aimed at addressing supply chain living wage issues, there are still few signs of any substantial progress. In most cases it is still too early to identify which programs are most successful in their implementation and outcomes. We are planning to review the progress of these initiatives as their results will be disclosed over the coming years.

In the meantime, we will be building on our engagement on the living wage theme by focusing on collective bargaining processes. The recognition of workers' right to freedom of association and collective bargaining provide an important precondition for addressing many supply chain labour standards issues (such as reasonable working hours, health and safety, discrimination, wage levels). In 2016, we have begun asking brands and retailers to detail how collective worker rights are acknowledged in their code of conduct, and what steps are taken to enable effective collective engagement with workers in the supply chain.

<sup>5</sup> ACT Factsheet: [http://www.industriall-union.org/sites/default/files/uploads/documents/2015/Cambodia/act\\_factsheet2.pdf](http://www.industriall-union.org/sites/default/files/uploads/documents/2015/Cambodia/act_factsheet2.pdf)

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# ESG Viewpoint

July 2016

Daniel Jarman, Associate Director, Governance and Sustainable Investment

## Shareholder spring 2016: A contentious voting season

- Executive pay awards have attracted significant investor discontent this year in Europe.
- Shareholders have been emboldened to use their voting rights to strike down inappropriate pay plans for executives and vote against board directors in a number of high profile revolts.
- The high levels of votes 'against' represent a defining moment for shareholders and UK boards. It remains to be seen whether this is the new normal or a "flash in the pan".

### Background

The 2016 voting season proved to be one of the most contentious ever. The term "Shareholder Spring" reappeared in media coverage as investors voted against executive pay resolutions at a succession of companies in Europe – particularly in the UK. Despite many years of engagement between investors and companies, significant concerns remain over corporate governance practices at major companies.

Back in the spring of 2012 we witnessed overall investor dissent at shareholder meetings rise to a level not seen in more than a decade with the main focus on executive pay. CEOs were toppled and high profile business figures such as Sir Martin Sorrell of **WPP plc** had to justify the level of pay they received. As companies were experiencing this increased level of shareholder dissent, the Department for Business Innovation and Skills (BIS) sought to enhance shareholder rights by requiring companies to seek binding shareholder approval for their remuneration policy (at least once every three years starting in 2013/14) before they could grant awards.

Companies and investors alike hoped at the time that with increased shareholder powers, engagement and guidance

on executive remuneration, another 2012-style 'Shareholder Spring' would be avoided in future. However, four years on, we have witnessed levels of dissent exceeding those of 2012 with, what some commentators are referring to as, "Shareholder Spring II".

Deteriorating corporate earnings, the shift in energy prices and continued sluggish economic outlook around the globe have all played a part in setting the tone for this year's events. Nevertheless, the high levels of dissent seen at some companies has surprised observers.

Pay is not the only issue which attracted shareholder discontent this year. We have seen high dissent levels with respect to director elections and high levels of support for shareholder proposals at underperforming companies.

These trends are likely to continue in the UK market during the second wave of shareholder meetings in July, principally covering companies with financial years ending in March. It is not yet clear whether uncertainty following the UK EU referendum outcome will influence investor voting patterns. Sustained levels of votes against management in July would herald a defining shift in investor attitudes towards executive pay. We plan to review these developments later this year.

### UK pay - jargon buster

In the UK there are two types of pay related resolutions on which investors can vote.

**Remuneration policy:** This defines the framework adopted by a company to decide on executives' pay. This includes the balance between salary, annual bonus, long-term equity plan and pensions. It also details the key performance indicators and targets. This is a binding vote – so companies have to follow investors' wishes. It is voted on generally every three years.

**Remuneration report:** This is an annual vote on how the remuneration policy was implemented. This would involve what performance was achieved and what payouts were made. This is an advisory vote – so companies retain discretion on whether the investors' wishes are followed.

### Remuneration in focus

Following the 2015 voting season, in which only one remuneration report was voted down at **Intertek**, few in the market were anticipating the forthcoming events. Many assumed that this would be a year when management maintained a steady course before the next round of binding remuneration policy votes in 2017.

However, as meeting information was released, significant press coverage around the 2016 voting season began to hone in on remuneration at large UK companies. An increased attention from wider society on the level of pay awarded to executives was supported by large international investors gaining an appetite for voting against egregious pay packages following years of largely watching from the side-lines. The scene was set for an eventful season.

As at the time of writing (28 June 2016), we had seen five remuneration related proposals at FTSE All-Share companies voted down, two of which were binding. Many others had received high levels of dissent with **Shire** dodging a bullet with an extremely narrow 50.55% approval rate in response to a 25% salary increase for the specialty pharmaceutical company's CEO.

This year we saw the first binding remuneration policy voted down at the engineering company **Weir Group**.

Contradicting the long-held view that investors typically shy away from voting against binding remuneration resolutions, over 72% of investors voted against the policy resolution. In addition, at the same meeting, a similar percentage of investors did not support the proposed long-term incentive plan.

Weir Group proposed to grant share awards to participants that were restricted to vest over several years although the

company did not include performance conditions. This was in response to the challenging operating environment and a desire to retain and motivate staff. Given the binding nature of the proposals, the company will have to go back to the drawing board and present something more palatable to shareholders in future.

In mid-April, **BP** lost its remuneration report vote with approximately 59% of shareholders choosing not to support management. In a year when the energy company had announced its largest ever loss of \$6.5 billion, the remuneration committee approved maximum awards under the annual bonus scheme and vesting of the long-term incentive awards to board level executives. The CEO Bob Dudley's pay totalled £14m for 2016. This award, in light of company performance and judgements made by the remuneration committee, was deemed to be excessive.

We engaged with the company prior to the AGM and are currently continuing this conversation ahead of the 2017 remuneration policy vote. The majority of shareholders recognised that the problems arose due to a pay-for-performance disconnect at the company. Investors and the company are now required to draw upon this experience to ensure safeguards are built into the remuneration policy to avoid such perverse outcomes in future.

Elsewhere at **Smith & Nephew**, 53% of shareholders voted against the annual remuneration report of the medical devices company. The point of contention was the use of discretion by the remuneration committee, which adjusted the performance result for the long-term incentive award to allow 25% of the potential maximum award to vest under the total shareholder return (TSR) element. Over the period the company had achieved approximately 80% absolute return and outperformed the upper quartile of the FTSE100 on a relative basis. However, against its chosen comparator peer group, the company finished slightly below median; yet the remuneration committee decided that an adjustment to this result was warranted.

Whilst the above two companies set the voting season off to a momentous start, they were by no means the only companies to receive high levels of dissent. Some further interesting cases are highlighted below.

- **Paysafe Group:** Remuneration report voted down. Significant increase in salary awarded to the CEO along with increases to bonus limits. The company also chose not to disclose sufficient information relating to the annual bonus performance conditions and also made a significant non-performance related award to the CFO on recruitment.

- **Anglo American:** Performance issues following collapse in commodity prices resulting in a 75% fall in share price over the year under review. The remuneration committee chose to continue awarding long-term incentive grants at their normal level, without reducing them on account of poor underlying performance. Due to the share price fall, this resulted in a much higher number of shares being awarded which would provide a large payout should share price recover.

In continental Europe, we also saw high profile cases of shareholders revolting against pay. A majority of investors voted against pay plans at French carmaker Renault and German lender Deutsche Bank. Of Renault's investors, 54% including the French government, voted against CEO Carlos Ghosn's 2015 remuneration package (€7.2 million). This was the first time that shareholders have rejected a say-on-pay proposal in France in the two years since it was introduced. Renault's board chose not to reduce the CEO's pay and this caused a swift response by the government. It retaliated by toughening market rules and introducing a binding vote on pay in France. The rejection of the remuneration system at Deutsche Bank stemmed from concerns about the poor link between pay and performance. In addition, in a year when the company did not award bonuses or long-term incentives, investors nevertheless questioned the discretion that the Supervisory Board could exercise over awards in future.

#### Outcome and next steps

Despite the increased disclosure, shareholder engagement, remuneration committee independence and the binding remuneration policy vote, so far this year investor support for pay overall is going down, not up. The second phase of shareholder meetings in the UK will take place in late-July and this may bring further upsets for companies. We did not support any of the resolutions covered and are planning to engage with the companies on the issues. We will be particularly critical of remuneration committees which chose to ignore investor views. We plan to release an update in the autumn on our engagement activities and future plans. With the next round of remuneration policy votes approaching in 2017, we expect a continued and intense focus on pay in the coming year.

#### Director elections

Remuneration was not the sole issue that led to high levels of votes against management. The re-election process for UK board directors has become more rigorous in recent years as a result of the introduction of annual director re-elections at the majority of UK companies and amendments to the Listing Rules to require companies with a controlling shareholder to grant minority shareholders a separate vote on the election of independent directors.

The force of the new Listing Rule was felt at majority controlled **Ferrexpo** where 75% of minority shareholders did not support the re-election of five non-executive directors. The iron ore company is now required to hold a shareholder meeting to seek approval of the re-election of these directors. This will take place following a consultation process to understand investor concerns.

Housebuilder **Persimmon**, also received an unusually high level of dissent (47%) the election of new Non-Executive Director Nigel Mills. Having served as a Senior Adviser at Citigroup Global Markets, and also as Chairman of Corporate Broking at Citi between 2005 and 2015, investors questioned Mr Mills's independence given that Citi is one of Persimmon's financial advisers/stockbrokers. His appointment resulted in further reduction in the proportion of independent representatives on the board which can be detrimental to the investor interests.

Whilst the board maintains Mr Mills is independent, the company intends to meet with shareholders to discuss the issue.

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# ESG Viewpoint

July 2016

Vicki Bakhshi, Head of Governance and Sustainable Investment

## Perspectives on Brexit: The impact on responsible investment

- Short-term impacts of the Brexit vote may create market headwinds and regulatory uncertainty.
- But at times of heightened risk, long-term investment thinking becomes even more important.
- The dissatisfaction behind the vote adds to momentum for a more sustainable form of capitalism.

It is still early days following the 'Brexit' vote with the political and market fallout continuing. Wider market impacts were discussed in detail in a note by BMO Global Asset Management's EMEA investment teams\*. Here we focus in on one of our core business areas: responsible investment.

Overall, our view is that the momentum behind responsible investing is global, and the Brexit decision will not put this into reverse. By their very nature, activities such as engagement with companies on the management of environmental, social and governance (ESG) issues are long term in nature, and not affected materially by market volatility. However, the wide-ranging causes and consequences of the referendum result will change the context in which we as a UK-based responsible investor operate.

### Investment implications for the Responsible Funds

Our Responsible Funds are actively-managed funds which screen out companies involved in controversial activities or that fail to meet minimum sustainability standards, and positively favour investment in companies with strong management of environmental, social and governance (ESG) risks and opportunities.

In the short term, equity market volatility and the flight to 'defensive' sectors can work to the disadvantage of ethically-screened funds, which typically have below-market exposure to sectors including tobacco, defence and extractives. However, looking beyond this period of unusual market activity, the rationale for our long-term investment approach across the Responsible Funds range remains compelling and is perhaps enhanced. Across both equities and credit, we seek to invest in quality companies with sound long-term strategies and solid governance that offer superior growth. These companies should still derive better share price performance over the mid-to-long term, and should be well-placed to adjust to reflect dramatically new realities.

### Company engagement – don't neglect the long term

In times of uncertainty or economic weakness, companies tend to retrench and go into short-term crisis management mode. We believe at BMO Global Asset Management (EMEA) that Brexit is likely to lead to a UK economic slowdown, though with sterling weakness providing some comfort to exporters. Faced with weaker growth and regulatory uncertainty, we anticipate that in the UK market in particular, but also potentially across the EU, getting Board time and

attention focused onto long-term issues such as climate change is likely to be more challenging.

In our company engagement we will be sensitive to the more difficult environment, but will continue to emphasise the importance of long-term thinking, which is perhaps now more, rather than less, important.

### Regulatory uncertainty

The vote has no immediate regulatory implications, given that Brexit will take at least two years and potentially longer. However, the UK's voice will be less influential at the European table, and the uncertainty over exactly how our legislation will be disentangled from the EU will hang over the UK economy.

For the financial services industry as a whole, the key issue will be 'passporting' – the ability of asset managers in any EU jurisdiction to market across the region. Successfully resolving this issue will be key to retaining London as a centre of excellence for responsible investment.

More specifically, the UK had been an advocate for the inclusion of strong responsible investment principles in key European legislation, particularly the Capital Markets Union Directive and the revisions to the European Shareholder Rights Directive. Losing influence could be a negative factor in the finely-balanced negotiations underway.

Another key area will be climate and energy policy, where European legislation such as the EU emissions trading scheme has been driving towards a more common European approach. However, the EU is no longer the primary driver of the UK's energy policy. The Paris deal sets a broader global direction, and in the UK, an ambitious 2032 emissions goal has just been set – the change in the relationship with the EU is unlikely to materially impact the direction of travel. Of greater potential significance is the political fall-out from the Brexit vote, which included the abolition of the Department for Energy and Climate Change and incorporation of its functions into the Department of Business, Energy and Industrial Strategy. This was widely viewed as a step backwards, though it is yet to be seen whether this was a change in name or a change in substance.

### Brexit and sustainable capitalism

Beyond these direct impacts on responsible investment activities lies a deeper question about the

state of capitalism. Certainly, the vote reflected dissatisfaction with the European Union as an institution. But it also reflected a much deeper malaise, particularly amongst lower-income groups: disempowerment, a mistrust of institutions, and anger that the spoils of capitalism have not been fairly shared. EU membership and immigration became the scapegoats. This is not unique to the UK: it is also seen in the rise of populist, anti-establishment parties across Europe, and indeed elsewhere in the world.

Within this challenging context lies an opportunity for investors to be part of a move towards a more sustainable form of capitalism. Getting across the message that investors can actually be a force for good – by financing sustainable companies, through investor engagement, and active involvement in public policy – can be one part of changing the narrative about whose purpose capitalism actually serves.

Bringing this back to our engagement with companies, we see these deeper root causes behind Brexit as a warning shot to companies. Disempowerment and mistrust are as much a risk to businesses as they have proven to be to governments. Our engagement around human capital management and supply chain labour standards, already a focus for BMO Global Asset Management (EMEA) this year, takes on added impetus. Companies that genuinely invest in their staff and their careers, have a thoughtful approach to such issues as paying a fair living wage and avoid the egregious excesses of executive pay are more likely to gain loyalty and thrive in the more uncertain world ahead, and at the same time will make their own contribution to the wider global challenge of inequality.\*\*

*\*Early impressions: Perspectives on Brexit*, can be found on our website at:

[www.bmogam.com/uk/intermediaries/news-and-views/](http://www.bmogam.com/uk/intermediaries/news-and-views/)

*\*\*ESG Viewpoint- Living Wage-April 2016*, can be found on our website:

[www.bmogam.com/uk/institutional/products/responsible-investment/](http://www.bmogam.com/uk/institutional/products/responsible-investment/)

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